



12

BRANDS

32

BUSINESS
UNITS

14

ASIAN
CITIES

HRnetGroup

As part of our 30th Anniversary celebrations, we are giving out one S\$30 shopping voucher to each shareholder who holds shares of the Company through their securities accounts with the Central Depository (Pte) Limited (excluding securities sub-accounts) and participate in this AGM by submitting valid votes. The completed Proxy Form must reach the Company's Share Registrar no later than 9.00 a.m. on 25 April 2022 in order for the participation to be counted as valid. Refer to Proxy Form for more details.



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OUR BUSINESS MODELS

Talent is the lifeblood of all companies. With on-site recruiters across 14 cities, the depth with which we go into talent verticals, and the speed at which we are able to acquire talent for our clients are unparalleled.

Organisations take comfort in knowing that there are multiple models with which we can partner them. From Executive Search for senior hirers to Business Process Outsourcing, we work with each hiring manager to determine what works best for the organisations.

PROFESSIONAL RECRUITMENT

When we work with our clients, our primary focus is to ensure that the talent placed truly supports the goals of the organisations they are a part of. Our commitment to the process commences before any candidates are even longlisted, and extends long after the selected talent starts work. Helping the talent assimilate and adjust, as well as ensuring his continued development are part and parcel of what we do.

The candidate selection process involves us going beyond a candidate's resume, experience and accomplishments. We take into account culture, working dynamics, along with the potential chemistry and fit between a candidate and the client's organisation.

The arc of our approach covers far beyond the standard delivery of a talent. We mould our search process to ensure that we are first and foremost, partners above all else.

BRANDS

HRnetOne

PeopleSearch

PeopleFirst

SEARCHASIA
MANAGING CAREERS PROCURING TALENT

RECRUITLEGAL
MANAGING LEGAL CAREERS PROCURING LEGAL TALENT

HRnetRimbun

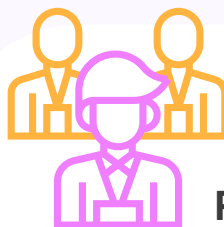
 **REForce**



**INTERVIEWS,
RECOMMENDATIONS
AND SELECTION**



**LIAISON
AND
MANAGEMENT**



**7,794
PLACEMENTS**



**CONTRACT
NEGOTIATION**



**IN ALL
14
CITIES**



**ONBOARDING &
OFFBOARDING**



Singapore, Kuala Lumpur,
Hong Kong SAR, Taipei, Tokyo,
Shanghai, Bangkok, Beijing,
Seoul, Guangzhou, Jakarta,
Suzhou, Shenzhen, Chengdu

OUR BUSINESS MODELS

FLEXIBLE STAFFING

The fast-moving pace of today's business climate requires companies to be constantly adaptive and agile. Flexible staffing has been a consistently growing trend because employers see the overall value and benefit it provides them.

Increased flexibility along with reduced hiring risks and lowered overheads are just some of the key reasons for this shift. It provides businesses the luxury of adding to their talent pool only when the need arises. The date and time frame that a contract staff is required can be easily scheduled based on their business needs. Whether it is for a short-term project-based work or as temporary replacement to permanent hires, our clients have access to our stable pool of resources that they can tap on easily. It presents an economic win for businesses to have access to talents as needed instead of taking on the cost of hiring and training permanent employees.



PLACEMENT OF
**JUNIOR TO
MID-LEVEL
POSITIONS**



**INTERVIEWS,
RECOMMENDATIONS
AND SELECTION**



**CONTRACT
NEGOTIATION**



**ONBOARDING &
OFFBOARDING**

**LIAISON
AND
MANAGEMENT**



**54,448
CONTRACTORS**



**BACK TO
BACK**

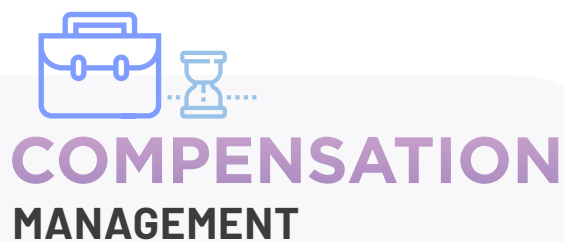
CONTRACTS WITH
CLIENTS AND CANDIDATES



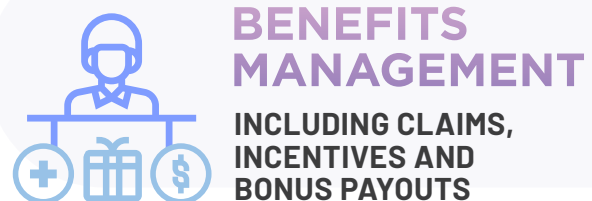
In Singapore,
Hong Kong SAR,
Kuala Lumpur,
Shanghai, Taipei
and Jakarta

OTHER SERVICES

PAYROLL



INCLUDING SALARY PAYMENT,
STATUTORY PAYMENT AND FILING



INCLUDING CLAIMS,
INCENTIVES AND
BONUS PAYOUTS



OTHER SERVICES

RECRUITMENT PROCESS OUTSOURCING (RPO)



OTHER SERVICES

BUSINESS PROCESS OUTSOURCING (BPO)

Full management of all business operational processes. Includes everything in RPO plus the following:



**BRAND
MANAGEMENT**



**EMPLOYEE
MANAGEMENT
AND
ENGAGEMENT**



**TRAINING AND
DEVELOPMENT**



WHERE WE ARE

Our geographical footprint across Asia comes from
29 years of organisation-building

TOKYO

JAKARTA

BANGKOK

SHANGHAI

SUZHOU

SHENZHEN

SEOUL



WE ARE CURRENTLY OPERATING IN

14 ASIAN

TALENT MARKETS

HONG KONG
SAR

SINGAPORE

GUANGZHOU

BEIJING

TAIPEI

KUALA
LUMPUR

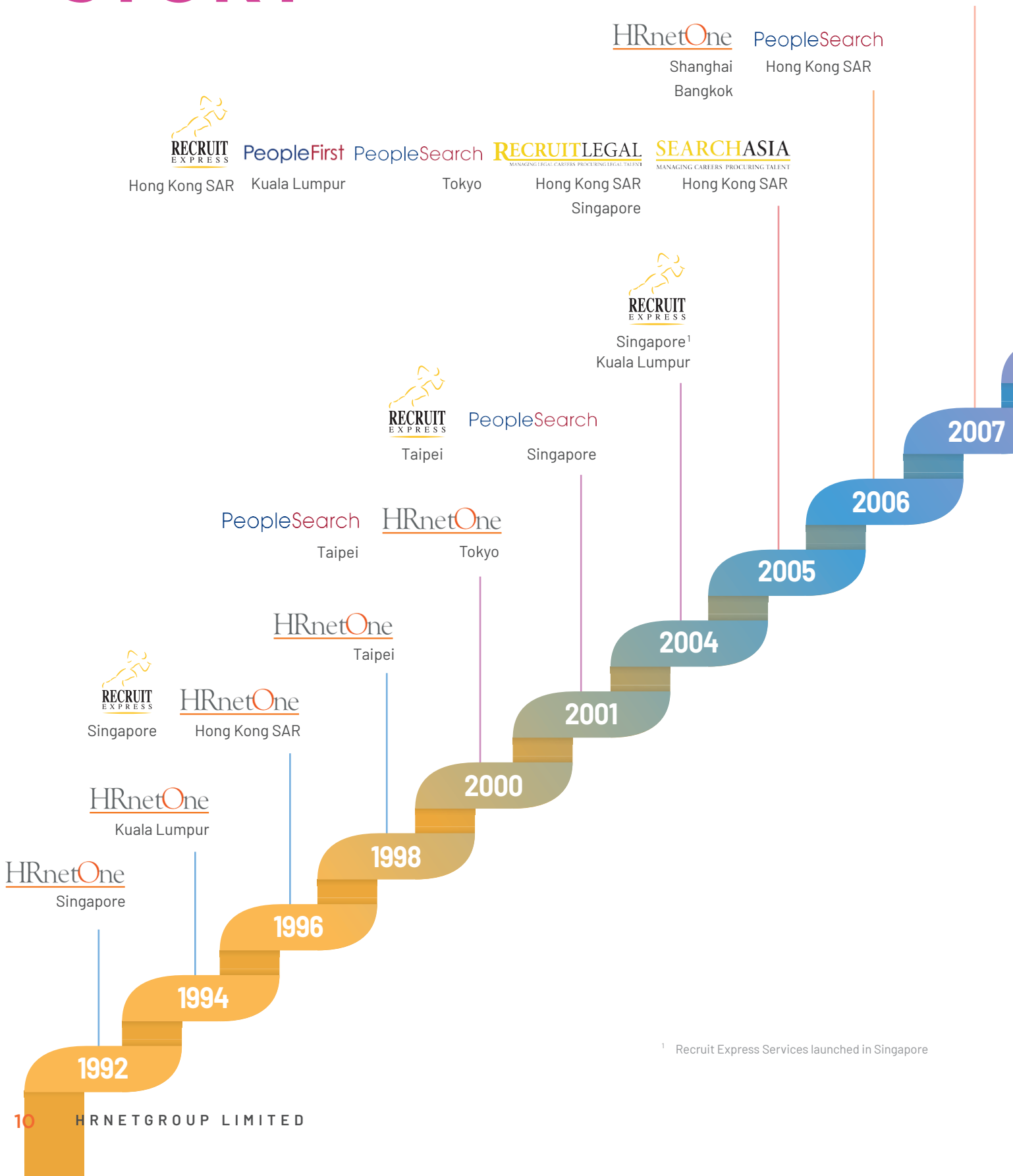
CHENGDU



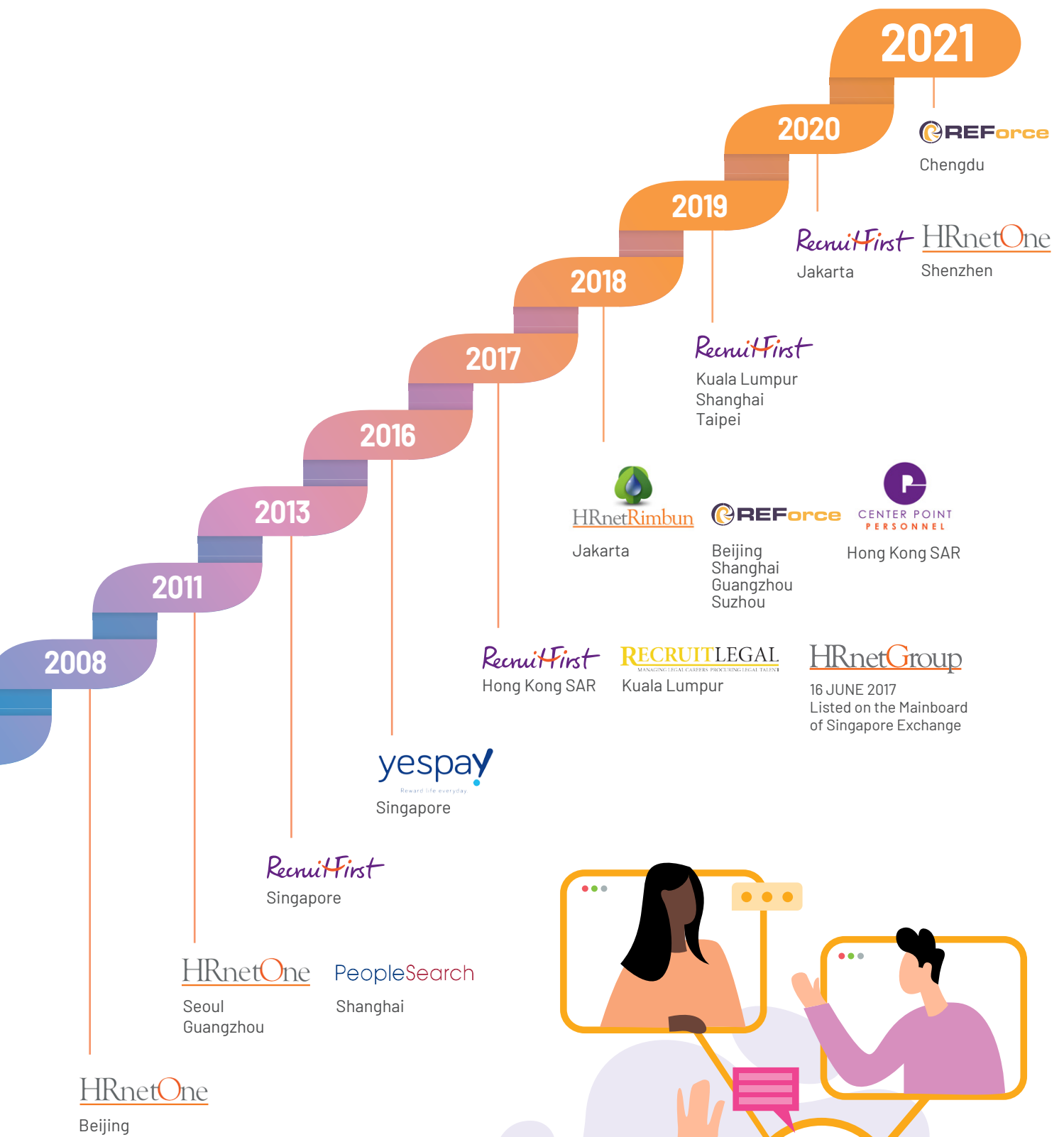
OUR GROWTH STORY

SEARCHASIA
MANAGING CAREERS. PROCURING TALENT

Singapore



¹ Recruit Express Services launched in Singapore

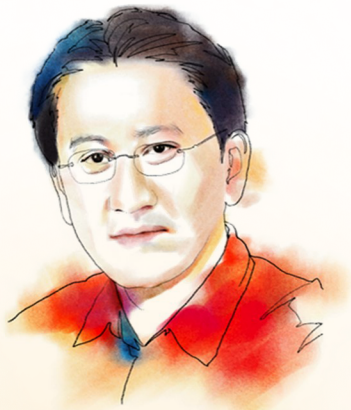




MEET OUR LEADERS

HEARTS AT THE HELM

BOARD OF DIRECTORS



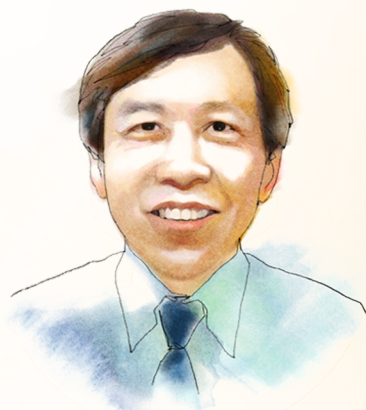
PETER SIM

Founding Chairman

Peter Sim is our Founding Chairman. He founded the company in 1992 and has over 40 years of expertise in social work, human resource management, and talent acquisition. He is the “Nose” when it comes to people, with an uncanny knack for assessing for suitability. Nothing gets past him!

Having turned 68, Peter continues to keep 12-hour days on Zoom, constantly engaging with our people across the 14 cities we operate in. Video-conferencing suits him fine since he can be in Seoul, Shanghai and Jakarta at 9am local time respectively. Neither crises nor pandemic fazes him, it is how we organise ourselves, how we refine our services and give our clients more than they dreamed of asking which he focuses on, which keeps us running ahead.

Peter has played various HR roles at organisations including McDermott South East Asia Pte Ltd, the Monetary Authority of Singapore, Singapore Aerospace Pte Ltd and Thomson Consumer Electronics Pte Ltd. His last role before founding HRnetOne was as Regional Human Resource Director of Honeywell SEA Pte Ltd. He graduated with a Bachelor of Arts from the University of Singapore in 1976 and is also an associate of the Institute of Chartered Secretaries and Administrators, UK.



JS SIM

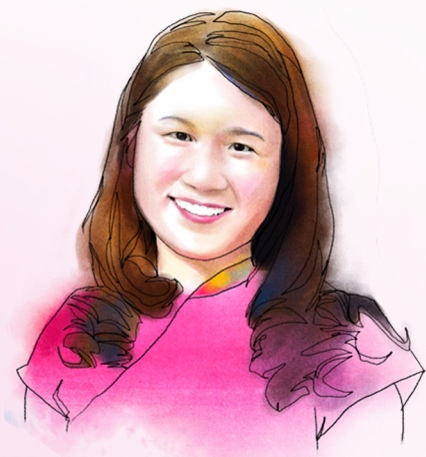
Executive Director and Chief Executive Officer of Recruit Express Group of Companies

If you were to look up the personality traits of those born in the year of the Rooster, you'll find that diligence, resourcefulness, courage, talent, and confidence are some of the common descriptions used. Not surprisingly, JS embodies these very characteristics. He is the personification of what happens when humility and practicality combine with intelligence and determination.

As the Chief Executive Officer of Recruit Express, Recruit Express Services, Recruit Legal and SearchAsia, JS leads over 300 people across Singapore, Taipei, Hong Kong SAR and Kuala Lumpur. Every single candidate who aspires to join Recruit Express Group has to be interviewed by him, and it is the stuff of legends that leaders are super pumped when he approves a candidate for hire. Thereafter, JS personally conducts the sales training for this elite squad, and tracks them in the monthly missive he sends to his leaders.

JS started his career in 1982 with Aurora Products Pte Ltd and was Head of Personnel before joining General Electric Intersil Pte Ltd in 1983. Prior to joining Recruit Express, he was the Regional Human Resource Director of Motorola Electronics Pte Ltd. He graduated with a Bachelor of Science from the National University of Singapore in 1982 and received a Graduate Diploma in Personnel Management from the Singapore Institute of Management in 1984.

BOARD OF DIRECTORS



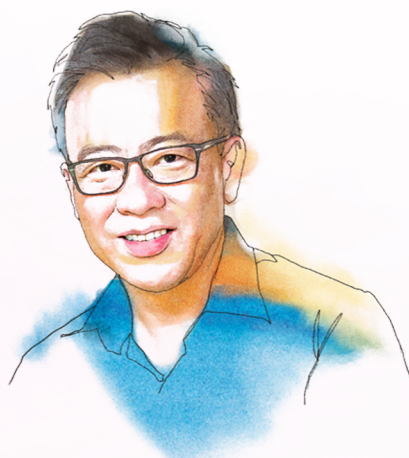
ADELINE SIM

Executive Director and Chief Legal Officer

Adeline Sim is our Executive Director and Chief Legal Officer. She leads strategic and tactical initiatives, and is a member of the Investment Committee identifying and executing investments and acquisitions. Adeline also runs the technology, digital marketing, investor relations and communication functions of the Group. In her role as Chief Legal Officer, Adeline heads a team which provides counsel and guidance on legal matters across the 32 business units we have in 14 Asian cities.

On any given day, Adeline can be found doing business reviews with our people, driving engagements with our clients and candidates, cutting a deal or meeting with investors. Adeline's love for life and people definitely helps fuel a very demanding and varied schedule, which sees her reaching across time zones and forging relationships with stakeholders and targets alike.

Adeline began her career as a lawyer with Drew & Napier LLC in 2004 where she was engaged in dispute resolution and subsequently, capital markets work. She joined our Group on 1 January 2009. Adeline graduated with a Bachelor of Laws from the National University of Singapore in 2003, was admitted to the Singapore Bar in 2004, and is a Solicitor of the Supreme Court of England and Wales. Adeline is also a Director of SkillsFuture Singapore, the Lifelong Learning Institute, the Singapore Institute of Management Society, as well as a member of the Finance Committee of Saint Joseph's Institution International.



SIN BOON ANN

Lead Independent Non-Executive Director and Chairman of Nominating Committee

Boon Ann is very much the legal eagle who has been with Drew & Napier LLC since 1992. Following his retirement as Deputy Managing Director of the Corporate Finance Department and Co-Head of the Capital Markets practice in March 2018, Boon Ann remains a consultant with the firm. Boon Ann is presently the Independent Non-Executive Chairman of Healthway Medical Corporation Limited, the Lead Independent Director of TIH Limited, Rex International Holding Limited and OUE Limited, and is also the Independent Director of CSE Global Limited, Sarine Technologies Ltd, and The Trendlines Group Ltd - testimony to his acute commercial sensibilities.

Somehow, in the midst of doing all that and raising 3 highly accomplished children with his beautiful wife, Boon Ann was also the Member of Parliament for Tampines GRC from 1996 to 2011.

The force is strong with this one, and Boon Ann was conferred the Singapore National Day Award - "The Public Service Star (Bintang Bakti Masyarakat)" in 2018 and "The Public Service Medal (Pingat Bakti Masyarakat)" in 2013 by the President of Singapore. He was also conferred the May Day Award - "Friend of Labour" in 2003 and "Meritorious Service" in 2013 for his contributions and commitment to the labour movement in Singapore. In 2018, Boon Ann was awarded the Distinguished Service Award by National Trade Union Congress.

Boon Ann received his Bachelor of Arts and Bachelor of Laws from the National University of Singapore in 1982 and 1986 respectively, and a Master of Laws from the University of London in 1988. He was admitted to the Singapore Bar in 1987.



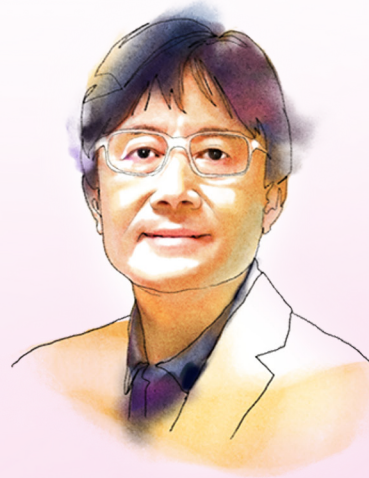
MAE HENG

Independent Non-Executive Director and
Chairman of Audit Committee

Mae is the beauty in our boardroom who was appointed as our Independent Non-Executive Director on 16 May 2017. Mae spent over 17 years at Ernst & Young Singapore, leaving her skilled at keeping us on the straight and narrow. It is the confluence of amazing people skills and strict attention to rules and details which make her truly exceptional.

Mae is also an Independent Non-Executive Director of Apex Healthcare Berhad, Chuan Hup Holdings Limited, Grand Venture Technology Limited, Ossia International Limited and Novo Tellus Alpha Acquisition. Her extensive experience with companies operating in the region gives Mae a broad and rich lens when approaching business situations.

Mae graduated with a Bachelor of Accountancy from Nanyang Technological University in 1992 and is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.



NS TAN

Independent Non-Executive Director and
Chairman of Remuneration Committee

NS is our implacable, wise sage who can be counted on to be the voice of reason and experience. That, and his vast experience, coupled with knowledge through reading and travelling very widely gives him fabulous credentials to be our Independent Non-Executive Director.

With more than 30 years of experience logged in the human resource sector, NS is an expert HR practitioner and was at one point a client using our services across the region when he was the Regional Asia Pacific Director of Rohm and Haas and the Regional HR Director for the Eastman Chemical Company.

NS graduated with a Diploma in Management Studies from the Singapore Institute of Management in 1982, and a Graduate Diploma in Personnel Management from the Singapore Institute of Management / Singapore Institute of Personnel Management in 1983.

BOARD OF DIRECTORS



GAO YONG (WALLACE)

Independent Non-Executive Director

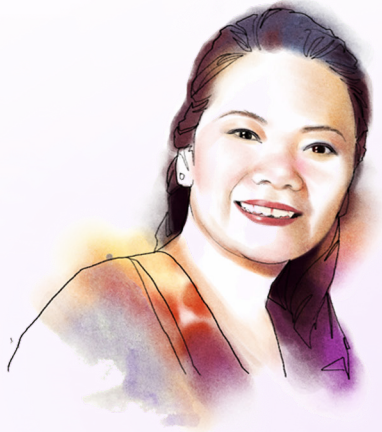
Affable Beijing-based Wallace is our new Independent Non-Executive Director appointed on 1 January 2022. An industry veteran who is known for being the gregarious Chairman of Beijing Career International Co., Ltd. (Career International), the first HR service enterprise that was listed on China's A-share market, Wallace brings a wealth of experience in rapid innovation and business expansion, and realms of laughter and song. His performances at Career International's company parties are legendary.

Equally adept in the boardroom, Wallace has led Career International in its ascendancy in the recruitment process outsourcing (RPO) and flexible staffing markets

in China. He also solidified Career International's market leadership through a series of acquisitions in China and the United Kingdom, investing in HR technology and industry interconnectivity, in accordance with Career International's business model of "HR Service + HR Tech + Platform".

Wallace is also an Independent Director of Inmyshow Digital Technology (Group) Co Ltd and graduated with a Diploma in Business English from Beijing Foreign Studies University in 1995. In 2005, he obtained his Executive Master of Business Administration (EMBA) from Peking University.

KEY MANAGEMENT



JENNIFER KANG

Chief Financial Officer (CFO)

Jennifer began her career in 1989 as an auditor with Coopers & Lybrand, before joining AT&T Singapore Pte Ltd. She was involved in the financial control and IPO of an SGX-listed company. She also performed M&A work with BIL International Limited and corporate planning with Abacus International Pte Ltd. The experience that Jennifer garnered proved to be an asset when she started her career with HRnetGroup in 2003 as a Regional Finance Director. She went on to lead one of our professional recruitment businesses in Malaysia in 2007 before co-pioneering HRnetOne Beijing in 2008. Jennifer took on the role of CFO of HRnetGroup in 2012.

Her ability to deal with ambiguity, coupled with a strong technical background, sees her meeting success in the myriad projects she embarks on - whether it is financial control, treasury work, navigating within the HR industry for strategic investment opportunities, and reaching out and executing deals with business owners for M&A.

Jennifer graduated with a Bachelor of Accountancy from the National University of Singapore in 1989. She also received a Master of Business in Information Technology from the Royal Melbourne Institute of Technology in Australia in 1998.



LORENCZ TAY

Group Business Leader and Managing Director of PeopleSearch Group of Companies

Lorencz Tay began his career in 1993 as a recruitment and accounts officer with HRnetOne and rapidly made his mark, when he was appointed a Managing Director in 2005. In 2007, Lorencz took on the role of Group Business Leader and Managing Director of the PeopleSearch Group of Companies.

A little bit Peter Pan, a little bit Lewis Hamilton and a whole lot of passion and determination - that basically sums up who Lorencz is. An industry veteran with more than 2 decades of experience, leading a team of consultants across Singapore, Taipei, Tokyo, Hong Kong SAR and Shanghai.

He has personally hired and groomed many of HRnetGroup's top performers and leaders - all of whom have undying loyalty to Lorencz and the company.

Oh and why Peter Pan you ask? At 54 years of age, Lorencz looks not a day older than when he first stepped through the doors of HRnetOne! Lorencz graduated with a Bachelor of Arts from the National University of Singapore in 1993.

KEY MANAGEMENT



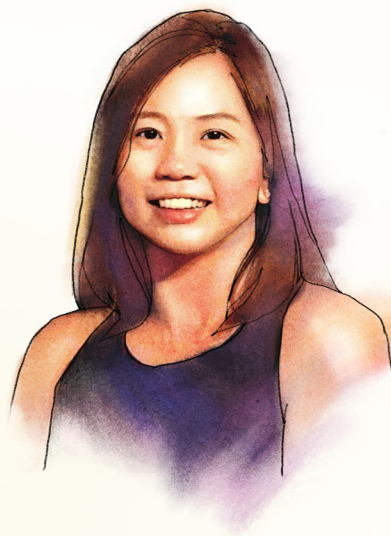
DAISY TAN

Chief People Officer (CPO)

Daisy is our in-house yogi and CPO who joined us back in 1992. Somehow she managed to shimmy her way juggling 3 children and a truly exceptional career over the course of 29 years in HRnetGroup - handling the accounts at one stage, being a senior regional consultant and business services manager at another, even at some point being part of the core team setting up the Recruit Express brand - truly mastering the art of people in the course of these experiences.

Daisy is without a doubt the best-placed person to be our CPO, a role she has played since 2012, known for being able to read the energies in a room at a glance, wielding her gift in wondrous ways to get people to do her bidding, which invariably involves doing a better job than they even thought possible. Daisy's laser focus on building culture and values is also well known. It is by no coincidence that ethics and beliefs feature strongly in our half-yearly performance appraisals. As a professional services firm, it is the intangibles which set us apart.

Daisy obtained a Diploma in Human Resource Management from the Singapore Institute of Human Resource Management in 1995.



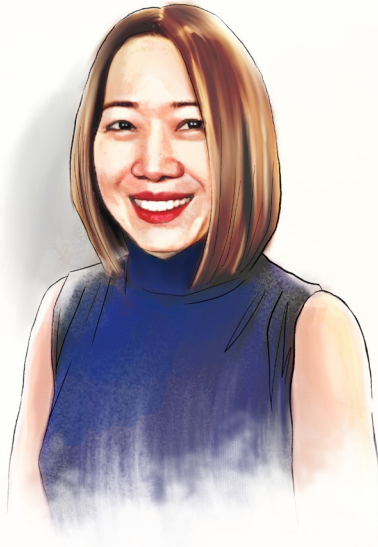
MADELINE WAN

Group Business Leader and Senior General Manager of the Greater China and Japan businesses for HRnetOne

Madeline Wan joined HRnetOne in Singapore as a consultant in 1996. In 1999, she moved to Taipei to launch HRnetOne Taipei, and 4 years later took over the running of HRnetOne Hong Kong SAR. By 2007, HRnetOne Tokyo also came under her charge. Over the past 15 years, together with her stalwart leaders, she successfully planted the HRnetOne flag in Shanghai, Beijing, Guangzhou and Shenzhen. Madeline was the sponsor for the REForce team, our first acquisition in China.

Much like the complexities of the full-bodied red wines she is partial to, Madeline is intense and multifaceted. Our Talent Mapping approach to executive search work can be credited to Madeline, so can the Retained by Account product which is favoured by many regional clients. Madeline's understanding of market trends, leadership practices, the needs of candidates and the wants of companies is world-class. Whilst known for being brilliant however, it is her instinctive ability to speak to the hearts of clients, candidates and colleagues which make her unstoppable.

Madeline graduated with a Diploma in Chemical Process Technology from Singapore Polytechnic in 1992.



JACELYN CHUA

Group Business Leader of
RecruitFirst Singapore

With over 23 years of experience spanning across multiple specialisations and functions, Jacelyn has played an instrumental role in delivering value-driven solutions to many of her key clients and candidates.

Jacelyn spearheaded the launch of RecruitFirst Singapore in 2013 with a team of 3 hires, and was responsible for overseeing all operations, including business development, project delivery, leadership development, and organisational design. She is also the driving force behind the digital initiatives rolled by RecruitFirst—initiatives that have proven to improve client and candidate workflow and efficiency.

Today, with a growing team of more than 80 people across RecruitFirst Singapore's 2 offices, Jacelyn focuses on coaching her team to ensure that the same high standards of service she provides for her clients and candidates are embraced and emulated.

Passionate and driven, Jacelyn's work ethics are the reason for RecruitFirst Singapore's success today. She is highly regarded as a visionary leader who constantly blazes new trails that take her team and the organisation to new levels of success.

As an avid fitness enthusiast, Jacelyn manages to incorporate more than an hour's worth of intense workout into her morning routine. Along with emails responded to and a bunch of items checked off her her to-do list, she somehow gets more done before most people have even had a sip of their morning coffee.

Jacelyn is truly the epitome of a Wonder Woman!

Jacelyn graduated with a Diploma in Business Administration from Singapore Polytechnic in 1989.



LETTER TO SHAREHOLDERS

WE'LL KEEP GETTING BETTER

2021 started out being earmarked as the “Vaccination Year”, and by the time it came to a close, it was evident that even if the world was not fully protected against COVID-19, it was definitely vaccinated against despair.

2021 will be remembered as the year we won out psychologically against COVID-19, when growth returned with a vengeance, leading it to become the most profitable year we have had in our 29 year history with NPAT clocking in at S\$70.3 million.

We outperformed the expectations of all analysts on all fronts - revenue, gross profit and most importantly, net profit, and will be paying record dividends of S\$40.1 million to our 2,160 shareholders, a devoted group that has grown almost 50% from the 1,491 shareholders we had at the end of the year of our IPO.

* Estimated based on the shareholders register as at 15 March 2022, actual number will be determined at cum-Dividend Date

LETTER TO SHAREHOLDERS

ENGINES OF GROWTH

Where did growth come from in a pandemic year? You will be happy to know that both our engines of growth outdid themselves.

