



**HRNETGROUP LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 201625854G)

**Responses to Questions from Shareholders  
Pursuant to the Annual Report of 2023 published on 9 April 2024**

The Board of Directors (the “Board”) of HRnetGroup Limited (the “Company”, together with its subsidiaries, the “Group”) refers to the questions received from shareholders between 9 April and 17 April 2024 in respect of the Group’s Annual Report for the year ended 31 December 2023 (the “Annual Report”) and wishes to respond to the queries as follows:

No.	Questions from Shareholders	Our Responses
1a.	<b>Flexible Staffing</b>  What is the split between local and foreign contractors within this segment?	Our contractors are generally in-country citizens and permanent residents of the respective geographies that we operate in. The contractors of our Singapore businesses constitute slightly more than half of the Group’s contractor headcount.
1b.	Am I right to say that the gross margin for the flexible staffing segment approximates the typical service fee mark up on the contract?  Can you help us understand what is behind the fluctuations over the past few years of ~11% -16% range? Is the fluctuation due to the industry mix of contractors and if so, which are the industries with the highest / lowest margin?	In absolute dollars, the gross profit margin is that of our service fee markup.  Flexible staffing gross profit margin ranged between 13.7% to 15.5% in the past 6 years as it is influenced by various factors including the volume, service scope, job function and level of positions that we fulfil for our clients in different industries.
1c.	In the Singapore context, what is the average hourly wage paid to contractors?	Our contractors work on a variety of service scopes, job functions and levels of positions in different industries; and not all are paid on an hourly basis. As such, we do not

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	<p>Can you give us some insights on the expected impact, if any, from the increase in minimum hourly wage for local employees from \$9 to \$10.5 an hour and for full time employees from \$1400 to \$1600.</p>	<p>consider it meaningful to generalize on the average hourly wage paid to them.</p> <p>Any increase in minimum hourly wage would have a positive impact on cases where our fees agreed with clients are set as a percentage of the payouts to contractors.</p>
1d.	<p>Does the flexible staffing segment perform better in periods of high unemployment or low unemployment?</p>	<p>Flexible staffing generally performs well in positive economic situations and has lower volatility in negative economic situations.</p>
2a.	<p><b>Professional recruitment</b></p> <p>What is the average annual salary of candidates that successfully secure a placement?</p>	<p>The average annual salary of candidates placed varies according to the cities that we operate in, our various brands for different industries, the level of positions and roles. For example, the average annual salary of candidates placed for mid-level positions is approximately S\$120,000 p.a..</p>
2b.	<p>What is the typical percentage of salary charged on the first year salary of successful candidates and how has it trended over the past few years?</p>	<p>Our fees for professional recruitment generally range between 18% to 25% of the first year compensation of the successful candidate placed. This range has not materially changed in the past few years.</p>
2c.	<p>For this segment, is it the hiring organisation that engages the group for its services or the candidate that approaches the group?</p>	<p>Yes, we are engaged by our corporate clients who are hiring the talents.</p>
2d.	<p>Does the professional recruitment segment perform better in periods of high unemployment or low unemployment?</p>	<p>Our professional recruitment business generally performs better in positive economic times.</p>

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	<p><b>Financials</b></p>	
3a.	<p>Over the past 5 years, the group has purchased S\$64M in equity instruments designated at FVTOCI (Staffline Plc) and recorded a net fair value loss in excess of S\$50M over the period. Can you help us understand:</p>	<p>The Group's financial assets designated at FVTOCI include Bamboos and Staffline.</p>
3b.	<p>The rationale of the investment</p>	<p>Our investment in Staffline is intended as a long term strategic investment, given that it is one of the largest players in the UK blue-collar flexible staffing space.</p>
3c.	<p>Any initiatives explored in terms of collaboration to drive investment returns from Staffline given that it is a strategic investment</p>	<p>Both organizations share best practices and exchange views on market developments for mutual improvement. For instance, we were inspired by their contractor onboarding system design to incorporate MyInfo to expedite completion of online candidate application forms in Singapore. We also adopted their Net Promoter Score concept in our client and candidate satisfaction surveys.</p>
3d.	<p>What is the group's process in determining strategic investments and,</p>	<p>The process includes the review of the relevant company's fundamentals, outlook, return on investment, management quality before the investment committee approves the investment rationale and amount.</p>
3e.	<p>Whether the group intends to increase / decrease such investments in light of the lackluster performance over the past few years</p>	<p>The Group continues to evaluate its investment portfolio and make decisions as opportunities present themselves.</p>

