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## Largest Asia-based recruitment agency in Asia Pacific (excluding Japan)<sup>1</sup>, HRnetGroup Limited, launches Mainboard IPO on SGX-ST

- *Offering of 193,404,900 shares at S\$0.90 each*
- *Operates in 10 Asian growth cities*
- *Strong growth and profitability since inception*
- *Highly diversified base of premium customers: over 2000 clients<sup>2</sup>*
- *Cornerstone investors include Aberdeen Asset Management Asia Limited, Affin Hwang Asset Management Berhad, Credit Suisse AG, Singapore Branch and Credit Suisse AG, Hong Kong Branch (on behalf of certain of their private banking clients), FIL Investment Management (Hong Kong) Limited, Meiji Yasuda Asset Management Company Ltd., TechnoPro Holdings, Inc. and en-japan inc.*

**SINGAPORE, 8 June 2017 – HRnetGroup Limited (“和乐集团有限公司”) (“HRnetGroup”**, and together with its subsidiaries, the **“Group”**), the largest Asia-based recruitment agency in Asia Pacific (excluding Japan),<sup>3</sup> today announced its initial public offering (**“IPO”** or the **“Offering”**) of 193,404,900 new shares (comprising 89,482,000 Offering Shares and 103,922,900 Cornerstone Shares) priced at S\$0.90 each, in conjunction with its listing on the Mainboard of the Singapore Exchange Securities Trading Limited (the **“SGX-ST”**).

The Sole Issue Manager for this IPO is Deutsche Bank AG, Singapore Branch. The Joint Global Coordinators are Credit Suisse (Singapore) Limited and Deutsche Bank AG, Singapore Branch, and the Joint Bookrunners and Underwriters are Credit Suisse (Singapore) Limited, Deutsche Bank AG, Singapore Branch, DBS Bank Ltd. and Nomura Singapore Limited.

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<sup>1</sup> As compared to other key players within the professional recruitment and flexible staffing industry with presence in Asia Pacific, according to Frost & Sullivan

<sup>2</sup> As at 31 December 2016

<sup>3</sup> As compared to other key players within the professional recruitment and flexible staffing industry with presence in Asia Pacific, according to Frost & Sullivan

## **The Offering**

HRnetGroup is making an offering of 89,482,000 shares (the “**Offering Shares**”) (subject to the Over-allotment option) for subscription by investors, which consists of (i) an international placement of 85,682,000 shares (the “**Placement Shares**”) to investors, including institutional and other investors in Singapore and outside the United States in compliance with Regulation S under the United States Securities Act 1933, as amended and (ii) a public offer of 3,800,000 shares in Singapore (the “**Public Offer Shares**”), including 440,800 shares reserved for the directors and employees of HRnetGroup and its subsidiaries.

In connection with the Offering, HRnetGroup has granted to the Joint Bookrunners and Underwriters, exercisable by Credit Suisse (Singapore) Limited (or any of its affiliates or other persons acting on its behalf), in consultation with the other Joint Bookrunners and Underwriters, an over-allotment option to subscribe for up to an aggregate of 11,100,000 additional shares (the “**Over-allotment Option**”), representing approximately 12.4% of the total number of Offering Shares.

Separate from the Offering, each of the cornerstone investors has entered into a cornerstone subscription agreement with HRnetGroup to subscribe, in aggregate, for 103,922,900 shares (the “**Cornerstone Shares**”).

The cornerstone investors for this Offering are:

- Aberdeen Asset Management Asia Limited;
- Affin Hwang Asset Management Berhad;
- Credit Suisse AG, Singapore Branch and Credit Suisse AG, Hong Kong Branch (on behalf of certain of their private banking clients);
- FIL Investment Management (Hong Kong) Limited;
- en-japan inc., which is listed on the JASDAQ Securities Exchange;
- Meiji Yasuda Asset Management Company Ltd; and
- TechnoPro Holdings Inc., one of Japan’s largest technology-focused staffing and service companies

Vanda 1 Investments Pte. Ltd., which is managed and controlled by Heliconia Capital Management Pte. Ltd. (a wholly-owned subsidiary of Temasek Holdings (Private) Limited), invested in HRnetGroup prior to the IPO, and will hold approximately 1.95% of the post-invitation capital of the Company.<sup>4</sup>

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<sup>4</sup> Based on post-Offering share capital of 1,011,406,872 shares, assuming the Over-allotment Option is not exercised and completion of the issue of (i) 103,922,900 Cornerstone Shares, (ii) 34,617,200 GLOW Initial Shares, (iii) an aggregate of 13,687,400 Opp 1 Investment Shares, Opp 1 Loyalty Shares, Opp 2 Investment Shares, Opp 2 Buy-In Shares and (iv) 1,962,701 Top-Up Issuance Shares.

