

HRnetGroup Limited

Condensed Financial Statements
For the six months ended 30 June 2023

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

	Note	Six months ended 30 June			
		2023	2022	Change	
		\$'000	\$'000	\$'000	%
Revenue	3	294,756	314,158	(19,402)	(6.2)
Sub-contractor expenses		(223,259)	(222,258)	(1,001)	0.5
Gross profit ("GP")	3	71,497	91,900	(20,403)	(22.2)
Other income		9,657	8,934	723	8.1
Selling, general, administrative and other expenses ("SG&A"):					
Other employee benefit expenses		(36,659)	(45,524)	8,865	(19.5)
Facilities and depreciation expenses		(5,537)	(5,899)	362	(6.1)
Selling expenses		(1,487)	(1,304)	(183)	14.0
Other expenses		(1,953)	(2,159)	206	(9.5)
Finance costs		(198)	(218)	20	(9.2)
		(45,834)	(55,104)	9,270	(16.8)
Profit before income tax	4	35,320	45,730	(10,410)	(22.8)
Income tax expense	5	(5,696)	(8,018)	2,322	(29.0)
Profit for the period ("NPAT")		29,624	37,712	(8,088)	(21.4)
Other comprehensive loss :					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Net fair value loss on investments in equity instruments designated at FVTOCI		(3,723)	(6,912)	3,189	(46.1)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign Operations		(1,155)	(1,980)	825	(41.7)
Other comprehensive loss for the period, net of tax		(4,878)	(8,892)	4,014	(45.1)
Total comprehensive income for the period		24,746	28,820	(4,074)	(14.1)
Profit attributable to:					
Owners of the Company ("PATMI")		28,283	34,597	(6,314)	(18.3)
Non-controlling interests		1,341	3,115	(1,774)	(57.0)
		29,624	37,712	(8,088)	(21.4)
Total comprehensive income attributable to:					
Owners of the Company		23,598	26,066	(2,468)	(9.5)
Non-controlling interests		1,148	2,754	(1,606)	(58.3)
		24,746	28,820	(4,074)	(14.1)
Basic earnings per share (cents)		2.86	3.45		
Diluted earnings per share (cents)		2.86	3.45		

B. Condensed statements of financial position

Note	Group		Company		
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	
	\$'000	\$'000	\$'000	\$'000	
ASSETS					
Current assets					
		261,761	284,567	22,047	11,050
		98,429	99,830	-	-
		6,739	7,035	65,539	91,126
		1,162	1,093	1,162	1,093
	10	61,111	46,584	59,149	46,584
		<u>429,202</u>	<u>439,109</u>	<u>147,897</u>	<u>149,853</u>
Non-current assets					
		1,243	1,031	-	-
	8	1,483	1,532	-	-
		10,057	9,630	-	-
		1,499	1,340	-	-
		5,862	5,862	-	-
		-	-	48,427	48,427
	10	20,662	24,036	19,061	22,435
		1,625	1,446	-	-
		<u>42,431</u>	<u>44,877</u>	<u>67,488</u>	<u>70,862</u>
		<u>471,633</u>	<u>483,986</u>	<u>215,385</u>	<u>220,715</u>
LIABILITIES AND EQUITY					
Current liabilities					
		9,121	8,197	-	-
	11	59,949	76,693	20,016	198
		6,238	5,466	-	-
		10,411	10,657	100	84
		<u>85,719</u>	<u>101,013</u>	<u>20,116</u>	<u>282</u>
Non-current liabilities					
		318	356	-	-
		4,212	4,394	-	-
		<u>4,530</u>	<u>4,750</u>	<u>-</u>	<u>-</u>
Capital, reserves and non-controlling interests					
	9	260,605	260,605	260,605	260,605
	9	(17,461)	(14,494)	(17,461)	(14,494)
		(47,331)	(47,369)	(437)	(437)
		(50,074)	(46,351)	(50,074)	(46,351)
		(3,615)	(2,653)	-	-
		221,905	212,081	2,636	21,110
		364,029	361,819	195,269	220,433
		17,355	16,404	-	-
		<u>381,384</u>	<u>378,223</u>	<u>195,269</u>	<u>220,433</u>
		<u>471,633</u>	<u>483,986</u>	<u>215,385</u>	<u>220,715</u>