Our Flexible Staffing business is about supplying manpower-on-demand. Given the volatile and uncertain macro environment, it is very attractive for organisations to be able to obtain talent from us on a needs basis, instead of carrying unwieldy headcount which can be clumsy for them to manage.

The number of employees we deployed / contractors engaged for our clients surged 34.4% in the past year to close at a historical high of 19,280 contractors in the month of December 2021 from 14,347 a year ago.

Over the course of 2021, we deployed / engaged with 54,448 people, an increase of 26.6% from 42,998 the year before. That explains why our revenue from the flexible staffing business increased by 37.8% from S\$357.6 million to a record high of S\$492.6 million, whilst gross profit increased by 41.5% from S\$55.4 million to S\$78.3 million.

Our cash reserves of S\$327.1 million form a robust competitive moat for our Flexible Staffing business. We were able to take full advantage of market growth in 2021 because we could fund the additional S\$111.9 million in cost of sales arising from the aggressive growth in contractor payroll. Our payroll and digital infrastructure also readily absorbed the additional load and scaled up within the tight time frame.

Our Professional Recruitment business, which sees us sourcing and selecting talent to be employed by our clients, had a much better year in 2021 than the year before. The number of talents placed increased by 11.0% from 7,022 to 7,794, which though encouraging gives us substantial headroom to grow.

Fortunately, since our fees are expressed as a percentage of salaries offered to talents, we were able to ride on the rise in salary levels across markets, and grow our Professional Recruitment revenues by 30.6% to S\$94.8 million, from S\$72.6 million in 2020.

It will also interest some of our shareholders to know that the taxes we are contributing to the economies we participate in has risen by 57.0% from S\$9.2 million in 2020 to S\$14.5 million in 2021.

All the above was achieved whilst we recorded a NPS score of 83 for the business units on our HearTbeats platform. A world-class score by any account.

THE TREMENDOUS VELOCITY OF CHANGE

A defining feature of our brave new world is the tremendous velocity of change. Adapting to protocols which are updated in real time, prospects which bloom for a season, with predictability at an all time low.

We are seeing a widening gap amongst practices by corporates – between those who are being rejected by talents because of their failure to embrace hybrid/flexible work arrangements, and others who are experimenting with offering crypto tokens as part of compensation packages.

With candidates there are the individuals who are rejected simply because they haven't adapted well to video interviews so many months into the game. It is seen as a reflection of their inability to adapt to new working environments and systems.

To put it bluntly, if you are not evolving with the macro environment, you may not lose your job just yet, but you will certainly find it difficult to secure a new one.

Even ang paos were not spared from the need to evolve. This year there was a discussion internally on whether to print physical ang paos (Shanghai decided against it), which would have been a no-brainer just 2 years ago. On the other hand, producing animated stickers for WhatsApp and virtual ang pao wrappers for Wechat were taken as a given.

Office space and equipment are similarly being virtualised. As our leases come up for renewal in each city, we are consolidating and reinventing and expect to see a fall in rental costs.

In line with hybrid work arrangements, desk phones are being phased out in favour of soft phones. Going Live on Instagram and Tik Tok have become of greater importance than renting event space.

Digital transformation and evolving work arrangements make rhythms more intense than ever before. The pace has definitely picked up especially when anyone is available at the click of a button. More than ever before, we have to fully integrate work with life.

LETTER TO SHAREHOLDERS

“ Building capacity in the local community - our source of talent - is a priority, as is working to create value for our clients and other stakeholders. ”

WHAT DOES 2022 BRING? A HOT MARKET, OUR DIGITAL TRANSFORMATION AND MORE

We turn 30 on 28 March 2022. A milestone birthday by any account, but particularly memorable coming right on the heels of such a tumultuous pandemic. More than ever before, it is clear that whatever the next technology/variant/crisis rolling into town, the one constant is the insatiable and unrelenting hunger for talent.

We always have a job to do in the tight employment markets we operate in. In our key market Singapore, monthly unemployment rates have fallen to 2.4% in December 2021, whilst vacancies are at a record high. Add to that the fact that it is becoming increasingly costly to hire foreign talent, and you can imagine the fights that take place over the eligible local talent we work with. You will also be pleased to note that we continue to have a sizeable war chest available to fund increases in our flexible staffing business for which there is every indication of further growth. How we go about working with our stakeholders however, will continue to evolve. Our digital assets are increasingly integral to our work, and we will continue to release new features of Ease, our proprietary HR management app, on iOS, Android, WeChat as well as on the web.

We want users to be able to manage everything work related with Ease, so beyond being able to log in hours worked at specified locations, request for overtime, apply for leave and do reimbursement claims, we will be bringing our candidate application form (CANDID), as well as electronic letter of appointments feature (affectionately dubbed ELLA) into the app.

We will also push on with building out our extensive network of recruiters across Asia, particularly in North Asia. From a heartcount of 1,045 in 2020 and 1,105 in 2021, we expect to grow even bigger in 2022, with more than 200 recruiters in Mainland China alone.

Whilst travel remains subject to constraints, our clients particularly appreciate having a trusted partner on the ground in 14 cities, fully immersed in local dynamics and developments.

As such, we expect the number of clients we partner to continue on its upward trajectory - exceeding the 3,732 in 2020 and 4,012 in 2021, along with a corresponding increase in the number of permanent placements.

It is apt that as we move into our fourth decade, we are intensifying our focus on sustainability. On an environmental level, we have eschewed printing physical namecards in favour of QR ones, a practice we started 5 years ago. Reports and timesheets are by default in a digital format, and we are consciously preferring to be in Green buildings.

Building capacity in the local community - our source of talent - is a priority, as is working to create value for our clients and other stakeholders. You may be pleased to note that as part of our 30th anniversary celebrations, we will be gifting shareholders with \$30 shopping voucher, which at your option can be used to benefit charitable works and organisations as well.

In 2022, we'll keep getting better, and in the meantime, we look forward to meeting you at our AGM on 28 April.



Peter Sim
Founding Chairman



Adeline Sim
Executive Director and
Chief Legal Officer

KEY FINANCIAL HIGHLIGHTS

TOP LINES

Revenue
S\$ 590.5m

↑ 36.4%

(2020: S\$433.0m)

(2019: S\$423.1m)

Gross Profit

S\$ 174.9m

↑ 35.2%

(2020: S\$129.3m)

(2019: S\$145.6m)

PROFITABILITY

NPAT
S\$ 70.3m

↑ 41.1%

(2020: S\$49.8m)

(2019: S\$55.8m)

PATMI

S\$ 65.5m

↑ 39.7%

(2020: S\$46.9m)

(2019: S\$51.6m)

EBITDA/GP

53.2%

↑ 1.4 points

(2020: 51.8%)

(2019: 48.8%)

BUSINESS VOLUME

Contractors¹
19,280

↑ 4,933(34.4%)

(2020: 14,347)

(2019: 12,616)

Placements

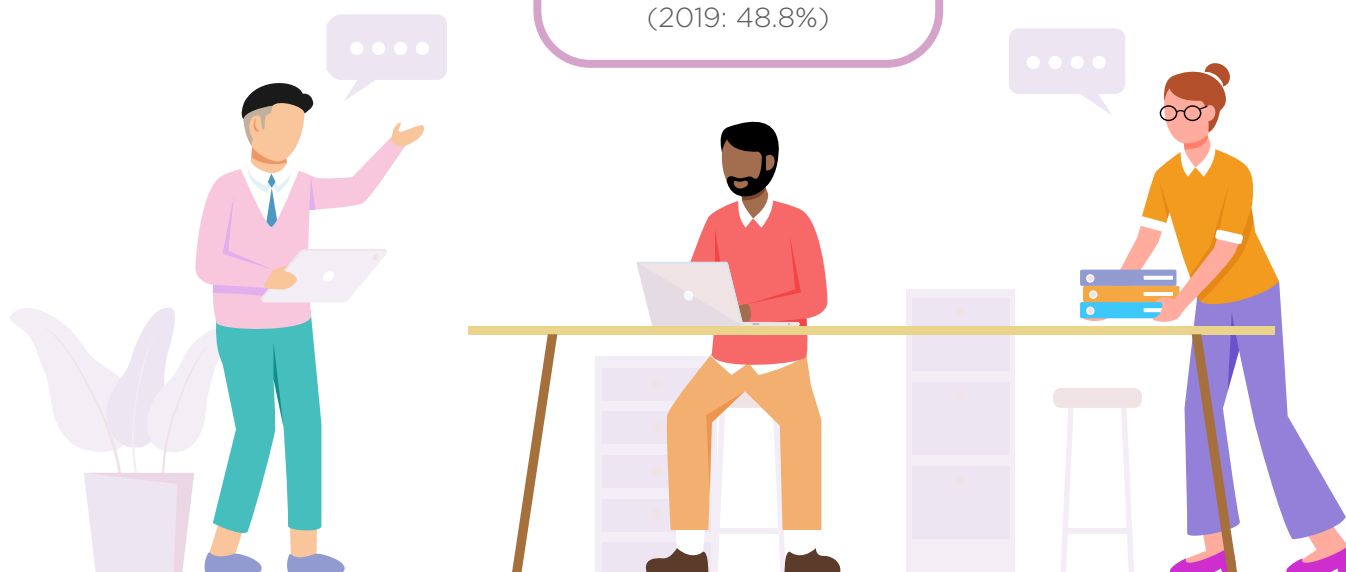
7,794

↑ 772(11.0%)

(2020: 7,022)

(2019: 8,530)

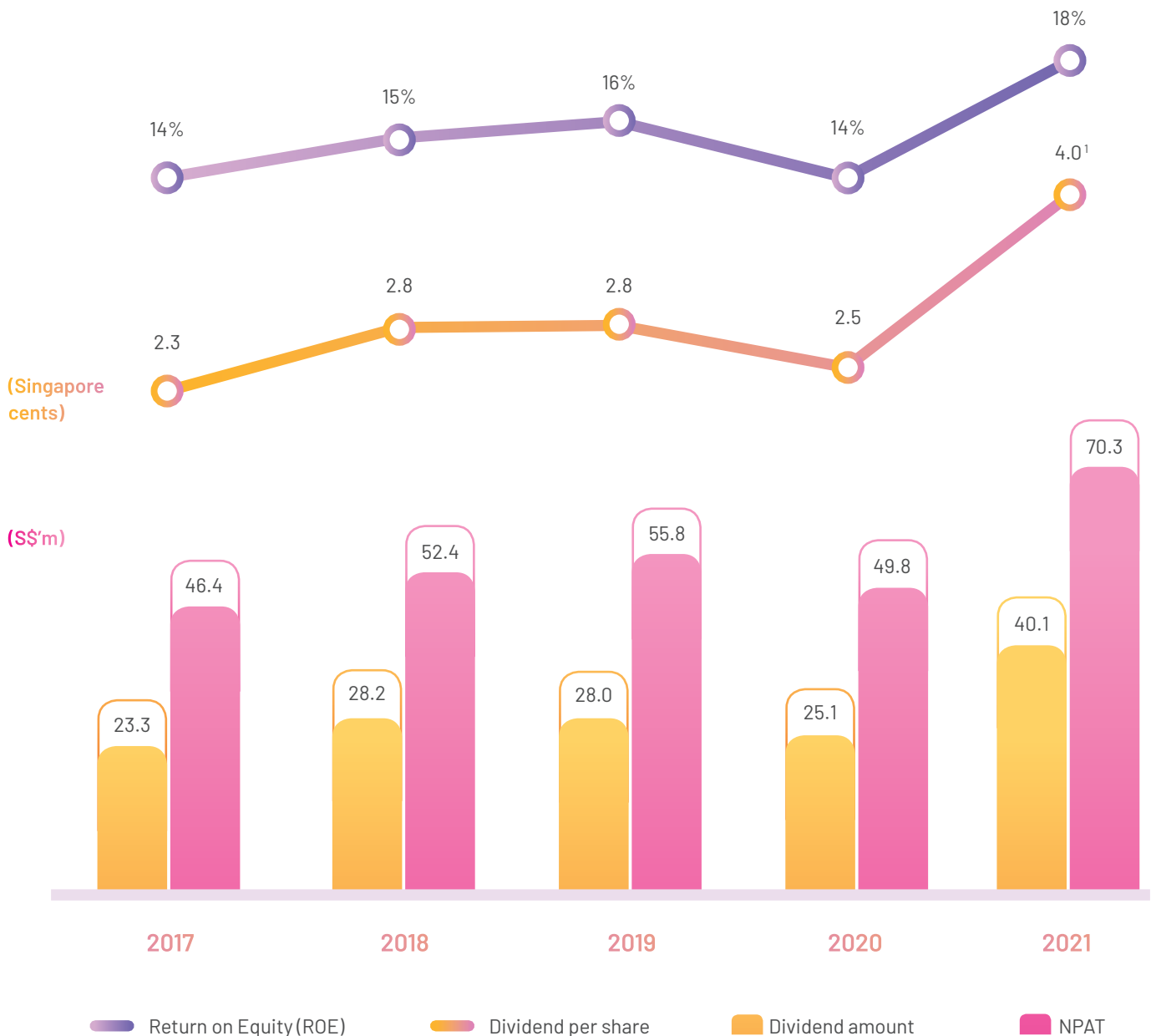
¹ Based on December Payroll



All 7 metrics were up as we achieved record PATMI, Gross Profit and Revenue. Consequently, a special dividend of S\$0.01 per share was paid in January 2022 and a final dividend of S\$0.03 per share is proposed for 2021. The total dividend of S\$0.04 per share is a record payout of 57% on NPAT, an increase of 60% from the previous year's dividend of S\$0.025 per share.

KEY FINANCIAL HIGHLIGHTS

RECORD DIVIDENDS



¹ Special dividend of 1.0 Singapore cent per share paid on 11 January 2022 and final proposed dividend of 3.0 Singapore cents per share subject to shareholders' approval at the forthcoming AGM.

S\$590.5m

REVENUE

YOY UP 36.4% FROM S\$433.0M

2021 was another record-breaking year in revenue. All geographies experienced double-digit percentage growth in term of revenue as we rode on the wave of recovery and seized every pandemic-related business opportunity.

Flexible staffing ("FS") saw revenue accelerating in growth momentum and rose by 37.8% to S\$492.6m as the number of monthly contractors soared to an all-time-high of 19,280 in December 2021, an increase of 34.4% over December 2020. For the whole year, we helped 54,448 people secure employment in contract and temporary roles, an increase of 26.6%.

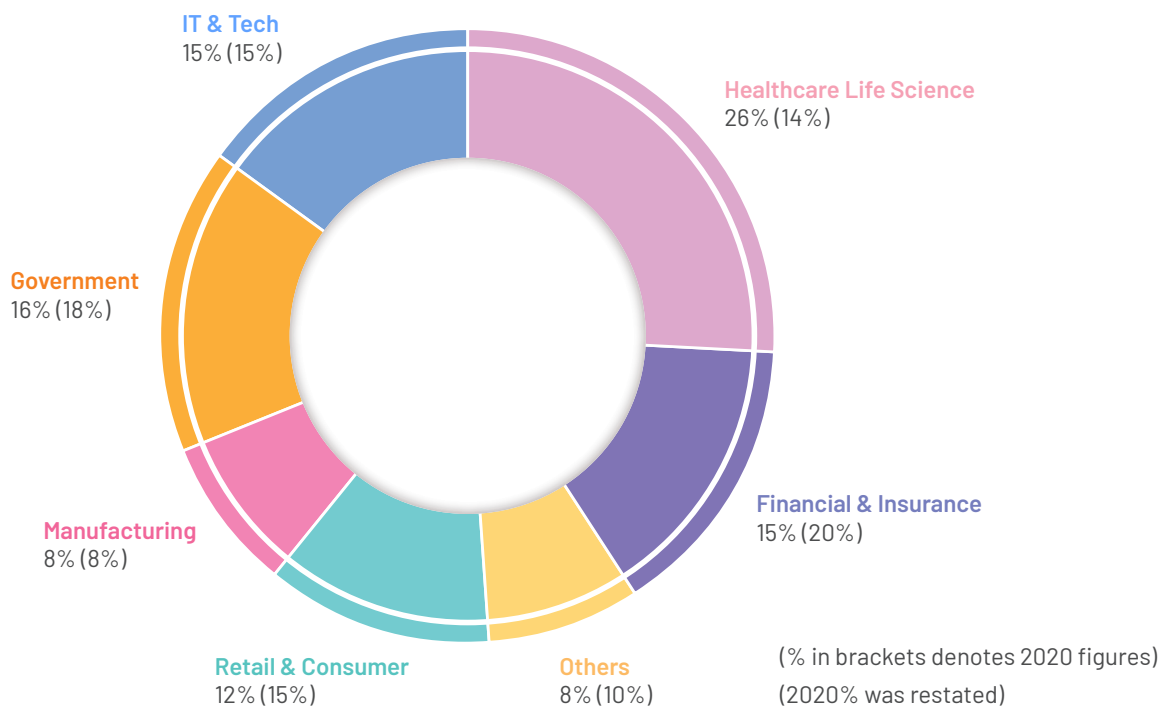
Professional recruitment ("PR") revenue was S\$94.8m (2020: S\$72.6m), up 30.6% as we placed 7,794 (2020: 7,022) talents, a rise of 772 in permanent jobs.

2021 as the Year of Vaccination naturally saw us deploying our resources towards serving the healthcare sector

which rewarded us with a S\$96.2m revenue increase to S\$155.4m (2020: S\$59.2m), and contributed 26% (2020: 14%) to Group revenue.

Our work with the governments remained strong, though staffing numbers shifted from the retail and consumer sub-sector to more of public healthcare. Revenue from the government sector increased by S\$12.1m to S\$91.7m (2020: S\$79.6m). Contribution to Group revenue remained robust at 16% (2020: 18%).

Revenue from IT & Tech grew by S\$22.6m to S\$89.2m (2020: S\$66.6m) while contribution remained at 15% to Group revenue. IT& Tech is leading growth as daily lives are now impacted by apps-driven online shopping, food delivery and ride-hailing. We also support the smart phone and technology supply chain from semiconductor design to manufacturing of end products.



KEY FINANCIAL HIGHLIGHTS

S\$174.9m

GROSS PROFIT

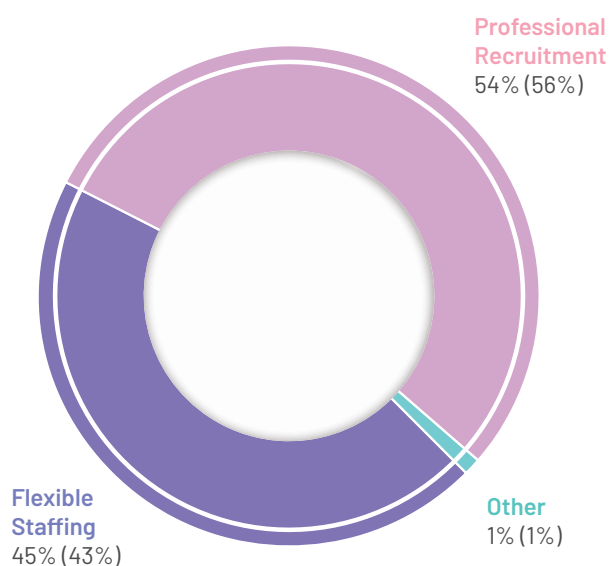
YOY UP 35.2% FROM S\$129.3M

Business Segments

FS has sub-contractor expenses as a direct cost which results in a Gross Profit margin of 15.9% (2020: 15.5%). FS Gross Profit achieved a record high of S\$78.3m (2020: S\$55.4m), up S\$22.9m or 41.5% mainly attributable to a 36% increase in average monthly contractor headcount while GP/average contractor increased by 4%.

PR Gross Profit margin was at 99.3% (2020: 99.7%). PR Gross Profit rose S\$21.7m to S\$94.1m, up 30.0% due to a confluence of 11% in volume increase and 17% in GP/ placement. The latter is consistent with our observation that salary levels have been rising, to a certain extent, pushed up by the Great Resignation Wave.

Overall GP margin stood at 29.6% (2020: 29.9%) with the PR/FS business revenue mix of 16.0%/83.4% remaining fairly similar to last year's 16.8%/82.6%.



Geographical Segments

Business performed strongly across the 3 key regions for both FS and PR:

Singapore

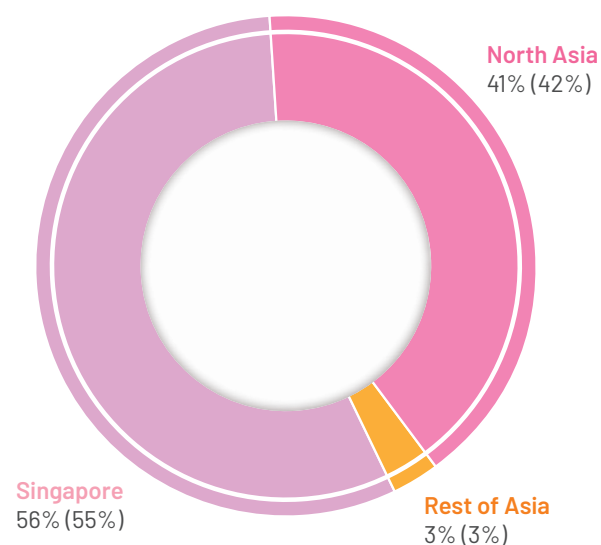
- Revenue grew 31.7% to S\$410.8m with PR growth of 37.2% and FS 31.5%.
- GP grew 38.3% to S\$97.5m with FS growth of 38.6% and PR 37.2%.

North Asia

- Revenue grew 43.2% to S\$158.7m with FS growth of 55.1% and PR 27.4%.
- GP grew 31.0% to S\$71.7m with FS growth of 55.3% and PR 26.5%.

Rest of Asia

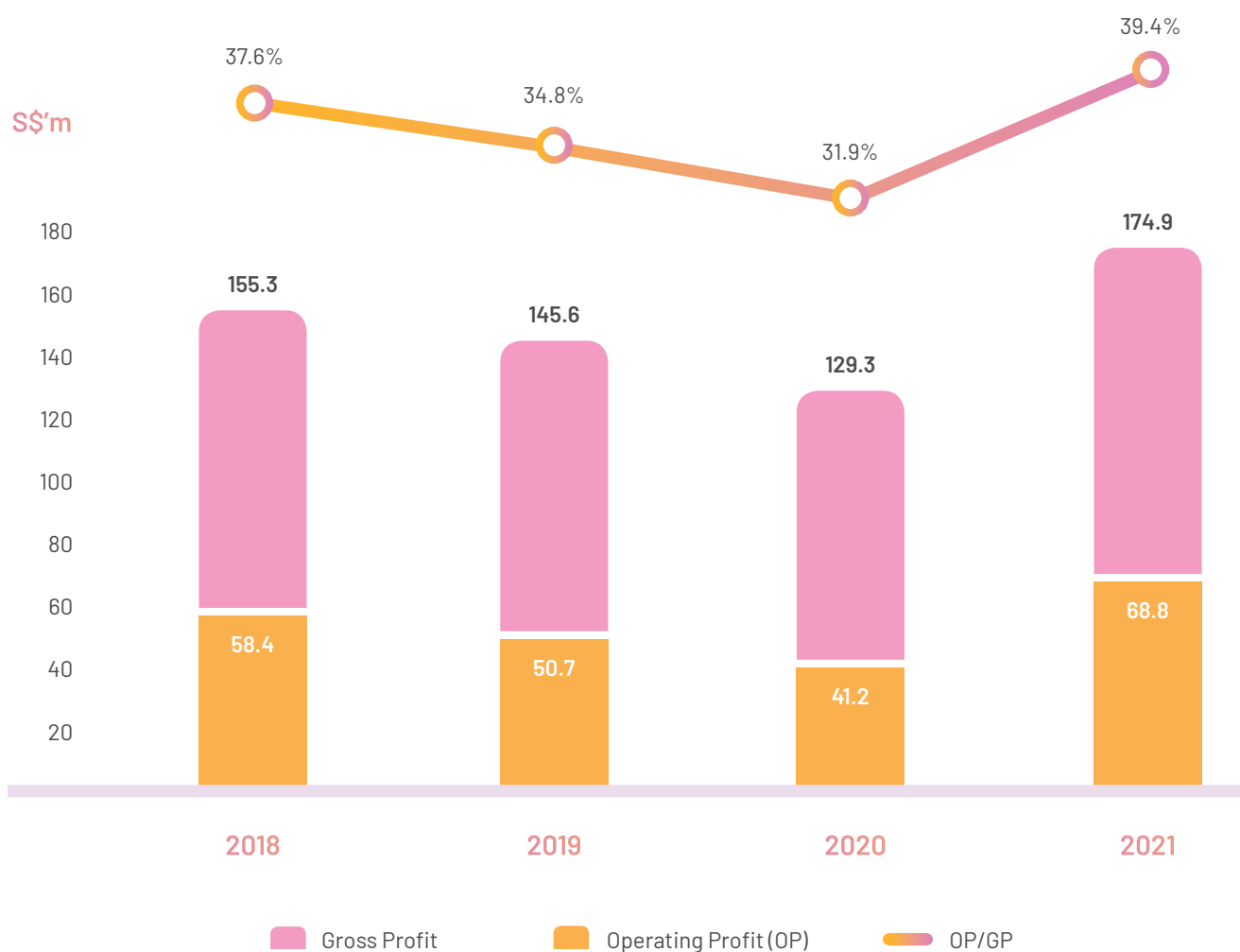
- Revenue grew 103.3% to S\$21.0m with FS growth 138.7% and PR 30.3%.
- GP grew 38.3% to S\$5.7m with FS growth of 83.2% and PR 30.3%.



S\$68.8m

OPERATING PROFIT

YOY UP 67% FROM S\$41.2M



Whilst gross profits surged strongly by 35.2%, operating expenses increased by S\$18.0m to S\$106.1m (2020: S\$88.1m) mainly due to the increase by S\$16.5m in profit-sharing incentives and variable bonuses for employees, in line with the significant increases in gross profit and profit of the respective business units and the Group. As a result, our operating profit/gross profit margin grew by 7.5 percentage points to 39.4%.

KEY FINANCIAL HIGHLIGHTS

S\$15.9m

OTHER INCOME

YOY DOWN 10.6% FROM S\$17.8M

Other income decreased by S\$(1.9m) to S\$15.9m (2020: S\$17.8m) which comprised mainly net fair value and disposal gains on financial assets mandatorily measured at FVTPL totaling S\$4.4m (2020: S\$1.4m), Singapore government subsidies relating to 2020 Wage Credit Scheme* and

Special Employment Credit given by the Singapore government totaling S\$4.6m (2020: S\$5.3m) and pandemic-related assistance from various governments being scaled down to S\$4.1m (2020: S\$6.4m).

*Subsidies relating to 2021 Wage Credit Scheme will be recognised as income upon receipt in 2022.

BALANCE SHEET

Cash

YOY down 1.5% FROM S\$332.2M

The Group's cash position reduced by S\$(5.1m) to S\$327.1m mainly due to:

- S\$52.7m generated from operating activities mainly comprising S\$88.1m operating cash flows before movements in working capital, offset by S\$(48.1m) increase in trade receivables, S\$3.0m increase in trade payables, S\$20.5m increase in other payables and accruals, offset by S\$(12.8m) income tax paid;
- S\$(24.6m) used in investing activities mainly comprising S\$(30.2m) purchase of financial assets mandatorily measured at FVTPL; S\$(4.3m) final tranche of consideration paid on acquisition of REForce and Rimbun; offset by S\$10.5m proceeds from disposal of investments;
- S\$(34.8m) used in financing activities mainly comprising S\$(26.7m) dividends paid and S\$(7.6m) repayment of lease liabilities; and
- S\$1.6m arising from the effect of foreign exchange rate changes on cash & cash equivalents.

Trade receivables increased by S\$48.0m due to ramp up of sales over the months towards the year end and most of the outstanding amounts are within credit terms.

Other financial assets

- Current: increased by S\$18.1m due to the net addition of marketable securities in our investment portfolio that was generally HR-related.
- Non-current: increased by S\$13.2m of which S\$7.3m was due to the positive market price movements of our investments in Staffline and Bamboos and this impact is similarly reflected in the change in investments revaluation reserve. Another S\$5.9m increase relates to quoted debt instruments that are of investment grade for interest yield.

Other payables and accruals increased by S\$31.5m mainly due to accruals of payroll, profit-sharing incentives and variable bonuses, and unearned revenue, as well as dividend payable S\$10.5m substantially the special dividend of S\$0.01 per share declared that was paid out on 11 January 2022.

Deferred considerations was reduced by S\$3.9m as payment was made for the final tranches of consideration relating to acquisition of REForce and Rimbun.

Income tax payable increased by S\$2.3m as the provision for taxes increased with the higher profits generated.

SUSTAINABILITY REPORT

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SUSTAINABILITY REPORT

INTRODUCTION

BOARD STATEMENT

As the Board of HRnetGroup, we are committed to overseeing the management of Environmental, Social and Governance (“ESG”) risks and opportunities as a key component of our business management and have considered sustainability issues in the formulation of our business strategy. To this effect, we have conducted a thorough assessment of the material ESG topics to inform our future strategy in a world changed by Covid-19, under the leadership of our Executive Director and Chief Legal Officer, one of the Board’s sustainability champion. We are pleased to share the results of this assessment to our valued stakeholders as part of this sustainability report.

As recruiters and HR partners, we aim to build working environments that last beyond a lifetime by connecting the right people to the right roles. We continue to train and upskill our staff to serve our clients and candidates better while operating responsibly. ESG related risks and opportunities that can both impact our business and be impacted by our business must, therefore, be part of our story to ensure the longevity of our clients’ as well as our own businesses.

Even more so in times of the Covid-19 pandemic, we are mindful of the additional strain placed on our people as they navigate the ‘new normal’ and have ensured to stay close to our employees, listen to their concerns and provide them the opportunity to speak up or simply connect with other colleagues via fun, relaxing virtual events to help them keep well. We also continued to focus on providing them with upskilling opportunities through regular and ad-hoc training events to cover topics such as LinkedIn reports or mental wellness, particularly relevant in the Covid-19 context. In combination with strong feedback mechanisms available to our clients and candidates this has contributed to a high Net Promoter Score of 83.

With a strong focus on social and governance aspects, we have engaged our management team to develop sustainability objectives and strategies, with associated Key Performance Indicators (KPIs) and targets, to ensure we remain on track in our sustainability journey. Digitalisation of HR processes to overcome Covid-19 challenges, strengthening cybersecurity defences with more work going virtual, as well as continued focus on

customer satisfaction are just some examples of our main accomplishments this year. Details of initiatives launched for our stakeholders – employees, clients, candidates, external contractors, investors, and regulatory partners – can be found later in this report. As the Board, we are fully committed to supporting these various initiatives and we have empowered HRnetGroup management team to continue to drive and monitor performance on our sustainability agenda.

We look forward to your continued support on our sustainability journey.

ABOUT THIS REPORT

Reporting scope, period, and standards

We are pleased to share our fourth Sustainability Report which documents our Group’s sustainability performance for the financial year 2021 (1 January 2021 to 31 December 2021). The information in this report covers all our 12 brands and 14¹ business locations to provide a comprehensive picture of our organisation’s impact on the ESG related matters for our stakeholders.

This report adheres to the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rule 711A and 711B and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, given GRI’s worldwide adoption and acceptance as an established industry standard for sustainability reporting. The GRI content index can be found on pages 59-62.

This sustainability report supplements HRnetGroup’s Annual Report 2021 and is available on our website www.hrnetgroup.com.

External Assurance

We have not sought for external assurance for the sustainability report. However, we plan to seek assurance in future.

Feedback

We welcome your feedback as we strive along our sustainability journey. If you have any enquiries or would like to find out more about HRnetGroup, please contact us at ir@hrnetgroup.com.

¹ Including a newly opened office in Chengdu.

HIGHLIGHTS



HRnetGroup is proud to have achieved stellar results in the Taipei City Government's Accredited Private Employment Service Agencies for 2021, which details the accredited agencies that provide employment services for domestic workers.

All four of HRnetGroup's brands in Taiwan have been awarded the Grade A mark in the 2021 Taipei City Accreditation Program. The brands are HRnetOne, PeopleSearch, RecruitFirst, and Recruit Express. This is the fifth year in which HRnetOne and PeopleSearch have been awarded Grade A in this evaluation.

