

Issuer: HRnetGroup Limited

Security: HRnetGroup Limited

Meeting details:

Date: 27 April 2018

Time: 9.00 a.m.

Venue: SGX Auditorium, Level 2, SGX Centre 1, 2 Shenton Way, Singapore 068804

Company Description

HRnetGroup Limited, an investment holding company, engages in the recruitment agency business in Asia. The company operates in two segments, Professional Recruitment and Flexible Staffing. It offers permanent recruitment, and temporary and contracted staffing services for financial institution, retail and consumer, information technology and telecommunication, manufacturing, healthcare life science, insurance, and logistic industries, as well as functions, such as human resource, finance and accounting, and legal and compliance industries. The company also provides other services comprising payroll processing, human resources consulting, and corporate training services. In addition, it offers management consulting and advisory services. HRnetGroup Limited provides its services under the HRnet One, Recruit Express, PeopleSearch, SearchAsia, RecruitFirst, PeopleFirst, RecruitLegal, YesPay!, HRnet Performance Consulting, and Young Talent brand names. The company was founded in 1992 and is headquartered in Singapore. HRnetGroup Limited is a subsidiary of SIMCO Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=CHZ)

1. Would the board/management provide shareholders with better clarity on the following matters? Specifically:

- (i) **Professional recruitment:** Revenue from the segment dipped slightly to \$86.7 million in FY2017. Revenue from the professional recruitment segment was \$85.8 million in FY2014, \$86.4 million in FY2015 and \$87.5 million in FY2016. **Given that professional recruitment is the major contributor of group's profits, how is management addressing the issue of the stagnant revenue/profit from the professional recruitment segment?** The group successfully placed over 8,200, 8,500, 9,400 and 9,900 candidates for FY2017, FY2016, FY2015 and FY2014 respectively. **Has there been a change in market dynamics or the business model that led to the decreasing number of placements in the professional recruitment segment?**
- (ii) **Business model:** How resilience is the group's business model of flexible staffing and professional recruitment? **Will the professional recruitment segment be severely affected in a recession?**
- (iii) **123GROW Plan:** The group has a share awards scheme known as 123GROW Plan, comprising (a) Opp 1 Plan, (b) Opp 2 Plan and (c) HRnet Grow Plan. HRnet Grow Plan is the only active plan currently as Opp 1 Plan and Opp 2 Plan were one-off schemes that commenced prior to the company's listing. **What is the maximum dilution that current shareholders may experience under the Opp 1 and Opp 2 Plans?**
- (iv) **Flexible staffing (China):** Does management have a target timeline for the expansion into China for the flexible staffing business? **Can management also size up the potential of this particular segment?**

2. In the Letter to Shareholders, it was said that the group views acquisitions as opportunistic and the group is not indiscriminate in acquiring companies just for the sake of acquiring. The focus is identifying "companies who have a team passionate about growing, not on "earning out" within a short time frame, whose primary, full-time commitment is to their company.

The group has developed an acquisition strategy that will strive to:

- Leverage on each other's strengths in the market place, specialisations and our infrastructure to achieve business leadership in the relevant space
 - Have existing owners and/or core team members of acquisition targets to be co-owners post-acquisition
 - Appoint a member of the HRnetGroup senior management team as a sponsor to induct, coach, support and facilitate new co-owners to maximise the synergies
- (i) **Would the company also help shareholders understand why a promising target company with good growth prospects would want to be acquired, and if so, why would it pick to partner HRnetGroup? What are the advantages to the target company to merge with/partner HRnetGroup?**
 - (ii) **Being a newly listed company with the ambition to grow, what are the safeguards in place to avoid overly aggressive acquisitions?**
 - (iii) **Has the board already approved the plans to expand beyond Asia? What are the group's core competencies and value proposition should it expand beyond Asia?**

3. Guideline 9.4 of the 2012 Code of Corporate Governance (Code) states that:

"For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000. The company need only show the applicable bands."

With regard to the disclosure of remuneration, the company has disclosed that Mr Sim Wei Wen, Aviel (“Aviel Sim”) is a consulting director of the group and whose salary exceeds S\$50,000 (page 38).

The remuneration of employee who is immediate family members of the Company’s Directors and whose salary exceeds S\$50,000 for FY2017 is set out below.

Name of Immediate Family Member of Director	Position held	Family Relationship with Directors
Below S\$250,000		
Sim Wei Wen, Aviel (“Aviel Sim”)	Consulting Director	Son of Peter Sim, brother of Adeline Sim

(Source: Company annual report)

To comply with the Code, would the company consider disclosing the remuneration in S\$50,000 band?