

HRnetGroup Limited

Condensed Financial Statements

For the six month and full year ended 31 December 2022

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

	Note	Group					
		Six months ended 31 December			Year ended 31 December		
		2022	2021	Change	2022	2021	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Revenue	3	297,617	315,445	(5.7)	611,775	590,540	3.6
Sub-contractor expenses		(215,363)	(222,357)	(3.1)	(437,621)	(415,637)	5.3
Gross profit ("GP")	3	82,254	93,088	(11.6)	174,154	174,903	(0.4)
Other income		11,048	1,781	520.3	19,982	15,942	25.3
Selling, general, administrative and other expenses ("SG&A"):							
Other employee benefit expenses		(42,343)	(46,166)	(8.3)	(87,867)	(87,757)	0.1
Facilities and depreciation expenses		(5,600)	(5,795)	(3.4)	(11,499)	(11,629)	(1.1)
Selling expenses		(1,453)	(1,356)	7.2	(2,757)	(2,893)	(4.7)
Other expenses		(2,676)	(1,226)	118.3	(4,835)	(3,311)	46.0
Finance costs		(200)	(265)	(24.5)	(418)	(472)	(11.4)
		(52,272)	(54,808)	(4.6)	(107,376)	(106,062)	1.2
Profit before income tax	4	41,030	40,061	2.4	86,760	84,783	2.3
Income tax expense	5	(6,282)	(7,854)	(20.0)	(14,300)	(14,516)	(1.5)
Profit for the year ("NPAT")		34,748	32,207	7.9	72,460	70,267	3.1
Other comprehensive (loss) income :							
<i>Items that will not be reclassified subsequently to profit or loss</i>							
Net fair value (loss) gain on investments in equity instruments designated at FVTOCI		(4,008)	448	(994.6)	(10,920)	7,232	(251.0)
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange differences on translation of foreign operations		(3,142)	338	(1,029.6)	(5,122)	793	(745.9)
Other comprehensive (loss) income for the year, net of tax		(7,150)	786	(1,009.7)	(16,042)	8,025	(299.9)
Total comprehensive income for the year		27,598	32,993	(16.4)	56,418	78,292	(27.9)
Profit attributable to:							
Owners of the Company ("PATMI")		32,938	29,564	11.4	67,535	65,490	3.1
Non-controlling interests		1,810	2,643	(31.5)	4,925	4,777	3.1
		34,748	32,207	7.9	72,460	70,267	3.1
Total comprehensive income attributable to:							
Owners of the Company		26,468	30,259	(12.50)	52,534	73,215	(28.2)
Non-controlling interests		1,130	2,734	(58.7)	3,884	5,077	(23.5)
		27,598	32,993	(16.4)	56,418	78,292	(27.9)
Basic earnings per share (cents)		3.30	2.95		6.75	6.53	
Diluted earnings per share (cents)		3.30	2.95		6.75	6.53	

B. Condensed statements of financial position

	Note	Group		Company	
		31 December	31 December	31 December	31 December
		2022	2021	2022	2021
		S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Current assets					
Cash and cash equivalents		284,567	327,078	11,050	90,448
Trade receivables		99,830	114,194	-	-
Other receivables and prepayments		7,035	5,444	91,126	67,035
Other assets		1,093	-	1,093	-
Other financial assets	10	46,584	24,959	46,584	24,959
Total current assets		439,109	471,675	149,853	182,442
Non-current assets					
Pledged deposits		1,031	1,141	-	-
Plant and equipment	8	1,532	1,478	-	-
Right-of-use assets		9,630	12,622	-	-
Other intangible assets		1,340	1,284	-	-
Goodwill		5,862	5,185	-	-
Subsidiaries		-	-	48,427	48,427
Other financial assets	10	24,036	35,080	22,435	34,422
Deferred tax assets		1,446	1,845	-	-
Total non-current assets		44,877	58,635	70,862	82,849
Total assets		483,986	530,310	220,715	265,291
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables		8,197	9,470	-	-
Other payables and accruals	11	76,693	107,132	198	10,217
Leases liabilities		5,466	6,392	-	-
Income tax payable		10,657	12,693	84	142
Total current liabilities		101,013	135,687	282	10,359
Non-current liabilities					
Deferred tax liabilities		356	309	-	-
Leases liabilities		4,394	6,458	-	-
Total non-current liabilities		4,750	6,767	-	-
Capital, reserves and non-controlling interests					
Share capital	9	260,605	260,605	260,605	260,605
Treasury shares	9	(14,494)	(4,503)	(14,494)	(4,503)
Equity reserve		(47,369)	(47,838)	(437)	(437)
Investments revaluation reserve		(46,351)	(35,431)	(46,351)	(35,431)
Translation reserve		(2,653)	1,428	-	-
Retained earnings		212,081	195,983	21,110	34,698
Equity attributable to owners of the Company		361,819	370,244	220,433	254,932
Non-controlling interests		16,404	17,612	-	-
Total equity		378,223	387,856	220,433	254,932
Total liabilities and equity		483,986	530,310	220,715	265,291