SUSTAINABILITY REPORT

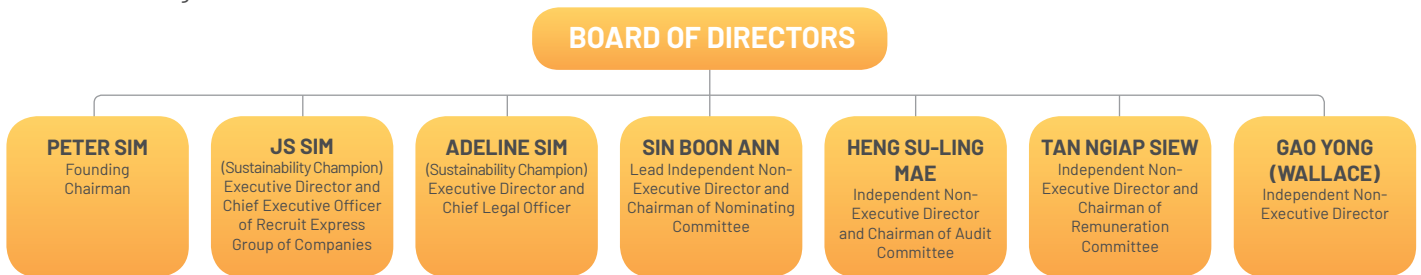
SUSTAINABILITY REPORTING APPROACH

Our sustainability approach is focused on a growth and development culture for our people, providing the solutions and service to our clients and candidates, along with sound governance and ethical business practices to deliver sustainable financial performance. Against the backdrop of the continuing Covid-19 pandemic, HRnetGroup remains committed to continual progress in all its areas of operations. Together with our stakeholders, we have undertaken a group-wide effort this year for a fresh look at the ESG topics that we have the most impact on or substantively influence our stakeholders' decisions.

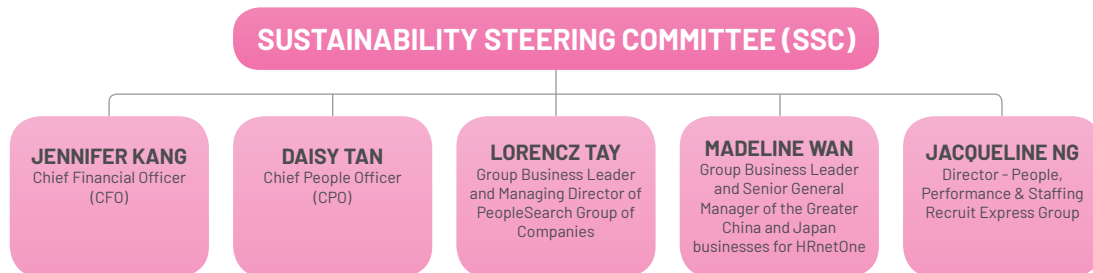
This year, we have also engaged an external consultant to help us enhance our sustainability report. As a result, we have also incorporated disclosures around stakeholder engagement into this sustainability report as opposed to disclosing them separately as in prior years.

SUSTAINABILITY GOVERNANCE STRUCTURE

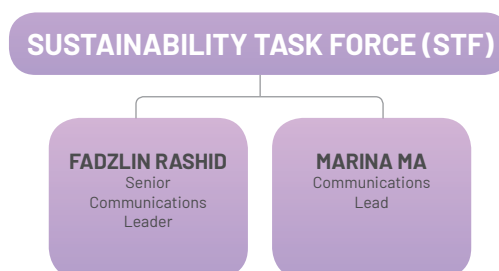
The Board is supported by the senior management team and business leaders to implement overall sustainability governance within the organisation.



The Board is ultimately responsible and provides oversight for our sustainability approach, performance, monitoring, and reporting. On the Board, our two Executive Directors are championing sustainability.



The SSC is tasked with developing sustainability, keeping in view the Group's overall long-term plans and vision, setting relevant KPIs and targets, managing and monitoring overall sustainability performance. The SSC reports to the Board annually. The SSC is comprised of members of our senior management team.



The STF supports the SSC to implement and execute actionable and measurable plans and initiatives across the organisation and monitors the results.

MATERIALITY ASSESSMENT

The sustainability landscape is evolving constantly. Hence, we must continue to enhance our approach to sustainability and make sure we continue to address those ESG topics most relevant in the context our Group is operating in. In 2021, we renewed our materiality assessment after engaging with key stakeholders to identify the priority ESG topics that are the most impacted by HRnetGroup's business operations, and/or exert the most influence on our stakeholders and their decisions. This materiality assessment has been carried out in three main steps:



RESEARCH AND IDENTIFICATION OF A LONGLIST OF MATERIAL TOPICS

- We reviewed our peers as well as recent ESG developments and trends impacting the HR industry to identify potential material topics to HRnetGroup
- We extended our analysis to the broader landscape by looking at macro ESG trends and developments, global thought-leadership and research papers as well as the UN SDGs



ENGAGING STAKEHOLDERS TO PRIORITISE POTENTIALLY MATERIAL TOPICS

- We engaged internal and external stakeholders via an online survey to seek their inputs on the potentially material topics identified
- We interviewed senior management and key external stakeholders to get additional insights on the ESG risks and opportunities observed for HRnetGroup



FINALISATION OF SHORTLISTED MATERIAL TOPICS FOR HRNETGROUP

- Based on the stakeholder engagement results, topics were prioritised according to their perceived impact and influence
- Topics that were perceived as less important were deprioritised to focus our efforts on the areas that matter the most to our stakeholders
- The shortlisted topics were then presented to and validated by the Board

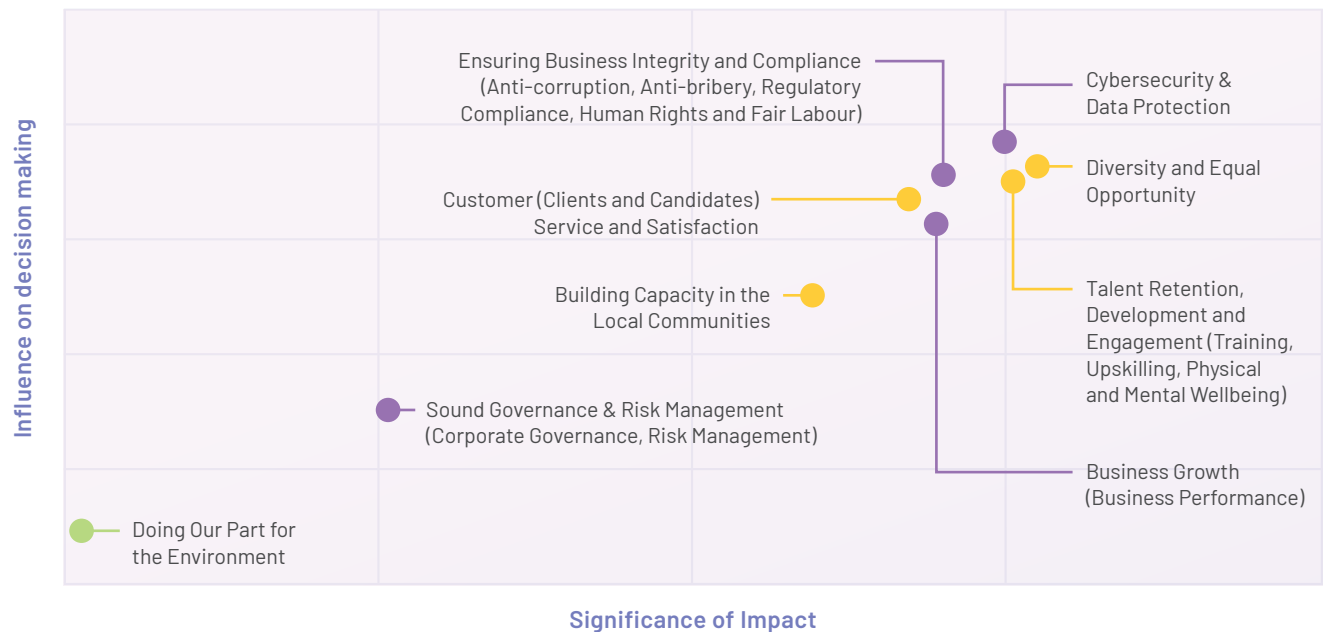
To identify a longlist of material topics, we conducted desk-based research and peer benchmarking to identify any new topics that may have emerged in the hiring industry. In the next step, we engaged key internal and external stakeholders to obtain a balanced view of the materiality of each topic. As the people who define our company, internal stakeholders comprising of senior management and employees from all 12 brands under HRnetGroup were invited to participate in the materiality assessment exercise. We also reached out to important external stakeholder groups whom we work closely with or are significantly affected by the group's activities - namely our corporate clients, candidates (job seekers), external contractors, investors, and regulators.

SUSTAINABILITY REPORT

MATERIAL TOPICS

Resulting from the materiality assessment exercise, 9 material topics have been identified and are illustrated in the matrix below. We will continue to review and update our material topics on a regular basis.

HRNETGROUP'S MATERIALITY MATRIX





To further refine our approach and target our efforts towards sustainability, we identified 12 sub-topics in response to the 9 material topics identified:

	Material Topic	Sub-Topic
 Social	Talent Retention, Development, and Engagement	Talent development Talent engagement and well-being (including health and safety)
	Diversity and Equal Opportunity	-
	Building Capacity in the Local Communities	-
	Customer Service and Satisfaction*	-
 Governance	Ensuring Business Integrity and Compliance	Regulatory & compliance Anti-corruption Anti-bribery Human rights and fair labour
	Sound Governance & Risk Management*	Corporate governance Risk management
	Business Growth	Economic (business) performance
	Cybersecurity and Data Protection*	-
	Doing Our Part for the Environment*	Waste management Energy Carbon emissions

*New material topics added as part of the 2021 materiality assessment refresh.




STAKEHOLDER ENGAGEMENT

We are a people organisation and understanding our stakeholders’ main concerns and expectations is important to us. In addition to seeking their inputs to our material topics’ refresh exercise this year, we also connect with our stakeholders in various ways:

Stakeholder Group	What They Expect	How We Responded	How We Engaged Them in 2021 (including Frequency)
Internal			
 <p>Employees</p>	<ul style="list-style-type: none"> • Fair employment practices • Career growth prospects • Remuneration packages commensurate with value created • Work-life integration • Workplace wellness • Future focused organisation 	<ul style="list-style-type: none"> • Progressive recruitment and employment practices • Monthly basic salaries based on competencies • Incentive plans based on performance • Develop systems to facilitate work efficiencies • Empowering our staff to take ownership of their career paths • Cultivate a positive working environment for physical and mental well-being • Enabling colleagues to give back to the community through our Corporate Social Responsibility (CSR) initiatives 	<ul style="list-style-type: none"> • Monthly breakthrough performance plans • The rollout of EASE – an app and website with features that provide one click access to work related matters such as check-ins, payroll, leave and claims submissions • Training and development programs delivered via digital platforms • Online sessions dedicated to health and mental well-being
External			
 <p>Clients and Candidates</p>	<ul style="list-style-type: none"> • Uninterrupted access to services • Strong market expertise • Reliable and responsible advice • Good value (client) • Protection of data and privacy 	<ul style="list-style-type: none"> • Continued digitalisation of touchpoints in the client’s and candidate’s journey • Utilising a quantitative work process to ensure consistent interaction with, and deep, real-time knowledge of the industries and roles we specialise in • Maintaining the highest professional and ethical standards • Providing our clients and candidates with market intelligence so they can make informed decisions • Managing feedback independently, effectively, and promptly 	<ul style="list-style-type: none"> • Rhythm of meetings, including Weekly Action Meetings, Quarterly Engagement Meetings, case updates and intelligence briefing • Thought leadership through platforms like Leaders’ Digital Club and Fresh Perspectives • Participation in public events such as the SkillsFuture forum and also the radio talk show – 89.3 MoneyFM • Feedback collection through our HearTbeats online platform after every client or candidate interview • Events such as Launchpad program for candidates, Conversations with a Recruiter and Wechat Live • Position Profile Report (PPR) and Candidate Profile Report (CPR) to provide clients insightful overviews on the candidates

SUSTAINABILITY REPORT



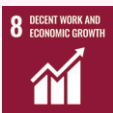


Stakeholder Group	What They Expect	How We Responded	How We Engaged Them in 2021 (including Frequency)
 Investors	<ul style="list-style-type: none"> • Stable and sustainable growth and profitability • Reasonable returns to shareholders • Preserving balance sheet strength through economic cycles • Strong corporate governance and transparency • Timely disclosures 	<ul style="list-style-type: none"> • Ensuring strong oversight and accountability by an experienced and competent Board and Management team • Maintaining a healthy corporate governance culture • Disciplined and measured approach towards merger and acquisition risks and opportunities • Ensuring robust risk governance and management in day-to-day operations • Ensuring timely disclosure and reporting 	<ul style="list-style-type: none"> • Annual General Meeting (“AGM”) • Half-yearly results briefings and webinars • 39 Investor calls - Investor conferences, one-on-one and group Zoom sessions, and webinars held throughout the year • Annual report • Notices, Circulars and Announcements
 Society	<ul style="list-style-type: none"> • Employment opportunities • Good corporate citizenship, contribute responsibly to society building 	<ul style="list-style-type: none"> • Offering jobs to local talent via hiring for our own business operations and facilitating job placements for our clients • Giving back to society through CSR programmes 	<ul style="list-style-type: none"> • Continual engagement through recruitment platforms to attract talents and provide advice for candidates • CSR events
 Government & Regulators	<ul style="list-style-type: none"> • Highest standards of corporate governance and ethical behaviour • Supporting the development of local economies and industries • Taxes to governments 	<ul style="list-style-type: none"> • Complying with applicable and current laws, regulations, and policies • Sound risk management system and processes • Conducting regular internal and external audits • Disclosure of our sustainability practices 	<ul style="list-style-type: none"> • Annual reports (including annual sustainability report) • Annual audit reports • Relevant disclosures on SGXnet

Major stakeholder groups in our day-to-day operations have been listed. HRnetGroup’s suppliers and vendors for the business are minimal and not covered.

SUSTAINABLE DEVELOPMENT GOALS

We have mapped the Sustainable Development Goals (SDGs) that are identified as most relevant to our material topics as follows:

SDG (Target Level)	Material Topic	Examples of Efforts and Initiatives
<p>Goal 4</p>  <p>Supporting quality education as the foundation to improving people's lives and sustainable development</p>	<p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship</p>	<p>Building Capacity in the Local Communities</p> <p>CSR program at Sunflower Community Children's Service Centre to teach English in a fun way through music.</p> <p>(See page 49 for more details)</p>
<p>Goal 5</p>  <p>Achieve gender equality and empower all women and girls</p>	<p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p>	<p>Diversity and Equal Opportunity</p> <p>Ensuring gender diversity in our board</p> <p>(See pages 47-48 for more details)</p>
<p>Goal 8</p>  <p>Promote inclusive and sustainable economic growth by creating quality jobs for all</p>	<p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p>Customer Service and Satisfaction</p> <p>Regular monitoring of candidates' satisfaction via HeaRtbeats and proactively taking remedial actions for issues identified</p> <p>(See page 48 for more details)</p>
		<p>Diversity and Equal Opportunity</p> <p>Promoting diversity and inclusion in our own hiring practices and encouraging clients to do the same</p> <p>(See pages 47-48 for more details)</p>
		<p>Talent Retention, Development and Engagement</p> <p>Employee training initiatives such as 9 Dimension Great in Sales ("9DGIS") and Critical Success Activities ("CSA")</p> <p>(See page 45 for more details)</p>
	<p>8.6 By 2030, substantially reduce the proportion of youth not in employment, education or training</p>	<p>Building Capacity in the Local Communities</p> <p>Maintaining contractors' headcount and ensuring successful placements for professional recruitment.</p> <p>(See page 48 for more details)</p>

SUSTAINABILITY REPORT

SDG (Target Level)	Material Topic	Examples of Efforts and Initiatives
<p>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	Ensuring Business Integrity and Compliance	Adherence to local human rights and fair labour practices and upholding our employees to a high standard of professional ethics (See pages 50-52 for more details)
	Cybersecurity & Data Protection	Implementing two layer of cybersecurity defence to protect personal data of our candidates, employees, and external contractors (See page 57 for more details)
	Talent Retention, Development and Engagement	Protecting physical and mental well-being of our employees (See page 46 for more details)
<p>Goal 10</p>  <p>Reduce inequality within and among countries</p> <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>	Diversity and Equal Opportunity	We hire people based on competency and attitude and provide equal learning opportunities to all our employees. We also adhere to the Tripartite Alliance for Fair Employment Practices (TAFEP) guidelines.
	Building Capacity in the Local Communities	CSR program at Food Angel and Sunflower Community Children's Service Centre. We also launched a Save A Job, Save A Family program to encourage hiring in difficult Covid-19 pandemic times. (See page 49 for more details)
	Talent Retention, Development and Engagement	Clear career progression based on performance, with opportunities to move across brands or cities (See page 45 for more details)
<p>Goal 13</p>  <p>Take urgent action to combat climate change and its impacts</p> <p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p>	Ensuring Business Integrity and Compliance	Climate related disclosure per SGX requirement starting 2022
	Doing Our Part for the Environment	To progressively report on environmental performance starting 2022 (See page 58 for more details)

We endeavour to continue to support the attainment of the SDGs most relevant to our operations through continual improvement of our business practices. As a best practice, we also follow the ten principles laid out by the UN Global Compact.

The Ten Principles of the UN Global Compact		Our Actions
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	Make sure that they are not complicit in human rights abuses.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	The elimination of all forms of forced and compulsory labour;
	Principle 5	The effective abolition of child labour; and
	Principle 6	The elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	Undertake initiatives to promote greater environmental responsibility; and
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

We provide our employees with a safe working environment and promote diversity and inclusion in our workplace
(See pages 46-47 for more details)

Not relevant for HRnetGroup since we do not have any employee unions.

We subscribe to Tripartite Alliance for Fair and Employment Practices and comply to existing labour laws

(See pages 50-52 for more details)

Diversity And Inclusion
(See page 47 for more details)

Not relevant for HRnetGroup given our professional services nature of business.

We have changed our entire onboarding process to become paperless to reduce our impact on the environment. We plan to progressively report on environmental performance and set targets from 2022 onwards.












We recruit engineers for environmental firms and sustainability professionals. We also consciously seek to rent offices at green buildings.

Ensuring Business Integrity and Compliance
(See pages 50-52 for more details)

SUSTAINABILITY REPORT

TARGETS AND PERFORMANCE

We show our commitment to sustainable development by measuring our performance and laying out clear targets to track progress every year. In 2021, we have started to track additional key performance indicators that we will continue to measure going forward:

	Material ESG factors ⁸	Key Performance Indicators (See Note 2)	Details of What HRnetGroup have done	2019 Achievements	2020 Achievements	2021 Achievements	2021 Targets	Targets for 2022 and Beyond ⁷
SOCIAL	Talent Retention, Development and Engagement  	Percentage of total employees by gender and employee category receiving regular performance and career review	Pages 44-47 – Talent Retention, Development and Engagement	See Note 1	See Note 1	100%	See Note 3 and Note 4	Ensure 100% of permanent employees receive regular performance and career review
		Extend opportunities for Co-Ownership at Company and/or business unit level**		See Note 1	See Note 1	See Note 1		Actively seek to increase Co-Owners for business units outside Singapore
	Diversity and Equal Opportunity   	Provide equal opportunities for all candidates irrespective of gender, marital status, race, ethnicity, age and religion (as measured by number of incidents of discrimination)	Pages 47-48 – Diversity and Equal Opportunity	See Note 1 33% of the Board are female	See Note 1 33% of the Board are female	Zero confirmed incidents of discriminations 33% of the Board are female	See Note 5 Maintain current gender composition for Board of Directors	Maintain zero confirmed incidents of discriminations Maintain 2 or more female directors
		Percentage of Board of Directors that are female						
	Customer Service and Satisfaction* 	Client and candidate engagement average NPS**	Page 48 – Customer Service and Satisfaction	See Note 1	See Note 1	83	See Note 1	Maintain a minimum average NPS above 70
	Building Capacity in the Local Communities   	Number of job placements – Candidates, Contractors & Internal Contractor Employees**	Pages 48-49 – Building Capacity in the Local Communities	Monthly average of 11,929 contractors 8,530 permanent placements 180 internal contractor employees	42,998 contractors 7,022 permanent placements 186 internal contractor employees	54,448 contractors 7,794 permanent placements 266 internal contractor employees	Keep the number of contractors and permanent placements in 2021 steady	Actively seek to grow the number of contractors and successful permanent placements in 2022
ECONOMIC AND GOVERNANCE	Ensuring Business Integrity and Compliance  	Number and percentage of employees receiving training on anti-corruption policies and procedures	Pages 50-52 – Ensuring Business Integrity and Compliance	See Note 1	See Note 1	100%	Zero confirmed incidents of corruption	Zero confirmed incidents of corruption or non-compliance with laws and regulations resulting in significant fines or non-monetary sanctions
		Number and percentage of governance body members receiving training on anti-corruption		See Note 1	See Note 1	7, 100%	Zero incidents of non-compliance with laws and/or regulations resulting in significant fines and non-monetary sanctions	100% participation in training on human rights, ethics, information security and anti-corruption for all employees
		Confirmed incidents of corruption		Zero confirmed incidents	Zero confirmed incidents	Zero confirmed incidents		
		Non-compliance with laws and regulations resulting in significant fines and non-monetary sanctions		Zero incidents	Zero incidents	Zero incidents		

SUSTAINABILITY REPORT

Material ESG factors ⁸	Key Performance Indicators (See Note 2)	Details of What HRnetGroup have done	2019 Achievements	2020 Achievements	2021 Achievements	2021 Targets	Targets for 2022 and Beyond ⁷		
ENVIRONMENT	Business Growth	Amount of revenue in growth sector Regional expansion and range of service offerings as measured by number of market segments, specialisations, and number of products / services offered	Page 25 – Segmental Revenue Pages 54 – 55 – Business Growth		22 industry specialisations	23 industry specialisations	27 industry specialisations	See Note 6 Maintain or increase the number of industry specialisations	Increase revenue in sectors that are in demand Seek to expand our regional network in markets that we have operations in Expand our range of services in the HR space
	Cybersecurity and Data Protection*	Number of substantiated complaints concerning breaches of customer privacy	Page 57 – Cybersecurity and Data Protection		See Note 1	See Note 1	Zero substantiated complaints	See Note 1	Zero confirmed incidences of leaks, thefts of customer data losses
		Number of identified leaks, thefts, or losses of customer data			See Note 1	See Note 1	See Note 1	See Note 1	
Doing Our Part for the Environment*	See Note 1 – We aim to start to progressively report environmental KPI from 2022 onwards	Page 58 – Doing Our Part of the Environment		See Note 1	See Note 1	See Note 1	See Note 1	Targets to be developed from 2022 onwards	

Notes:

* Indicates new material topics added in 2021 following refresh of materiality assessment.

**Non-GRI disclosures proposed in absence of topic-specific GRI disclosure or to supplement existing GRI disclosure. See also Note 2.

1 Not applicable – indicator only started to be measured in 2021.

2 In addition to the indicators reported in this table, we also disclose our sustainability progress using other GRI disclosure indicators, found in other sections of this sustainability report. Please refer to the GRI content index for more details.

3 2021 target of maintaining an average of at least 60 hours of training per year per employee has been met with 64 hours of training in 2021 (see page 44). For 2022, we will measure and set targets for talent development using percentage of employees undergoing performance review instead since performance review is a comprehensive method of getting feedback on both an employee's overall engagement level as well as development needs.

4 2021 target of increasing the total number of Co-Owners to 30% was not met (21% of permanent employees base). This was due to a pause in implementation of the 123GROW plan driven by uncertainty in the capital markets during the pandemic period. The new target focuses on succession planning and localisation by having the Number 1 person in our overseas business units be Co-Owners at the operating level.

5 2021 target of at least 70% permanent staff to be female was achieved with 74% female permanent employees in 2021 (see page 47). As our diversity and inclusion policies evolve for 2022, we have decided to focus on achieving zero confirmed incidents of discrimination as a more holistic way of measuring diversity and inclusion.

6 2021 target of minimal account attrition was achieved with zero attrition of our Top 10 clients. For 2022, we have modified our metrics to reflect the fact that we need to be versatile enough to quickly pivot to emerging growth areas in a volatile environment.

7 We are looking at adoption of medium- or longer-term targets from 2022 onwards.

8 Performance of HRnetGroup with relation to Sound Governance and Risk Management material topics will be informed by performance against targets for number of confirmed corruption incidents, number of non-compliance incidents with laws and/or regulations resulting in significant fines and monetary sanctions and number of confirmed incidences of leaks and thefts of customer data losses.



SUSTAINABILITY REPORT

BUILDING AND ENGAGING TALENT

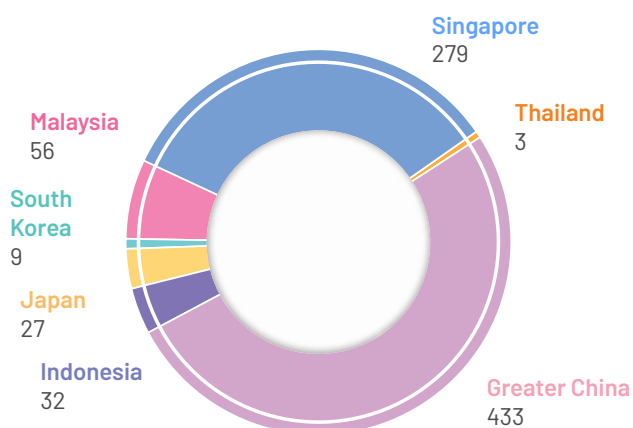
TALENT RETENTION, DEVELOPMENT, AND ENGAGEMENT

Human capital is our key asset as a HR recruitment firm. Our success is highly dependent on the dedication, abilities, experience, and knowledge of our staff. As human resource professionals, our clients also look up to us to provide exemplary employee management and engagement practices. That is why we place the development, engagement, retention, and well-being of our own staff high on our list of priorities.

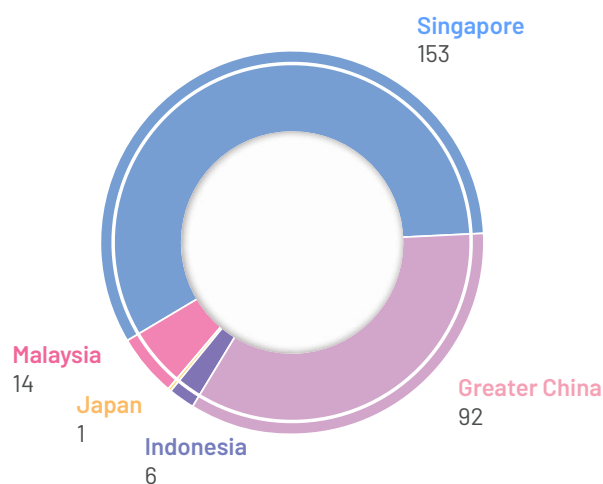
As of 31 December 2021, we have 839 permanent employees spread across 14 cities. Understanding the needs and wants of our people, catering to their list of priorities, and enabling their growth and progression are critical in cultivating a highly driven and effective workforce.

PERMANENT EMPLOYEES¹ AND INTERNAL CONTRACTOR EMPLOYEES² BY REGION

Permanent employees



Internal contractor employees



Talent Development

Our employees are exposed to a wide array of training programmes and opportunities which are aimed at building their functional and core competencies, and culture building. Our full suite of training programmes commence even before onboarding and encompass a great variety of areas including regulatory updates, cybersecurity, code of conduct, sales techniques, and leadership courses. We have curated our own curriculum via multiple avenues to equip our people with the skillset and mindset to adapt and perform within a constantly evolving ecosystem.

We continue to upskill our employees through quarterly training as part of our Critical Success Activities (“CSA”) events, on-the-job training, as well as ad-hoc trainings. The content of the CSA training is individually curated every quarter according to observed business trends and needs. In 2021, we covered topics such as improving their LinkedIn profiles as well as mental wellness among others. Our senior management places a high emphasis on training and has put in place a monitoring process to track training records.

With the move to online training during the Covid-19 pandemic, we have also streamlined our training sessions to fit an online format. We are pleased to share that we achieved an average of 64 hours of training per employee over the year, exceeding our 2021 target.

¹ Permanent employees are HRnetGroup’s employees under a full-time permanent contract.

² Internal contractor employees are HRnetGroup’s employees under a fixed term or temporary contract, some of which are part-time. Internal contractor employees differ from external contractors under Flexible Staffing business (under HRnetGroup’s payroll but work for HRnetGroup’s clients).



Training Highlight: 9 Dimension Great in Sales (“9DGIS”)

9DGIS is our in-house sales training program encapsulating the art and science of being a recruiter. It has evolved from hard copy books to digital copies and now, into easy to consume bite-sized videos. Based on the concept of micro-learning, each module has been condensed into short but comprehensive videos. The objective is to create a fun and engaging learning experience for our consultants so that they are equipped with the necessary tools to succeed from the get-go.

As a pre-condition of employment, consultants then must pass an online test which assesses their understanding of the techniques covered. Thereafter, there are monthly training programs to build on tools and techniques, with participants voting on the most artful formulations and applications. The advanced 9DGIS sessions are valuable masterclasses in the skills a recruiter needs.

Talent Attraction, Engagement and Career Progression

Talent attraction, management and retention underpin the company’s growth and progression. In this era, career progression and self-fulfilment are important elements individuals look for in an organisation. Identifying areas of competencies and weaknesses, channelling strengths and resources to the right areas, helping them develop their potential and charting our common goals and time horizon are critical blocks in supporting our staff in building their careers.

Our clearly defined career map involves an in-depth explanation of the criteria and a timeline for promotion, so that employees have clear understanding of their career path and progression. On a semi-annual basis, our leaders ride the Talent Wave, reviewing the prospects of high potential employees and working out how to rotate their portfolios or roles to develop their careers. Moving across brands or even cities, taking on regional roles or group-level functions, are all options on the table which are fully explored for each individual.

Our people are our most important resource. We work on cultivating a long-term relationship with them that promotes growth and career development. Performance reviews are conducted regularly to ensure that our talents are on track. In 2021, all of our permanent employees have received their regular performance and career development review. Employees also receive Long Service Award at 1, 3, 5, 7, 10, 15 and 20 years of service.

Aside from providing a clear career progression path, we also engage our employees on a regular basis via various communication channels. This allows our employees to stay up-to-date and informed on our latest news and events. Two of our main modes of employee engagement on a group-wide level include:

Critical Success Activities (“CSA”)

CSA events are our quarterly company-wide employee engagement events. When Covid-19 restrictions were put in place, we were no longer able to continue with our live events. Instead, we took the essence of what we had set out to achieve with these events and evolved them into a purely digital version. Still held every quarter, our CSA events have now evolved into digital events in real time to ensure that we are able to maintain a good level of engagement.

The content still focuses on quarterly sales numbers, areas of growth, announcement of awards, promotions, recognition, training, and new initiatives. While the way we deliver the content has changed, our primary objective remains the same which is to create a platform that allows for sharing, growth and alignment of goals and values.

Group Action Meet Energise (“GAME”)

GAME is a weekly call that brings together leaders from our various business units across 14 cities. Conducted via Zoom, the 1-hour call comprises updates on group level sales numbers across all business units. We also use this session to share market trends and insights, new initiatives, business development and leadership wisdom.

SUSTAINABILITY REPORT

In addition, our employees are encouraged to bond and share positive experiences via participation in our Corporate Social Responsibility initiatives on a local (city) or business unit level (see pages 48-49 for more details). Our Co-Ownership scheme encourages our employees to put in their best at work since they can reap the benefits of their own hard work as shareholders of the company (see pages 46-47 for more details).

Staff Wellbeing and Satisfaction

To cultivate a happy workforce, we believe that we also need to take care of our people's mental and physical wellbeing. All our full-time employees receive life insurance, health care, disability, and invalidity coverage and parental leave.

As an organisation with a consciously flat structure, every voice has an opportunity to be heard. That is a key building block of mental wellbeing, where people have agency and are empowered to shape their experiences and that of the people around them. We also have wellness initiatives such as massage sessions for staff every week in our Shanghai office and as well as breathing exercises.

We promote healthy living by starting each day with our Wellness Exercise and encourage each office to have offerings focused on health. While we are not involved in high risk or hazardous work, we are still committed to ensuring a safe working environment in our offices. Our offices are also equipped with Closed Circuit Television (CCTV) to monitor security.



