



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: HRnetGroup Limited

Security: HRnetGroup Limited

Meeting details:

Date: 26 April 2019

Time: 10.00 a.m.

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

Company Description

HRnetGroup Limited is a Singapore-based recruitment agency. The Company operates through two segments: flexible staffing and professional recruitment. It serves a spectrum of industries, including financial institutions, retail and consumer, information technology and telecommunications, manufacturing, insurance and logistics, and functions such as human resources, finance and accounting, and legal and compliance. It also offers other services, such as payroll processing, human resource (HR) consulting and corporate training. It provides professional recruitment services primarily under its HRnet One, PeopleSearch, PeopleFirst and SearchAsia brands and flexible staffing solutions primarily under its Recruit Express and RecruitFirst brands. HRnetOne provides solutions in talent acquisition, talent retention to talent management and development. Through its subsidiary, REForce (Shanghai) Human Resources Management Consulting Co., Ltd., it provides management consulting services.

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

1. In the Letter to shareholders, the founding chairman and executive director have titled the section “Reporting success, Surging Forward”. For FY2018, the group has reported an impressive set of results, with revenue, gross profit, contractor employees and permanent placements all hitting record high.

- (i) Permanent placement:** The jump in permanent placement to 9,448 in FY2018 reversed a 3-year slide (FY2014: over 9,900, FY2015: over 9,400, FY2016: 8,528 and FY2017: 8,216). **Would management elaborate further on the reason(s) for the jump in permanent placement achieved in 2018? How much of it was due to organic growth and how much of it can be attributed to the new business units?**
- (ii) Government subsidies:** **Can management confirm that the group is entitled to receive the government subsidies such as the Wage Credit Scheme, Special Employment Credit and Temporary Employment Credit, and recognise these subsidies in its profit or loss statement for the group’s “Contractor Employees”?**
- (iii) New markets:** The group has successfully added the new businesses of Rimbun, Glints, REForce and Career Personnel to the group’s network. The company has stated that it will continue to look for new markets, good companies to co-own, strategic alliances and investments, whether in Southeast Asia, Indochina or beyond. **What are the specific plans for Indochina?**
- (iv) New line of business (YesPay!):** On 4 March 2019, the group increased the capitalisation of YP! Solutions Pte. Ltd. with the injection of S\$500,000.00 capital in cash. Formerly a division of PeopleSearch, the group has been using YesPay! to provide human resource and payroll solutions. The company announced that, with immediate effect, YesPay! will be spun off and operated a separate business line. **What is the addressable market size? Will this be introduced to all the markets?**

2. Rule 704 (30) of the Listing Manual of the SGX-ST Listing Manual relating to the “Use of proceeds” states the following:

The use of the IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8 as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated in the offer document or the announcement of the issuer. Where there is any material deviation from the stated use of proceeds, the issuer must announce the reasons for such deviation.

Other than the \$8.22 million (or 4.7%) that has been allocated for underwriting commission and professional fees (and miscellaneous expenses), the group has stated that it intends to use the net proceeds “for business expansion and/or potential opportunistic acquisitions”.

- (i) **Can the company provide shareholders with better clarity on the proposed use of proceeds (and not the actual use, and reported on an ex-post basis)?**
- (ii) **As there been any deviation from the stated use of proceeds?**
- (iii) As shown on page 4x (Use of IPO Proceeds), the company has shown the use of IPO proceeds, but not the intended use. As at 31 December 2018, the company has stated the following:

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 2018 is set out as below:

	Amount utilised
	S\$ million
Underwriting commission	4.7
Professional fees and other miscellaneous expenses (including listing fees)	4.4
Purchase of marketable securities	22.0
Purchase of unquoted investments	6.3
Acquisition and investment in subsidiaries	1.8
Startup of subsidiaries	0.3
	39.5

(Source: Company annual report)

Would the board confirm that the purchase of marketable securities of up to \$22.0 million worth conform with the intended use of proceeds from the IPO?

3. In addition, the company has stated that it recognised a net fair value loss on financial assets mandatorily designated at fair value through profit or loss ("FVTPL") of \$(4.8) million in the financial year. This follows the FVTPL gain of \$1.0 million in the previous financial year. In addition, the company further disclosed that \$4.0 million of the unrealised revaluation loss has been reversed as at the end of February. This presumably is related to the group's holding of \$22.0 million in marketable securities.

- (i) **Would the board, especially the independent directors/audit committee, elaborate further on the purchase of marketable securities? How does it fit in with the group's long term strategy?** It is noted that the group has bought shares in listed professional recruitment companies, such as Gattaca PLC and Harvey Nash, on the London Stock Exchange.
- (ii) **Would the board provide shareholders with a holistic overview of the group's investments in marketable securities?**
- (iii) **What is the level of oversight provided by the board and what are the risk management policies with regard to the group's investments into marketable securities?**



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A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=HRnetGroup%20Ltd&cid=6393,4620>

The company's response could be found here: -----