C. Condensed statements of changes in equity

Group	Note	Share capital \$'000	Treasury shares \$'000	Equity reserve \$'000	Investments revaluation reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<u>2023</u>										
Balance as at 1 January 2023		260,605	(14,494)	(47,369)	(46,351)	(2,653)	212,081	361,819	16,404	378,223
<i>Total comprehensive income (loss) for the period</i>										
Profit for the period		-	-	-	-	-	28,283	28,283	1,341	29,624
Other comprehensive loss for the period		-	-	-	(3,723)	(962)	-	(4,685)	(193)	(4,878)
Total		-	-	-	(3,723)	(962)	28,283	23,598	1,148	24,746
<i>Transactions with owners, recognised directly in equity</i>										
Dividends	6	-	-	-	-	-	(18,466)	(18,466)	-	(18,466)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	(218)	(218)
Purchase of treasury shares	9	-	(3,130)	-	-	-	-	(3,130)	-	(3,130)
Treasury shares reissued pursuant to share-based payment expenses	9	-	163	-	-	-	7	170	-	170
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	222	222
Change in ownership interests in subsidiaries		-	-	38	-	-	-	38	(201)	(163)
Total		-	(2,967)	38	-	-	(18,459)	(21,388)	(197)	(21,585)
Balance as at 30 June 2023		260,605	(17,461)	(47,331)	(50,074)	(3,615)	221,905	364,029	17,355	381,384

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

Group	Note	Share capital \$'000	Treasury shares \$'000	Equity reserve \$'000	Investments revaluation reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
2022										
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 period</i>										
Profit for the period		-	-	-	-	-	34,597	34,597	3,115	37,712
Other comprehensive loss for the period		-	-	-	(6,912)	(1,619)	-	(8,531)	(361)	(8,892)
Total		-	-	-	(6,912)	(1,619)	34,597	26,066	2,754	28,820
<i>Transactions with owners, recognised directly in equity</i>										
Dividends	6	-	-	-	-	-	(30,112)	(30,112)	-	(30,112)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	(1,433)	(1,433)
Purchase of treasury shares	9	-	(789)	-	-	-	-	(789)	-	(789)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	150	150
Change in ownership interests in subsidiaries		-	-	1,022	-	-	-	1,022	(894)	128
Total		-	(789)	1,022	-	-	(30,112)	(29,879)	(2,177)	(32,056)
Balance as at 30 June 2022		260,605	(5,292)	(46,816)	(42,343)	(191)	200,468	366,431	18,189	384,620

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

<u>Company</u>	<u>Note</u>	<u>Share capital</u> \$'000	<u>Treasury shares</u> \$'000	<u>Equity reserve</u> \$'000	<u>Investments revaluation reserve</u> \$'000	<u>Retained earnings</u> \$'000	<u>Total equity</u> \$'000
2023							
Balance as at 1 January 2023		260,605	(14,494)	(437)	(46,351)	21,110	220,433
<i>Total comprehensive loss for the period</i>							
Loss for the period		-	-	-	-	(15)	(15)
Other comprehensive loss for the period		-	-	-	(3,723)	-	(3,723)
Total		-	-	-	(3,723)	(15)	(3,738)
<i>Transactions with owners, recognised directly in equity</i>							
Dividends	6	-	-	-	-	(18,466)	(18,466)
Purchase of treasury shares	9	-	(3,130)	-	-	-	(3,130)
Treasury shares reissued pursuant to share-based payment expenses	9	-	163	-	-	7	170
Total		-	(2,967)	-	-	(18,459)	(21,426)
Balance as at 30 June 2023		260,605	(17,461)	(437)	(50,074)	2,636	195,269
2022							
Balance as at 1 January 2022		260,605	(4,503)	(437)	(35,431)	34,698	254,932
<i>Total comprehensive loss for the period</i>							
Loss for the period		-	-	-	-	(5,539)	(5,539)
Other comprehensive loss for the period		-	-	-	(6,912)	-	(6,912)
Total		-	-	-	(6,912)	(5,539)	(12,451)
<i>Transactions with owners, recognised directly in equity</i>							
Dividends	6	-	-	-	-	(30,113)	(30,113)
Purchase of treasury shares	9	-	(789)	-	-	-	(789)
Total		-	(789)	-	-	(30,113)	(30,902)
Balance as at 30 June 2022		260,605	(5,292)	(437)	(42,343)	(954)	211,579