Covid-19 and Mental Health

Amidst the ongoing Covid-19 pandemic, we are mindful of the additional strain placed on our employees as they navigate the 'new normal', work-from-home arrangements and the ever-changing regulatory requirements.

Our leaders have responded by conducting monthly check-ins to provide our staff with an outlet to voice their concerns. We made arrangements for staff who experience serious difficulties working from home to go back to the office. Since we are no longer able to see each other face to face every day, we make an effort to get together safely from time to time. For example, our Indonesian colleagues held virtual monthly gatherings and virtual celebrations for festivals and celebrations.

At our last CSA event in 2021, we decided to curate fun and relaxing activities for our staff to help them de-stress. We arranged for virtual yoga sessions and karaoke competitions amongst our Singapore, Indonesia, Thailand, and Malaysia offices. We played escape room games and invited professional trainers to coach our staff on ergonomics to improve their work from home environment. The program was well-received based on the overall positive feedback from our staff.



Co-Ownership: 123GROW & Stakes in Subsidiaries

We introduced a Co-Ownership scheme - 123GROW to reward performance and create a sense of ownership for employees. The innovative 123GROW Co-Ownership Scheme is unique amongst listed companies in Singapore whereby selected employees are given the opportunity to invest in the company. Employees who met performance criteria in the prior financial year received bonus shares. The scheme helped to effectively align the interests of our employees with our shareholders and their goal to create a sustainable and profitable business.

GROW shares scheme has also been created to bring more Co-Owners on board and allow existing Co-Owners to grow the number of shares they own. We continue to embrace the concept of Co-Ownership and as opportunity arises, we will extend offers to suitable employees.

As of 31 December 2021, the number of employees under the Co-Ownership scheme was 179, which made up 21% of our permanent employees base. In 2020, this number was 218, i.e. 25% of the permanent employees base. The reduction in number of Co-Owners is mainly due to natural attrition. Having said that, our overall retention rate in Co-Owners was 75% (2020: 83%), which was higher than the retention rate of non-Co-Owners, a good testament to the effectiveness of our Co-Ownership scheme. We will continue to review the plan and evaluate how to continue its success.

For leaders with a proven track record, we also offer the opportunity to buy into the subsidiaries they run - a Co-Ownership scheme dating back to when we first set up our overseas offices 27 years ago, and which is key to our success regional expansion and cultivation of entrepreneurship.

DIVERSITY AND INCLUSION

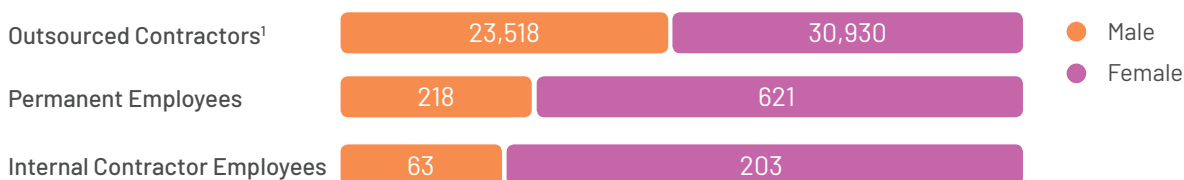
HRnetGroup is committed to promoting diversity and equal opportunity, both within our own workplace, and amongst our clients. We believe that diversity in the workplace increases awareness, talent pool, employee morale, creativity, and performance. By being inclusive, we are building the capacity for better and deeper connections with candidates and clients. Diversity extends far beyond nationality, race, gender and age groups, to background, experience, skills, and knowledge. By cultivating a diverse team, we thrive to rapidly respond to the myriad of demands across vastly different markets.

We look for people with the right competency and attitude when hiring and encourage our clients to do the same, in line with our Equal Opportunities Policy. When we hire, we look for people with PHDs - Passion, Hunger, and self-Discipline. We provide equal learning opportunities to all our employees, including interns and contract employees - regardless of their initial job role, our employees are free to expand their skills and try out new responsibilities across new roles/functions. Our rewards and promotions are based on performance. To ensure each well-performing staff will be rewarded accordingly, we have no limit in place for the number of promotions and appointments in each Business Unit.

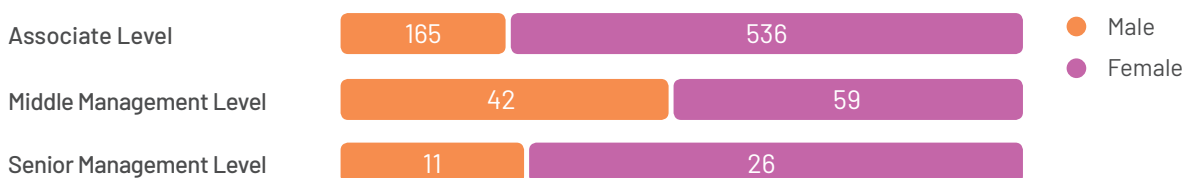
We have also conducted additional trainings on language and cultural sensitivities to employees to promote the awareness of diversity and inclusion. We are pleased to report no confirmed incidences of discrimination in 2021.

Our diverse talent pool includes:

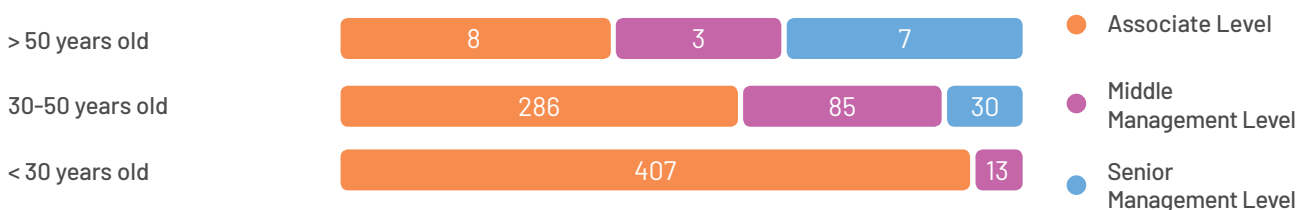
GENDER SPLIT BY STAFF



GENDER BREAKDOWN BY EMPLOYEE LEVEL (PERMANENT EMPLOYEES)



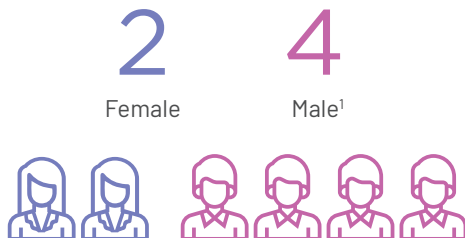
EMPLOYEE LEVEL BREAKDOWN BY AGE (PERMANENT EMPLOYEES)



¹ Under Flexible Staffing business

SUSTAINABILITY REPORT

BOARD OF DIRECTORS BY GENDER



¹ 5 male directors as of 1 January 2022.

² 2 directors between 30-50 years old as of 1 January 2022.

BOARD OF DIRECTORS BY AGE GROUP



CUSTOMER SERVICE AND SATISFACTION

Customer-centricity is key to building a sustainable long-term business. Our clients are our corporate clients and candidates. We thrive by building on a deep understanding of our customer's needs and a shared commitment to do business responsibly.

Our leaders regularly carry out a customer satisfaction survey (CSS) for both our clients and candidates. In addition to CSS, we also collect clients and candidates feedback using HearTbeats, an in-house platform created in 2020 to digitalise our feedback collection process. Based on Net Promoter Score (NPS), HearTbeats gathers feedback at specified points in a client's and candidate's journey so that there can be real-time intervention, and measurement of user experience to foster continuous improvement.

In 2021, HRnetGroup continues to engage candidates through our outreach events – Conversations with a Recruiter on Instagram Live and Wechat Live. Our consultants share interview tips and job opportunities with potential candidates at these sessions. We also continued to run our Launchpad zoom webinars to share content related to industry insights and talent acquisition.

We are pleased to report a world-class Net Promoter Score (NPS) of 83

BUILDING CAPACITY IN THE LOCAL COMMUNITIES

As a professional recruitment firm, we believe we can give back to the community by leveraging on our expertise to identify the skills required for a position, avenues to source for talents, and connecting the suitable resource to the right job. When we successfully place a job seeker into a role, or fill an opening, we help the individual benefit by building his or her individual capacity and developing skills and experience along with the employer organisation. This not only helps the individual job seeker, but also contributes to the growth of our company. As we are dependent on talent in the local communities that we operate in for our business, we also wish to give back to the community through donations to underprivileged groups and CSR events.

At HRnetGroup, we consider it our responsibility to enhance the employability of candidates. Our job includes advising candidates on how to develop and improve their profile and CV, hone their interview skills and presentation to increase the probability of winning the role they want. We also advise clients on the best ways to screen and select suitable candidates and encourage good HR practices.



In 2021, we found jobs for:

54,448

Contractors (Flexible Staffing)

7,794

Candidates (Professional Recruitment)

We also place an emphasis on selecting our leaders from the local communities. When we start a new business unit, we always endeavour to localise leadership roles, thus providing opportunities to the local community by hiring locals and working with them to fill leadership positions. This also has an added benefit of allowing us to kickstart operations as a local business with a staff population that is acutely aware of the nuances and intricacies involved when serving the local market. For more established business units, the focus is on having a majority of leaders being drawn from the local community.

We have our very own dedicated company CSR program - HRnetLoves. With HRnetLoves, we set out to create a CSR program that is an extension of what we do daily but for the people whom we would not normally have had the opportunity to interact with. We focus on creating events that will allow us to make a difference to local communities. The objective is to help them to move to a better life via these outreach activities. We carried out two CSR events¹ under HRnetLoves in 2021.

HRnetLoves Hong Kong SAR

On 15 and 22 December 2021, our Hong Kong SAR colleagues volunteered at Food Angel kitchen to help prepare, cut, and pack lunch boxes for the underprivileged. We also learnt more about food waste and what we can do on our part to minimise food waste in Hong Kong SAR.

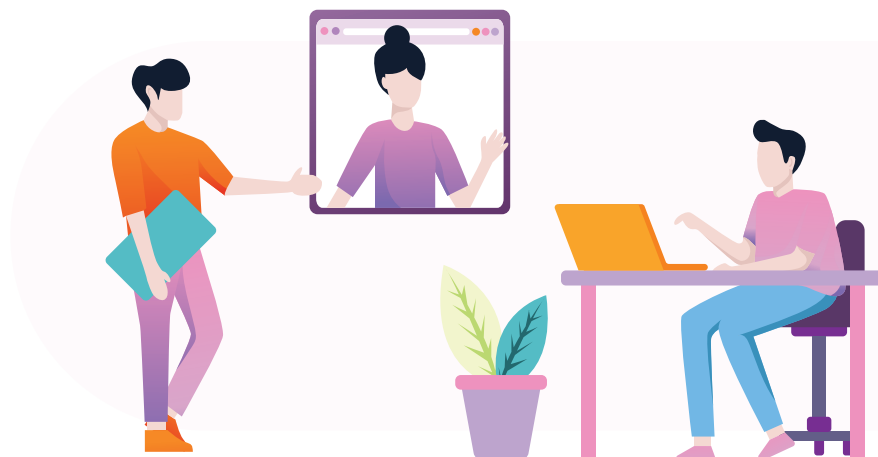
HRnetLoves Shanghai

For the second year running, HRnetGroup put together a six-week English music course as a fun way to teach English to the children at Hongkou campus of Sunflower Community Children's Service Centre.

16 of our Shanghai colleagues as well as 2 external volunteers from a university musical club joined hands to teach and prepare the children to put up a musical performance based on the "Sound of Music." At the beginning of the course, some of the children could not even read any lines. However, by the end of the program, all of them could recite their lines and perform in front of an audience for the final show. We are very proud and happy to be part of the children's learning journey!

In addition to HRnetLoves, each of our individual brands roll out their own brand-wide CSR initiatives. In 2021, recognising that the unprecedented Covid-19 pandemic had created financial hardships for families and businesses, HRnetOne launched a campaign named "Save a Job Save a Family" in our Greater China, Japan, and Singapore offices, which provided job opportunities to many candidates with good profiles who had been impacted by the restructured economy. We reduced our fee charges to encourage companies to hire such candidates. We received a lot of positive feedback from our clients for this initiative, and plan to continue it for the upcoming financial year.

While the ongoing Covid pandemic has restricted the scale of events we could carry out in 2021, we remain positive that we will be able to do more in this financial year as restrictions continue to ease worldwide. We have also started engaging our clients and invite them to participate in our upcoming CSR events.



¹ Equivalent to 17% of operations with implemented local community engagement, for 12 brands in total.

SUSTAINABILITY REPORT

SOUND GOVERNANCE FOR A STRONG AND SUSTAINABLE BUSINESS GROWTH

ENSURING BUSINESS INTEGRITY AND COMPLIANCE

Recruitment is a heavily regulated industry where non-compliance with ethical and legal requirements will lead to costly fines, reputational damage, and loss of trust, or in severe cases even loss of our license to operate as a recruiter. We see trust and reputation as critical assets of a Human Resource (HR) business and therefore require all our employees to adhere to high professional standards that are reflective of and worthy of the trust the company, clients and candidates place in us. As a result, we have zero tolerance for any ethical or legal violation. This is anchored in our Code of Conduct and we ensure that our employees are fully aware through regular training and awareness raising.

Our Code of Conduct

HRnetGroup's Employee Code of Conduct ("CoC"), otherwise known as our Employee Handbook, sets out expectations of employee behaviour in relation to fraud, bribery (including a gift policy), segregation of duties and business ethics (including behaviour on public platforms such as social media). During the onboarding process, new employees are required to undertake training, pass online assessments, and make declarations on various critical topics such as insider trading, anti-corruption and anti-bribery, anti-money laundering, cyber security, protection of personal data and whistle blowing.

Every year, one of our quarterly Critical Success Activities ("CSA") events across all business units is dedicated to the topic of CoC. Staff are split into teams to deep dive into a specific CoC topic assigned, then design and deliver the concepts and applications at the CSA. All our employees also go through a compulsory annual E-CoC self-assessment, which takes the form of an online checklist to assess the employees' understanding and renew their declaration of compliance with the CoC.

The group also has in place a whistle blowing policy and channels for employees to report any suspicious and non-compliant practices.

In addition to our own group values and CoC, we have also chosen to subscribe to the Tripartite Alliance for Fair and Progressive Employment Practices in Singapore and relevant guidelines overseas.



100%

of our employees and Board received training on anti-corruption policies and procedures

ZERO

confirmed incidences of corruption in 2021

Ensuring Regulatory Compliance

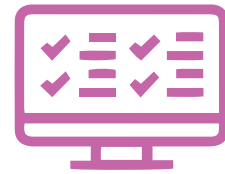
With regional operations in 14 cities, each of which has its own local laws and labour practices, it is imperative for HRnetGroup to develop a systematic approach to stay on top of each location's statutory and regulatory requirements. The pandemic in particular has made it more challenging to keep up with frequently changing laws and regulations. We have responded by developing an in-house regulatory compliance management framework consisting of three key pillars:



Regular review of regulatory compliance requirements (new/changes in regulations)

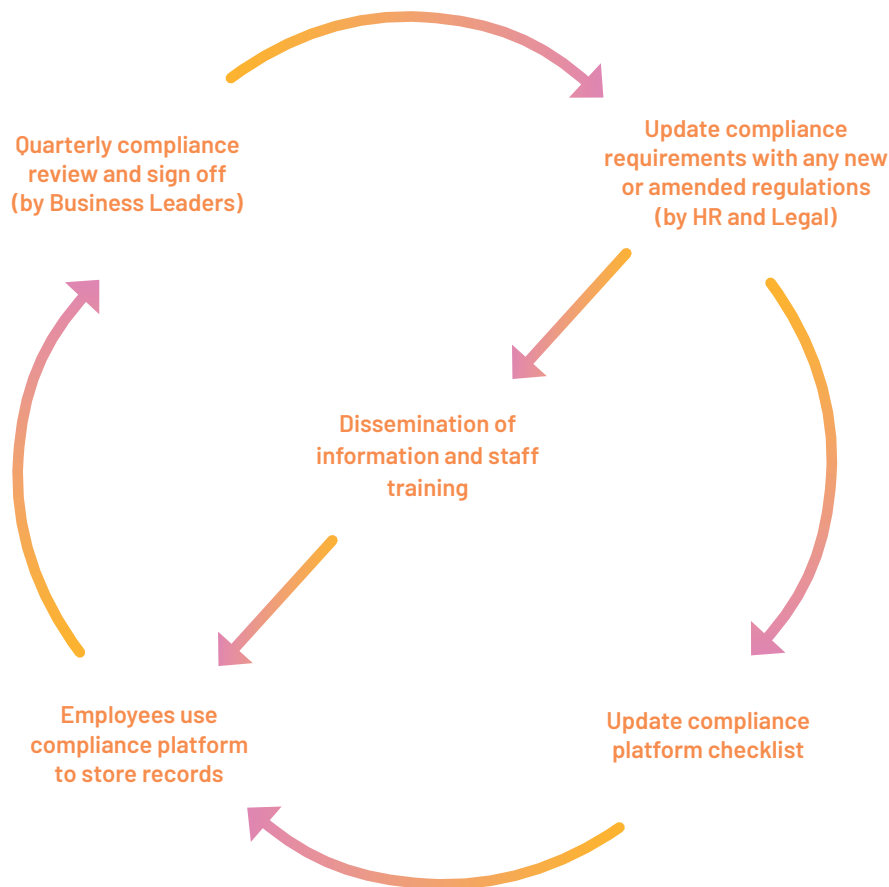


Dissemination of regulatory updates to employees



A compliance platform to store and track required compliance records

We have integrated these three pillars into our business operations in all our regional offices. We are proud to report zero confirmed incidences of non-compliance with laws and regulations in the social and economic areas in 2021.



SUSTAINABILITY REPORT

Regular Regulatory Compliance Requirements Updates

Whenever a new or change of regulation is announced, our HR and Legal departments are responsible for assessing the implementation to business and processes. We also have key contacts in each city to update the local regulatory requirements. Where deemed necessary, we will then make the relevant updates to our business and risks management systems (e.g. update contract clauses, compliance checklist, policies, etc.).

Dissemination of Regulatory Updates to Staff

Upon implementation, announcement and training on new rules and regulations are communicated to the staff at our various staff engagement platforms such as Critical Success Activities (“CSA”)¹ or Group Action Meet Energise (“GAME”)².

Where necessary, we also bring in professional trainers and/or send staff for external training on critical issues.

Compliance Platform for Record Storage and Tracking

We are proud to have successfully rolled out an in-house compliance platform in 2021 that helps to automate compliance records storage, status tracking, and which saves paper in the process. Instead of keeping hard copies, soft copies of required compliance records are now uploaded in the compliance system. Compliance checklists in the compliance platform are regularly updated based on advice from our HR and Legal departments. The platform also incorporates alerts to ensure timely action by employees.

Every quarter, the status of the compliance submissions will be reviewed by our Compliance Coordinator, who will check the compliance submissions status before circulating the report to the Compliance Committee.

SOUND GOVERNANCE AND RISK MANAGEMENT

We incorporate sound governance and risk management practices in our day-to-day work activities to identify and manage business and ESG risks in all our brands and areas of operations. Since 2019, we have been a corporate member of the Singapore Institute of Directors, an organisation committed to foster good governance and ethics in corporate leadership that provides professional development for corporate leaders as well as thought leadership on corporate governance and directorship issues. For more information about our overall corporate governance, see pages 64-92 of this Annual Report; our sustainability governance structure is elaborated in page 32.

We adopt a proactive risk management approach and have in place various policies, initiatives, and monitoring systems to mitigate our business and ESG risks. Our management approach for a few of the identified key risks is highlighted below.

Reputational Risk

We prefer prevention rather than cure when it comes to dealing with reputational risk.

We monitor our client and candidate satisfaction closely so our leaders can make timely intervention to rectify the situation for our clients and avoid public complaints. All our consultants undergo social media training at onboarding. For more information on our customer satisfaction initiatives, see pages 35 and 48.

We uphold our employees to adhere to our Code of Conduct and do not tolerate any corruption or bribery. For more information on our professional ethics stance, see page 50.

Operational/Competitive Risk

We recognise the need to remain agile and cognizant of the trends that are happening in the industry to be ahead of the curve. Every week, our business leaders from all 14 cities meet for GAME sessions where they share market trends and insights, new initiatives and business development, and leadership wisdom.

We have registered trademarks for all our brands, which we use to enhance our awareness and distinguish ourselves from competitors.

We also invest in our staff professional development (see pages 35 and 44) and digitalisation initiatives (see page 35) to improve our operational efficiency and improve our client service offerings.

¹ Quarterly sharing, training, and recognition events with all HRnetGroup employees.

² A weekly call that brings together leaders from our various business units.

Talent Attraction and Retention Risk

Our employees are our greatest asset. We strive to keep our employee engaged, well, and happy to work for us. We seek to cultivate and spur our own talents on by making sure they have the relevant skills in the changing environment and roles that keep them inspired and satisfied. For more information, see page 45.

We are proud of our alumni network comprising of our ex-employees and contractor employees, who remain in touch with HRnetGroup.

Cybersecurity and Fraud Risk

We see a trend of growing cybersecurity threats and online scams. We continue to defend ourselves from cybersecurity risks by protecting our assets and empowering our people to detect and avert potential security threats or scams. For more information, see page 57.

Regulatory Risk

With offices in 14 cities all over Asia, we have implemented a strategy to keep on top of various regulatory requirements through a system of regular updates, training, and automated compliance tracking. For more information, see pages 50-52.

Financial Risk

We evaluate our Accounts Receivable (AR) collection risk on a weekly basis to minimise bad debt.

In 2021, we started embedding sustainability considerations into our quarterly financial forecasting process. For each business unit, we reviewed the leadership structure, sales capacity and people composition, as well as client profile and long-term business potential to develop a more realistic financial forecast.

We also consider sustainability in screening potential merger and acquisition (M&A) targets and look at criteria such as the presence of an established team, leadership practices, and culture. We seek to structure our M&A deals with earn out mechanisms and make sure to induct the newly acquired company by a sponsor who is a senior figure at HRnetGroup. Where possible, we retain the existing operators to continue running the business in order not to lose their accumulated expertise.



SUSTAINABILITY REPORT

BUSINESS GROWTH

Healthy financial growth is important to safekeep our employees' livelihoods, return the trust of our investors (including our Co-Owners), and enable investments to better serve our clients. Our financial key performance highlights can be readily accessed at pages 23-28 of the Annual Report.

We have measures and strategies in place to maintain sustainable business growth. We manage and monitor our existing financial health regularly through selected metrics to measure our staff productivity and business volume. We compare our current year business growth on a quarterly, half yearly and annual basis to the corresponding previous financial period to identify any potential issues.



Staff Productivity

We measure our sales staff productivity by using a ratio of fixed to variable compensation. We set aside a portion of our operational profits to reward our contributing sales staff in a profit-sharing incentive scheme. To qualify for the profit-share, the business unit needs to be profitable, and the individual staff needs to earn a gross profit at least three times his/her payroll cost.

Sales are tracked online daily on business unit levels, with weekly sales reports and quarterly business reviews on a wider company level.



Business Volume

We monitor the number of candidate placements as well as the number of external contractors placements as a measure of our business volume. We used an estimate of gross profit per placement and gross profit per monthly contractor placed to reflect our pricing and the level of talents placed.

When expanding our business, we have our own unique in-house approach for incubating and setting up new businesses by roping in existing employees with proven high performance and who are willing to co-invest in the start-up. This approach has served us well in our expansion to our current 14 business locations.

We also plan to ensure continued solid financial performance in the future by keeping an eye on upcoming trends and risks. Covid-19, coupled with recent societal trends, have, and will continue to impact the recruitment and Human Resource sector. We recognise the importance of addressing these trends to remain relevant in the changing world and maximise value creation for our stakeholders in the long term. In addition, we have sound governance and proactive risk management strategies to mitigate reputational risk, financial risk (including M&A risk), regulatory risks, as well as other risks that can impact our financial bottom line (see pages 52-53).



How We have Responded to Trends in the Talent Acquisition & Staffing Markets to Ensure Continued Business Growth:

- We continue to grow our flexible staffing business in response to observed market demand for the product and increasing worker preference for flexibility.
- We also seek to supply talents for fast-growing verticals, such as technology, Artificial Intelligence (AI) and digitalisation where we see growing demands but an imbalance with available skills.
- Over the past few years, we have invested in several digitisation initiatives to automate workflows, increase efficiency of our work activities, and enhance our customer service offerings. Our Customer Relationship Management (CRM) system, Compliance platform and customer feedback system (HeaRtbeats) are just a couple of examples of in-house back end and customer facing systems that have been integrated into our operations successfully. With the launch of each new initiative, our IT and communication teams work together to roll out training and gather feedback from end-users to facilitate smooth and successful implementation.

While we diversify our business with an outlook on future trends, we also continue to value our relationships with our long-term clients who bring repeat business. Currently we have 27 industry specialisations and our top 5 clients¹ have been with us for an average of 15 years. We are pleased to report that we have also achieved our target of minimal account attrition in 2021.

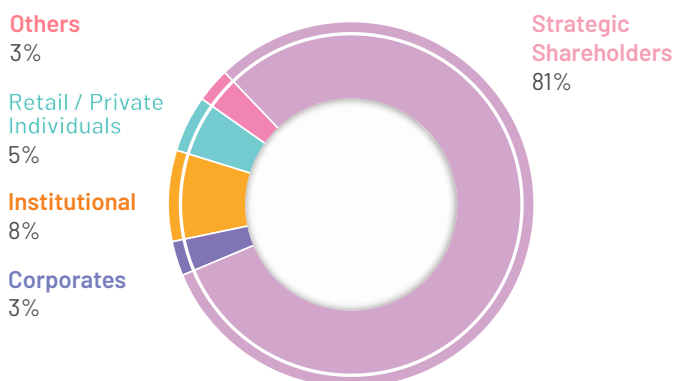
Our investors are important to us for our continued business success. At HRnetGroup, we maintain regular dialogue and engagement with the investment community to provide relevant information on the Group's corporate strategy, operational performance, and business outlook and to help them to make well-informed investment decisions. We also seek their feedback to provide Management with regular updates of market perceptions. We have a dividend practice of minimum 50% profit pay-out, both at holding company and subsidiary levels. We also monitor our dividend performance with indicators such as dividend yield, dividend per share trend, and long-term market traded price on SGX. With the long-term interests of our shareholders at heart, we watch our return on equity closely, and aim to build a sustainable business with enviable returns.

We also have in place an Investor Relations Policy which guides our engagement with the investment community, including our shareholders, potential investors, and equity analysts. These policies are available at our corporate website at <https://hrnetgroup.listedcompany.com/>.

¹ Top 5 clients for the year are determined based on the attributed business revenue for the year. A long business relationship indicates repeat business from these major clients.

SUSTAINABILITY REPORT

OUR SHAREHOLDER BASE



Source: HRnetGroup, Orient Capital

Note: Strategic Shareholders include SIMCO Global Limited which is controlled by the SIM Family, and the employees of the Company.

OUR DIVIDEND PRACTICE

Delivering stable and sustainable returns for our shareholders is a key objective when formulating and executing our business strategies. We adopt a disciplined and balanced approach when it comes to growth and maintaining balance sheet strength to ensure the resilience of our business through economic cycles.

We practice a payout ratio of 50% of net profits, after adjusting for one-offs and other exceptional items.

We propose to reward our shareholders with a total dividend of 4.0 Singapore cents per ordinary share which representing a payout of 57.1% of net profit after tax in 2021. The total dividend is an aggregate of 1.0 Singapore cents special dividend paid on 11 January 2022 and 3.0 Singapore cents final dividend subject to shareholders' approval at the upcoming Annual General Meeting.

SELECTED INVESTMENT METRICS

	2020	2021
Share Price (S\$)		
Highest	0.625	0.830
Lowest	0.405	0.520
Average	0.506	0.710
Closing	0.550	0.805
Market Capitalisation (S\$ million) ^a	551.5	808.0
Enterprise Value (S\$ million) ^b	243.3	511.4
Price-to-earnings ratio (x) ^c	13.4	10.9
EV / EBITDA ratio (x)	3.6	5.5
Dividend per share (Singapore cents)	2.5	4.0
Dividend yield (%) ^c	4.9	5.6
Payout ratio (%)	50.3	57.1
Total 1-year shareholder return (%)	-7.5	50.9
Basic EPS (Singapore cents)	4.67	6.53
Diluted EPS (Singapore cents)	4.67	6.53
Return on average ordinary shareholders' equity (%)	14.1	18.7

^a The year-end closing share prices are used in computing the market capitalisation.

^b Enterprise value equals market capitalisation plus non-controlling interest and total debt minus cash & cash equivalent, at year end.

^c The daily-average share prices are used in computing these ratios.

CYBERSECURITY AND DATA PROTECTION

In the course of our recruitment and recruitment process outsourcing work, we hold a large amount of data on behalf of our clients, candidates, and external contractors. We take our responsibility to safekeep the personal and sensitive data of our clients, candidates, external contractors, and our own employees seriously. We comply with all applicable laws in all our areas of operations, such as the Cybersecurity Act and the Personal Data Protection Act (PDPA) in Singapore as well as relevant legislation in Thailand, Indonesia, and Malaysia.

HRnetGroup takes a proactive approach towards preventing cybersecurity incidents and protecting our clients' personal information. We employ a two-pronged defensive approach encompassing:

- Protection of our assets and systems – including our computers, laptops, tablets, phones, and offices where personal and sensitive information are kept
- Training our employees to be security aware

The implementation of our cybersecurity and data protection strategy is supported by our data protection policies, which sets out clear guidance on data management and employee training requirements.

HRnetGroup recognises that our data security defences do not only protect us from business legal risks but are also critical to protect our stakeholder's interests and maintain their trust. In 2021, we were targeted by online scammers impersonating our staff in an attempt to collect money from our candidates. We have responded via announcements on our social media platforms and by making official reports to the police to mitigate potential future attacks.

With the current strategies and initiatives in place, we are pleased to report that we have no (zero) substantiated complaints concerning breaches of customer privacy and losses of customer data, and no (zero) identified leaks, thefts, or losses of customer data in 2021.



Protecting Our Assets and Systems

HRnetGroup's own dedicated information and technology (Tech) team is responsible for the group's cybersecurity defences. The ongoing Covid-19 pandemic poses additional challenges for data security at HRnetGroup. With offices being shut down, internal systems located on the company's intranet must now be accessible from homes to ensure business continuity. We responded by stepping up security measures by implementing two-factor authentication (2FA), progressive replacement of outdated IT equipment and implementing measures to further safeguard data leaks and thefts.



Increasing Our Vigilance

HRnetGroup views cybersecurity awareness as an essential skill for its employees. Therefore, all new hires are required to undergo training on cybersecurity and protection of personal data.

Awareness training to increase our employees' vigilance towards cyber-attacks are conducted on a regular basis and we are also in the process of implementing cybersecurity exercises for our staff.

SUSTAINABILITY REPORT

DOING OUR PART FOR THE ENVIRONMENT

We are cognizant of the pressing challenges posed by climate change and dwindling natural resources, which will threaten the future of the communities we operate in if left unchecked. We are also conscious that our clients, shareholders, and regulators are increasingly seeking more transparency regarding the carbon footprint of their business partners, portfolio, and companies in line with global climate action. As a result, we plan to perform an assessment of our carbon footprint in the coming financial year.

We are committed to work together with our stakeholders to manage the resource use and carbon footprint of our business activities to create a better future for all.

We plan to focus our efforts in the medium-term on reducing waste and energy use in our offices as per the below:



Reaping the Triple Benefits of Going Paperless

Reducing waste generation and office expenses while allowing work to be done from a safe distance in pandemic times – these are the triple benefits of going paperless. HRnetGroup has enrolled a group-wide initiative to go paperless using:

- Digital candidate forms
- Electronic contracts digitally signed via HelloSign*
- Digital Letter of Appointments
- Invoices**
- E-wallet for payrolls
- EASE App for all aspects of the employment relationship

Resulting from our paperless initiatives, we have saved a total of S\$26,000 (15% reduction from 2020) in paper expenses in 2021. We will evaluate our remaining paper use to continue to identify waste reduction opportunities in the next years.