C. Condensed statements of changes in equity

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

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

<u>Group</u>	<u>Note</u>	Share capital S\$'000	Treasury shares S\$'000	Equity reserve S\$'000	Investments revaluation reserve S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Equity attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<u>2021</u>										
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	6	-	-	-	-	-	(35,105)	(35,105)	-	(35,105)
Dividends paid to non-controlling Shareholders		-	-	-	-	-	-	-	(2,128)	(2,128)
Treasury shares reissued pursuant to 88Glow Plan	9	-	650	23	-	-	-	673	-	673
Change in ownership interests in subsidiaries		-	-	(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

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

<u>Company</u>	<u>Note</u>	Share capital S\$'000	Treasury shares S\$'000	Equity reserve S\$'000	Investments revaluation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
2022							
Balance as at 1 Jan 2022		260,605	(4,503)	(437)	(35,431)	34,698	254,932
<i>Total comprehensive (loss) income for the year</i>							
Profit for the year		-	-	-	-	37,849	37,849
Other comprehensive loss for the year		-	-	-	(10,920)	-	(10,920)
Total		-	-	-	(10,920)	37,849	26,929
<i>Transactions with owners, recognised directly in equity</i>							
Dividends						(51,441)	(51,441)
Repurchase of treasury shares	6	-	(10,085)	-	-	-	(10,085)
Treasury shares reissued pursuant to share-based payment expenses	9	-	67	-	-	4	71
Treasury shares reissued in connection with Octomate's consideration	9	-	27	-	-	-	27
Total		-	(9,991)	-	-	(51,437)	(61,428)
Balance as at 31 Dec 2022		260,605	(14,494)	(437)	(46,351)	21,110	220,433
2021							
Balance as at 1 Jan 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	6	-	-	-	-	(35,105)	(35,105)
Treasury shares reissued pursuant to 88Glow Plan	9	-	650	-	-	-	650
Total		-	650	-	-	(35,105)	(34,455)
Balance as at 31 Dec 2021		260,605	(4,503)	(437)	(35,431)	34,698	254,932

D. Condensed consolidated statement of cash flows

	Note	Group	
		2022 S\$'000	2021 S\$'000
Operating activities			
Profit before income tax		86,760	84,783
Adjustments for:			
Depreciation of plant and equipment		989	1,196
Depreciation of right-of-use assets		7,243	7,618
Amortisation of intangible assets		348	304
Negative variable lease payments		-	(82)
Gain on lease modification		(9)	-
Interest income		(2,719)	(1,293)
Finance costs		418	472
Dividend income		(941)	(873)
Share-based payment expenses		71	-
Gain on disposal of plant and equipment		(16)	-
Gain on disposal of investments		(865)	(3,877)
Net fair value loss (gain) on financial assets mandatorily measured at FVTPL		6,565	(520)
Net fair value gain on other assets		(13)	-
Fair value loss on deferred consideration		-	235
(Write-back) allowance for doubtful receivables		(71)	124
Operating cash flows before movements in working capital		97,760	88,087
Trade receivables		14,467	(48,062)
Other receivables and prepayments		(323)	1,067
Trade payables		(1,278)	2,992
Other payables and accruals		(20,711)	20,459
Cash generated from operations		89,915	64,543
Interest received		1,477	1,419
Interest paid		(418)	(472)
Income tax paid		(15,735)	(12,812)
Net cash from operating activities		75,239	52,678
Investing activities			
Dividends received		907	845
Purchase of plant and equipment and intangible assets		(1,536)	(1,375)
Proceeds from disposal of plant and equipment		18	-
Purchase of financial assets mandatorily measured at FVTPL		(23,990)	(30,187)
Proceeds from disposal of financial assets mandatorily measured at FVTPL		14,648	10,501
Purchase of financial assets designated at amortised cost		(17,859)	-
Purchase of other assets		(1,081)	-
Consideration paid on acquisition of subsidiaries		(635)	(4,349)
Net cash used in investing activities		(29,528)	(24,565)
Financing activities			
Dividends paid to non-controlling shareholders		(3,339)	(1,669)
Dividends paid	6	(61,478)	(25,067)
Net withdrawal (placement) of pledged deposits		56	(145)
Purchase of treasury shares	9	(10,085)	-
Capital contributions by non-controlling shareholders in subsidiaries		450	-
Change in ownership interests in subsidiaries		(1,667)	(351)
Repayment of lease liabilities		(7,172)	(7,622)
Net cash used in financing activities		(83,235)	(34,854)
Net decrease in cash and cash equivalents		(37,524)	(6,741)
Cash and cash equivalents at beginning of the year		327,078	332,234
Effect of foreign exchange rate changes		(4,987)	1,585
Cash and cash equivalents at end of the year		284,567	327,078