D. Condensed consolidated statement of cash flows

	Note	Six months ended 30 June	
		2023	2022
		\$'000	\$'000
Operating activities			
Profit before income tax		35,320	45,730
Adjustments for:			
Depreciation of plant and equipment		390	577
Depreciation of right-of-use assets		3,549	3,777
Amortisation of intangible assets		195	167
Gain on lease modification		(25)	-
Interest income		(3,153)	(833)
Finance costs		198	218
Dividend income		(413)	(395)
Share based payments		170	-
Gain on disposal of plant and equipment		(1)	-
Gain on disposal of investments		-	(867)
Net fair value loss on financial assets mandatorily measured at FVTPL		363	5,754
Net fair value gain on other assets		(68)	-
Allowance for doubtful receivables		45	99
Operating cash flows before movements in working capital		36,570	54,227
Trade receivables		1,358	4,529
Other receivables and prepayments		(19)	(957)
Trade payables		915	(952)
Other payables and accruals		(15,262)	(15,541)
Cash generated from operations		23,562	41,306
Interest received		3,422	692
Interest paid		(198)	(218)
Income tax paid		(6,180)	(8,051)
Net cash from operating activities		20,606	33,729
Investing activities			
Dividends received		415	298
Purchase of plant and equipment and intangible assets		(707)	(634)
Purchase of financial assets mandatorily measured at FVTPL		(24,948)	(3,000)
Purchase of financial assets mandatorily measured at amortised costs		(28,070)	-
Proceeds from disposal of plant and equipment		1	2
Proceeds from disposal of investments		37,834	3,998
Net cash (used in) from investing activities		(15,475)	664
Financing activities			
Dividends paid to non-controlling shareholders		(1,909)	(2,676)
Dividends paid	6	(18,466)	(40,151)
Net (placement) withdrawal of pledged deposits		(223)	56
Purchase of treasury shares	9	(3,130)	(789)
Capital contributions by non-controlling shareholders in subsidiaries		223	150
Change in ownership interests in subsidiaries		(214)	128
Repayment of lease liabilities		(3,333)	(3,830)
Net cash used in financing activities		(27,052)	(47,112)
Net decrease in cash and cash equivalents		(21,921)	(12,719)
Cash and cash equivalents at beginning of the period		284,567	327,078
Effect of foreign exchange rate changes		(885)	(1,614)
Cash and cash equivalents at end of the period		261,761	312,745

E. Notes to the condensed consolidated financial statements for the period ended 30 June 2023

1. General

HRnetGroup Limited (the "Company") (Registration No.201625854G) is incorporated in Singapore with its principal place of business and registered office at 391A Orchard Road, #23-06 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 six months ended 30 June 2022 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 2022.

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

2.1. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

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 2022. Segment profit represents the profit earned by each segment without allocation of other income, other employee benefit expenses, facilities and depreciation expenses, selling expenses, other expenses and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Information regarding the operations of each reportable segment is included below.

Business and geographical segment of the Group's revenue, gross profit and results, and geographical segment assets for the six months ended 30 June

The following is an analysis of the Group's revenue and results by reportable segments for the six months ended 30 June:

Group	2023				2022			
	\$'000				\$'000			
	Singapore	North Asia*	Rest of Asia#	Total	Singapore	North Asia*	Rest of Asia#	Total
Revenue								
Professional Recruitment	11,630	20,764	1,902	34,296	16,970	32,931	2,320	52,221
Flexible staffing	184,428	62,481	11,663	258,572	188,580	58,947	12,303	259,830
Others	856	966	66	1,888	763	1,276	68	2,107
	<u>196,914</u>	<u>84,211</u>	<u>13,631</u>	<u>294,756</u>	<u>206,313</u>	<u>93,154</u>	<u>14,691</u>	<u>314,158</u>
Gross Profit								
Professional Recruitment	11,594	20,721	1,901	34,216	16,925	32,735	2,319	51,979
Flexible staffing	27,636	6,843	1,129	35,608	30,396	6,686	1,025	38,107
Others	765	844	64	1,673	644	1,124	46	1,814
	<u>39,995</u>	<u>28,408</u>	<u>3,094</u>	<u>71,497</u>	<u>47,965</u>	<u>40,545</u>	<u>3,390</u>	<u>91,900</u>
Other income				9,657				8,934
Other employee benefit expenses				(36,659)				(45,524)
Facilities and depreciation expenses				(5,537)				(5,899)
Selling expenses				(1,487)				(1,304)
Other expenses				(1,953)				(2,159)
Finance costs				(198)				(218)
Profit before income tax				<u>35,320</u>				<u>45,730</u>
Total assets	<u>369,474</u>	<u>92,060</u>	<u>10,099</u>	<u>471,633</u>	<u>382,574</u>	<u>106,000</u>	<u>10,211</u>	<u>498,785</u>

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

Rest of Asia comprises Malaysia, Thailand and Indonesia.