*Paper contracts are provided when requested by clients

**With exception in some countries where we are required by law to safekeep paper copies.



Making Our Home in Eco-Friendly Buildings

- Guangzhou – CTF Finance Center (LEED Gold Certification)
- Hong Kong SAR – Central Plaza (83 HK-BEAM rating)
- Kuala Lumpur – Q Sentral (GBI Gold Certified)
- Taipei – Taipei 101 (LEED 2009 Platinum level Existing Buildings Operations and Maintenance)

Moving forward we intend to obtain a better understanding of our baseline energy (electricity) use and remaining paper use to inform measurement of key performance indicators and identify further steps that can be taken to minimise our overall environmental footprint. We plan to progressively report on our environmental performance metrics starting from 2022 onwards.

In December 2021, Singapore Exchange (SGX) revealed a roadmap that mandates all issuers to provide climate reporting on a 'comply or explain' basis starting from their financial year 2022 sustainability report. Therefore, we will assess our carbon footprint in 2022 to assess where we stand and how we can play our part to reduce it, commencing with quantifying our Scope 1 and Scope 2 emissions.

At the same time, we will start to perform our due diligence to inform our climate financial risks for next year's sustainability report. We will begin reviewing our business exposure to potential climate change transitional and physical risks following SGX requirements which are closely aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

APPENDICES

GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: Core option. The table below presents our GRI content index, which specifies the GRI Standards used in this report together with references to where the information can be found or reasons for omission.

GRI TOPICS			STAKEHOLDERS	NOTES/PAGE NUMBER(S)
GENERAL DISCLOSURES				
Organisational Profile				
GRI 102: General Disclosures 2016	102-1	Name of the organisation		HRnetGroup Limited
	102-2	Activities, brands, products, and services		Annual report, page 2
	102-3	Location of headquarters		Annual report, page 108
	102-4	Location of operations		Annual report, page 8
	102-5	Ownership and legal form		Annual report, page 108
	102-6	Markets served		Annual report, page 8
	102-7	Scale of the organisation		Annual report, pages 100-101 Our staff profile, page 44
	102-8	Information on employees and other workers		Our staff profile, page 44
	102-9	Supply chain		Not applicable. Supply chain is minimal and not significant to report on.
	102-10	Significant changes to the organisation and its supply chain		None during the reporting period.
	102-11	Precautionary Principle or approach		Not applicable. HRnetGroup does not specifically address the principles of the Precautionary approach since our activities are not expected to cause serious or irreversible damage to the environment.
	102-12	External initiatives		Tripartite Alliance for Fair and Progressive Employment Practices
	102-13	Membership of associations		Singapore Institute of Directors
Strategy				
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker		Letter to Shareholders, pages 20-22 Board Statement, page 30
Ethics and Integrity				
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behaviour		Sustainability at HRnetGroup, page 30
Governance				
GRI 102: General Disclosures 2016	102-18	Governance structure		Sustainability at HRnetGroup, page 30

SUSTAINABILITY REPORT

GRI TOPICS STAKEHOLDERS			NOTES/PAGE NUMBER(S)
Stakeholder Engagement			
GRI 102: General Disclosures 2016	102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement, pages 35-36
	102-40	List of stakeholder groups	Stakeholder Engagement, pages 35-36
	102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements.
	102-42	Identifying and selecting stakeholders	Stakeholder Engagement, pages 35-36
	102-43	Approach to stakeholder engagement	Stakeholder Engagement, pages 35-36
	102-44	Key topics and concerns raised	Stakeholder Engagement, pages 35-36
	102-45	Entities included in the consolidated financial statements	Annual report, pages 135-136
	102-46	Defining report content and topic Boundaries	Our sustainability report has been prepared in line with the requirements of SGX-ST Listing Rules 711A and 711B, and in accordance with the Global Reporting Initiative ("GRI") Standards, "Core" option.
	102-47	List of material topics	ESG Materiality Assessment, page 40-43
	102-48	Restatements of information	No material misstatements
	102-49	Changes in reporting	Not applicable. There are no changes in reporting
	102-50	Reporting period	Sustainability at HRnetGroup, page 30
	102-51	Date of most recent report	2020
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	About this report, page 30
	102-54	Claims of reporting in accordance with the GRI Standards	About this Report, pages 37-39
102-55	GRI content index	The GRI content index is laid out on pages 59-63	
102-56	External assurance	Sustainability at HRnetGroup, page 30	
MATERIAL TOPICS			
Building and Engaging Talent			
Talent Retention, Development and Engagement			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Pages 44-46
	103-2	The management approach and its components	Pages 44-46
	103-3	Evaluation of the management approach	Pages 44-46
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 46

GRI TOPICS STAKEHOLDERS			NOTES/PAGE NUMBER(S)
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Page 44
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 45
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 47
	103-2	The management approach and its components	Page 47
	103-3	Evaluation of the management approach	Page 47
GRI 405: Diversity & Equal Opportunity	405-1	Diversity of governance bodies and employees	Pages 47-48
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Page 47
Customer (Clients and Candidates) Service and Satisfaction			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 48
	103-2	The management approach and its components	Page 48
	103-3	Evaluation of the management approach	Page 48
Building Capacity in the Local Communities			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Pages 48-49
	103-2	The management approach and its components	Pages 48-49
	103-3	Evaluation of the management approach	Pages 48-49
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	Pages 48-49
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impact	Pages 48-49
Sound Governance for a Strong and Sustainable Business Growth			
Ensuring Business Integrity and Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Pages 50-52
	103-2	The management approach and its components	Pages 50-52
	103-3	Evaluation of the management approach	Pages 50-52
GRI 205: Anti-Corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Pages 50-52
	205-3	Confirmed incidents of corruption and actions taken	Page 51
GRI 419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Page 51
Sound Governance & Risk Management			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Pages 52-53
	103-2	The management approach and its components	Pages 52-53
	103-3	Evaluation of the management approach	Pages 52-53

SUSTAINABILITY REPORT

GRI TOPICS STAKEHOLDERS			NOTES/PAGE NUMBER(S)
Business Growth			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Pages 54-55
	103-2	The management approach and its components	Pages 54-55
	103-3	Evaluation of the management approach	Pages 54-55
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Pages 100-101
	201-4	Financial assistance received from government	Page 28
Cybersecurity and Data Protection			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 57
	103-2	The management approach and its components	Page 57
	103-3	Evaluation of the management approach	Page 57
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 57
Doing Our Part for the Environment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 58
	103-2	The management approach and its components	Page 58
	103-3	Evaluation of the management approach	Page 58

Note:

GRI disclosure for Doing Our Part for the Environment material topic is not reported since this is a new material topic identified as part of the materiality assessment refresh in December 2021. HRnetGroup plans to track and measure our environmental performance and start to report them progressively from 2022 onwards.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Peter Sim
Founding Chairman

Mr JS Sim
Executive Director and
CEO of Recruit Express Group of Companies

Ms Adeline Sim
Executive Director and Chief Legal Officer

Mr Sin Boon Ann
Lead Independent Non-Executive Director

Ms Mae Heng
Independent Non-Executive Director

Mr NS Tan
Independent Non-Executive Director

Mr Gao Yong (Wallace)
Independent Non-Executive Director

AUDIT COMMITTEE

Ms Mae Heng (Chairman)
Mr Sin Boon Ann
Mr NS Tan

NOMINATING COMMITTEE

Mr Sin Boon Ann (Chairman)
Ms Mae Heng
Mr NS Tan
Mr Peter Sim

REMUNERATION COMMITTEE

Mr NS Tan (Chairman)
Mr Sin Boon Ann
Ms Mae Heng

REGISTERED OFFICE

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Ngee Ann City Tower A #23-06
Singapore 238873
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Email: ir@hrnetgroup.com
Website: www.hrnetgroup.com

COMPANY SECRETARY

Ms Shirley Lim Guat Hua

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd

1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

AUDITOR

Deloitte and Touche LLP

6 Shenton Way OUE Downtown 2 #33-00
Singapore 068809
Partner-in-charge: Ms Tay Hwee Ling
(Appointed on 12 August 2020)

CORPORATE GOVERNANCE

HRnetGroup Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to adopt and comply with Rule 710 of the listing manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST Listing Manual**”) to describe its corporate governance practices with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”). The practices of the Board and management of the Group adhere closely to the provisions under the Code. To the extent Company’s practices may vary from any provision, Company will explain the reason for the variation and how its practices nevertheless are consistent with the intent of the relevant principle of the Code.

This statement outlines the main corporate governance policies and practices during the financial year with specific reference to the Code.

BOARD MATTERS

1. THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1

Board’s Role

The principal functions of the Board include, *inter alia*, providing entrepreneurial leadership, setting the appropriate tone-from-the-top and desired organisational culture monitoring Management’s performance, establishing a framework for prudent and effective internal controls to manage risk, safeguarding shareholders’ interests and the Group’s assets as well as setting values and standards (including ethical standards) for the Group.

The Board’s Conduct of Affairs

During FY2021, as was in the past years, in addition to carrying out its statutory responsibilities, the Board performed the following role:

- (a) overseeing and approving the formulation of the Group’s overall long-term strategic objectives and directions, as well as focus on value creation, innovation and sustainability.
- (b) establishing and maintaining a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Group’s performance;
- (c) overseeing and reviewing the management of the Group’s business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its strategic objectives;
- (d) instilling an ethical corporate culture and ensure that the Group’s values, standards, policies and practices are consistent with the culture;
- (e) ensuring transparency and accountability to key stakeholder groups;
- (f) ensuring compliance with the Code, the Companies Act 1967 of Singapore, the Company’s Constitution, the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST”), accounting standards and other relevant statutes and regulations; and
- (g) assuming the responsibilities for corporate governance.

CORPORATE GOVERNANCE

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with Management to take objective decisions in the interest of the Group. Any director who has conflict of interest which is likely to impact his or her independence or conflict with a subject under discussion by the Board, is required to immediately declare his or her interest to the Board, and recuse himself or herself from participating in any further discussions or voting on the subject matter, unless the Board is of the opinion that his or her presence and participation is necessary to enhance the efficacy of such discussion.

Provision 1.2

Continuous Training and Development of the Directors

To ensure that the Directors keep pace with the regulatory changes that will have an important bearing on the obligations of Company or Directors, the Directors are updated on such changes in between or during Board meetings. The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. In FY2021, the external auditors updated the Directors on the new or revised financial reporting standards on an annual basis. Regulatory releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the Directors are circulated to the Board on a timely basis. They also received on a regular basis reading materials on topical matters or subjects and regulatory updates and their implications.

Provision 1.3

Matters Requiring Board Approval

Other matters specifically reserved for the Board's approval are those involving material acquisitions and disposal of assets, corporate or financial restructuring, major investments and expenditure, share issuances, dividends to shareholders, interested person transactions and any decision likely to have a material impact on the Company or Group from any perspective, including but not limited to, financial, operational, strategic or reputational.

The matters which are clearly decided on and approved by the Board are clearly documented in the minutes of meetings and kept with the Company.

Provision 1.4

Delegation of Authority to Board Committees

To assist in the execution of its responsibilities, the Board has, without abdicating its responsibility, established three Board Committees, comprising an Audit Committee (the "AC"), a Nominating Committee (the "NC") and a Remuneration Committee (the "RC"). These committees function within clearly defined written terms of reference and operating procedures. The Board accepts that while these Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

Provision 1.5

Meetings of Board and Board Committees

The Board and its committees meet regularly through scheduled meetings and as warranted by particular circumstances. If Directors are unable to attend meetings in person, telephonic means of communications are allowed under the Constitution of the Company. To enable members of the Board and its committees to prepare for the meetings, agendas are circulated in advance, with board papers and related materials dispatched before the meetings.

Following the amendments to the SGX-ST Listing Manual which have taken effect on 7 February 2020, the Company will not be required to release its unaudited financial statements on a quarterly basis and therefore, the Board, after due deliberation and taking into consideration the compliance efforts required in the quarterly reporting, decided to release its unaudited financial statements on a half yearly basis, with effect from 27 February 2020. Accordingly, the frequency of meetings are changed from quarterly basis to half yearly basis.

CORPORATE GOVERNANCE

Notwithstanding the above, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad-hoc meetings are also convened as and when they are deemed necessary.

During FY2021, the Company has held two Board Meetings.

Multiple Board Representations

All Directors are required to declare their board representations. The NC will review the multiple board representations held by the Directors on an annual basis to ensure that sufficient time and attention are given to the affairs of the Company. The NC considers that the multiple board representations held presently by the Directors do not impede their respective performance in carrying out their duties as a Director of the Company.

The Directors had committed considerable time towards board meetings and board committee meetings held in FY2021 and adjusted their schedules to ensure participation in meetings for the deliberation of issues. The NC is of the view that the Directors have committed their time effectively to discharge their responsibility.

The frequency of meetings and the attendance of each Director at every Board and Board Committees meetings for FY2021 are disclosed in the table reflected 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
Adeline Sim	2	3*	-	-	1
Sin Boon Ann	2	3	1	1	1
Mae Heng	2	3	1	1	1
NS Tan	2	3	1	1	1
Gao Yong (Appointed on 1 January 2022)	N.A.	N.A.	N.A.	N.A.	N.A.

* Attended by Invitation

Provision 1.6

Board's Access to Information

Management places a high priority on providing complete, adequate and timely information to the Board prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. Board members received half yearly financial performance of the Group and the Board will also be updated on industry trends and developments. As far as practicable, Board members will receive board papers seven days in advance of the meeting to enable them to have sufficient time to fully consider and deliberate issues to be considered at the meetings. Minutes of previous meetings are tabled and confirmed at Board meetings.

CORPORATE GOVERNANCE

Provision 1.7

Board's Access to Management and Company Secretary

The Board has at all times separate and independent access to Management and the Company Secretary through electronic mail, telephone and face-to-face meetings and are entitled at all times to request for any additional information needed to make informed decisions. Similarly, key management personnel, the Company's auditors or external consultants are also invited to attend relevant Board and Board committee meetings to update and provide independent professional advice on specific issues, where necessary.

Under the direction of the Chairman, the Company Secretary ensures timely and good information flows within the Board and its Board Committees and between the Management and Independent Directors.

The role of the Company Secretary includes responsibility for ensuring that Board procedures are followed and applicable rules and regulations are complied with. She assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committee meetings. She administers and attends all Board and Board Committee meetings of the Company and prepares minutes of meetings.

The appointment and removal of the company secretary is a decision of the Board as a whole.

Where required, procedures are also in place for the Board and individual Board Committees to seek independent professional advice, at the Company's expense.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provisions 2.1, 2.2 and 2.3

Independent Element of the Board, Composition of the Independent Directors and Non-Executive Directors on the Board

The Board comprises seven Directors of whom three are Executive Directors and four are Independent Non-Executive Directors ("INEDs"), thus providing strong independent element on the Board, capable of open, constructive and robust debate on pertinent issues affecting the affairs and business of the Company and the Group. There are adequate safeguards and checks in place to ensure that decision making process by the Board is independent. The Board has always discussed important issues robustly and have always been able to reach a consensus on the votes without having to rely on any majority of the votes to decide nor having an individual or small group of individuals dominate the Board's decision-making process. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group. With a majority of the Directors deemed to be independent, the Board is able to exercise independent and objective judgement on Board affairs.

Independent Directors

The NC and the Board in its determination of the independence of a Director takes into account *inter alia*, the criteria given in the Listing Manual and the Code, the existence of any relationships between such Director and the Group, its related corporations, its substantial shareholders and officers and if applicable, whether such relationships can interfere or be reasonably perceived to interfere, with the existence of such Director's independent judgement.

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. Each of the Independent Directors also confirmed that they are independent and have no relationship identified in the Code.

The NC, having considered the above and the declarations made by each of the Independent Directors in respect of their independence, is of the view that the current Board has an appropriate level of independence to enable it to make decisions in the best interest of the Company.

CORPORATE GOVERNANCE

The Board confirms that none of the Independent Directors have served on the Board beyond nine years from the date of his or her first appointment.

Provision 2.4

Composition and Size of the Board

The composition and size of the Board are reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

Having considered the scope and nature of the operations of the Group, the requirements of the Group's business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the NC with the concurrence of the Board, is of the view that the current Board size of seven Directors and its structure is appropriate and adequate and that the Board possesses the appropriate diversity.

The NC also takes into account the mix of skills, genders and core competencies of its members, to ensure a good balance and diversity of skills, knowledge and experience. The Board as a group comprises members with core competencies in accounting and finance, law, business management experience, industry knowledge, strategic planning and customer-based experience and knowledge.

In accordance with the Code, the Company has formalised a Board Diversity Policy. In recognition of the importance and value of gender diversity in the composition of the Board, the Board has two female directors, representing 28.57% of total Board membership. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide core competencies to allow for diverse and objective perspective on the Group's business and direction. Further information on the individual Director's background, experience and skills can be found in the Directors' Profiles set out on pages 13 to 16 of this Annual Report.

A summary of the composition of the Board and its Committees is set out below:

Name of Directors	Board	AC	NC	RC
Peter Sim	Founding Chairman Executive Director	-	Member	-
JS Sim	Executive Director	-	-	-
Adeline Sim	Executive Director	-	-	-
Sin Boon Ann	Lead Independent Director	Member	Chairman	Member
Mae Heng	Independent Director	Chairman	Member	Member
NS Tan	Independent Director	Member	Member	Chairman
Gao Yong (Appointed on 1 January 2022)	Independent Director	-	-	-

Provision 2.5

Regular Meetings of Non-Executive Directors and Independent Directors

During the year, the Independent Non-Executive Directors on the Board, led by the Lead Independent Director or other Independent Director as appropriate, communicate among themselves without the presence of the Management as and when the need arises. They also communicate regularly to discuss matters related to the Group, including reviewing the performance of the Management in meeting agreed goals and objectives and monitoring the reporting of performance. The Chairman of such meetings provides feedback to the Board and/or Management as appropriate.

CORPORATE GOVERNANCE

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions 3.1 and 3.2

Roles and Responsibilities of Chairman & Executive Director

Peter Sim is the Founding Chairman of the Group since its founding in 1992.

As the Founding Chairman, Peter Sim plays a vital role in assisting the Board to develop policies and strategies and ensuring that they are implemented effectively, creating values with his exhaustive knowledge of business and industry. He ensures that decisions on important matters are made after extensive deliberation and in consultation with the entire Board. He engages in constructive communication with shareholders at the general meetings. He exercises objective judgement on corporate matters impartially, thus ensuring a balance of power and authority. He reviews Board papers before they are presented to the Board and ensures that the information provided is accurate, and consists of authentic details.

All the Board Committees are chaired by Independent Directors and a majority of the Board consists of Independent Directors. The Chairman also facilitates the effective contribution of Non-Executive Directors and promotes high standards of corporate governance.

Through the establishment of various Board Committees with power and authority to perform key functions without the undue influence from the Board Chairman, and the putting in place of internal controls for proper accountability and to allow for effective oversight by the Board of the Company's business, the Board ensures that there is an appropriate balance of power which allows the Board to exercise objective decision-making in the interest of the Company. The Board is of the view that Peter Sim's role as an executive Board Chairman would continue to facilitate the Group's decision-making and implementation process.

Provision 3.3

Lead Independent Director

Taking into account that the Board Chairman is an Executive Director and thus not independent, the Board has appointed Sin Boon Ann as the Lead Independent Non-Executive Director to serve as a sounding board for the Board Chairman and also an intermediary between the Independent Directors and the Board Chairman. He is also responsible for providing leadership in situations where the Chairman is conflicted and is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate and inadequate.

4. BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 and 4.2

NC Membership and Terms of Reference

The NC comprises the following four Directors, a majority of whom are non-executive and independent:

Sin Boon Ann, Chairman	(Lead Independent Non-Executive Director)
Mae Heng, Member	(Independent Non-Executive Director)
NS Tan, Member	(Independent Non-Executive Director)
Peter Sim, Member	(Executive Director and Founding Chairman)

During FY2021, the NC has held one scheduled meeting, which all members attended.

CORPORATE GOVERNANCE

The NC is guided by its written terms of reference, which set out its authority and duties. The principal functions of the NC include, *inter alia*:

- (a) making recommendations to the Board on all Board appointments and the composition of the Board of Directors, taking into account, among other things, the future requirements of the Group, the need for diversity on the Board as well as other considerations in accordance with the guidelines recommended under the Code;
- (b) making recommendations to the Board on relevant matters relating to the appointment and re-appointment of the directors (including alternate directors, if applicable);
- (c) regularly reviewing the structure, independence, size and composition of the Board of Directors and recommending to the Board such adjustments as it may deem necessary;
- (d) reviewing and determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- (e) reviewing other directorships held by each director and deciding whether or not the director is able to carry out, and has been adequately carrying out, his duties as director, taking into consideration the director's number of listed company board representations and other principal commitments;
- (f) developing a process for evaluating the effectiveness and performance of the Board and its committees; and proposing objective performance criteria, as approved by the Board, that allow comparison with the industry peers (if available) and address how the Board has enhanced long-term shareholders' value;
- (g) assess the performance of the Board as a whole and contribution of each director to the effectiveness of the Board;
- (h) review of succession plans for directors, in particular, for the Chairman and key management personnel;
- (i) review of training and professional development programs for the Board;
- (j) review and approve any new employment of persons related to the director(s) and substantial shareholder(s), and the proposed terms of their employment; and
- (k) other acts as may be required by the SGX-ST and the Code from time to time.

NC Responsibilities

The key responsibilities of the NC include making recommendations to the Board on the relevant matter such as the process for evaluating the performance of the Board as a whole. It also ensures compliance with the provisions of the Company's Constitution which stipulates that at each annual general meeting of the Company, one-third of the Directors for, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office by rotation in accordance with the Constitution, and may stand for re-election.

Pursuant to Article 94 of the Company's Constitution, JS Sim and Sin Boon Ann will retire at the Company's forthcoming annual general meeting and will be eligible for re-election. Sin Boon Ann will not be offering himself for re-election and will retire at the forthcoming annual general meeting. Gao Yong who was appointed on 1 January 2022 will retire pursuant to Article 100 of the Constitution at the Company's forthcoming annual general meeting and will be eligible for re-election. In compliance with the Listing Rules, the Board will be considering an appointment of the Lead ID and NC Chairman role within 3 months from the date of AGM. The Board has accepted the NC's recommendation for the re-election of JS Sim and Gao Yong. In making the recommendation, the NC had considered the Directors' overall contribution and performance.

CORPORATE GOVERNANCE

When a Director has multiple listed company board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention have been given by the Directors to the affairs of the Company, notwithstanding that three of the directors, Sin Boon Ann, Mae Heng and Gao Yong have multiple board representations. The NC is of the view that the matter relating to multiple listed company board representations should be left to the judgement of each Director given that time requirements for different board representations vary. And as such, the NC and the Board have decided that there is no necessity to determine the maximum number of listed company board representations which a Director may hold at this point in time.

Each member of the NC has abstained from reviewing and voting on any resolution relating to the assessment of his performance and independence, or his re-nomination as Director, or in any matter where he has an interest.

Alternate Directors

There are currently no alternate directors on the Board.

Provision 4.4

Determining Directors' Independence

Each Director completes a checklist to confirm his or her independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under Provision 2.1 above and is of the view that Sin Boon Ann, Mae Heng, NS Tan and Gao Yong are independent based, *inter alia*, on the criteria given in the Listing Manual and the Code and their respective declarations.

Provisions 4.3 and 4.5

Process for the Selection and Appointment of New Directors

The NC determines a suitable size and composition of the Board, and evaluates the balance of skills, knowledge and experience of members of the Board required to add value and facilitate effective decision-making of the Company, taking into consideration the scope and nature of the operations of the Company.

However, the Company does not have a formal selection criterion for the appointment of new directors to the Board. When a vacancy arises under any circumstances, either as part of the Board renewal process or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new directors, the NC may rely on search companies, personal contacts and recommendations for the right candidates. The NC will make reference checks, meet up with the candidates, assess their suitability, and make recommendations to the Board. Shortlisted candidates will then meet up with the other Board members before the Board approves the appointment.

Board appointments are made by the Board after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended the appointment to the Board and the Board approves the appointment. Pursuant to the Constitution of the Company, each director is required to retire at least once every three years by rotation, and all newly appointed directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring directors are eligible to offer themselves for re-election.

Formal letters will be sent to newly-appointed Director upon his or her appointment stating his or her duties and obligations as director.

CORPORATE GOVERNANCE

Key information on Directors

Each Director's position, date of initial appointment, date of last re-election and Directorships/chairmanships held by the Directors in other listed companies are as follows:

Name of Directors	Date of initial appointment	Date of last re-election	Current directorship in listed companies	Past directorship in listed companies (preceding three years)
Peter Sim	21 September 2016	6 May 2020	-	-
JS Sim	21 September 2016	26 April 2019	-	-
Adeline Sim	16 May 2017	21 April 2021	-	-
Sin Boon Ann	16 May 2017	26 April 2019	<ul style="list-style-type: none"> ● CSE Global Limited ● Healthway Medical Corporation Limited ● OUE Limited ● Rex International Holding Limited ● Sarine Technologies Ltd. ● The Trendlines Group Ltd. ● TIH Limited 	<ul style="list-style-type: none"> ● Datapulse Technology Limited
Mae Heng	16 May 2017	6 May 2020	<ul style="list-style-type: none"> ● Apex Healthcare Berhad ● Chuan Hup Holdings Limited ● Grand Venture Technology Limited ● Novo Tellus Alpha Acquisition ● Ossia International Limited 	<ul style="list-style-type: none"> ● Pacific Star Development Limited
NS Tan	16 May 2017	21 April 2021	-	<ul style="list-style-type: none"> ● Plastoform Holdings Limited ● Serrano Limited
Gao Yong	1 January 2022	N.A.	<ul style="list-style-type: none"> ● Beijing Career International Co., Ltd. ● Immyshow Digital Technology (Group) Co., Ltd. 	-

The principal commitments of the Directors, if any, and other key information regarding the Directors are set out in the Directors' profile section in this Annual Report.

CORPORATE GOVERNANCE

5. BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provisions 5.1 and 5.2

Board Performance

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company is in compliance with applicable laws, and members of the Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole, the Board Committees, and the contribution of Chairman and each individual director to the Board.

For FY2021, all Directors participated in the evaluation by providing feedback to the NC in completing the form of Board and Board Committee Performance Evaluation. To ensure confidentiality and frank assessment, the evaluation forms completed by Directors were submitted to the Company Secretary and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the Board's performance for the year.

The Board Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

In view of the size and composition of the Board, whereby almost all Independent Directors sit in the various Board Committees, the Board deems that there would be no value add for the NC to assess the effectiveness of each Board Committee.

Performance Criteria for Board Evaluation

The form of Board and Board Committee Performance Evaluation is circulated and completed by each member of the Board annually. This involves scoring and an invitation for feedback on a number of key areas, including Board composition and size, Board independence, Board process, Board access to timely and accurate information, internal controls and risk management, Board accountability to shareholders, Board interaction with Management, etc.

The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

Evaluation of Individual Directors

The NC assesses the individual Directors' performance, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings, the technical knowledge of the Directors, communication and interaction, knowledge of the Group's business and operations, etc.

For FY2021, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review. No external facilitator has been engaged to perform the Board assessment process. Where relevant and when the need arises, the NC will consider such an engagement.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

6. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Matters concerning remuneration of the Board, key management personnel and employees who are related to the substantial shareholders, the Directors, if any, are handled by the RC whose primary functions include development of formal and transparent policies on remuneration matters in the Company.

Provisions 6.1, 6.2 and 6.3

Remuneration Committee and Terms of Reference

The RC comprises the following three Directors, all of whom are non-executive and independent:

NS Tan, Chairman	(Independent Non-Executive Director)
Sin Boon Ann, Member	(Lead Independent Non-Executive Director)
Mae Heng, Member	(Independent Non-Executive Director)

During FY2021, the RC has held one scheduled meeting, which all members attended.

The RC is guided by its terms of reference, which sets out its authority and duties. The principal functions of the RC include, *inter alia*:

- (a) reviewing and recommending to the Board, in consultation with the Chairman of the Board (where applicable, such as in a case where the Chairman of the Board is not a member of the RC), for endorsement, a comprehensive remuneration policy framework and general framework and guidelines for remuneration of the directors and key management personnel;
- (b) reviewing recommendations made by the GROW Committee with regards to the administration of the HRnet GROW Plan, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement;
- (c) reviewing and recommending to the Board, for endorsement, specific remuneration packages for each of the directors and the key management personnel;
- (d) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service;
- (e) recommending to the Board, for endorsement, performance targets for assessing the performance of each of the Executive Directors and key management personnel; and
- (f) other acts as may be required by the SGX-ST and the Code from time to time.

On annual basis, the RC reviews and approves the annual increments, variable bonus to be granted to the Executive Directors and key management personnel based on the key performance indicators set by the Company. Thereafter, RC's recommendations will be submitted for endorsement by the Board. Each RC member does not participate in discussions, and abstains from decision-making, in relation to any remuneration, compensation, options or any form of benefits to be granted to him or her. No director is involved in deciding his or her own remuneration, compensation or any form of benefits to be granted to him or her.

The RC also reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

CORPORATE GOVERNANCE

Provision 6.4

RC's Access to Advice on Remuneration Matters

The Board is ultimately accountable for all remuneration decisions. The members of the RC are familiar with executive compensation matters as they manage their own businesses, and/or have held or are holding other senior positions and directorships. The RC has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2021.

7. LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provisions 7.1 and 7.3

Remuneration of Executive Directors and Key Management Personnel

The Company's remuneration structure for its Executive Directors and key management personnel comprises both fixed and variable components. The variable component is linked to the Group or Company's performance and the individual personnel's performance. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote long-term success of the Group.

In setting remuneration packages, the RC takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. The Company also ensures that the remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The Group has entered into fixed-term service agreements with the Executive Directors, namely Peter Sim, JS Sim and Adeline Sim. The service agreements are valid for an initial period of five years with effect from the date of admission of the Company to the Mainboard of the SGX-ST and thereafter may be renewed for an additional five years period or such period as the parties may agree.

Either party may terminate the service agreement at any time by giving the other party not less than three months' notice in writing, or in lieu of such notice, an amount equivalent to three months' salary based on Executive Directors' last drawn base salary.

For FY2021, the RC considered and approved the annual increments, variable bonus to be granted to the Executive Directors and the key management personnel based on the key performance indicators set out by the Company. There were no long-term incentive schemes introduced by the Company in FY2021.

Contractual Provisions Protecting the Company's Interests

The Company does not have any contractual provisions in the employment contracts with the Executive Directors and key management personnel pursuant to which the Company may reclaim the variable components of remuneration from the Executive Director and key management personnel in exceptional circumstances, such as any misstatement of financial results, or misconduct resulting in financial loss of the Company and the Group.

The Board is of the view that the formula for incentive bonus to Executive Directors and key management personnel is pegged to the profits of the Group. The Group has ample time to ensure that the revenue of the relevant period is collected and that profits are accurately accounted for and that any necessary adjustments can be made in the subsequent payout period.

CORPORATE GOVERNANCE

Provision 7.2

Remuneration of Non-Executive Directors

The Board has considered and approved the RC's proposal in respect of the Non-Executive Directors' fees for FY2022. Non-Executive Directors are compensated based on fixed directors' fees taking into consideration their effort and time spent, responsibilities and level of contribution to the Board and Board Committees. The total Directors' fees of S\$173,333 for FY2022 is recommended by the Board for approval by the shareholders at the forthcoming annual general meeting of the Company.

None of the members of the RC or any director is involved in deliberations in respect of any remuneration, compensation or any form of benefits to be granted to him or her.

8. DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1 and 8.2

Remuneration Report

Details on the remuneration of Directors and key management personnel for FY2021 are presented in the following tables.

Remuneration of Directors

The table below shows the breakdown of the remuneration and fees of the Directors for FY2021. Shareholders' approval will be sought at the forthcoming annual general meeting for payment of fees for the financial year ending 31 December 2022.

The Board is of the view that full disclosure of the specific remuneration of each individual Director is not in the best interests of the Company, taking into account the sensitive nature of the subject, the high competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group, and that the current disclosure on a named basis and in bands of S\$250,000 including the provision of a breakdown in percentage terms is sufficient.