E. Notes to the condensed consolidated financial statements for the year ended 31 December 2022

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"). These condensed consolidated financial statements as at and for the year ended 31 December comprise the Company and its subsidiaries (collectively, the "Group").

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

The principal activities of the Group are providing services on:

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

2. Basis of preparation

The condensed financial statements have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* and should be read in conjunction with the annual consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2021.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2021. The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards which have no material effect on the condensed financial statements of the Group.

2.1. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those relating to trade related accruals. Management determines trade related accruals by considering historical data and forward-looking information, which is the key assumptions in measuring the expected amount of trade related accruals.

3. Segment and revenue information

For purposes of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn are segregated based on the type of services supplied. This forms the basis of identifying the segments of the Group under SFRS(I) 8 Operating segments as follows:

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

The accounting policies of the reportable segments are the same as the Group's accounting policies applied to the consolidated financial statements as at and for the year ended 31 December 2021. 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 for the six months and the year ended 31 December:

	Revenue				Gross Profit			
	Six months ended		Year ended		Six months ended		Year ended	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2022	2021	2022	2021	2022	2021	2022	2021
<u>Group</u>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Professional recruitment	44,814	50,752	97,035	94,779	44,703	50,329	96,682	94,097
– At a point in time								
Flexible staffing	250,289	263,021	510,119	492,628	35,296	41,347	73,403	78,320
– Over time								
Others	2,514	1,672	4,621	3,133	2,255	1,412	4,069	2,486
– At a point in time								
	<u>297,617</u>	<u>315,445</u>	<u>611,775</u>	<u>590,540</u>	<u>82,254</u>	<u>93,088</u>	<u>174,154</u>	<u>174,903</u>

	Results			
	Six months ended		Year ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Other income	11,048	1,781	19,982	15,942
Other employee benefit expenses	(42,343)	(46,166)	(87,867)	(87,757)
Facilities and depreciation expenses	(5,600)	(5,795)	(11,499)	(11,629)
Selling expenses	(1,453)	(1,356)	(2,757)	(2,893)
Other expenses	(2,676)	(1,226)	(4,835)	(3,311)
Finance costs	(200)	(265)	(418)	(472)
Profit before income tax	<u>41,030</u>	<u>40,061</u>	<u>86,760</u>	<u>84,783</u>

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

3. Segment and revenue information (cont'd)

Geographical segment of the Group's revenue and gross profit for the six months and the year ended 31 December

Group	Revenue				Gross Profit			
	Six months ended		Year ended		Six months ended		Year ended	
	31 December		31 December		31 December		31 December	
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	190,598	218,673	396,911	410,841	43,370	51,561	91,335	97,529
North Asia*	92,993	86,104	186,147	158,650	35,455	38,895	76,000	71,676
Rest of Asia#	14,026	10,668	28,717	21,049	3,429	2,632	6,819	5,698
	<u>297,617</u>	<u>315,445</u>	<u>611,775</u>	<u>590,540</u>	<u>82,254</u>	<u>93,088</u>	<u>174,154</u>	<u>174,903</u>

Geographical segment assets of the Group as at 31 December

Group	2022	2021
	S\$'000	S\$'000
Singapore	373,294	414,432
North Asia*	100,580	106,700
Rest of Asia#	<u>10,112</u>	<u>9,178</u>
	<u>483,986</u>	<u>530,310</u>

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

Rest of Asia comprises Malaysia, Thailand and Indonesia.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers monitor the tangible, intangible and financial assets attributable to each segment.