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

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

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

4. Profit before income tax

4.1 Significant items for the six months ended

	Group	
	2023	2022
	\$'000	\$'000
Reversal of trade related accruals	3,700	6,828
Government subsidies ⁽¹⁾	2,640	5,705
Interest income	3,153	833
Dividend income	413	395
Gain on disposal of investments	-	867
Net fair value loss on financial assets mandatorily measured at FVTPL ⁽²⁾	(363)	(5,754)
Allowance for doubtful receivables	(45)	(99)
Amortisation of intangible assets	(195)	(167)
Foreign exchange loss	(370)	(557)
Depreciation of plant and equipment	(390)	(577)
Depreciation of right-of-use assets	(3,549)	(3,777)

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

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

4.2 Related party transactions

There are no significant related party transactions during the six months ended 30 June 2023.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the six months ended 30 June was as follows:

	Group	
	2023	2022
	\$'000	\$'000
Short-term benefits	1,776	2,689
Post-retirement benefits	71	55
Share-based payments	170	-
	<u>2,017</u>	<u>2,744</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 period ended 30 June are:

	Group	
	2023	2022
	\$'000	\$'000
Current tax	5,816	7,961
Overprovision of current tax in prior year	(31)	(187)
Deferred tax	(251)	70
Withholding tax	162	174
	<u>5,696</u>	<u>8,018</u>

6. Dividends

	Group	
	2023	2022
	\$'000	\$'000
Ordinary dividends paid		
Final dividends of 1.87 cents (2022: 3.0 cents) tax exempt (one-tier) per share paid in respect of prior financial year	18,466	30,113

7. Net asset value

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	\$	\$	\$	\$
Net asset value per ordinary share	<u>0.3687</u>	<u>0.3651</u>	<u>0.1978</u>	<u>0.2224</u>

8. Plant and equipment

During the six months ended 30 June 2023, the Group acquired assets amounting to \$352,000 (30 June 2022: \$458,000) and disposed of assets amounting to \$Nil (30 June 2022: \$2,000).

9. Share capital and treasury shares

Share capital

	Group and Company			
	Number of shares		Issued and paid up	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	'000	'000	\$'000	\$'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	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	'000	'000	\$'000	\$'000
At 1 January	20,390	7,634	14,494	4,503
Treasury shares purchased	3,922	12,894	3,130	10,085
Treasury shares reissued pursuant to share-based payment expenses	(225)	(98)	(163)	(67)
Treasury shares reissued in connection with Octomate's consideration	-	(40)	-	(27)
At 30 June and 31 December	24,087	20,390	17,461	14,494

Save as disclosed, the Company did not have any outstanding convertibles and subsidiary holdings as at 30 June 2023 and 31 December 2022.

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

	Group and Company	
	Number of shares	
	30 June	31 December
	2023	2022
Issued shares	1,011,406,872	1,011,406,872
Treasury shares	(24,087,145)	(20,389,469)
Issued shares excluding treasury shares	987,319,727	991,017,403
Treasury shares as a percentage of issued shares excluding treasury shares (%)	2.4396	2.0574

10. Fair value of financial instrument

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

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

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

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

Financial assets / Financial liabilities	Group		Company		Fair value hierarchy	Valuation technique(s) and input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	Fair value as at (\$'000)							
	30 June 2023	31 December 2022	30 June 2023	31 December 2022				
Financial assets mandatorily measured at fair value through profit or loss								
1) Quoted equity securities	20,141	20,642	20,141	20,642	Level 1	Quoted bid prices in an active market.	N.A.	N.A.
2) Quoted debt securities	5,252	4,903	5,252	4,903	Level 1	Quoted bid prices in an active market.	N.A.	N.A.
3) Unquoted equity securities	1,601	1,601	-	-	Level 2	Unquoted bid prices in markets that are not active.	N.A.	N.A.
4) Unquoted debt securities	12,901	8,083	12,901	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	13,809	17,532	13,809	17,532	Level 1	Quoted bid prices in an active market.	N.A.	N.A.