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4a.	<p><b>Financial assets mandatorily measured at FVTPL</b></p> <p>I note that it comprises of equity and debt securities</p> <p><b>For quoted equity securities</b></p> <p>What are the industries and countries of the companies invested in?</p>	<p>The companies we invested in are mainly in the HR space in Asia, UK, Europe and the US.</p>
4b.	<p>What is the group's process in determining the equity security to purchase</p>	<p>The process includes the review of the relevant security's fundamentals, outlook, return on investment, management quality before the investment committee approves the investment rationale and amount.</p>
4c.	<p>In what ways does the group ensure that it has the expertise to determine the equity securities that can provide profitable returns given that asset management is out of the group's core business</p>	<p>We invest mainly in companies in the HR space in which we have more than 31 years of deep experience operating and co-investing in such businesses.</p>
4d.	<p><b>For unquoted equity securities</b></p> <p>I note that this comprise of a venture capital investment.</p> <p>What is the company invested in?</p>	<p>Glints Intern Pte. Ltd.</p>
4e.	<p>What is the nature of the business of this particular investment?</p>	<p>It is a career discovery and development platform.</p>
4f.	<p>How has the underlying business of the investment performed since the investment?</p>	<p>Based on our understanding from the management, their revenue and candidate database grew multiple folds between 2018 and 2023.</p>
4g.	<p>What is the group's process in making VC investments?</p>	<p>The process includes the review of the relevant company's fundamentals, outlook, return on investment, management quality before the investment committee approves the</p>

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		investment rationale, amount and exit strategy.
4h.	How did the group chance upon the opportunity? Was it pitched by a banker / family or friend of the controlling shareholder?	We are active within our network and we are apprised of market opportunities as and when they surface.
4i.	<p><b>For debt securities</b></p> <p>What is the group's process in determining which securities to purchase?</p>	The process includes the review of the relevant bond issuer's investment grade, coupon rates, tenor, fundamentals, outlook and use of proceeds before the investment committee approves the investment rationale and amount.
4j.	What are the risk and return profile of these securities	They are investment grade fixed income bonds.
4k.	How does the group determine that purchasing these financial assets are the best use of cash vs returning to shareholders	Such investments are part of our portfolio of various instruments to give us the returns.
5a.	<p><b>Given that the group is a capital-light and highly cash flow generative company, what is the rationale for holding a substantial cash balance?</b></p> <p>Are there investment opportunities that the group is considering?</p>	In this volatile economic climate, our cash holding enables us to compete effectively in the market place and hunker down for the long haul. We are not just sheltered from the interest rate hikes but benefit from interest income while we continue to expand our business which may require funding of increased contractor payroll, investing in new setups and seizing opportunities in M&A and investments that the group constantly pursues.
5b.	Is the group considering returning cash to shareholders through a one-time special dividend given the substantial cash balance currently?	No. We will continue with the current practice of declaring at least 50% of NPAT as dividend to shareholders on a bi-annual basis.
5c.	How does the group determine what is best for the shareholders in terms of	The Group takes a holistic approach to determining what is best for the

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	holding cash on the balance sheet vs returning cash to shareholders?	various stakeholders when allocating the use of its cash and resources. Returning cash to shareholders is one of the many considerations for a sustainable future of the Group.
6a.	<p><b>Board Matters</b></p> <p>I note that over the past few years, the chairman and other directors from the Sim family have been invited to attend the meetings of the audit committee and remuneration committee. What is the rationale for extending the invite to non-independent directors and substantial shareholders of the company?</p>	Relevant executive board members (not just the Sim family) and executive officers are typically invited to attend relevant committees to provide the strategic, business and operational context to help independent directors make informed decisions on subject matters that are deliberated.
6b.	What are the roles of the Sim family in these meetings and whether their presence impedes the independence or perceived independence of the committees?	Each of the committees is chaired by an independent director who takes the lead in the relevant agenda items to review and deliberate on issues with input from relevant attendees. The executive directors provide relevant information and recuse from participating in the discussion and decision-making process relating to matters that are related to or affect themselves.
6c.	To Mr Peter Sim and the other Sim family members, do you consider yourself a pseudo member of the AC or RC given that you have attended most of the committee meetings?	No. Mr. Peter Sim, Mr. JS Sim and Ms. Adeline Sim do not consider themselves pseudo members by attendance of the AC and RC.

By Order of the Board

Adeline Sim  
Executive Director & Chief Corporate Officer

19 April 2024