The level and mix of remuneration paid or payable to the Directors and key management personnel for FY2021 are set out below in bands (in percentage terms):

Name of Directors ⁽¹⁾	Salary ⁽²⁾ %	Bonus ⁽³⁾ %	Director's Fees ⁽⁴⁾ %	Other Benefits %	Total Compensation %
DIRECTORS					
S\$500,001 and above					
JS Sim	15	85	–	–	100
Peter Sim	24	76	–	–	100
S\$250,001 to S\$500,000					
Adeline Sim	66	30	–	4	100
Below S\$250,000					
Mae Heng	–	–	100	–	100
NS Tan	–	–	100	–	100
Sin Boon Ann	–	–	100	–	100

CORPORATE GOVERNANCE

Notes:

- (1) The sequence is presented according to alphabetical order of names within each band.
- (2) The salary amount shown is inclusive of allowances and statutory contributions to the Central Provident Fund.
- (3) The bonus amount shown is inclusive of statutory contributions to the Central Provident Fund.

The aggregate remuneration paid to the directors of the Group in FY2021 amounted to S\$5.7million.

Remuneration of Key Management Personnel

The Group had five key management personnel (who are not Directors or the CEO) in FY2021. The Company had not disclosed the exact remuneration paid to each key management personnel due to the sensitive and confidential nature of such remuneration matters and to ensure the Company's competitive advantage in the retention of such personnel.

The details of the remuneration paid to the five key management personnel of the Company during FY2021 are set out below in bands (in percentage terms):

Name of Key Management Personnel ⁽¹⁾	Salary ⁽²⁾ %	Bonus ⁽³⁾ %	Other Benefits %	Total Compensation %
KEY MANAGEMENT PERSONNEL				
S\$500,001 and above				
Jacelyn Chua Meng Hoon	24	75	1	100
Lorencz Tay Yuh Shiuan	26	72	2	100
Madeline Wan Poh Cheng	31	67	2	100
S\$250,001 to S\$500,000				
Daisy Tan	66	29	5	100
Jennifer Kang Ah Eng	67	29	4	100

Notes:

- (1) The sequence is presented according to alphabetical order of names within each band.
- (2) The salary amount shown is inclusive of allowances and statutory contributions to the Central Provident Fund.
- (3) The bonus amount shown is inclusive of statutory contributions to the Central Provident Fund.

The aggregate remuneration paid to the top five key management personnel of the Group (who are not directors or CEO) in FY2021 amounted to S\$3.3million.

CORPORATE GOVERNANCE

Remuneration of Immediate Family of Director

The details of the remuneration paid in excess of S\$100,000 to the immediate family of Director of the Company during FY2021 are set out below (in percentage terms):

Name of Immediate Family of Director	Salary ⁽³⁾ %	Bonus ⁽⁴⁾ %	Other Benefits %	Total Compensation %
IMMEDIATE FAMILY OF DIRECTOR				
S\$100,001 to S\$200,000				
Aviel Sim ⁽¹⁾	40	58	2	100
Jocelyn Ho ⁽²⁾	83	14	3	100

Notes:

- ⁽¹⁾ Aviel Sim is the son of Peter Sim and brother of Adeline Sim.
- ⁽²⁾ Jocelyn Ho is the daughter-in-law of JS Sim.
- ⁽³⁾ The salary amount shown is inclusive of allowances and statutory contributions to the Central Provident Fund.
- ⁽⁴⁾ The bonus amount shown is inclusive of statutory contributions to the Central Provident Fund.

In FY2021, other than as disclosed, none of the employees who are substantial shareholders or are immediate family members of a director or a substantial shareholder of the Company were remunerated in excess of S\$100,000.

Provision 8.3

Other Payment and Benefits to Directors and Key Management Personnel including Employee Share Schemes

There are no employee share schemes, termination, retirement or post-employment benefits that are granted to the Directors and the key management personnel of the Group.

9. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders

Provision 9.1

Risk Management and Internal Control Systems

The Board acknowledges that it is responsible for the overall risk management and internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group, in consultation with the internal auditors, has implemented the Enterprise Risk Management (“ERM”) framework which lays out the governing policies and procedures and complies with recommendation of the Code. The ERM framework is benchmarked against the Committee of Sponsoring Organisations of the Treadway Commission (i.e. “COSO Model”) which is designed to manage the Group’s risks and its internal control systems, so as to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

CORPORATE GOVERNANCE

Risk Committee

The responsibility of overseeing the Group's risk management framework and policies is undertaken by the AC with the assistance of the internal auditors. Having considered the Group's business operations as well as its existing internal controls and management systems, the Board is of the view that a separate Risk Committee is not required for the time being.

Provision 9.2

Adequacy and Effectiveness of Risk Management and Internal Control Systems

The Group engages a professional audit firm to conduct internal audit reviews based on the plan approved by the AC.

During the year, the AC also reviewed the reports submitted by the internal auditors relating to the effectiveness of the Group's internal controls, including adequacy of the Group's financial, operational compliance and information technology controls. In addition, the Group evaluates its risk exposures based on the likelihood and impact of each risk identified. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

Board's Comment on Adequacy and Effectiveness of Risk Management and Internal Control Systems

The Board is satisfied that the Company worked closely with the internal and external auditors to implement the recommended measures and procedures, and strived to achieve high standards in risk management and internal controls.

The Board has received assurance from the Chairman and the Chief Financial Officer (a) that the financial records have been properly maintained and the financial statements for FY2021 give a true and fair view of the Company's operations and finances, and (b) regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the assurance from the Chairman and Chief Financial Officer referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing financial, operational, compliance and information technology controls, were adequate and effective as at 31 December 2021.

10. AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.2

Membership

The AC comprises the following three Directors, all of whom are non-executive and independent:

Mae Heng, Chairman	(Independent Non-Executive Director)
Sin Boon Ann, Member	(Lead Independent Non-Executive Director)
NS Tan, Member	(Independent Non-Executive Director)

During FY2021, the AC has held three scheduled meetings, which all members attended.

CORPORATE GOVERNANCE

Expertise of AC Members

The Chairman of the AC is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants. The other members of the AC have many years of experience in business management and exposure to financial aspects of businesses. The Board is satisfied that the members of AC have recent and relevant accounts or related financial management expertise and experience to discharge the functions of the AC.

Provision 10.3

Partners and Directors of the Company's Auditing Firm

None of the AC members were previously partners or directors of the Company's existing audit firm or auditing corporation within the previous 2 years nor does any of the AC members hold any financial interest in the Company's existing audit firm or auditing corporation.

Provision 10.1

Roles, Responsibilities and Authorities of AC

The AC is guided by its written terms of reference, which set out its authority and duties. The key functions of the AC include, *inter alia*:

- (a) undertake such other reviews and projects as may be requested by the Board and assist the Board in discharging its statutory responsibilities on financing and accounting matters;
- (b) review significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
- (c) review the assurance from the Chairman and the CFO on the financial records and financial statements;
- (d) review and report to the Board on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems at least annually;
- (e) review, with the external auditors, their evaluation of the system of internal accounting controls;
- (f) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- (g) review the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board;
- (h) review the statements to be included in the annual report concerning the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (i) review, with the internal auditor, his evaluation of the implementation and effectiveness of the Compliance Framework, and overseeing the Compliance Committee;
- (j) review any matters escalated by the Compliance Committee and making recommendations to the Compliance Committee and, if necessary or appropriate, the Board with a view to resolving or mitigating such matters;
- (k) review any interested person transactions as defined in the Listing Manual of SGX-ST;
- (l) review and approve all hedging policies and types of hedging instruments to be implemented by the Company, if any;

CORPORATE GOVERNANCE

- (m) monitor and review the effectiveness of the internal audit function;
- (n) appraise and report to the Board on the audits undertaken by the external auditors and internal auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- (o) make recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor;
- (p) review any actual or potential conflicts of interest that may involve the Directors as disclosed by them to the Board and exercise directors' fiduciary duties in this respect;
- (q) review the policy and arrangements for employees and any other persons to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The AC shall ensure that these arrangements allow such concerns to be raised, proportionate and independent investigation of such matters and appropriate follow up action to be taken;
- (r) review and discuss with the external and internal auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- (s) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (t) generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any Director, Executive Officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

During FY2021, the AC reviewed the financial results announcements of the Company on a half yearly basis before their submission to the Board for approval. In the process, the AC reviewed the key areas of management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the Group's financial performance. The AC also reviewed all Interested Person Transactions as well as the use of IPO proceeds.

The AC had reviewed the external auditor's audit memorandum for FY2021 and with the auditors' proposed significant areas of focus and assumptions that impact the financial statements before an audit commences. In its review of the financial statements of the Group for FY2021, the external auditors had discussed with Management together with the AC, the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered clarity of key disclosures in the financial statements. The AC also reviewed and addressed, amongst other matters, the key audit matters as reported by the external auditors for FY2021. The key audit matters can be found on page 97 of this Annual Report.

AC to Keep Abreast of Changes to Accounting Standards

In addition to the activities undertaken to fulfil its responsibilities, the AC is kept up to date by Management, external and internal auditors on changes to accounting standards, SGX-ST rules and other codes and regulations which can have an impact on the Group's business and financial statements.

Independence of External Auditors

The AC has reviewed the independence and objectivity of the external auditors through discussions with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the external auditors and the AC was of the view that the non-audit services provided by the external auditors in FY2021 did not prejudice their objectivity and independence.

CORPORATE GOVERNANCE

The fees paid or payable to the external auditors in FY2021 for audit and non-audit services amounted to S\$372,000 and S\$268,000, respectively.

In respect of the audit quality indicators, the AC had reviewed, in particular, the following areas: audit hours planned, experience of the team, adequacy of training received by the team, results of internal and third party's inspection of their work, compliance with independence requirement, quality control, staff oversight and staff attrition rate.

On the basis of the above, the AC is satisfied with the standard and quality of work performed by the external auditors. It has recommended to the Board the nomination of the external auditors, Deloitte & Touche LLP, for re-appointment as external auditors at the forthcoming annual general meeting of the Company.

The Company has complied with Rules 712, 715 and 716 of the Listing Manual in relation to the appointment of its external auditors.

Whistle-blowing Policy

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees and external parties to raise concerns about misconduct or improprieties in the Group and to assure them that they will be protected from victimisation for whistle-blowing in good faith, whistle-blowers may report directly to the Chairman of the AC.

Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions. The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offence and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action.

The Group takes concerns raised in respect of the integrity and honesty of its employees very seriously. The whistle-blowing policy as well as whistle-blowing communication channel, have been disseminated to all staff via internal HR portal.

The whistle-blowing policy is reviewed by the AC from time to time to assess the effectiveness of the processes in place and to ensure that the said policy is updated to take into account any related changes in legal and regulatory requirements.

There were no reported incident pertaining to whistle-blowing during FY2021 and until to date of this Annual Report.

Provision 10.4

Internal Audit

The AC's responsibilities over the Group's internal controls and risk management are completed by work of the Group's internal auditors.

The Company outsources the internal audit function to an external professional firm to perform the internal audit function, review and test of controls of the Group's processes. The AC approves the appointment, removal, evaluation and compensation of the internal auditors. The internal auditors report directly to the chairman of the AC and has full access to the Company's documents, records, properties and personnel.

In FY2021, the Board engaged Ernst & Young Advisory Pte Ltd as its internal auditors to review the pre-selected areas of the operations of the Group. The AC, having considered, amongst others, the reputation and track record of Ernst & Young Advisory Pte Ltd and the qualifications, experience and availability of resources and independence of the team at Ernst & Young Advisory Pte Ltd, is satisfied that the appointment of Ernst & Young Advisory Pte Ltd as the Group's internal auditors is appropriate.

CORPORATE GOVERNANCE

Internal Audit Function

The internal auditor function plans its internal audit schedules in consultation with, but independent of, the Management. The internal auditor, Ernst & Young Advisory Pte Ltd, is staffed with professionals with relevant qualification and experience. The internal audit plan, the scope of audit examination and the internal audit budget are submitted to the AC for approval prior to the commencement of the internal audit. The internal audit is carried out in accordance with the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC annually reviews the activities of the internal auditors, including overseeing and monitoring the implementation of improvements required on internal control weaknesses identified.

Having reviewed the internal auditors' plan and activities, the AC is satisfied with the quality and effectiveness of the internal audit function and that the internal audit function is currently adequately resourced and has appropriate independent standing within the Group to perform its functions effectively.

Provision 10.5

Meeting with External and Internal Auditors

During FY2021, the Group's external and internal auditors were invited to attend the AC meetings and make presentations as appropriate. The AC meets with the external and internal auditors without the presence of the Management, at least annually.

SHAREHOLDERS RIGHTS AND ENGAGEMENT

11. SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions 11.1 and 11.4

Conduct of General Meetings

All shareholders of the Company will receive the notice of the annual general meeting and the annual report will be available for download from the Company's website and SGXNET. The Company encourages shareholders' participation at annual general meetings, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board committees.

Shareholders are also informed of the rules and voting procedures governing such meetings.

All resolutions at general meetings are voted by poll so as to better reflect the shareholders' interests and ensure greater transparency. The Company adopts an electronic poll voting system to register the votes of shareholders who attend the general meetings. The Company appoints an independent external party as scrutineer for the electronic poll voting process.

Prior to each general meeting, the scrutineer will review the proxies and the electronic poll voting system to ensure that the information is compiled correctly. The scrutineer also attends the general meetings to ensure that the polling process is properly carried out. The rules, including the voting process, will be explained by the polling agent at such general meetings. Votes cast for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to shareholders at the general meetings. The total number of votes cast 'for' or 'against' the resolutions and the respective percentages are also announced on SGXNET after the general meetings.

CORPORATE GOVERNANCE

The Board supports the Code's principle of encouraging shareholder participation. The Constitution of the Company allows a member (who are not relevant intermediaries as set out in the Companies Act) to appoint up to two proxies to attend general meetings and vote on their behalf. The Companies Act allows relevant intermediaries to appoint multiple proxies, and empower Central Provident Fund investors to attend and vote at general meetings of the Company as their Central Provident Fund agent banks' proxies.

2022 AGM

In view of the current COVID-19 situation in Singapore, the 2022 AGM will continue to be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the meeting in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the meeting as proxy, will be put in place for the AGM.

The Notice of AGM, Annual Report and the accompanying proxy form will not be despatched to shareholders. These documents will be published on SGXNet and the Company's corporate website.

Provision 11.2

Separate Resolutions at General Meeting

The Board ensures that there are separate resolutions at general meetings on each substantially separate issue. In the event that there are resolutions which are interdependent and interlinked, the Board will provide reasons and material implications.

Provision 11.3

Interaction with Shareholders

The Directors attend all General Meetings of the Company to address issues raised by shareholders. The Company's external auditors are also present to assist the Board in addressing any relevant queries from shareholders. Appropriate key management personnel are also present at the general meetings to respond, if necessary, to operational questions from shareholders.

The attendance of Directors is set out on page 66 of this annual report.

Provision 11.5

Minutes of General Meetings

Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

Beginning from the 2020 AGM, the Company has published minutes of general meetings of shareholders on which its corporate website and SGXNet as soon as practicable after the relevant general meeting. Such minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management, which are addressed at the AGM.

CORPORATE GOVERNANCE

Provision 11.6

Dividend Policy

The Company currently does not have a fixed dividend policy. The form, frequency and amount of future dividends that the Directors may recommend or declare in respect of any particular year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Directors:

- (a) the Company's financial position, results of operations and cash flow;
- (b) the ability of the subsidiaries to make dividend payments to the Company;
- (c) the expected working capital requirements to support the Group's future growth;
- (d) the ability to successfully implement the Group's future plans and business strategies;
- (e) the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of, existing laws and regulations governing the operations;
- (f) general economic conditions and other factors specific to the industry or specific projects; and
- (g) any other factors deemed relevant by the directors at the material time.

The Board intends to declare and distribute dividends of at least 50% of the Company's net profit after tax (excluding exceptional items) to its shareholders to reward Shareholders for participating in the Group's growth.

The proposed dividend payout for FY2021 would constitute approximately 57.1% of net profit after tax in FY2021, subject to shareholders' approval at the forthcoming annual general meeting.

12. ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions 12.1, 12.2 and 12.3

Communication with Shareholders

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNET. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable due to confidentiality reasons.

The Company does not practice preferential and selective disclosure to any group of shareholders. Where there is inadvertent disclosure made to a select group, the Company will endeavour to make the same disclosure publicly to all others promptly.

Shareholders are given the opportunity to pose questions to the Board or the Management at the general meetings. The members of the AC, NC and RC will be present at the general meetings to answer questions relating to matters overseen by the respective committees. To enhance and encourage communication with shareholders and investors, shareholders and investors can send their enquiries through email to the Company's investor relations at ir@hrnetgroup.com.

CORPORATE GOVERNANCE

Investor Relations Policy

The Company has adopted an investor relations policy to formalise the principles and practices that the Company applies to provide current and prospective investors with information necessary to make well-informed investment decision and to ensure a level playing field.

The Investor Relations Policy is set out on page 55 of this Annual Report.

13. ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions 13.1 and 13.2

Relationship with Stakeholders

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, clients and suppliers, government and regulators, community, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Stakeholders Engagement section of the Sustainability Report is set out on pages 35 to 36 of this Annual Report.

Provision 13.3

Communications with stakeholders

The Company's contact information is reflected on its current corporate website, to enable stakeholders to contact the Company.

OTHER CORPORATE GOVERNANCE MATTERS

DEALINGS IN SECURITIES OF THE COMPANY

In compliance with Rule 1207(19) the Listing Manual on dealings in securities, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company shall not deal in and prohibits dealings in its shares by its Directors, officers and employees during the period commencing one month before the announcement of the Company's half year and full year financial statements respectively, and ending on the date of the announcement of the results.

All Directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two business days of the transactions. The Board is satisfied with the Group's commitment in compliance with the Code. The Company has complied with Rule 1207(19)(c).

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, there are no material contracts of the Group involving the interests of a Director or controlling shareholder, either still subsisting at the end of FY2021 or if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transactions required to be disclosed under Rule 907 of the Listing Manual of the SGX-ST are as follows:

Name of Interested Person and Transactions	Aggregate value of all interested person transactions in FY2021 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted in FY2021 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000 ⁽²⁾
RecruitFirst Limited⁽¹⁾		
(a) Working capital loan	2,080	N.A.
(b) Provision of Management Services	212	N.A.
(c) Provision of Recruitment Services	9	N.A.

Notes:

- ⁽¹⁾ Aviel Sim, who is one of the controlling shareholders, son of Peter Sim and brother of Adeline Sim, holds 20% of the equity interest in RecruitFirst Limited. Accordingly, RecruitFirst Limited is an associate of Aviel Sim and an interested person in relation to the Group.
- ⁽²⁾ The Group did not obtain a shareholders' mandate under Rule 920 of the Listing Manual.

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 which as of 31 December 2021 is set out as below:

	Amount utilised S\$ million
Purchase of equity instrument designated at FVTOCI	64.0
Purchase of financial assets mandatorily measured at FVTPL	38.1
Acquisition and investment in subsidiaries	8.4
Start-up of subsidiaries	7.6
Underwriting commission	4.7
Professional fees and other miscellaneous expenses (including listing fees)	4.5
	127.3

CORPORATE GOVERNANCE

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION – APPENDIX 7.4.1 TO THE LISTING MANUAL

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the Company shall provide the information relating to the directors who are standing for re-election at the forthcoming annual general meeting as set out in Appendix 7.4.1 to the Listing Manual.

JS Sim and Gao Yong are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 28 April 2022 under Ordinary Resolutions 4 and 5 respectively set out in the notice of annual general meeting dated 13 April 2022 (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to each Retiring Director as set out in Appendix 7.4.1 to the Listing Manual is set out below:

Name of Directors	JS Sim	Gao Yong
Date of first appointment	21 September 2016	1 January 2022
Date of last re-Appointment	26 April 2019	N.A.
Age	65	47
Country of principal residence	Singapore	China
The Board’s comments on re- appointment	The Board concurs with the Nominating Committee’s views that JS Sim, being an Executive Director of the Group, if re-elected, will continue to provide valuable insights and contributions to the Board, given his skills, experience and commitment in the discharge of his duties as the Executive Director of the Group.	The Board concurs with the Nominating Committee’s views that Gao Yong, if re-elected, will continue to utilise his wealth of practical experience in the recruitment and staffing industry in China, business acumen and enterprising spirit to contribute positively towards HRnetGroup achieving greater heights.
Whether the appointment is executive, and if so, the area of responsibility	Executive. JS is the Chief Executive Officer of Recruit Express, Recruit Express Services, Recruit Legal and SearchAsia (“Recruit Express Group”).	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> Executive Director 	<ul style="list-style-type: none"> Independent Non-Executive Director
Professional qualifications	Bachelor of Science from the National University of Singapore	<ul style="list-style-type: none"> Diploma in Business English from Beijing Foreign Studies University EMBA from Peking University
Working experience and occupation(s) during the past 10 years	As CEO of Recruit Express Group, JS leads over 300 people across Singapore, Taipei, Hong Kong and Kuala Lumpur in strategy and execution.	<ul style="list-style-type: none"> Founder and Chairman at Beijing Career International Co., Ltd., the first HR service enterprise listed in China’s A-shares market. Independent Director of Inmyshow Digital Technology (Group) Co., Ltd, an online marketing platform listed on the Shanghai Stock Exchange.

CORPORATE GOVERNANCE

Name of Directors	JS Sim	Gao Yong
Shareholding interest in the listed issuer and its subsidiaries	Direct interest in shares: Nil Deemed interest in shares: 779,064,000	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	JS Sim is brother of Peter Sim, Executive Director of the Company.	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	No	No
Present	<ul style="list-style-type: none"> ● HRnetGroup Limited's subsidiaries <ul style="list-style-type: none"> ○ Recruit Express Pte. Ltd. ○ Recruit Express (Taiwan) Pte. Ltd. ○ Recruit Express (Australia) Pte. Ltd. ○ Recruit Express Services Pte. Ltd. ○ Search Asia Consulting Pte. Ltd. ○ Recruit Legal Pte. Ltd. ● REH Pte. Ltd. 	<ul style="list-style-type: none"> ● Antal AG (Beijing) Human Resources Service Co., Ltd. ● Antal International Business Consulting (Beijing) Co., Ltd. ● Aurex Group Limited ● Beijing Caikemaipin Technology Co., Ltd. ● Beijing Career International Co. Ltd. ● Beijing Rongrui Chengtong Financial Service Outsourcing Co., Ltd. ● Beijing Ogrin Partner Consulting Ltd. ● Career International AP (Hong Kong) Ltd. ● Career International Consulting (Suzhou) Co., Ltd. ● Career International Human Resources (Changchun) Co., Ltd. ● Career International Human Resources (Wuhan) Co., Ltd. ● Career International River City Human Resources Management Consulting (Wuhan) Co., Ltd. ● Career International - FOS Pte. Ltd. ● Inmyshow Digital Technology (Group) Co., Ltd. ● Investigo Ltd. ● Khorgos Tai Yong Kangda Venture Capital Co., Ltd. ● Shanghai Kangken Marketing Co., Ltd. ● Shanghai Kezhirui Consulting Ltd.

CORPORATE GOVERNANCE

Name of Directors	JS Sim	Gao Yong
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

CORPORATE GOVERNANCE

Name of Directors	JS Sim	Gao Yong
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

CORPORATE GOVERNANCE

Name of Directors	JS Sim	Gao Yong
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 100 to 146 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debt when they fall due.

1. Directors

The directors of the Company in office at the date of this statement are:

Sim Yong Siang
Sim Joo Siang
Sim Wei Ling, Adeline
Sin Boon Ann
Heng Su-Ling Mae
Tan Ngiap Siew
Gao Yong (Appointed on 1 January 2022)

2. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

DIRECTORS' STATEMENT

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act 1967 except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company (<u>Ordinary shares</u>)				
Sim Yong Siang	–	–	753,226,000 ⁽¹⁾	779,064,000 ⁽¹⁾
Sim Joo Siang	–	–	753,226,000 ⁽¹⁾	779,064,000 ⁽¹⁾
Sim Wei Ling, Adeline	489,600	489,600	753,226,000 ⁽¹⁾	779,064,000 ⁽¹⁾
Tan Ngiap Siew	65,000	65,000	2,000	2,000
The ultimate holding company SIMCO Global Limited (<u>Ordinary shares</u>)				
Sim Yong Siang	–	–	2 ⁽¹⁾	2 ⁽¹⁾
Sim Joo Siang	–	–	2 ⁽¹⁾	2 ⁽¹⁾
Sim Wei Ling, Adeline	–	–	2 ⁽¹⁾	2 ⁽¹⁾
The immediate holding company SIMCO Limited (<u>Ordinary shares</u>)				
Sim Yong Siang	–	–	100 ⁽¹⁾	100 ⁽¹⁾
Sim Joo Siang	–	–	100 ⁽¹⁾	100 ⁽¹⁾
Sim Wei Ling, Adeline	–	–	100 ⁽¹⁾	100 ⁽¹⁾

Notes:

⁽¹⁾ The directors' deemed interest in SIMCO Global Limited is through SIMCO Trust. SIMCO Trust is controlled by Mr Sim Joo Siang, Mr Sim Yong Siang and his spouse and the discretionary beneficiaries comprise Mr Sim Yong Siang and his spouse, Mr Sim Joo Siang and his spouse and Ms Sim Wei Ling, Adeline among other beneficial owners.

By virtue of section 7 of the Singapore Companies Act 1967, Mr Sim Yong Siang, Mr Sim Joo Siang and Ms Sim Wei Ling, Adeline are deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares of the Company at 21 January 2022 were the same at 31 December 2021.

4. Share options

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

DIRECTORS' STATEMENT

5. Audit Committee

The Audit Committee of the Company, consisting of all non-executive directors, is chaired by Ms Heng Su-Ling Mae, an independent director, and includes Mr Sin Boon Ann and Mr Tan Ngiap Siew who are also independent directors. The Audit Committee has met 3 times during the year and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) The audit plans and results of the internal auditors' examination and evaluation of the Group's system of internal accounting controls;
- (b) The Group's financial and operating results and accounting policies;
- (c) The audit plans and results of the external auditors;
- (d) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;
- (e) The half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (f) The co-operation and assistance given by management to the Group's external auditors and internal auditors; and
- (g) The re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

6. Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Sim Yong Siang

Sim Joo Siang

15 March 2022

INDEPENDENT AUDITOR'S REPORT

To the members of HRnetGroup Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of HRnetGroup Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 146.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the members of HRnetGroup Limited

Key audit matter	How the matter was addressed in the audit
<p><u>Revenue recognition for professional recruitment and flexible staffing</u></p> <p>The Group recognised professional recruitment and flexible staffing revenue of \$95 million and \$493 million respectively for the year ended 31 December 2021.</p> <p>Revenue from professional recruitment is recognised at a point in time the permanent placement candidate signs the employment contract or commences full-time employment, depending on the terms of the contract. There is a risk that professional recruitment revenue is recognised for placements that did not occur. In addition, if the placement is not taken up by the candidate as agreed, it could result in the reversal of previously recorded revenue. There is also a risk that revenue is recognised before revenue recognition criteria are met, resulting in revenue being recognised in the incorrect period.</p> <p>Revenue for flexible staffing is recognised over time as the customer simultaneously receives and consumes the services the Company provides. There is a risk that flexible staffing revenue may be recognised prior to or after the contractor employee provides the service, resulting in revenue being recognised in the incorrect period.</p>	<p>Our procedures in relation to this key audit matter on revenue recognition included:</p> <ul style="list-style-type: none"> • Obtained an understanding of the revenue processes, evaluated the design and implementation and tested the operating effectiveness of relevant controls relating to revenue recognition. • Performed test of details on a sample of professional recruitment revenue to verify that the entity has satisfied the performance obligation demonstrated by the right to payment, evidenced by the candidate's commencement of work or signed letter of appointment between the candidate and the customer, as indicated in the Terms of Service. • Performed cut off testing: (1) on a sample of professional recruitment revenue, verified that the candidate's date of work commencement or date of signed letter of appointment was in the current year; and (2) on a sample of flexible staffing revenue, verified that the revenue relates to service provided by the contractor employee in the current year. <p>We have also assessed and reviewed the adequacy and appropriateness of the disclosures made in the financial statements.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT

To the members of HRnetGroup Limited

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the members of HRnetGroup Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tay Hwee Ling.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

15 March 2022

STATEMENTS OF FINANCIAL POSITION

31 December 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	327,078	332,234	90,448	76,725
Trade receivables	7	114,194	66,261	-	-
Other receivables and prepayments	8	5,444	6,615	67,035	98,809
Other financial assets	9	24,959	6,886	24,959	6,886
Total current assets		471,675	411,996	182,442	182,420
Non-current assets					
Pledged deposits	6	1,141	988	-	-
Plant and equipment	10	1,478	1,503	-	-
Right-of-use assets	11	12,622	8,202	-	-
Other intangible assets	12	1,284	1,353	-	-
Goodwill	13	5,185	5,185	-	-
Subsidiaries	14	-	-	48,427	48,427
Other financial assets	9	35,080	21,838	34,422	21,220
Deferred tax assets	15	1,845	1,314	-	-
Total non-current assets		58,635	40,383	82,849	869,647
Total assets		530,310	452,379	265,291	252,067
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	16	9,470	6,478	-	-
Other payables and accruals	17	107,132	75,591	10,217	4,791
Lease liabilities	18	6,392	5,893	-	-
Deferred considerations	32	-	3,942	-	-
Income tax payable		12,693	10,361	142	645
Total current liabilities		135,687	102,265	10,359	5,436
Non-current liabilities					
Deferred tax liabilities	15	309	323	-	-
Lease liabilities	18	6,458	2,643	-	-
Total non-current liabilities		6,767	2,966	-	-

See accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION

31 December 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Capital, reserves and non-controlling interests					
Share capital	19	260,605	260,605	260,605	260,605
Treasury shares	19	(4,503)	(5,153)	(4,503)	(5,153)
Equity reserve	20	(47,838)	(47,656)	(437)	(437)
Share-based payment reserve	21	-	-	-	-
Investments revaluation reserve	22	(35,431)	(42,663)	(35,431)	(42,663)
Translation reserve	23	1,428	935	-	-
Retained earnings		195,983	165,598	34,698	34,279
Equity attributable to owners of the Company		370,244	331,666	254,932	246,631
Non-controlling interests		17,612	15,482	-	-
Total equity		387,856	347,148	254,932	246,631
Total liabilities and equity		530,310	452,379	265,291	252,067

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	Group	
		2021 \$'000	2020 \$'000
Revenue	24	590,540	433,041
Sub-contractor expenses		(415,637)	(303,695)
Gross profit		174,903	129,346
Other income	25	15,942	17,826
Selling, general, administrative and other expenses:			
Other employee benefit expenses		(87,757)	(69,124)
Facilities and depreciation expenses		(11,629)	(11,917)
Selling expenses		(2,893)	(3,486)
Other expenses		(3,311)	(3,197)
Finance costs		(472)	(413)
Profit before income tax		84,783	59,035
Income tax expense	26	(14,516)	(9,246)
Profit for the year	27	70,267	49,789
Other comprehensive income (loss):			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value gain (loss) on investments in equity instruments designated at FVTOCI	22	7,232	(17,422)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		793	1,495
Other comprehensive income (loss) for the year, net of tax		8,025	(15,927)
Total comprehensive income for the year		78,292	33,862
Profit attributable to:			
Owners of the Company		65,490	46,865
Non-controlling interests		4,777	2,924
		70,267	49,789
Total comprehensive income attributable to:			
Owners of the Company		73,215	30,618
Non-controlling interests		5,077	3,244
		78,292	33,862
Basic earnings per share (cents)	28	6.53	4.67
Diluted earnings per share (cents)	28	6.53	4.67

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

Group	Note	Share capital	Treasury shares	Equity reserve	Share-based payment reserve	Investments revaluation reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2020		260,605	(3,631)	(47,204)	1,758	(25,241)	(240)	145,961	332,008	14,600	346,608
<i>Total comprehensive income (loss) for the year</i>											
Profit for the year		-	-	-	-	-	-	46,865	46,865	2,924	49,789
Other comprehensive loss for the year		-	-	-	-	(17,422)	1,175	-	(16,247)	320	(15,927)
Total		-	-	-	-	(17,422)	1,175	46,865	30,618	3,244	33,862
<i>Transactions with owners, recognised directly in equity</i>											
Dividends	29	-	-	-	-	-	-	(28,002)	(28,002)	-	(28,002)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	(1,635)	(1,635)
Purchase of treasury shares	19	-	(3,146)	-	-	-	-	-	(3,146)	-	(3,146)
Treasury shares reissued pursuant to Bonus Shares and GROW Shares vested under 123GROW Plan	19	-	1,624	-	(2,398)	-	-	774	-	-	-
Recognition of share-based payment	21	-	-	-	640	-	-	-	640	-	640
Change in ownership interests in subsidiaries	14	-	-	(452)	-	-	-	-	(452)	(1,027)	(1,479)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	300	300
Total		-	(1,522)	(452)	(1,758)	-	-	(27,228)	(30,960)	(2,362)	(33,322)
Balance as at 31 December 2020		260,605	(5,153)	(47,656)	-	(42,663)	935	165,598	331,666	15,482	347,148