There were no transfers between Level 1, 2 and 3 in the period. The carrying amounts of cash and cash equivalents, 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	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	S\$'000	S\$'000	S\$'000	S\$'000
Accrued operating expenses	46,829	56,289	152	187
Other trade accruals and payables	7,908	11,607	-	-
Advanced billings	2,684	4,765	-	-
Deposits from customers	2,528	2,346	-	-
Dividends payable	-	1,686	-	-
Other payables due from subsidiary	-	-	19,864	11
	<u>59,949</u>	<u>76,693</u>	<u>20,016</u>	<u>198</u>

12. Subsequent events

On 10 August 2023, the directors declared a one-tier tax exempt interim dividend for the financial year ending 31 December 2023 of \$0.0187 per share to be paid out of the retained earnings of the Company.

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 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of the Group's performance

1H2023 Financial Results

Resilient Performance amidst Challenging Macro Conditions

HRnetGroup delivered Revenue of S\$294.8m (2022: S\$314.2m) and recorded PATMI of S\$28.3m (2022: S\$34.6m), with profit margin at industry-leading 10.1% (2022: 12.0%) and conversion rate^[1] at 51.0% (2022: 54.0%). An interim dividend of 1.87 cents per share, representing a 62% payout from the 1H2023 NPAT is scheduled for payout to shareholders in September 2023. Cash (including T- Bills and DBS Credit Linked Notes) remained strong, despite the uncertainty in the recruitment market, at S\$ 302.8m (31 December 2022: S\$ 310.5m).

Flexible staffing ("FS")

The resilient nature of the Group comes through in its balance of services, professional and flexible staffing. The flexible staffing is more resilient in challenging conditions as demand is better suited to a flexible solution for clients. Indeed in North Asia we experienced an increase in 2023.

Revenue held strong at S\$258.6m (2022: S\$259.8m) despite challenging macro conditions and continues in its rise in proportion to 87.7% (2022: 82.7%) to Group total. Increased contribution came from sectors such as financial services which grew by 11%, retail and consumer 10%, and logistics 9%. After deducting the cost of contractors, GP was S\$35.6m (2022: S\$38.1m) and GP margin stood at 13.8% (2022: 14.7%) with the shift of demand away from covid-related healthcare businesses, and gig-oriented digital and manufacturing sectors. GP/average contractor was firm with an uptick of 4%. Average contractor volume down 10% to 16,172 compared with last year's average of 17,954 that included the one-off covid-related contractor volume.

Professional recruitment ("PR")

Revenue scaled back to S\$34.3m (2022: S\$52.2m) in the face of strong economic headwinds that impact permanent hiring first, resulting in weak hiring sentiment across most sectors and levels in line with the wider recruitment industry across the world. Placement volume reduced by 21% to 2,918 (2022: 3,691) while average GP/placement reduced by 17%, mostly impacted by mid-to-senior level placements. As the tough operating market conditions impacted professional recruitment, we remained agile with volume-based hiring projects for key clients and worked on preferential fee structures for clients that hired displaced talents under our "Save a Job, Save a Family" initiative.

Overall GP margin stood at 24.3% (2022: 29.3%) as a consequence of the change in mix, with our opportunistic shift towards steady annuity income streams from FS during uncertain economic circumstances. For the first time, the proportion of GP from FS surpassed that of PR at 49.8%/47.9% (2022: 41.5%/56.6%), providing a higher level of visibility going forward.

^[1] EBITDA/GP

Geographical Segmentation

Revenue trends across the 9 geographies comprising 16 cities were varied, with Hong Kong S.A.R., Taipei and Jakarta registering FS growth that was offset by reduced demand elsewhere. Overall GP reduction of S\$(20.4m) was mainly in Singapore and Greater China. Singapore as our largest market contributing 66.8% (2022: 65.7%) to our Group revenue, had narrowly escaped a technical recession with GDP growth rates of 0.4% and 0.7% in Q1 and Q2 respectively; and both our PR and FS businesses were impacted. Our business in Mainland China consisted in PR business, took the brunt of the faltering economic recovery.