Liabilities are not allocated as they are not monitored by the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

4. Profit before income tax

4.1 Significant items

	Group			
	Six months ended		Year ended	
	31 December		31 December	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Net fair value (loss) gain on financial assets mandatorily measured at FVTPL ⁽¹⁾	(785)	(2,378)	(6,565)	520
Net fair value gain on other assets	13	-	13	-
(Loss) gain on disposal of investments	(2)	-	865	3,877
Government subsidies ⁽²⁾	1,246	2,702	6,951	8,892
Reversal of trade related accruals	8,012	-	14,840	-
Interest income	1,886	625	2,719	1,293
Dividend income	546	636	941	873
Depreciation of plant and equipment	(412)	(580)	(989)	(1,196)
Depreciation of right-of-use assets	(3,466)	(3,715)	(7,243)	(7,618)
Amortisation of intangible assets	(181)	(146)	(348)	(304)
Foreign exchange loss	(950)	(74)	(1,507)	(121)
Write-back (allowance) for doubtful receivables	170	154	71	(124)

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

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

4. Profit before income tax (cont'd)

4.2 Related party transactions

There are no significant related party transactions during the six months and the year ended 31 December 2022.

Compensation of directors and key management personnel

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

	Group			
	Six months ended 31 December		Year ended 31 December	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Short-term benefits	2,340	4,746	5,029	8,906
Post-retirement benefits	81	69	136	138
Share-based payments	71	-	71	-
	<u>2,492</u>	<u>4,815</u>	<u>5,236</u>	<u>9,044</u>

5. Taxation

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

	Group			
	Six months ended 31 December		Year ended 31 December	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Current tax	5,729	7,244	13,690	14,526
(Over) Under provision of current tax in prior year	(8)	(45)	(195)	36
Deferred tax	265	304	335	(538)
Withholding tax	296	351	470	492
	<u>6,282</u>	<u>7,854</u>	<u>14,300</u>	<u>14,516</u>

6. Dividends

	Group	
	2022	2021
	S\$'000	S\$'000
Ordinary dividends paid		
Final dividends of 3.0 cents (2021: 2.5 cents) tax exempt (one-tier) per share paid in respect of prior financial year	30,113	25,067
Interim dividends of 2.13 cents (2021: Nil) tax exempt (one-tier) per share paid in respect of the financial year	21,328	-
Ordinary dividends unpaid		
Special dividends of 1.0 cents tax exempt (one-tier) per share in respect of the financial year	-	10,038

7. Net asset value

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	S\$	S\$	S\$	S\$
Net asset value per ordinary share	0.3651	0.3689	0.2224	0.2540

8. Plant and equipment

During the year ended 31 December 2022, the Group acquired assets amounting to S\$1,132,000 (31 December 2021: S\$1,140,000) and disposed of assets amounting to S\$2,000 (31 December 2021: S\$Nil).

9. Share capital and treasury shares

Share capital

	Group and Company			
	Number of shares		Issued and paid up	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	'000	'000	S\$'000	S\$'000
Issued and paid up	1,011,407	1,011,407	260,605	260,605

Treasury shares

	Group and Company			
	Number of treasury shares		Amount	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	'000	'000	S\$'000	S\$'000
At 1 January	7,634	8,735	4,503	5,153
Treasury shares purchased	12,894	-	10,085	-
Treasury shares reissued pursuant to 88Glow Plan	-	(1,101)	-	(650)
Treasury shares reissued pursuant to share-based payment expenses	(98)	-	(67)	-
Treasury shares reissued in connection with Octomate's consideration	(40)	-	(27)	-
At 31 December	20,390	7,634	14,494	4,503

Save as disclosed, the Company did not have any outstanding convertibles and subsidiary holdings as at 31 December 2022 and 31 December 2021.

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

	Group and Company	
	Number of shares	
	31 December 2022	31 December 2021
Issued shares	1,011,406,872	1,011,406,872
Treasury shares	(20,389,469)	(7,633,484)
Issued shares excluding treasury shares	991,017,403	1,003,773,388
Treasury shares as a percentage of issued shares excluding treasury shares (%)	2.0574	0.7605

10. Fair value of financial instrument

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

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

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

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / Financial liabilities	Group		Company		Fair value hierarchy	Valuation technique(s) and input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	Fair value as at (S\$'000)							
	31 December 2022	31 December 2021	31 December 2022	31 December 2021				
Financial assets mandatorily measured at fair value through profit or loss								
1) Quoted equity securities	20,642	24,959	20,642	24,959	Level 1	Quoted bid prices in an active market.	N.A.	N.A.
2) Quoted debt securities	4,903	5,970	4,903	5,970	Level 1	Quoted bid prices in an active market.	N.A.	N.A.
3) Unquoted equity securities	1,601	658	-	-	Level 2	Unquoted bid prices in markets that are not active.	N.A.	N.A.
4) Unquoted debt securities	8,083	-	8,083	-	Level 2	Unquoted bid prices in markets that are not active.	N.A.	N.A.
Financial assets designated at fair value through other comprehensive income								
5) Quoted equity securities	17,532	28,452	17,532	28,452	Level 1	Quoted bid prices in an active market.	N.A.	N.A.

