

PRESS RELEASE

HRnetGroup reported 3.5% year-on-year increase in net profits¹, supported by healthy growth momentum from North Asia

Gross Profit contribution from North Asia surging to 47%, with Singapore's contribution falling below 50% for the first time

SINGAPORE, 8 November 2019 – HRnetGroup Limited (“和乐集团有限公司”) reported a net profit¹ of S\$13.9 million for third quarter 2019 (“3Q19”), an improvement of 3.5% year-on-year (“YOY”) (3Q18: S\$13.4 million). Correspondingly, PATMI² grew 3.1% to S\$12.7 million (3Q18: S\$12.3 million), a solid performance amidst continued uncertainties in the regional markets.

Revenue was up 1.6% to S\$106.7 million (3Q18: S\$105.0 million), an encouraging sign as this is the 8th quarter that the Group crosses the S\$100m mark. Gross Profit (“GP”) fell by 3.8% to S\$38.4 million (3Q18: S\$39.9million), as business momentum was stronger in flexible staffing business which carried lower margins.

Geographically, North Asia continued to charge forward with a 5.0% YoY growth for the quarter in terms of GP, a marked contrast to the 11.3% contraction reported in Singapore. This opposing growth trend has brought North Asia's contribution to GP up from 44.7% in Q1 this year to a record 47.4% in Q3, with Singapore falling below the 50% mark to 48.9% this quarter. Notably, Hong Kong managed to maintain a low single-digit YoY growth for this quarter in terms of GP, a reflection of the business momentum prior to the full-blown political unrest which kicked in from August, while China held on the podium position, registering a high-teens growth rate.

The flexible staffing business displayed optimism with the monthly average number of contractor employees expanding 1.5% to 11,568 employees (3Q18: 11,392). Riding on the encouraging trend of higher demand for flexible workforce, especially in a muted environment, RecruitFirst Taipei opened its doors on 1 July 2019, bringing our RecruitFirst units to five in the region. We are confident of the potential in this business and to keep up with the momentum, we are exploring to bring this solution to more cities we currently have a presence in, the next being Jakarta.

On the same strong belief on the potential of the staffing business, we accumulated a total holding of 29.95% in AIM listed Staffline Group plc (**Staffline**), a leading workforce recruitment and training organisation providing services mainly in the UK and Eire, making it our associate company. Staffline has announced its intention to appoint Adeline Sim, our Executive Director and Chief Legal Officer, as a Non-Executive Director. This signifies a step towards a closer working relationship with Staffline.

¹ Excludes unrealised gain/loss on revaluation of financial assets

² Profit attributable to owners of the Company

As we head towards the last quarter of the year, some macro-developments seem to bear some optimism, such as Monetary Authority of Singapore expressing its baseline view that the current cycle should be bottoming out toward the end of the year and into next year and the European Union agreeing to postpone Brexit until 31 January 2020. With the festive seasons upcoming, we look towards having a more vibrant performance on the flexible staffing front to wrap up the year, while we poise ourselves for a recovery in the professional recruitment front when the key economies pick up.

Ms Adeline Sim (沈伟玲), Executive Director of HRnetGroup, said,

“HRnetGroup’s focus on geographical diversification has resulted in a solidly profitable platform which transcended the challenging operating environments particularly in Singapore, Kuala Lumpur and Hong Kong. For the first time, Singapore’s contribution to GP has fallen below the 50% mark, which whilst anticipated, came earlier than expected. Our North Asian units on the other hand have made strong strides and now contribute 47% of our GP.

Our focus on penetrating more resilient sectors, coupled with the expansion of our flexible staffing brand RecruitFirst, have helped to offset some pressure from the lacklustre demand in the professional recruitment segment.

The addition of Staffline to our portfolio of companies is a significant development, as we officially plant our flag beyond Asia.

Back home, our digital initiatives are strengthening our competitive advantage, with the official debut of ELLA – our mobile-driven Letter of Appointment for the growing population of mobile native contractor employees, and the launch of “Knock Knock 谁在家” – our selfie check-in time-sheets for contractors with geo-fencing capabilities.

In this current environment, our stakeholders take comfort in our healthy level of profitability coupled with strong intent and track record of growing and evolving.”

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About HRnetGroup Limited

HRnetGroup is a leading talent acquisition and flexible staffing firm in Asia, with operations in 13 growth cities, namely, Singapore, Kuala Lumpur, Bangkok, Indonesia, Hong Kong, Taipei, Beijing, Guangzhou, Shanghai, Shenzhen, Suzhou, Tokyo and Seoul. Since its inception in 1992, HRnetGroup, a Singapore home-grown brand, has expanded organically within the professional recruitment and flexible staffing industry. Post its listing on the Singapore Exchange in June 2017, HRnetGroup, through a series of strategic acquisitions, has further reinforced its presence across the region.

With its two complimentary operating segments, namely professional recruitment and flexible staffing, HRnetGroup serves clients from over 30 diversified sectors, covering a wide spectrum of industries, including financial institutions, retail and consumer, information technology and telecommunications, manufacturing, healthcare life science, insurance and logistics, and functions such as human resources,

finance and accounting, and legal and compliance. The Group offers professional recruitment services via 5 key operating brands, namely HRnetOne, PeopleSearch, SearchAsia, HRnetRimbun and REForce, the latter two being newly acquired brands in 2018. The key brands for flexible staffing include RecruitExpress, RecruitFirst and Career Personnel – the latest addition in 2018 via acquisition. HRnetGroup also offers other services such as payroll processing and HR consulting. In July 2019, HRnetGroup made a strategic investment in AIM-listed Staffline Group plc, the largest recruiter and workforce provider in the UK. With a current stake of 29.95%, Staffline is now an associate company of HRnetGroup, providing a welcomed geographical diversification.

HRnetGroup's growth has been driven by its solid infrastructure of systems and processes as well as its organisational culture that cultivates diligence, breakthrough performance, and integrity. In 2018, HRnetGroup won "The Enterprise Award" at the Singapore Business Awards, organized by The Business Times and DHL, in recognition of its profound influence on the recruitment scene in Singapore and the region.

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