Other income increased by S\$0.7m to S\$9.7m (2022: S\$8.9m) which comprised:

- Reversal of trade-related accruals totalling S\$3.7m (2022: S\$6.8m);
- Interest Income S\$3.2m (2022: S\$0.8m)
- Government grants and subsidies totalling S\$2.6m (2022: S\$5.7m).
We have not yet accrued for subsidies that 2 of our Singapore subsidiaries might receive in respect of the Progressive Wage Credit Scheme (PWCS) introduced in the 2022 Budget to replace the previous Wage Credit Scheme (WCS).
- Net fair value and disposal on financial assets mandatorily measured at FVTPL stood at a net loss of S\$(0.3m) (2022: S\$(4.9m));

The tight control of costs resulted in selling, general, administrative and other expenses which reduced by 17% or S\$9.3m to S\$45.8m (2022: S\$55.1m) mainly due reduction in employee benefit expenses by payroll costs reductions and lower profit-sharing incentive payouts in line with lower GP. With our co-ownership model, senior management are aligned with shareholders.

Review of the Group's Financial Position

The Group's cash position reduced by S\$(22.8m) to S\$261.8m mainly due to:

- S\$20.6m generated from operating activities mainly comprising S\$36.6m operating cash flows before movements in working capital, increased by S\$1.4m reduction in trade receivables and S\$0.9m increase in trade payables, S\$3.2m increase in interest received; offset by S\$(15.3m) reduction in other payables and accruals and S\$(6.2m) payment of income tax;
- S\$(15.5m) used in investing activities mainly comprising S\$(4.8m) net investment in CLN and S\$(10.2m) net investment in T-Bills; and
- S\$(27.0m) used in financing activities mainly comprising S\$(20.4m) dividends paid; S\$(3.1m) share buyback; and S\$(3.3m) repayment of lease liabilities.

Trade receivables reduced by S\$(1.4m) to S\$98.4m due to stronger credit control and a slight reduction of revenue by 6.2% compared to last year.

Other financial assets (current) increased by S\$14.5m mainly due to the deployment of cash to invest in good yield CLN and T-Bills.

Other financial assets (non-current) decreased by S\$(3.4m) mainly due to the downward market price movements of our investments in Staffline slightly cushioned by Bamboos' price movement in the opposite direction. The impact is similarly reflected in the change in investments revaluation reserve.

Other payables and accruals reduced by S\$16.7m mainly due to the lower provision for payroll and employee benefits, reversal of trade-related accruals and lower advanced billings.

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

1. The recessions in the US and Europe have spilled over into the Asian cities that we operate in. The geopolitical tensions surrounding Mainland China and its economic slowdown continues to stall investments thereby affecting hiring sentiments and decisions. We remain confident that Asia will eventually recover and as such we will continue to invest in people, startups and ventures taking a long term view and gearing up the capacity for the economic recovery when it comes.
2. There are tectonic shifts within and across industries that we are servicing. We are staying very engaged in the market to take advantage of the shifts including reducing our reliance on fintech, crypto, ecommerce and internet sectors and gravitating towards the “evergreens” and brick-and-mortar sectors such as those in industrial and engineering; consumer and luxury retail; and healthcare and life science.
3. The competition appears to be echoing our experience of stronger resilience in the FS business. For the short to medium term, we will continue to invest in organic and inorganic FS businesses for the recurring and sustainable nature to help us ride out the turbulence.

5. Dividend

a. Current Financial Period Reported on

On 10 August 2023, the directors declared a one-tier tax exempt interim dividend for the financial year ending 31 December 2023 of 1.87 cents per share to be paid out of registered shareholders.

b. Corresponding Period of the Immediate Preceding Financial Year

Any dividend recommended for the corresponding period of the immediately preceding financial year? No

c. Date payable

11 September 2023.

d. Books Closure Date

4 September 2023.

6. Interested person transactions

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

7. 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 30 June 2023 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	39.3
Acquisition and investment in subsidiaries	9.1
Start-up of subsidiaries	9.5
IPO related expenses	9.1
	<hr/>
	131.0

8. 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 six-month period ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Yong Siang
Founding Chairman

Adeline Sim Wei Ling
Chief Corporate Officer and Executive Director

Singapore
10 August 2023