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

11. Other payables and accruals

	Group		Company	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Accrued operating expenses	56,289	58,600	187	179
Other trade accruals and payables	11,607	27,788	-	-
Advanced billings	4,765	7,312	-	-
Deposits from customers	2,346	1,667	-	-
Dividends payable	1,686	11,765	-	10,038
Other payables due from subsidiary	-	-	11	-
	<u>76,693</u>	<u>107,132</u>	<u>198</u>	<u>10,217</u>

12. Subsequent events

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

F. Other Information Required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of HRnetGroup and its subsidiaries as at 31 December 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and certain explanatory notes have not been audited or reviewed.

2. Review of the Group's performance

FY2022 Financial Results

Another Year of Record Performance

- **Underlying NPAT¹:** S\$78.1m, up 18.6%
 - Reported NPAT: S\$72.5m, up 3.1%.
 - PATMI: S\$67.5m, up 3.1%
- **Dividends:** S\$39.8m, 54.9% NPAT payout, 5.1% yield²
- **Revenue:** S\$611.8m, up 3.6%
- **Contractors** helped³: 55,981, up 2.8%
- **Permanent job placements:** 7,138
- **Cash:** S\$284.6m⁴ + S\$25.9m in CLN/T-Bills⁵, zero bank borrowings

HRnetGroup Limited (the "Group"), one of the largest recruitment group in Asia (ex-Japan), delivered record Revenue of S\$611.8m, up 3.6% and record Underlying NPAT S\$78.1m, up 18.6% after adjusting the profit or loss impact of investments¹ in mainly HR marketable securities to the NPAT of S\$72.5m which rose 3.1%.

Flexible staffing ("FS")

Revenue grew to achieve another record high of S\$510.1m, up S\$17.5m or 3.6%. After deducting the cost of contractors, GP stood at S\$73.4m (2021: S\$78.3m) and the GP margin at 14.4% (2021: 15.9%). The scale back of Covid-related staffing volume in the Singapore healthcare sector was substantially made good by general business volume increases across most parts of Asia which resumed normalcy during the year.

Professional recruitment ("PR")

Revenue also grew to a record high of S\$97.0m, up 2.4% amidst channeling our resources toward higher value assignments as we rode on the economic recovery and wage inflation wave, and placed 7,138 (2021: 7,794) talents. The GP margin of PR remained at similar level 99.6% (2021: 99.3%).

Others

HR complementary businesses encompassing payroll outsourcing, talent mapping, HR solutions and training increased by 47.5% to S\$4.6m in revenue; with higher GP margin at 88.1% (2021: 79.3%).

Overall GP margin stood at 28.5% (2021: 29.6%) with the FS/PR/Others business mix in Revenues at 83.4%/15.9%/0.7%, fairly similar to last year's 83.4%/16.0%/0.6%.

¹ NPAT after excluding net fair value gain (loss) and disposal gain on financial assets mandatorily measured at FVTPL

² Based on the aggregate of S\$0.0213 interim dividend per share paid on 6 September 2022 and S\$0.0187 proposed dividend per share, divided by the closing price of S\$0.785 on 30 December 2022. Proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting

³ Refers to unique contractor headcounts for the year

⁴ Refers to cash and cash equivalents

⁵ Credit Linked Notes (CLN) are DBS issued notes with Monetary Authority of Singapore (MAS) bill as credit underlying, while T-bills are short-term Singapore Government Securities (SGS) issued by MAS

Geographical Segmentation

Overall Revenue growth of S\$21.2m: 1H growth of S\$39.1m was partially offset by 2H's reduction of S\$(17.8m) mainly due to the scale back of Covid-related FS business in Singapore and general slowdown in PR hiring in Singapore, Greater China and Japan.

Overall GP dip of S\$(0.7m): 1H growth of S\$10.1m was offset by 2H's reduction of S\$(10.8m) mainly due to the Singapore FS reduction and the impact of Zero-Covid policy on most of our China PR businesses.