SIMCO Ltd is not selling any shares in the IPO and will hold 74.15% of the post-invitation capital of the Company.<sup>4</sup>

At S\$0.90 per share, the post-Offering market capitalisation of HRnetGroup will be approximately S\$910 million.<sup>4</sup> The Group expects to raise estimated net proceeds of approximately S\$165.8 million from the Offering and the issue of the Cornerstone Shares, which will be used for business expansion and/or potential opportunistic acquisitions.

The IPO will close at 12 noon on 14 June 2017 and trading of HRnetGroup's shares is expected to commence on a "ready" basis at 9.00 a.m. on 16 June 2017.

### **HRnetGroup – A Proven Track Record**

With a history dating back to 1992, HRnetGroup is the largest Asia-based recruitment agency in Asia Pacific (excluding Japan).<sup>5</sup> It currently operates in 10 Asian growth cities, namely, Singapore, Kuala Lumpur, Bangkok, Hong Kong, Taipei, Guangzhou, Shanghai, Beijing, Tokyo and Seoul.

According to Frost & Sullivan, HRnetGroup is the largest recruitment player by revenue in Singapore, with a market share of 20.5%.

### **Powered by twin engines of complementary businesses**

The Group operates and manages its business primarily as two operating segments, namely, professional recruitment and flexible staffing, and has developed its multi-brand approach over many years. It provides professional recruitment services primarily under its "HRnetOne", "PeopleSearch", "PeopleFirst" and "SearchAsia" brands, and flexible staffing solutions primarily under its "RecruitExpress" and "RecruitFirst" brands.

The Group serves over 2,000 clients, including 104 Fortune 500 companies,<sup>6</sup> as part of its client base. Its clients include Samsung Asia, Master Kong Holdings, Bundwealth, Seibu Holdings, Olympus, Fubon Bank, Gardens by the Bay and Acer.

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<sup>5</sup> As compared to other key players within the professional recruitment and flexible staffing industry with presence in Asia Pacific, according to Frost & Sullivan

<sup>6</sup> As at 31 December 2016

**Ms Adeline Sim (沈伟玲), Executive Director of HRnetGroup said,**

**“Every company needs human capital, and almost everyone needs a job. When you look at how the Asian work force is larger than that in the US and Europe, you know that investing in an Asian people business is an easy decision.”**

*Strong growth and profitability since inception*

The Group has posted strong financial performance since inception, demonstrated through overall top-line and bottom-line growth over more than 24 years of operation, and through the various economic and financial crises. The Group’s 24-year CAGRs (1993 to 2016) for revenue and profit after tax were 31.6% and 39.5% respectively.

Between FY2014 and FY2016, the Group’s revenue grew at a 6.1% CAGR, to S\$365.0 million in FY2016 from S\$324.5 million in FY2014. Similarly, profit after tax increased at a 13.0% CAGR, to S\$48.4 million in FY2016 from S\$38.0 million in FY2014.

As at 31 March 2017, based on the Group’s consolidated management accounts as at such date, it does not have any bank loans or borrowings.

**“In the last 24 years, we have learnt how to ride out crises, how to start a new business unit and make it profitable from day one. We have done that 24 times with 24 operating units. How many people can tell you they founded 24 successful companies? Since inception, we have self-funded our organic growth through our strong cashflow generation, without the need for any debt financing,” added Ms Sim.**

*Leading productivity and profitability through entrepreneurial co-ownership business model and lean structure*

The Group has leading productivity and profitability as compared to its global and regional competitors. It has the highest EBITDA and net profit margins, and one of the highest efficiency ratios<sup>7</sup> amongst key players within the professional recruitment and flexible staffing industry with presence in Asia Pacific (excluding Japan).<sup>8</sup> In addition, it has the second highest net profit per employee amongst key players within the professional recruitment and flexible staffing industry with presence in Asia Pacific.

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<sup>7</sup> Calculated based on EBITDA divided by gross profit

<sup>8</sup> According to Frost & Sullivan

The Group believes that it is a leader in the professional recruitment and flexible staffing industry in terms of productivity and profitability due to its entrepreneurial co-ownership business model, where many of its leaders and business pioneers have personally invested in the share capital of its subsidiaries. Currently, the Group has 22 co-owners who are leading the Group's operations locally and overseas.