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

Group	Note	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
								\$'000	\$'000	\$'000
Balance as at 1 January 2021		260,605	(5,153)	(47,656)	(42,663)	935	165,598	331,666	15,482	347,148
<i>Total comprehensive income for the year</i>										
Profit for the year		-	-	-	-	-	65,490	65,490	4,777	70,267
Other comprehensive income for the year		-	-	-	7,232	493	-	7,725	300	8,025
Total		-	-	-	7,232	493	65,490	73,215	5,077	78,292
<i>Transactions with owners, recognised directly in equity</i>										
Dividends	29	-	-	-	-	-	(35,105)	(35,105)	-	(35,105)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	(2,128)	(2,128)
Treasury shares reissued pursuant to 88Glow Plan	19	-	650	23	-	-	-	673	-	673
Change in ownership interests in subsidiaries	14	-	-	(205)	-	-	-	(205)	(819)	(1,024)
Total		-	650	(182)	-	-	(35,105)	(34,637)	(2,947)	(37,584)
Balance as at 31 December 2021		260,605	(4,503)	(47,838)	(35,431)	1,428	195,983	370,244	17,612	387,856

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

Company	Note	Share capital	Treasury shares	Equity reserve	Share-based payment reserve	Investments revaluation reserve	Retained earnings	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2020		260,605	(3,631)	(437)	1,758	(25,241)	34,401	267,455
<i>Total comprehensive income (loss) for the year</i>								
Profit for the year		-	-	-	-	-	27,106	27,106
Other comprehensive loss for the year		-	-	-	-	(17,422)	-	(17,422)
Total		-	-	-	-	(17,422)	27,106	9,684
<i>Transactions with owners, recognised directly in equity</i>								
Dividends	29	-	-	-	-	-	(28,002)	(28,002)
Purchase of treasury shares	19	-	(3,146)	-	-	-	-	(3,146)
Treasury shares reissued pursuant to Bonus Shares and GROW Shares vested under 123GROW Plan	19	-	1,624	-	(2,398)	-	774	-
Recognition of share-based payment	21	-	-	-	640	-	-	640
Total		-	(1,522)	-	(1,758)	-	(27,228)	(30,508)
Balance as at 31 December 2020		260,605	(5,153)	(437)	-	(42,663)	34,279	246,631

Company	Note	Share capital	Treasury shares	Equity reserve	Investments revaluation reserve	Retained earnings	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2021		260,605	(5,153)	(437)	(42,663)	34,279	246,631
<i>Total comprehensive income for the year</i>							
Profit for the year		-	-	-	-	35,524	35,524
Other comprehensive income for the year		-	-	-	7,232	-	7,232
Total		-	-	-	7,232	35,524	42,756
<i>Transactions with owners, recognised directly in equity</i>							
Dividends	29	-	-	-	-	(35,105)	(35,105)
Treasury shares reissued pursuant to 88Glow Plan	19	-	650	-	-	-	650
Total		-	650	-	-	(35,105)	(34,455)
Balance as at 31 December 2021		260,605	(4,503)	(437)	(35,431)	34,698	254,932

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Group	
	2021	2020
	\$'000	\$'000
Operating activities		
Profit before income tax	84,783	59,035
Adjustments for:		
Depreciation of plant and equipment	1,196	1,169
Depreciation of right-of-use assets	7,618	8,282
Amortisation of intangible assets	304	305
Interest income	(1,293)	(2,177)
Finance costs	472	413
Dividend income	(873)	(629)
Share-based payment expenses	-	640
Gain on disposal of investments	(3,877)	(2,551)
Net fair value (gain) loss on financial assets mandatorily measured at FVTPL	(520)	1,113
Fair value loss on deferred consideration	235	928
Negative variable lease payments ⁽ⁱⁱⁱ⁾	(82)	(64)
Allowance for doubtful receivables	124	781
Operating cash flows before movements in working capital	88,087	67,245
Trade receivables	(48,062)	7,667
Other receivables and prepayments	1,067	(570)
Trade payables	2,992	444
Other payables and accruals	20,459	36,492
Cash generated from operations	64,543	111,278
Interest received	1,419	3,129
Interest paid	(472)	(413)
Income tax paid	(12,812)	(9,534)
Net cash from operating activities	52,678	104,460
Investing activities		
Dividends received	845	540
Purchase of plant and equipment and intangible assets	(1,375)	(1,231)
Purchase of financial assets mandatorily measured at FVTPL	(30,187)	(14,926)
Proceeds from disposal of financial assets mandatorily measured at FVTPL	10,501	18,033
Purchase of equity instruments designated at FVTOCI	-	(527)
Consideration paid on acquisition of subsidiaries	(4,349)	(76)
Net cash (used in) from investing activities	(24,565)	1,813

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Group	
	2021	2020
	\$'000	\$'000
Financing activities		
Dividends paid to non-controlling shareholders	(1,669)	(2,066)
Dividends paid	(25,067)	(28,002)
Net (placement) withdrawal of pledged deposits	(145)	34
Purchase of treasury shares	–	(3,146)
Change in ownership interests in subsidiaries	(351)	(1,479)
Capital contributions by non-controlling shareholders in subsidiaries	–	300
Repayment of lease liabilities	(7,622)	(8,022)
Net cash used in financing activities	(34,854)	(42,381)
Net (decrease) increase in cash and cash equivalents	(6,741)	63,892
Cash and cash equivalents at beginning of the year	332,234	266,162
Effect of foreign exchange rate changes	1,585	2,180
Cash and cash equivalents at end of the year (Note 6)	327,078	332,234

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2021	Financing cash flows ⁽ⁱ⁾	Non-cash changes		31 December 2021
			New lease liabilities	Negative variable lease payments ⁽ⁱⁱ⁾	
	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	8,536	(7,622)	11,876	(82)	12,850

	1 January 2020	Financing cash flows ⁽ⁱ⁾	Non-cash changes		31 December 2020
			New lease liabilities	Negative variable lease payments ⁽ⁱⁱ⁾	
	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	14,264	(8,022)	2,046	(64)	8,536

⁽ⁱ⁾ The cash flows represent repayments of lease liabilities in the consolidated statement of cash flows.

⁽ⁱⁱ⁾ In 2021, the Group received rental rebates from landlords of \$82,000 (2020 : \$64,000) for the rental of office premises. The rental rebates have been accounted for as negative variable lease payments in profit or loss and are included in the "other income" line item.

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

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, #23-06 Ngee Ann City Tower A, Singapore 238873. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The financial statements are expressed in Singapore dollars.

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

The principal activities of the significant subsidiaries are disclosed in Note 14 to the financial statements.

The 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 2021 were authorised for issue by the Board of Directors on 15 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and SFRS(I)s.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2021, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity via equity reserve and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investment in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I)s are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all financial assets other than debt instruments are subsequently measured at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Equity instruments designated at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS (I) 3 Business Combinations applies.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Equity instruments designated at FVTOCI (cont'd)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated investments in equity instruments that are not held for trading at FVTOCI on initial application of SFRS(I) 9 Financial Instruments (see Note 9).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- investments in equity instruments are classified at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination at FVTOCI on initial recognition.
- debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item (Note 25). Fair value is determined in the manner described in Note 4(b)(vii).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" or "other expenses" line item; and
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" or "other expenses" line item.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Foreign exchange gains and losses (cont'd)

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on trade and other receivables. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (“GDP”), the future prospects of the industries in which the Group’s debtors operate and the forecast economic information that relate to the Group’s operations to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other income" or "other expenses" line item.

Fair value is determined in the manner described in Note 4(b)(vii).

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other income" and "other expenses" line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LEASES - The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentive.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

PLANT AND EQUIPMENT - Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Furniture and fittings	-	1 to 5.5 years
Office equipment	-	2 to 5 years
Renovation	-	1 to 5.5 years
Computers and systems	-	1 to 5 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the consolidated financial statements.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives as below:

Computer software	-	5 years
Customer relationship	-	8 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indicator that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in Note 21. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimates of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The Group's share-based payment schemes ceased in 2020.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systemic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

REVENUE RECOGNITION - The Group recognises revenue from the sales of services by contractor employees to customers (gradingflexible staffing” revenue) and the recruiting of permanent employees for our customers (“professional recruitment” revenue).

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when control of the promised services is transferred to the customer. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the promised services before transferring them to the customer.

The average credit period for the rendering of services is 7 to 60 days. Management does not assess whether a contract has a significant financing component if the expectation at contract inception is that the period between payment by the customer and the transfer of the services to the customer will be less than one year. The Group does not have any significant financing components or extended payment terms.

Flexible staffing revenue

Flexible staffing contracts are short-term in nature. Billings are generally negotiated and invoiced on a monthly basis as the flexible staffing services are transferred to the customer. Revenue from the majority of the flexible staffing services continues to be recognised over time as the customer simultaneously receives and consumes the services the Group provides. The Group has applied the practical expedient to recognise revenue for these services over the term of the agreement in proportion to the amount the Group has the right to invoice the customer.

Professional recruitment

Revenue from professional recruitment is recognised at the point in time the permanent placement candidate signs the employment contract or commences full-time employment. The point of recognition is dependent on the terms of the contract of when the Group becomes entitled to invoice customers for the services rendered. The right to bill the customer signify when the point that the customer considers the control has been transferred.

Revenue from other fee-based services, such as our provision of payroll services, is recognised when the services are provided.

SUB-CONTRACTOR EXPENSES - Sub-contractor expenses are costs directly associated with the earning of revenue which primarily consists of payroll cost of contractor employees.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group’s obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group’s liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

Current and deferred tax are recognised as an expense or income in profit or loss, except where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

There are no 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets at amortised cost	446,482	404,429	157,473	175,523
Financial assets mandatorily measured at FVTPL	31,587	7,504	30,929	6,886
Equity instruments designated at FVTOCI	28,452	21,220	28,452	21,220
	<u>506,521</u>	<u>433,153</u>	<u>216,854</u>	<u>203,629</u>
Financial liabilities				
Financial liabilities at amortised cost	73,754	46,535	10,217	4,791
Lease liabilities	12,850	8,536	-	-
Deferred considerations for business combinations	-	3,942	-	-
	<u>86,604</u>	<u>59,013</u>	<u>10,217</u>	<u>4,791</u>

(b) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks. The Group does not hold or issue derivative financial instruments for hedging and speculative purposes.

(i) Foreign exchange risk management

Foreign exchange risk occurs as a result of the Group's transactions that are not denominated in their respective functional currencies. These transactions arise from the Group's ordinary course of business.

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Singapore dollar, United States dollar, Japanese yen, Great British pound, Hong Kong dollar and Chinese yuan against the functional currencies of the respective Group entities.

At the reporting date, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

Group	Assets		Liabilities	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	3,023	3,200	-	-
United States dollar	8,629	1,710	(13)	(98)
Japanese yen	18,855	17,732	-	-
Great British pound	30,783	19,224	-	-
Hong Kong dollar	8,036	5,168	-	-
Chinese yuan	740	133	-	(11)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

	Assets		Liabilities	
	2021	2020	2021	2020
Company	\$'000	\$'000	\$'000	\$'000
United States dollar	6,427	-	-	-
Japanese yen	18,855	17,732	-	-
Great British pound	30,783	19,224	-	-
Hong Kong dollar	7,982	4,898	-	-

The Group has a number of direct foreign investments, whose net assets are exposed to currency translation risk. Exposures to foreign currency risks are managed as far as possible by natural hedges of matching assets and liabilities and management reviews periodically that the net exposure is kept at an acceptable level.

Foreign currency sensitivity analysis

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit before tax will increase by:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	302	320	-	-
United States dollar	862	161	643	-
Japanese yen	1,886	1,773	1,886	1,773
Great British pound	3,078	1,922	3,078	1,922
Hong Kong dollar	804	517	798	490
Chinese yuan	74	12	-	-

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit before tax will decrease by the same amount.

10% represents management's assessment of the possible change in foreign exchange rates. This sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 10% change in foreign currency rates.

(ii) Interest rate risk management

Interest rate risk refers to changes in market interest rates which would have an impact on the interest income from cash and bank balances of the Group. The Group's exposure to interest rate risk relates primarily to the amounts held in bank deposits and investments in quoted debt securities, however, such impact is not expected to be significant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Equity price risk management

The Group is exposed to equity risk arising from equity investments classified at FVTPL and at FVTOCI. Equity investments measured at FVTOCI are held for strategic rather than trading purposes. The Group does not actively trade such investments.

Further details of these equity investments can be found in Note 9.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of equity investments at FVTOCI, if equity prices had been 10% higher/lower, the Group's investments revaluation reserve would decrease/increase by \$2.8 million (2020 : \$2.1 million).

In respect of equity investments at FVTPL, if equity prices had been 10% higher/lower, the Group's net profit for the year ended 31 December 2021 would increase/decrease by \$2.6 million (2020 : \$0.8 million).

(iv) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses ("ECL")
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Overview of the Group's exposure to credit risk (cont'd)

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Group						
<u>2021</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	115,200	(1,006)	114,194
Other receivables	8	Performing	12-month ECL	4,069	<u>–</u> <u>(1,006)</u>	4,069
<u>2020</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	67,146	(885)	66,261
Other receivables	8	Performing	12-month ECL	4,946	<u>–</u> <u>(885)</u>	4,946
Company						
<u>2021</u>						
Other receivables	8	Performing	12-month ECL	67,025	<u>–</u>	67,025
<u>2020</u>						
Other receivables	8	Performing	12-month ECL	98,798	<u>–</u>	98,798

- (i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 7 include further details on the loss allowance for trade receivables.

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 9 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

(v) Credit risk management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a mean of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers to assess the credit ratings of its counterparties. The Group's exposure and the credit ratings of its counterparties are monitored continuously and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(v) Credit risk management (cont'd)

Credit approvals and other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

In 2021, of the trade receivables balance at the end of the year, \$16.5 million is due from the Group's largest customer. Apart from this, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed 5% of gross monetary assets at any time during the financial year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(vi) Liquidity risk management

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

All financial assets and liabilities as at 31 December 2021 and 2020, except for the fixed deposits as disclosed in Note 6, the debt and equity securities as disclosed in Note 9 and the lease liabilities as disclosed in Note 18, are interest-free and are repayable on demand or due within 1 year from the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(vii) Fair value of financial assets and financial liabilities

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

Fair value as at (\$'000)

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
	2021	2020	2021	2020	2021	2020				
Financial assets mandatorily measured at fair value through profit or loss (see Note 9)										
1) Quoted equity securities	24,959	6,886	24,959	6,886	Level 1	Quoted bid prices in an active market.	N.A.	N.A.	N.A.	
2) Quoted debt securities	5,970	-	5,970	-	Level 1	Quoted bid prices in an active market.	N.A.	N.A.	N.A.	
3) Unquoted equity security	658	618	-	-	Level 3	Unquoted bid prices in markets that are not active.	N.A.	N.A.	N.A.	
Financial assets designated at fair value through other comprehensive income (see Note 9)										
4) Quoted equity securities	28,452	21,220	28,452	21,220	Level 1	Quoted bid prices in an active market.	N.A.	N.A.	N.A.	
Others - deferred considerations in business combinations (see Note 32)										
5) Deferred considerations	-	3,942	-	-	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the deferred consideration.	Weighted average cost of capital ("WACC") of 18.2% per annum, determined using a Capital Asset Pricing Model.	A slight increase in the WACC used in isolation would not result in a significant decrease in the fair value. (Note A)		

Note A : A 5% increase/decrease in the WACC used while holding all other variables constant would not result in significant changes in fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Capital management policies and objectives

The Group reviews its capital structure annually to ensure that the Group will be able to continue as a going concern. The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from prior year.

5 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The immediate and ultimate holding companies of the Company are SIMCO Ltd, incorporated in the British Virgin Islands and SIMCO Global Ltd, incorporated in the Bahamas respectively. Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

There are no significant related party transactions during the financial year.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2021	2020
	\$'000	\$'000
Short-term benefits	8,906	4,218
Post-retirement benefits	138	127
Share-based payments	-	13
	9,044	4,358

6 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	165,266	258,662	25,048	24,725
Fixed and structured deposits	160,095	71,808	65,400	52,000
Restricted cash	1,717	1,764	-	-
Cash and cash equivalents in the statement of cash flows	327,078	332,234	90,448	76,725
Pledged deposits	1,141	988	-	-

Fixed and structured deposits bore interest at rates ranging from 0.08% to 2.9% (2020 : 0.05% to 3.6%) per annum and for a tenure of 7 days to 36 months (2020 : 7 days to 36 months).

Restricted cash relates to deposit placed by customers and can only be utilised for specified payment, and cash held in bank account for the sole purpose of establishment of a subsidiary.

Pledged deposits act as a security for bank guarantees issued in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

7 TRADE RECEIVABLES

	Group	
	2021	2020
	\$'000	\$'000
Outside parties	115,200	67,146
Loss allowance	(1,006)	(885)
	114,194	66,261

The average credit period for the rendering of services is 7 to 60 days (2020 : 7 to 60 days). Interest is charged on certain overdue trade receivables.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. The expected credit loss rate is approximately 0% for trade receivables outstanding for less than 90 days and for trade receivables past due for more than 90 days, the Group has recognised a loss allowance of 100%, except for the adjustment to factors that are specific to the debtors, because historical experience has indicated that these receivables are generally not recoverable. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Group					Total
	Trade receivables - days past due					
	Not past due	≤ 30 days	31 to 60 days	61 to 90 days	> 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021						
Estimated total gross carrying amount at default	67,967	28,694	11,507	5,434	1,598	115,200
Lifetime ECL	-	-	-	-	(1,006)	(1,006)
						114,194
2020						
Estimated total gross carrying amount at default	39,360	19,394	5,864	1,148	1,380	67,146
Lifetime ECL	-	-	-	(47)	(838)	(885)
						66,261

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

7 TRADE RECEIVABLES (cont'd)

The table below shows the movement in lifetime ECL - credit impaired that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Group
	\$'000
Balance as at 1 January 2020	1,568
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	781
Amounts written off	(1,464)
Balance as at 31 December 2020	885
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	124
Amounts written off	(10)
Exchange realignment	7
Balance as at 31 December 2021	<u>1,006</u>

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Deposits	2,840	2,882	-	-
Prepayments	1,375	1,273	10	11
Dividends due from subsidiaries	-	-	22,300	29,480
Other receivables due from subsidiaries	-	-	44,498	68,912
Interest receivable	222	348	130	329
Dividend receivable	96	75	96	75
Accrued revenue	791	1,047	-	-
Grant receivable	-	396	-	-
Others	120	594	1	2
	<u>5,444</u>	<u>6,615</u>	<u>67,035</u>	<u>98,809</u>

The amount due from subsidiaries are unsecured, interest-free and repayable on demand.

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

9 OTHER FINANCIAL ASSETS

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Financial assets mandatorily measured at FVTPL:				
Held-for-trading non-derivative financial assets				
- quoted equity securities (current)	24,959	6,886	24,959	6,886
- quoted debt securities (non-current)	5,970	-	5,970	-
- unquoted equity security (non-current)	658	618	-	-
	31,587	7,504	30,929	6,886
Financial assets at FVTOCI:				
Investments in equity instruments designated at FVTOCI				
- quoted equity securities (non-current)	28,452	21,220	28,452	21,220
Total other financial assets (current)	24,959	6,886	24,959	6,886
Total other financial assets (non-current)	35,080	21,838	34,422	21,220
Total other financial assets	60,039	28,724	59,381	28,106

Financial assets mandatorily measured at FVTPL

The investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year.

The investments in quoted debt equities include 2 quoted corporate bonds (2020 : Nil) that are paying 3.3% and 2.185% of interest per annum respectively. One of the bonds is a perpetual bond while another will mature in October 2036. The corporate bonds are held by the Group with the objective of realising cash flows through the sale of the assets with collection of contractual cash flows incidental to it, hence classified as at FVTPL.

Unquoted equity investment comprise venture capital investment in 1 entity (2020 : 1) which represent less than 20% shareholdings in the entity. The investment is measured at fair value through profit or loss in accordance with SFRS(I) 9 *Financial Instruments*, as it represents an investment which the Group manages together with an intention of profit taking when the opportunity arises.

Investments in equity instruments designated at FVTOCI

The investments in quoted equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

No investment in equity investments designated at FVTOCI has been disposed of during the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

10 PLANT AND EQUIPMENT

Group	Furniture and fittings	Office equipment	Renovation	Computers and systems	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:					
At 1 January 2020	696	763	8,363	4,456	14,278
Additions	18	71	432	553	1,074
Exchange realignment	12	6	131	49	198
Disposals	(6)	(9)	(33)	(263)	(311)
At 31 December 2020	720	831	8,893	4,795	15,239
Additions	6	36	742	356	1,140
Exchange realignment	2	4	(2)	35	39
Disposals	(10)	(117)	(1,090)	(648)	(1,865)
At 31 December 2021	718	754	8,543	4,538	14,553
Accumulated depreciation:					
At 1 January 2020	(606)	(708)	(7,328)	(4,078)	(12,720)
Depreciation for the year	(55)	(59)	(697)	(358)	(1,169)
Exchange realignment	(10)	(5)	(104)	(39)	(158)
Eliminated on disposals	6	9	33	263	311
At 31 December 2020	(665)	(763)	(8,096)	(4,212)	(13,736)
Depreciation for the year	(49)	(52)	(653)	(442)	(1,196)
Exchange realignment	-	(3)	18	(23)	(8)
Eliminated on disposals	10	117	1,090	648	1,865
At 31 December 2021	(704)	(701)	(7,641)	(4,029)	(13,075)
Carrying amount:					
At 31 December 2020	55	68	797	583	1,503
At 31 December 2021	14	53	902	509	1,478

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

11 RIGHT-OF-USE ASSETS

The Group leases office premises. The lease term ranges from 1 year to 5.5 years (2020 : 3 years to 5 years).

Group	Office premises
	\$'000
Cost:	
At 1 January 2020	19,372
Additions	2,110
Exchange realignment	367
Eliminated on disposals	(143)
At 31 December 2020	21,706
Additions	11,876
Exchange realignment	266
Eliminated on disposals	(762)
At 31 December 2021	33,086
Accumulated depreciation:	
At 1 January 2020	(5,228)
Depreciation for the year	(8,282)
Exchange realignment	(75)
Eliminated on disposals	81
At 31 December 2020	(13,504)
Depreciation for the year	(7,618)
Exchange realignment	(104)
Eliminated on disposals	762
At 31 December 2021	(20,464)
Carrying amount:	
At 31 December 2020	8,202
At 31 December 2021	12,622

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

12 OTHER INTANGIBLE ASSETS

The amortisation expense has been included in the line item “facilities and depreciation expense” in profit or loss.

Group	Computer software	Customer relationship	Total
	\$'000	\$'000	\$'000
Cost:			
At 1 January 2020	1,923	1,362	3,285
Additions	157	–	157
At 31 December 2020	2,080	1,362	3,442
Additions	235	–	235
At 31 December 2021	2,315	1,362	3,677
Accumulated amortisation:			
At 1 January 2020	(1,557)	(227)	(1,784)
Amortisation for the year	(135)	(170)	(305)
At 31 December 2020	(1,692)	(397)	(2,089)
Amortisation for the year	(134)	(170)	(304)
At 31 December 2021	(1,826)	(567)	(2,393)
Carrying amount:			
At 31 December 2020	388	965	1,353
At 31 December 2021	489	795	1,284

13 GOODWILL

	Group
	\$'000
Cost representing carrying amount:	
At 1 January 2020, 31 December 2020 and 2021	5,185

Goodwill acquired in business combinations are allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from the business combinations. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Group	
	2021	2020
	\$'000	\$'000
Professional recruitment - a single CGU in People’s Republic of China	4,683	4,683
Others*	502	502
	5,185	5,185

* Others comprise goodwill relating to CGUs which are individually not significant.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

13 GOODWILL (cont'd)

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs using the CGUs' WACC determined using Capital Asset Pricing Model. The growth rates are based on CGUs-specific growth forecasts.

The Group prepares four years (2020 : four years) forecasts and extrapolates cash flow forecasts based on an estimated revenue growth rate of 10% (2020 : 10%). Cash flows beyond this period are extrapolated based on an estimated growth rate of 2% (2020 : 2%). This rate does not exceed the average long-term revenue growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the single CGU in People's Republic of China is 18.2% (2020 : 18.2%) per annum.

As at 31 December 2021, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

14 SUBSIDIARIES

	Company	
	2021	2020
	\$'000	\$'000
Unquoted equity shares, at cost	48,427	48,427

Details of the Company's significant subsidiaries at 31 December 2021 are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest and voting power held	
			2021	2020
			%	%
HRnet One Pte Ltd ("HRS") ⁽¹⁾	Singapore	Personnel recruitment and provision of human resources related services.	100	100
Recruit Express Pte Ltd ("RES") ⁽¹⁾	Singapore	Personnel recruitment and provision of human resources related services.	100	100

⁽¹⁾ Audited by Deloitte & Touche LLP, Singapore.

The following schedule shows the effects of changes in the Group's ownership interest in certain subsidiaries that did not result in change on control, on the equity attributable to owners of the Company:

	2021	2020
	\$'000	\$'000
Consideration paid for changes in ownership interest in subsidiaries	(1,024)	(1,479)
Non-controlling interests acquired	819	1,027
Difference recognised in equity reserves (Note 20)	(205)	(452)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

14 SUBSIDIARIES (cont'd)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activities	Place of incorporation and operation	Number of subsidiaries	
		2021	2020
Personnel recruitment and provision of human resource related services.	Singapore, Japan, South Korea, People's Republic of China, Indonesia	11	11
Employment, recruitment and personnel placement agency.	Singapore	4	4
Head office of enterprises operating abroad as employment, recruitment and personnel placement agency.	Singapore, Taiwan	4	4
Investment holding.	Singapore, Hong Kong	3	3
Outsourcing of HR related service and personnel recruitment.	People's Republic of China	1	1
Labour dispatch and personnel recruitment.	People's Republic of China	1	1
Management of human resource functions and human resource consultancy services.	Singapore	1	1
Executive search and personnel placement agency.	Hong Kong	2	2
Provision of recruitment agency services.	Hong Kong	3	3
Personnel recruitment agency.	Malaysia	4	4
Provision of temporary and contracted staffing services.	Malaysia	2	2
Investment holding and management consultancy.	Thailand	1	1
Executive and management recruitment.	Thailand	1	1
Private employees procurement agency business licence.	Indonesia	2	2
Dormant.	Singapore, Hong Kong, Taiwan, Malaysia, Australia	5	5
		45	45

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

15 DEFERRED TAX ASSETS (LIABILITIES)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2021	2020
	\$'000	\$'000
Deferred tax assets	1,845	1,314
Deferred tax liabilities	(309)	(323)
	1,536	991

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the financial year:

Group	Accelerated tax depreciation	Provisions and other temporary differences	Total
	\$'000	\$'000	\$'000
At 1 January 2020	2	457	459
Exchange realignment	(1)	16	15
Credit to profit or loss for the year (Note 26)	30	487	517
At 31 December 2020	31	960	991
Exchange realignment	–	7	7
Credit to profit or loss for the year (Note 26)	11	527	538
At 31 December 2021	42	1,494	1,536

16 TRADE PAYABLES

The trade payables mainly consist of Goods & Services Tax, Sales & Services Tax, Value-Added Tax and Consumption Tax payable to respective local tax authorities.

17 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Accrued operating expenses	58,600	38,680	179	111
Other payables	27,788	28,621	–	–
Advanced billings	7,312	4,409	–	–
Deposits from customers	1,667	1,751	–	–
Dividends payable	11,765	1,297	10,038	–
Deferred grant income	–	833	–	–
Other payables due from subsidiary	–	–	–	4,680
	107,132	75,591	10,217	4,791

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

18 LEASE LIABILITIES

	Group	
	2021	2020
	\$'000	\$'000
Maturity analysis:		
Year 1	6,972	6,068
Year 2	4,117	2,301
Year 3	2,277	287
Year 4	47	125
Year 5	27	-
	13,440	8,781
Less: Unearned interest	(590)	(245)
	12,850	8,536
Analysed as:		
Current	6,392	5,893
Non-current	6,458	2,643
	12,850	8,536

The Group does not face a significant liquidity risk with regard to its lease liabilities.

19 SHARE CAPITAL AND TREASURY SHARES

Share capital

	Group and Company			
	Number of shares		Issued and paid up	
	2021	2020	2021	2020
	'000	'000	\$'000	\$'000
Issued and paid up:				
- At 1 January and 31 December	1,011,407	1,011,407	260,605	260,605

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

Treasury shares

	Group and Company			
	Number of treasury shares		Amount	
	2021	2020	2021	2020
	'000	'000	\$'000	\$'000
At 1 January	8,735	4,334	5,153	3,631
Treasury shares purchased	-	7,147	-	3,146
Treasury shares reissued pursuant to Bonus Shares and GROW Shares vested under 123GROW Plan	-	(2,746)	-	(1,624)
Treasury shares reissued pursuant to 88Glow Plan	(1,101)	-	(650)	-
At 31 December	7,634	8,735	4,503	5,153

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

19 SHARE CAPITAL AND TREASURY SHARES (cont'd)

Treasury shares (cont'd)

In 2020, the Company acquired 7,147,000 of its issued shares through purchases on the SGX-ST during the financial year. The total amount paid to acquire the shares was \$3.1 million and this was presented as a component within shareholders' equity. The Company reissued 2,746,000 treasury shares during the financial year pursuant to the 123GROW Plan (Note 21). The 123GROW Plan expired on 1 July 2020.

In 2021, the Company reissued 1,101,000 treasury shares during the financial year pursuant to the 88Glow Plan. The Company expects to use the remaining treasury shares for future employee share plans or acquisitions.

20 EQUITY RESERVE

Equity reserves represent the following:

- (i) difference between purchase consideration and net assets transferred for business combination involving entities under common control; and
- (ii) difference between consideration for changes in ownership interest in subsidiaries and non-controlling interest acquired or disposed.

21 SHARE-BASED PAYMENT RESERVE

The Group's share-based payment schemes as detailed below have ceased in 2020.

123GROW Plan

The Company has adopted a share plan known as the "123GROW Plan" which consists of three distinct components namely (a) Opp 1 Plan; (b) Opp 2 Plan; and (c) HRnet GROW Plan. Opp 1 Plan and Opp 2 Plan are one-off schemes which commence prior to the Company listing on SGX-ST while HRnet GROW Plan is the employee share incentive plan which commences after the listing. They have been approved by the shareholders of the Company on 24 May 2017.

Opp 1 Plan and Opp 2 Plan

Opp 1 Plan is a scheme to utilise the accumulated Loyalty Fund Credits from the Loyalty Fund Scheme. The Loyalty Fund Scheme is a loyalty incentive scheme for employees set up by the Group from 2000 to 2015 which was essentially a cash bonus entitlement ("Loyalty Fund Credits") given to eligible employees. Employees who participated in this plan would have subscribed for Investment Shares (i.e. shares issued in consideration for cash pursuant to the Opp 1 Plan) that are satisfied in cash at the share price on the date of listing and Loyalty Shares (i.e. shares issued in consideration for Loyalty Fund Credits pursuant to the Opp 1 Plan) equivalent to the number of Investment Shares subscribed, satisfied by utilising the employee's Loyalty Fund Credits. In conjunction with this, the Company granted share awards ("Bonus Shares") equivalent to the number of Investment Shares. Bonus Shares are allotted and issued to them in 3 equal tranches over a period of 3 years.