Singapore

- Contributed 64.9% of Revenue and 52.4% of GP.
- Revenue dipped 3.4% to S\$396.9m (2021: S\$410.8m) with PR growth of 4.9% negated FS' dip of (4.2)%.
- GP down by (6.4)% to S\$91.3m (2021: S\$97.5m) had PR growth of 4.9% offset by FS' reduction of (12.6)%.

North Asia

- Contributed 30.4% of Revenue and 43.6% of GP.
- Revenue grew 17.3% to S\$186.1m (2021: S\$158.7m) with FS growth of 27.1% and PR flat at 0.3%. FS growth in all geographies especially Taiwan, Hong Kong S.A.R. and South Korea.
- GP grew 6.0% to S\$76.0m (2021: S\$71.7m) with FS growth of 26.3% and PR growth at 0.9%.

Rest of Asia

- Revenue grew 36.4% to S\$28.7m (2021: S\$21.0m) with FS growth 41.4% and PR 13.4%. FS growth in Indonesia and Malaysia were main contributors.
- GP grew 19.7% to S\$6.8m (2021: S\$5.7m) with FS growth of 27.9% and PR 13.4%.

Other income increased by S\$4.0m to S\$20.0m (2021: S\$16.0m) which comprised:

- Net fair value and disposal on financial assets mandatorily measured at FVTPL stood at a net loss of S\$(5.7m) (2021: net gain of S\$4.4m);
- Reversal of trade-related accruals totalling S\$14.8m (2021: S\$ Nil); and
- Government grants and subsidies totalling S\$7.0m (2021: S\$8.9m) and the amount of pandemic-related assistance from various governments continued to taper off.

Selling, general, administrative and other expenses increased by S\$1.3m to S\$107.4m (2021: S\$106.1m) mainly due to foreign exchange losses arising from the strengthening of SGD against currencies in the geographies that we operate in. In the face of rising inflation, we controlled our employee benefits expenses even though substantial investments totalling S\$3.0m were made to reward and retain productive fee earners with higher salaries and variable incentives; as well as S\$0.4m invested in people for the incubation of a new staffing business.

Review of the Group's Financial Position

The Group's cash position reduced by S\$(42.5m) to S\$284.6m mainly due to:

- S\$75.2m generated from operating activities mainly comprising S\$97.8m operating cash flows before movements in working capital, increased by S\$14.5m reduction in trade receivables, offset by S\$(1.3m) reduction in trade payables, S\$(20.7m) reduction in other payables and accruals and S\$(15.7m) income tax paid;
- S\$(29.5m) used in investing activities mainly comprising S\$(18.0m) investment in CLN; S\$(17.9m) investment in T-Bills; S\$(6.0m) investment in other financial assets mandatorily measured at FVTPL; offset by S\$14.6m proceeds from disposal of investments;

- S\$(83.2m) used in financing activities mainly comprising S\$(64.8m) dividends paid; S\$(10.1m) share buyback; S\$(1.7m) purchase of minority interests from co-owners; and S\$(7.2m) repayment of lease liabilities; and
- S\$(5.0m) arising from the effect of foreign exchange rate changes on cash & cash equivalents.

Trade receivables reduced by S\$(14.4m) to S\$99.8m due to stronger credit control and a slight reduction of revenue by 5.7% in the 2H compared to same time last year.

Other financial assets (current) increased by S\$21.6m due to the deployment of cash to invest in good yield CLN and T-Bills and the net addition of marketable securities in our investment portfolio that was generally HR-related.

Other financial assets (non-current) decreased by S\$(11.0m) mainly due to the downward market price movements of our investments in Staffline and Bamboos and this impact is similarly reflected in the change in investments revaluation reserve.

Other payables and accruals reduced by S\$30.4m mainly due to the reversal of trade-related accruals, non-recurrence of special dividend declared in 2021 and paid in 2022, lower provision of incentives and bonuses, movement in client deposits and unearned revenue.

Income tax payable reduced by S\$2.1m due to tax prepayments made in various tax jurisdictions.

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

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

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

Singapore: Structural shifts in PMETs, rising median income

The open, trade-oriented economy is not immune to the global economic slowdown. However, resurging tourism and public events have been acting as a powerful counter to the ongoing malaise in Singapore's goods exports sector⁶.