The Company's co-ownership programme, the 123GROW Plan, will allow up to 404 employees<sup>9</sup> to become shareholders of the Group.

**“One of the keys to our success is our compensation schemes, which are based on profitability. We practise profit sharing instead of paying sales commissions, and we have employees invest cash to become co-owners of the HRnetGroup, so that their hearts are in the game. Through our co-ownership incentive schemes, we will be bringing up to 404 more co-owners on board, which will drive our growth to the next level. Our co-ownership programmes align employees' interests with that of the Group's shareholders to focus on profit leadership in every city we operate in,” said Ms Sim.**

### **Growth Prospects and Strategies**

Looking ahead, the Group intends to accelerate its growth and further strengthen its position within Asia and North Asia.

Frost & Sullivan estimates the professional and flexible staffing industry revenues in North Asian cities (comprising Hong Kong, Taipei, Guangzhou, Shanghai, Beijing, Tokyo and Seoul) to grow at a CAGR of 11.5%. In Singapore, tight labour market conditions are expected to drive the professional recruitment services industry.<sup>10</sup> The recruitment markets in certain cities in North Asia, such as Hong Kong and Tokyo, are also highly fragmented,<sup>11</sup> therefore presenting compelling growth opportunities for the Group to deepen its presence.

In addition to organic growth, HRnetGroup will also opportunistically seek out strategic acquisitions and partnerships to further entrench its position in existing markets or enter into new ones by acquiring or partnering with existing players in its targeted countries, which will allow the Group to focus on achieving scale and profitability in a faster, more effective and cost efficient manner. One of the Group's near term target is to build its presence in cities with large enough labour markets, including cities in China and Japan.

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<sup>9</sup> As at 15 May 2017

<sup>10</sup> According to Frost & Sullivan

<sup>11</sup> According to Frost & Sullivan

**“Looking forward to the future, we aim to leverage our proven track record in Singapore and strong relationship with MNCs with regional corporate headquarters to generate potential marketing opportunities both locally and in Asian cities with good growth. We intend to use the proceeds from the IPO to accelerate our growth via acquisitions, with a focus on North Asia,” said Ms Sim.**

### **Dividend**

Although the Group does not have a fixed dividend policy, the Directors intend to recommend and distribute dividends of 50% of its net profit after tax (excluding exceptional items) for FY2017 and FY2018 to reward its shareholders for participating in the Group’s growth.

Summarizing her thoughts on the IPO, **Ms Sim said, “This IPO will be an inflexion point for the HRnetGroup. With up to 404 additional co-owners coming on board, and a war chest from the proceeds of the IPO for business expansion and/or potential opportunistic acquisitions, we are very excited about our prospects indeed.”**

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**Issued for and on behalf of HRnetGroup Limited**

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### **IMPORTANT NOTICE**

This Press Release does not constitute an offer, solicitation or invitation of the Offering in any jurisdiction.

Accordingly, any decision in connection with the subscription or acquisition of securities of HRnetGroup Limited pursuant to or in connection with any offering must be made solely on the basis of the information contained in the Prospectus dated 8 June 2017 (the “Prospectus”) issued by HRnetGroup Limited in connection with such offering. The information in this advertisement should not be relied on as representation of HRnetGroup Limited. Anyone wishing to subscribe for or purchase the Offering Shares will need to make an application in the manner set out in the Prospectus.

The information and views expressed herein are based on, and qualified in their entirety, by information found in the Prospectus issued by HRnetGroup Limited. Copies of the Prospectus and the application forms and envelopes may be obtained on request, subject to availability, during office hours from Credit Suisse (Singapore) Limited, Deutsche Bank AG, Singapore Branch, DBS Bank Ltd. and Nomura Singapore Limited, and where applicable, members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of the Prospectus is also available on the SGX-ST website at <http://www.sgx.com> and the Authority’s OPERA website at <https://eservices.mas.gov.sg/opera/Default.aspx>.

This Press Release includes forward-looking statements provided with respect to the anticipated financial position, business strategies, future plans and prospects of HRnetGroup Limited and its subsidiaries. These forward-looking statements are only predictions, and there can be no assurance that such projections and forward-looking statements will be realised. The Group's actual results may vary from the anticipated results and such variation may be material. No representations or warranties are made as to the accuracy or reasonableness of these forward-looking statements.

This Press Release does not constitute an offer of securities for sale in the United States. The Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States of America (the "United States") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Company does not intend to conduct a public offering of securities in the United States. Any failure to comply with this restriction may constitute a violation of United States securities laws.