There are vesting conditions to be met every year. The vesting conditions comprise being a profitable heartcount ("PHC") which is to achieve gross profit of 3 times their payroll costs for sales employees and 80% of their key performance indicators for non-sales employees set for the relevant financial year and remaining in employment. The entitlement for the allotment and issue of the Bonus Shares in each year is not cumulative towards the following year if the condition is not met in that year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

21 SHARE-BASED PAYMENT RESERVE (cont'd)

Opp 1 Plan and Opp 2 Plan (cont'd)

Opp 2 Plan is a scheme catered for certain employees who were not entitled to participate in Opp 1 Plan. Eligible employees who participated in this plan would have subscribed for Investment Shares (i.e. shares issued in consideration for cash pursuant to the Opp 2 Plan) and Buy-in Shares (i.e. shares issued in consideration for cash pursuant to the Opp 2 Plan) equivalent to the number of Investment Shares subscribed, satisfied by cash. The Company then granted Bonus Shares equivalent in number to 50% of the aggregate of the Investment Shares and Buy-in Shares, and it will be allotted and issued to the employee in 3 equal tranches over a period of 3 years. The Bonus Shares under the Opp 2 Plan are subjected to the same vesting conditions as Bonus Shares under the Opp 1 Plan.

Details of the Bonus Shares under the Opp 1 Plan and Opp 2 Plan are as follows:

	Group and Company	
	2020	
	Number of share awards	Fair value at grant date (\$)
At 1 January	1,677,900	0.90
Vested during the year	(1,584,700)	
Forfeited during the year	(93,200)	
At 31 December	-	

The fair value at grant date is determined based on the share price on the date of listing.

HRnet GROW Plan

On 1 July 2019, the GROW Shares were granted to eligible employees. GROW Shares were allotted and issued on 1 July 2020. The aggregate number of GROW Shares to be finally awarded to the participants were based on the achievement of certain predetermined performance targets as determined by the GROW committee or otherwise in accordance with the rules of the HRnet GROW Plan.

Awards comprising an aggregate of 944,900 GROW Shares were granted under the HRnet GROW Plan on 1 July 2019, of which 92,600 GROW Shares were forfeited in 2020. Eligible employees who achieved certain predetermined performance targets were entitled to additional shares, termed as "multiplier shares".

Details of the GROW Shares under HRnet GROW Plan are as follows:

	Group and Company	
	2020	
	Number of share awards	Fair value at grant date (\$)
At 1 January	1,221,000	0.71
Multiplier shares	33,200	
Vested during the year	(1,161,600)	
Forfeited during the year	(92,600)	
At 31 December	-	

The Group and the Company recognised total expenses of \$Nil (2020 : \$640,000) related to share-based payment transactions during the year. The 123GROW Plan expired on 1 July 2020.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

22 INVESTMENTS REVALUATION RESERVE

The investments revaluation reserve represents the cumulative losses arising on the revaluation of investments in equity instruments designated at FVTOCI.

Movement in investments revaluation reserves:

	Group and Company	
	2021	2020
	\$'000	\$'000
At 1 January	42,663	25,241
Fair value (gain) loss on investments in equity instruments designated at FVTOCI	(7,232)	17,422
At 31 December	35,431	42,663

23 TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of translation reserve.

24 REVENUE

The Group derives its revenue from the transfer of services over time and at a point in time for flexible staffing and professional recruitment services respectively. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 *Operating segments* (see Note 31). A disaggregation of the Group's revenue for the year has been disclosed in Note 31.

25 OTHER INCOME

	Group	
	2021	2020
	\$'000	\$'000
Interest income	1,293	2,177
Dividend income	873	629
Gain on disposal of financial assets mandatorily measured at FVTPL	3,877	2,551
Net fair value gain (loss) on financial assets mandatorily measured at FVTPL	520	(1,113)
Government grants/subsidies and rebates	9,144	13,314
Negative variable lease payments	82	64
Others	153	204
	15,942	17,826

Government grants/subsidies and rebates include pandemic-related grants/subsidies and reliefs from the various governments of geographies that the Group operates in amounting \$4.0 million (2020 : \$6.4 million).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

26 INCOME TAX EXPENSE

	Group	
	2021	2020
	\$'000	\$'000
Current tax	14,526	10,029
Under (Over) provision of current tax in prior year	36	(681)
Deferred tax (Note 15)	(538)	(517)
Withholding tax	492	415
	14,516	9,246

Domestic income tax is calculated at 17% (2020 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2021	2020
	\$'000	\$'000
Profit before income tax	84,783	59,035
Income tax expense at statutory tax rate	14,413	10,036
Non-taxable items	(837)	(837)
Tax rate differentials between Singapore and foreign countries	1,013	617
Under (Over) provision of current tax in prior year	36	(681)
Effect of tax exemption and rebate	(415)	(354)
Withholding tax	492	415
Others	(186)	50
	14,516	9,246

27 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2021	2020
	\$'000	\$'000
Defined contribution plans ⁽¹⁾	42,070	38,502
Allowance for doubtful receivables	124	781
Depreciation of plant and equipment	1,196	1,169
Depreciation of right-of-use assets	7,618	8,282
Amortisation of intangible assets	304	305
Expenses relating to short-term leases	-	18
Audit fees:		
- Deloitte & Touche LLP, Singapore	182	154
- Other Deloitte offices	190	167
Non-audit fees:		
- Deloitte & Touche LLP, Singapore	59	68
- Other Deloitte offices	209	105
	209	105

⁽¹⁾ The defined contribution plans of contractor employees have been included in this disclosure.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

28 EARNINGS PER SHARE

The calculation of the earnings per share attributable to the owners of the Company is based on the following data:

	Group	
	2021	2020
	\$'000	\$'000
Profit attributable to owners of the Company	65,490	46,865

	Group	
	Number of shares	
	2021	2020
	'000	'000
Weighted average number of ordinary shares used to compute basic and diluted earnings per share	1,003,158	1,003,124
Basic and diluted earnings per share (cents)	6.53	4.67

29 DIVIDENDS

On 6 May 2020, in connection with the financial year ended 31 December 2019, the Company declared a final one-tier tax exempt ordinary dividend of approximately \$28.0 million (\$0.028 per share) which were paid on 22 May 2020 to its registered shareholders.

On 21 Apr 2021, in connection with the financial year ended 31 December 2020, the Company declared a final one-tier tax exempt ordinary dividend of approximately \$25.1 million (\$0.025 per share) which were paid on 6 May 2021 to its registered shareholders.

In respect of the current year, the Company declared a one-tier tax exempt special dividend of approximately \$10.0 million (\$0.01 per share) on 19 November 2021, which were paid on 11 January 2022 to its registered shareholders.

In addition, the directors propose that a final one-tier tax exempt ordinary dividend of \$0.03 per share. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid subsequent to year end is \$30.1 million.

30 CONTINGENT LIABILITIES

	Group	
	2021	2020
	\$'000	\$'000
Banker's guarantees	898	741
Other pledged deposits	243	247
	1,141	988

The amount disclosed represents the aggregate amount of the contingent liabilities for the Group. The banker's guarantees and other pledged deposits are provided as security deposits and earmarked amounts in connection with application for various employment agency licences in Singapore, Malaysia and Taiwan, and various Singapore government service contracts. There are no indirect and contingent indebtedness with respect to third parties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

31 SEGMENT 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:

- (i) Professional recruitment.
- (ii) Flexible staffing.
- (iii) Others.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. 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 is an analysis of the Group's revenue and results by reportable segments:

	Revenue		Gross Profit	
	2021	2020	2021	2020
Group	\$'000	\$'000	\$'000	\$'000
Professional recruitment	94,779	72,595	94,097	72,403
Flexible staffing	492,628	357,552	78,320	55,350
Others	3,133	2,894	2,486	1,593
	<u>590,540</u>	<u>433,041</u>	<u>174,903</u>	<u>129,346</u>
			Results	
			2021	2020
			\$'000	\$'000
Other income			15,942	17,826
Other employee benefit expenses			(87,757)	(69,124)
Facilities and depreciation expenses			(11,629)	(11,917)
Selling expenses			(2,893)	(3,486)
Other expenses			(3,311)	(3,197)
Finance costs			(472)	(413)
Profit before income tax			<u>84,783</u>	<u>59,035</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

31 SEGMENT INFORMATION (cont'd)

Geographical segment revenue and gross profit

	Revenue		Gross Profit	
	2021	2020	2021	2020
Group	\$'000	\$'000	\$'000	\$'000
Singapore	410,841	311,927	97,529	70,514
North Asia*	158,650	110,759	71,676	54,712
Rest of Asia#	21,049	10,355	5,698	4,120
	<u>590,540</u>	<u>433,041</u>	<u>174,903</u>	<u>129,346</u>

Geographical segment assets

	2021	2020
Group	\$'000	\$'000
Singapore	414,432	356,068
North Asia*	106,700	88,622
Rest of Asia#	9,178	7,689
	<u>530,310</u>	<u>452,379</u>

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

Rest of Asia comprises Malaysia, Thailand and Indonesia.

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.

Information about major customers

Revenue of approximately \$62.4 million (2020 : \$Nil) is derived from one (2020 : Nil) external customer that contributes more than 10% of the Group's revenue and attributable to Flexible Staffing segment. The top ten customers represent 27% (2020 : 22%) of the Group's total revenue.

32 DEFERRED CONSIDERATIONS

Included in deferred considerations were payables to the vendors of REForce. In view of the difficult trading conditions in Q1 2020, the Group agreed to the proposal by vendors of REForce to change the profit basis period relating to the calculation of the final tranche of consideration from the period commencing 1 September 2019 through 31 August 2020 ("SPA basis") to the period commencing 1 April 2020 through 31 March 2021. The Group recognises an additional provision of \$0.9 million in 2020, \$0.2 million in 2021 and settled final tranche payment of \$4.3 million consideration in 2021.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

33 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements relevant to the Group and Company were issued but not effective.

Effective for annual periods beginning on or after 1 January 2022

- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to SFRS(I)s 2018-2021

Effective for annual periods beginning on or after 1 January 2023

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*
- Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

SHAREHOLDING STATISTICS

As at 15 March 2022

Issued and Paid-Up Capital	:	S\$266,062,054.87
Number of shares issued (including Treasury Shares)	:	1,011,406,872
Number and Percentage of Treasury Shares	:	7,633,484 and 0.76% ¹
Number of shares issued (excluding Treasury Shares)	:	1,003,773,388
Number and Percentage of Subsidiary Holdings ²	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

¹ Percentage is calculated based on 1,003,773,388 issued shares, excluding treasury shares.

² "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	0.14	28	0.00
100 - 1,000	287	13.29	234,600	0.02
1,001 - 10,000	1,123	51.99	5,473,500	0.55
10,001 - 1,000,000	730	33.79	38,285,771	3.81
1,000,001 AND ABOVE	17	0.79	959,779,489	95.62
TOTAL	2,160	100.00	1,003,773,388	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE.) LIMITED	774,491,809	77.16
2	HSBC (SINGAPORE) NOMINEES PTE LTD	46,461,010	4.63
3	UOB KAY HIAN PRIVATE LIMITED	42,897,269	4.27
4	CITIBANK NOMINEES SINGAPORE PTE LTD	25,887,381	2.58
5	DBS NOMINEES (PRIVATE) LIMITED	24,515,295	2.44
6	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	12,190,000	1.21
7	PHILLIP SECURITIES PTE LTD	5,837,900	0.58
8	IFAST FINANCIAL PTE. LTD.	4,751,900	0.47
9	VANDA 1 INVESTMENTS PTE LTD	4,738,772	0.47
10	TAY YUH SHIUAN	3,308,953	0.33
11	OCBC SECURITIES PRIVATE LIMITED	2,937,200	0.29
12	ABN AMRO CLEARING BANK N.V.	2,903,500	0.29
13	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,398,000	0.24
14	SIM WEI WEN AVIEL	2,334,500	0.23
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,451,600	0.14
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,364,200	0.14
17	DB NOMINEES (SINGAPORE) PTE LTD	1,310,200	0.13
18	MAYBANK SECURITIES PTE. LTD.	862,100	0.09
19	CHUA MENG HOON	604,100	0.06
20	ESTATE OF PAUL JONG MIN HIAN @ PAUL YONG, DECEASED	600,000	0.06
	TOTAL	961,845,689	95.81

SHAREHOLDING STATISTICS

As at 15 March 2022

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 15 March 2022)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
SIMCO Ltd	779,064,000	77.614	-	-
SIMCO Global Ltd. ⁽¹⁾	-	-	779,064,000	77.614
Credit Suisse Trust Limited ⁽¹⁾	-	-	779,064,000	77.614
Sim Yong Siang ⁽²⁾	-	-	779,064,000	77.614
Sim Joo Siang ⁽²⁾	-	-	779,064,000	77.614
Sim Wei Ling, Adeline				
Mrs Tan Wei Ling, Adeline ⁽²⁾	489,600	0.049	779,064,000	77.614
Sim Wei Wen, Aviel ⁽²⁾	2,334,500	0.233	779,064,000	77.614
Sim Wei Rong Joshua ⁽²⁾	-	-	779,064,000	77.614
Nelly Sim Nee Tan Kheng Eng ⁽²⁾	-	-	779,064,000	77.614
Tan Eei Choo ⁽²⁾	-	-	779,064,000	77.614

Notes:

1. SIMCO Global Ltd has a deemed interest by virtue of Section 4(5) of the Securities and Futures Act (Cap. 289) arising from the listing of the shares of HRnetGroup Limited on 16 June 2017. Credit Suisse Trust Limited's deemed interest in HRnetGroup Limited, in its capacity as trustee of the SIMCO Trust, arises by virtue of it having a 100% indirect holding in SIMCO Global Ltd. (via Seletar Limited and Serangoon Limited as nominees), which has a 100% shareholding in SIMCO Ltd, which in turn has a direct and deemed interest in 779,064,000 shares of HRnetGroup Limited.

2. Sim Yong Siang ("Peter Sim"), Sim Joo Siang ("JS Sim"), Sim Wei Ling (Mrs Tan Wei Ling, Adeline) ("Adeline Sim"), Sim Wei Wen, Aviel ("Aviel Sim"), Sim Wei Rong Joshua, Nelly Sim Wee Tan Kheng Eng ("Nelly Sim") and Tan Eei Choo are deemed to have an interest in the shares of HRnetGroup Limited arising from the shares held by SIMCO Ltd in HRnetGroup Limited. The shares of SIMCO Ltd are wholly-owned by SIMCO Global Ltd. The shares of SIMCO Global Ltd are held as property of the SIMCO Trust.

SIMCO Trust is a revocable trust and was established by Peter Sim, Nelly Sim and JS Sim. Credit Suisse Trust Limited acts as trustee of the SIMCO Trust and indirectly holds all the shares in SIMCO Global Ltd. (via Seletar Limited and Serangoon Limited as nominees). The settlors of the SIMCO Trust are Peter Sim, Nelly Sim, and JS Sim. The settlors have collectively retained the power to instruct the trustee on matters relating to the investments of the assets of the SIMCO Trust, including the shares in SIMCO Ltd. Otherwise, the trustee has all other rights and powers in relation to the property comprised in the SIMCO Trust (which includes the SIMCO Trust fund) as the legal owner of such property, acting in its capacity as trustee of the SIMCO Trust, subject to any powers and restrictions contained in the SIMCO Trust Deed.

The beneficial owners of the assets comprised in the SIMCO Trust are the discretionary beneficiaries of the SIMCO Trust which comprise Peter Sim, Nelly Sim, JS Sim and Tan Eei Choo and their respective issue and remoter issue (which include the two minor children of Adeline Sim and the two minor children of Aviel Sim. Peter Sim and Nelly Sim are spouses. Peter Sim and JS Sim are siblings. Adeline Sim and Aviel Sim are the children of Peter Sim and Nelly Sim. Sim Wei Rong Joshua is the child of JS Sim and Tan Eei Choo.

3. Percentage is calculated based on 1,003,773,388 issued shares, excluding treasury shares.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 20.6% of the issued ordinary shares of the Company is held in the hands of the public as at 15 March 2022 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**” or the “**Meeting**”) of HRnetGroup Limited (the “**Company**”) will be held by way of electronic means on Thursday, 28 April 2022 at 9.00 a.m. (Singapore time) to transact the following businesses:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2021 together with the Auditors’ Report thereon. **Resolution 1**
2. To declare a final tax exempt (one-tier) dividend of 3.0 Singapore cents per ordinary share for the financial year ended 31 December 2021. **Resolution 2**
3. To approve the payment of Directors’ fees of S\$173,333 for the financial year ending 31 December 2022, payable half-yearly in arrears (2021: S\$175,000). **Resolution 3**
4. To re-elect Mr Sim Joo Siang, who retires by rotation pursuant to Article 94 of the Company’s Constitution, as a Director of the Company. [See Explanatory Note (i)] **Resolution 4**
5. To note the retirement of Mr Sin Boon Ann, who retires by rotation pursuant to Article 94 of the Company’s Constitution, as a Director of the Company.
6. To re-elect Mr Gao Yong, who retires pursuant to Article 100 of the Company’s Constitution, as a Director of the Company. [See Explanatory Note (ii)] **Resolution 5**
7. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:-

8. Authority to allot and issue shares and convertible securities

“That pursuant to Section 161 of the Companies Act 1967 (the “**Act**”) and Rule 806 of the Listing Manual Section B: Rules of Mainboard of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Mainboard Rules**”), authority be and is hereby given to the Directors of the Company to:

- (a)
 - (i) issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus, or capitalisation issues,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro rata basis, then the aggregate number of Shares to be issued under such circumstances (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below); and
- (b) (subject to such manner of calculation and adjustments as may be prescribed by the Mainboard Rules) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:-
 - (i) new Shares arising from the conversion or exercise of convertible securities;
 - (ii) (where applicable) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares,and, in sub-paragraph (a) above and this sub-paragraph (b), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.” [See *Explanatory Note (iii)*]

Resolution 7

9. Proposed Renewal of the Share Purchase Mandate

THAT approval and authority be and is hereby given to the Directors of the Company:-

- (a) For the purposes of the Companies Act 1967 of Singapore (the “**Act**”), the exercise by the Directors all the powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the Prescribed Limited (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market purchases (each a “**Market Purchase**”) on the SGX-ST; and/or
 - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

NOTICE OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (ii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked; or
- (iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate is carried out to the full extent mandated.

(c) in this Resolution:

“Prescribed Limit” means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time and subsidiary holdings (as defined in the Listing Manual of the SGX-ST));

“Relevant Period” means the period commencing from the date on which the Annual General Meeting is held and the resolution relating to the Share Purchase Mandate is passed and expiring on the date the next Annual General Meeting is held or is required by law to be held, whichever is the earlier; and

“Maximum Price” in relation to a share to be purchased, means an amount (excluding related brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of Market Purchase: 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price or Highest Last Dealt Price,

where:

“Average Closing Price” means the average of the last dealt prices of a share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the rules of the Listing Manual for any corporate action that occurs during the relevant five-day period and the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase; and

“day of the making of the offer” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [See *Explanatory Note (iv)*]

Resolution 8

NOTICE OF ANNUAL GENERAL MEETING

10. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Sim Yong Siang
Founding Chairman

Singapore, 13 April 2022

Explanatory Notes:

- (i) Ordinary Resolution 4, Mr Sim Joo Siang will, upon re-election as a Director of the Company, remain as an Executive and Non-Independent Director. Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, detailed information on Mr Sim Joo Siang can be found under the “Board of Directors” and “Corporate Governance Report” sections of the Company’s Annual Report.
- (ii) Ordinary Resolution 5, Mr Gao Yong will, upon re-election as a Director of the Company, remain as an Independent Director. He is considered to be independent pursuant to Rule 704(8) of the Listing Manual of SGX-ST. There are no relationships including immediate family relations between Mr Gao Yong and the other Directors or its 10% shareholders. Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, detailed information on Mr Gao Yong can be found under the “Board of Directors” and “Corporate Governance Report” sections of the Company’s Annual Report.
- (iii) Ordinary Resolution 7, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting, to issue further Shares and to make or grant convertible securities convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in aggregate 50 per cent of the total number of issued Shares excluding treasury shares and subsidiary holdings of which the total number of Shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 per cent of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company. As at 15 March 2022 (the “**Latest Practicable Date**”), the Company has 7,633,484 treasury shares and no subsidiary holdings.
- (iv) Ordinary Resolution 8, if passed, will renew the Share Purchase Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms of the Share Purchase Mandate as set out in the Letter to Shareholders dated 13 April 2022 (the “**Letter**”).

The Company may use internal resources and/or external borrowings to finance purchases or acquisitions of its Shares pursuant to the Share Purchase Mandate. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company’s financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

Based on the number of issued and paid-up Shares as at the Latest Practicable Date and disregarding the Shares held in treasury, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 100,377,338 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 100,377,338 Shares at the Maximum Price of S\$0.81 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the Main Board of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 100,377,338 Shares is approximately S\$81,305,644.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 100,377,338 Shares at the Maximum Price of S\$0.93 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the Main Board of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 100,377,338 Shares is approximately S\$93,350,924.

The rationale for the authority and the illustrative financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2021 are set out in greater detail in the Letter enclosed together with the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

Notes relating to measures to minimise the risk of COVID-19:

General

1. The AGM is being convened, and will be held, by way of electronic means as part of the Company's efforts to minimise physical interactions and COVID-19 transmission risk. In this regard, the Board of Directors of the Company refers to:
 - (a) the COVID-19 (Temporary Measures) Act 2020;
 - (b) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order") and as amended on 14 April 2020, 24 April 2020, 28 September 2020 and 1 April 2021;
 - (c) the statement by the Ministry of Law issued on 6 April 2021 which extends the Order beyond 30 June 2021 until revoked or amended by the Ministry of Law;
 - (d) the Regulator's Column issued by the Singapore Exchange Regulation ("SGX RegCo") on 16 December 2021 (the "Regulator's Column"); and
 - (e) the joint statement by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and SGX RegCo which introduced a checklist to guide listed and non-listed entities on the conduct of general meetings (the "Checklist") arising from the latest updates from the Multi-Ministry Taskforce to ease safe management measures to facilitate business operations issued on 13 April 2020 (and subsequently updated on 27 April 2020, 22 June 2020, 1 October 2020 and 4 February 2022). The 4 February 2022 joint statement provided that the Regulator's Column will form part of the Checklist.
2. Printed copies of this Notice will not be sent to shareholders. Instead, this Notice will be sent to members by electronic means via publication on the Company's corporate website at <http://investor.hrnetgroup.com/>. This Notice will also be made available on the SGXNet website at <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements are put in place to allow shareholders to participate in the AGM proceedings by:
 - (a) watching and/or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Paragraph 4 below;
 - (b) submitting questions ahead of the AGM. Please refer to Paragraphs 12 and 13 below for further details; and
 - (c) voting by proxy at the AGM. Please refer to Paragraphs 7 to 10 below for further details.

Participate in the AGM via live webcast

4. As the AGM will be held by way of electronic means, shareholders will not be able to attend the AGM in person. All shareholders or their corporate representatives (in the case of shareholders which are legal entities) will be able to participate in the AGM proceedings through a live webcast via their mobile phones, tablets or computers, or listen to these proceedings through a live audio feed via telephone ("Live Webcast"). To do so, the shareholders are required to pre-register their participation at the AGM ("Pre-registration") website at the URL <http://bit.ly/HRnetGroupAGM2022> no later than **9.00 a.m. on 25 April 2022** ("Registration Deadline") for verification of their status as shareholders (or the corporate representatives of such shareholders).
5. Upon successful verification, authenticated shareholder or its corporate representative will receive an email **by 9.00 a.m. on 27 April 2022**. The email will contain a link to access the webcast of the AGM proceedings, together with the relevant log in details and instructions, as well as instructions on how to listen to the live audio feed. Shareholders or their corporate representatives must not forward the email to other persons who are not shareholders and who are not entitled to participate in the AGM proceedings. Shareholders (or corporate representatives) who do not receive an email **by 9.00 a.m. on 27 April 2022**, but have pre-registered in accordance with Paragraph 4 above may contact the Share Registrar for assistance via email at HRnetGroup2022AGM@boardroomlimited.com or alternatively call +65-6536 5355 during office hours on 27 April 2022.
6. Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act) who are not CPF or SRS investors, who wish to participate in the "live" broadcast of the AGM should approach their relevant intermediary as soon as possible in order to make the necessary arrangements, as they will not be able to pre-register online for the "live" broadcast of the AGM. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/ Passport number) to the Company, via email to HRnetGroup2022AGM@boardroomlimited.com, **no later than 9.00 a.m. on 25 April 2022**.

Voting by proxy

7. Shareholders may only exercise their voting rights at the AGM via proxy voting (see paragraphs 8 and 9 below).
8. Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint "Chairman of the Meeting" as their proxy to do so on their behalf. In appointing the Chairman of the AGM as proxy, shareholders must give specific instructions as to voting, or abstention from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

9. The duly executed proxy form must be submitted in the following manner:
- (i) if submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
 - (ii) if submitted electronically, be submitted via email to the Company's Share Registrar at HRnetGroup2022AGM@boardroomlimited.com,

in either case, **not less than 72 hours** before the time appointed for the holding of the AGM of the Company i.e. **by 9.00 a.m. on 25 April 2022**.

In view of the current Covid-19 situation, shareholders are strongly encouraged to submit completed proxy forms electronically via email.

10. Shareholders who hold their shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore) (including SRS investors and holders under depository agents) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (including their respective SRS approved banks or depository agents) to submit their voting instructions **by 5.00 p.m. on 19 April 2022**, being 7 working days before the date of AGM.
11. In commemoration of the Company's 30th anniversary, the Company is giving out one **S\$30 NTUC Shopping Voucher** ("Voucher") to each shareholder who holds shares of the Company through their securities accounts with the Central Depository (Pte) Limited (excluding securities sub-accounts) and participate in this AGM by submitting valid votes. The completed Proxy Form must reach the Company's Share Registrar no later than **9.00 a.m. on 25 April 2022**) in order for the participation to be counted as valid. Refer to Proxy Form for more details.

Submission of questions prior to AGM

12. Shareholders may submit questions related to the resolutions to be tabled at the pre-registration website at the URL <http://bit.ly/HRnetGroupAGM2022> or by post to the Company's Share Registrar, **by 5.00 p.m. on 21 April 2022**, so that they may be addressed prior to the AGM through publication on SGXNET and the Company's corporate website, or at the AGM. The Company will address substantial and relevant questions received from shareholders either during the AGM through live audio-visual webcast and live audio-only stream, or through an announcement to be released on SGXNET and published on the Company's corporate website at <http://investor.hrnetgroup.com/> after market hours on 22 April 2022. Shareholders will not be allowed to ask questions during the live webcast of the AGM.

Mailing address: Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632

Attention to: HRnetGroup Limited AGM

13. The Company will publish the minutes of the AGM on SGXNet and the Company's website within one month after the date of AGM.

Personal Data Privacy:

By (a) submitting an instrument appointing the "Chairman of the Meeting" as proxy to a vote at the AGM and/or any adjournment thereof, or (b) submitting any question prior to the AGM in accordance with the Notice, or (b) submitting the pre-registration form in accordance with Paragraph 4 above, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the "Chairman of the Meeting" as proxy for the AGM (including any adjournment thereof);
- (ii) processing of the pre-registration emails for purposes of granting access to members (or their corporate representatives in the case of members who are legal entities) to view the live webcast of the AGM proceedings and providing viewers with any technical assistance where necessary;
- (iii) addressing selected questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

HRNETGROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201625854G)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:

1. The Annual General Meeting ("AGM" or "Meeting") is being convened by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Order 2020.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 13 April 2022 which has been uploaded together with this proxy form on SGXNet at the following URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the following URL: <http://investor.hrnetgroup.com/> on the same day.
3. A member will not be able to attend the AGM in person. Please see Note 3 below for further details.
4. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 13 April 2022.
5. This Proxy Form is not valid for the use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. Such investors should approach their relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors should approach their respective CPF Agent Banks or SRS Operators at least seven working days before the AGM to ensure their votes are submitted.
6. Please read the notes overleaf which contain instructions on, inter alia, the appointment of Chairman of the AGM as a member's proxy to vote his/her/its behalf at the AGM.

I/We _____ (Name) _____ (NRIC/Passport/Co. Reg. No.)

of _____ (Address)

being a member/members of **HRNETGROUP LIMITED** (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our* proxy, to attend and vote for me/us* on my/our* behalf at the Annual General Meeting ("**AGM**" or the "**Meeting**") of the Company to be held by electronic means via "live" audio-video or "live" audio-only feed ("**Live Webcast/Live Audio Feed**") on **Thursday, 28 April 2022 at 9.00 a.m.** (Singapore time) and at any adjournment thereof.

(Voting will be conducted by poll. If you wish to appoint the Chairman of the Meeting as your proxy to cast all your votes for or against a resolution to be proposed at the AGM, please indicate with a "√" in the space provided under "For" or "Against". If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution to be proposed at the AGM, please indicate a "√" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to vote "For" or "Against" or to abstain from voting. **In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.**)

No.	Resolutions relating to:	For**	Against**	Abstain**
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021 together with the Auditors' Report			
2	Declaration of a final tax exempt (one-tier) dividend of 3.0 Singapore cents per ordinary share			
3	Approval of Directors' fees of S\$173,333 for the financial year ending 31 December 2022, payable half yearly in arrears			
4	Re-election of Mr Sim Joo Siang as Director			
5	Re-election of Mr Gao Yong as Director			
6	Re-appointment of Messrs Deloitte & Touche LLP as Auditors and authority to fix their remuneration			
7	Authority to allot and issue shares and convertible securities			
8	Proposed Renewal of the Share Purchase Mandate			

NOTE

* Delete accordingly

** If you wish to abstain or exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate number of votes as appropriate.

In commemoration of the Company's 30th anniversary, the Company is giving out one **S\$30 NTUC Shopping Voucher** ("Voucher") to each shareholder who holds shares of the Company through their securities accounts with the Central Depository (Pte) Limited (excluding securities sub-accounts) and participate in this AGM by submitting valid votes. Your completed Proxy Form must reach the Company's Share Registrar no later than **9.00 a.m. on 25 April 2022** (please see Note 5 for further details) in order for your participation to be counted as valid.

Tick as applicable***	I wish to receive the Voucher, to be posted to the following Singapore mailing address: _____ _____
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NOTE

*** If you wish to receive the Voucher, please tick (✓) within this box AND provide your Singapore mailing address. Otherwise, we will assume that you do not wish to receive the Voucher and that you authorise Chairman to donate the S\$30 equivalent towards charitable works / organisations of the Company's choice.

Dated this _____ day of _____ 2022

Total No. of Shares Held

Signature(s) of Member(s)/
or Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Company has the option to hold a virtual meeting, even where the Company is permitted under safe distancing measures to hold a physical meeting. Due to current COVID-19 situation and the Company's efforts to minimise physical interactions and COVID-19 transmission risk to a minimum, the AGM will be held by way of electronic means and members will NOT be allowed to attend the AGM in person.
3. A member will not be able to vote through the Live Webcast/Live Audio Feed. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
4. The Chairman of the Meeting, as a proxy, need not be a member of the Company.
5. This Proxy Form must be submitted to the Company in the following manner:-
 - (a) If submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
 - (b) If submitted electronically, be submitted via email to the Company's Share Registrar at HRnetGroup2022AGM@boardroomlimited.com,in either case, no later than **9.00 a.m. on 25 April 2022, and failing which, this Proxy Form will not be treated as valid.**
6. A member who wishes to submit an instrument of proxy must first **download, complete and sign the proxy form**, before submitting it by depositing at the address provided above, or scanning and sending it by email to the email address provided above.
7. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**
8. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised in writing. The dispensation of the use of the common seal pursuant to Section 41A, 41B and 41C of the Companies Act 1967 of Singapore effective from 31 March 2017 is applicable at this AGM.

Where this Proxy Form is submitted by email, it must be authorised in the following manner:-

- (a) by way of the affixation of an electronic signature by the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
- (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing this Proxy Form under hand and submitting a scanned copy of the signed Proxy Form by email.

Where this Proxy Form is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the Chairman of the Meeting as proxy). In addition, in the case of members whose shares are entered against their names in the depository register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if such members are not shown to have shares entered against their names in the depository register as at 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 13 April 2022.



Singapore



Kuala Lumpur



Hong Kong SAR



Taipei



Tokyo



Shanghai



Bangkok



Beijing



Seoul



Guangzhou



Jakarta



Suzhou



Shenzhen



Chengdu



HRnetOne was first incorporated in Singapore



Loyalty



Gratitude



Integrity



Strive for Betterment



Adjustment and Assimilation



Harmony and Humility



Diversity



Great in Sales
Our sales training program



Daily wellness exercise



Annual Company Function



Listed on the Singapore Exchange



HRnetRimbun



Reforce



Ruby the Recruiter
Our first mascot



EASE: Our one-stop solution app

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