The labour market has seen positive structural shifts. The share of professionals, managers, executives & technicians (PMETs) among employed residents continue to rise to 64.0% (2021: 62.1%)⁷. The employment rate of degree holders aged 25 to 64 climbed to a two-decade high of 88.4% in 2022, after holding broadly steady over the preceding four years⁸. The median income of full-time employed degree holders rose to \$8,190 in 2022, resuming the upward trend that was observed during pre-COVID years⁹. These shifts represent tailwind for our business.

Pockets of opportunities could exist in sectors that will continue to have robust manpower demand, including outward-oriented sectors of Information & Communications, Financial & Insurance Services and Professional Services¹⁰; as well as niche players in advanced manufacturing for Industry 4.0¹¹ technologies.

⁶ [1Q GDP Nowcasting: China, India, Indonesia, Singapore \(dbs.com.sg\)](https://www.dbs.com.sg/1Q-GDP-Nowcasting-China-India-Indonesia-Singapore)

⁷ [mrds 2022 Labour Force survey findings.pdf \(mom.gov.sg\)](https://www.mom.gov.sg/mrds-2022-labour-force-survey-findings) page 12

⁸ [mrds 2022 Labour Force survey findings.pdf \(mom.gov.sg\)](https://www.mom.gov.sg/mrds-2022-labour-force-survey-findings) page 9

⁹ [Singapore Ministry of Manpower, Labour Force in Singapore 2022](https://www.mom.gov.sg/singapore-ministry-of-manpower-labour-force-in-singapore-2022) page 9

¹⁰ [Singapore Ministry of Manpower, Labour Force in Singapore 2022](https://www.mom.gov.sg/singapore-ministry-of-manpower-labour-force-in-singapore-2022) page 12

¹¹ [asia house annual outlook 2023.pdf \(asiahouse.org\)](https://www.asiahouse.org/asia-house-annual-outlook-2023) page 21

Mainland China: Strong recovery in sight

Mainland China reported a GDP growth of 3.0% for 2022¹², with growth in IT service and financial service sectors at 9.1% and 5.6% respectively. Capital investment in high-tech industry increased 18.9%, amongst which investment in high-tech manufacturing of medical devices, electronics and telecommunication grew by 27.6% and 27.2% respectively¹³.

With the lifting of the Zero Covid Policy and the re-opening of the economy since beginning of 2023, expectations are building that China can stage a strong recovery. The International Monetary Fund (IMF) recently upgraded its growth forecast for China to 5.2% for 2023 (from 4.4% previously)¹⁴.

The Purchasing Managers Index (PMI) dropped to the lowest 47.0 in December 2022, but came back tremendously to 50.1 in January 2023¹⁵. Therefore, the demand in labour is expected to rise, from manufacturing to retail, food and beverage as well as travel-related hotel and hospitality industries¹⁶.

Whilst signs of the regulatory and property market tightness might be over, the investment and hiring sentiment might take at least a quarter to revive meaningfully.

Taiwan: Tech sector powers on

Taiwan maintained resilient economic performance in 2022, especially with total revenue of the Semiconductor industry grew by 22.3% to TWD3.6 trillion in the first three quarters.

According to DBS¹⁷, the leading Taiwanese chip foundries are expected to continue to focus on the home market for production expansion while foreign tech companies are still keen to invest in Taiwan to leverage on the strong industrial ecosystem and vast talent pool. The government will provide more financial incentives to spur the advanced semiconductor investment and sustain the competitiveness of the tech sector.

Whilst the International Monetary Fund (IMF) warned that the lower world trade volume might drag Taiwan's export growth, the capacity expansion of leading semiconductor manufacturers is expected to support investment growth¹⁸. The re-opening in tourist arrivals would lead to recovery in domestic sectors such as transportation, hospitality, recreation and entertainment¹⁹.

5. Dividend

a. Current Financial Period Reported on

For the financial year ended 31 December 2022, a tax-exempt (one-tier) interim dividend of 2.13 cents per ordinary share was paid to registered shareholders on 6 September 2022.

The Directors are pleased to propose the payment of a tax-exempt (one-tier) final dividend of 1.87 cents per ordinary share, in respect of the financial year ended 31 December 2022, subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

b. Corresponding Period of the Immediate Preceding Financial Year

For the financial year ended 31 December 2021, a tax-exempt (one-tier) special dividend of 1.0 cent and final dividend of 3.0 cents per ordinary share were paid to registered shareholders.

¹² [National Bureau of Statistics of China, Preliminary Accounting Results of GDP for the Fourth Quarter and the Whole Year of 2022](#)

¹³ [2022 年国民经济顶住压力再上新台阶](#)

¹⁴ [China's Growth Prospects After Zero-Covid](#)

¹⁵ [Purchasing Managers Index for January 2023, 1Q GDP Nowcasting: China, India, Indonesia, Singapore \(dbs.com.sg\)](#)

¹⁶ [国家统计局局长就 2022 年全年国民经济运行情况答记者问](#)

¹⁷ [Taiwan 2023 Outlook: Low growth, no recession](#)

¹⁸ [Taiwan National Statistic, GDP: Preliminary Estimate for 2022Q3, and](#)

¹⁹ [Taiwan 2023 Outlook: Low growth, no recession](#)

c. Date payable

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

d. Books Closure Date

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

6. Interested person transactions

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

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

Please refer to Part F Note 2.

8. A breakdown of sales

Breakdown of Revenue and Results

	Group		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
	S\$'000	S\$'000	%
<u>First Half</u>			
Revenue reported for the first half-year	314,158	275,095	14.2
Profit after tax reported for the first half-year	37,712	38,060	(0.9)
<u>Second Half</u>			
Revenue reported for the second half-year	297,617	315,445	(5.7)
Profit after tax reported for the second half-year	34,748	32,207	7.9

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

	<u>2022</u>	<u>2021</u>
	S\$'000	S\$'000
Ordinary shares (tax exempt one-tier)		
- Special	-	10,038
- Interim	21,328	-
- Final#	18,481	30,113
Total Annual Dividend	<u>39,809</u>	<u>40,151</u>

The proposed final tax exempt one-tier dividends in respect of 2022 is subject to shareholders' approval at the forthcoming Annual General Meeting of the company.

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Sim Yong Siang	70	<p>Brother of Sim Joo Siang (Executive Director and Deemed Substantial Shareholder of HRnetGroup Limited, Director of Recruit Express Pte Ltd).</p> <p>Father of Sim Wei Ling, Adeline (Director, Deemed Substantial Shareholder and Chief Legal Officer of HRnetGroup Limited).</p> <p>Husband of Sim Nelly Nee Tan Kheng Eng (Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd).</p> <p>Father of Sim Wei Wen, Aviel (Deemed Substantial Shareholder of HRnetGroup Limited).</p>	<p>Founding Chairman and Executive Director of the Company since 21 September 2016, Director of HRnet One Pte Ltd since 9 April 1992, Recruit Express Pte Ltd since 22 February 1996.</p>	None
Sim Joo Siang	66	<p>Brother of Sim Yong Siang (Founding Chairman, Executive Director and Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd).</p> <p>Uncle of Sim Wei Ling, Adeline (Director, Deemed Substantial Shareholder and Chief Legal Officer of HRnetGroup Limited).</p> <p>Brother-in-law of Sim Nelly Nee Tan Kheng Eng (Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd).</p> <p>Uncle of Sim Wei Wen, Aviel (Deemed Substantial Shareholder of HRnetGroup Limited).</p>	<p>Executive Director of the Company since 21 September 2016, Director of Recruit Express Pte Ltd since 1 April 1999.</p>	None
Sim Wei Ling, Adeline	43	<p>Daughter of Sim Yong Siang (Founding Chairman, Executive Director and Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd, Recruit Express Pte Ltd).</p> <p>Niece of Sim Joo Siang (Executive Director and Deemed Substantial Shareholder of HRnetGroup Limited, Director of Recruit Express Pte Ltd).</p> <p>Daughter of Sim Nelly Nee Tan Kheng Eng (Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd).</p> <p>Sister of Sim Wei Wen, Aviel (Deemed Substantial Shareholder of HRnetGroup Limited).</p>	<p>Executive Director of the Company since 16 May 2019, Chief Corporate Officer of the Company since 1 April 2022.</p>	<p>Promoted from Chief Legal Officer to Chief Corporate Officer of the Company effective 1 April 2022.</p>

11. Use of IPO Proceeds

Pursuant to the Company's IPO, the Company received gross proceeds from the IPO of approximately S\$174.1 million.

The utilisation of the gross proceeds from the Company's initial public offering as of 31 December 2022 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	39.1
Acquisition and investment in subsidiaries	9.1
Start-up of subsidiaries	8.6
IPO related expenses	9.1
	<hr/> <hr/> 129.9

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

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

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the year ended 31 December 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Yong Siang
Founding Chairman

Adeline Sim Wei Ling
Chief Corporate Officer and Executive Director

Singapore
23 February 2023