THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (FSMA), who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, the distribution of this document into jurisdictions other than the UK may be restricted by law and such documentation should not be mailed, distributed, forwarded to or transmitted in or into the United States, Australia, New Zealand, Canada, the Republic of Ireland, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the Consideration Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Consideration Shares will commence on 5 June 2017. The Consideration Shares will, on Admission, rank pari passu in all respects with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

This document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the FCA or any other competent authority.

Hydrogen Group Plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05563206)

Proposed acquisition of the Argyll Scott Group

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 9 to 19 of this document and which contains the Directors' unanimous recommendation that you vote in favour of the Resolution to be proposed at the General Meeting.

Notice of a General Meeting, to be held at the offices of Hydrogen Group Plc, 30 Eastcheap, London, EC3M 1HD on 2 June 2017 at 8.05 a.m., is set out at the end of this document. To be valid, the accompanying Form of Proxy for use in connection with the General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than at 8.05 a.m. on 31 May 2017. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

If you have any questions relating to return of the Form of Proxy, please telephone Hydrogen Plc's registrars, Capita Asset Services, on 0871 664 0300 from within the UK, calls will be charged at 12p per minute plus your phone company's access charge. If you are outside the UK please call +44 371 664 0300, calls will be charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.30 p.m. Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. Different charges may apply to calls from mobile telephones. The helpline cannot provide advice on the merits of the Proposal nor give any financial, legal or tax advice.

The Directors, whose names and details are set out on page 9 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. A copy of this document is available at the Company's website.

Shore Capital and Corporate Limited ("**SCC**"), which is authorised and regulated by the FCA, is acting as nominated adviser to the Company for the purposes of the AIM Rules. Shore Capital Stockbrokers Limited ("**SCS**"), which is a member of the London Stock Exchange and is authorised and regulated by the FCA, is acting as broker in the United Kingdom for the purposes of the AIM Rules. Persons receiving this document should note that, in connection with the Proposal, SCC and SCS are acting exclusively for the Company and no one else and will not be responsible to anyone, other than the Company, for providing the protections afforded to customers of SCC and SCS or for advising any other person on the transactions and arrangements described in this document. No representation or warranty, express or implied, is made by SCC or SCS as to any of the contents of this document in connection with the Proposal, or otherwise.

IMPORTANT NOTICE

Cautionary note regarding forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Enlarged Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the Enlarged Group's markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Enlarged Group's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Save as required by law or by the AIM Rules, the Company undertakes no obligation to release publicly the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.

Notice to overseas persons

The distribution of this document and/or the Form of Proxy in certain jurisdictions may be restricted by law and therefore persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Basis on which information is presented

In this document, references to "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom.

References to defined terms

Certain terms used in this document are defined and explained in the section of this document headed "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

CONTENTS

Definitions

"Accounts"	the Hydrogen Group's report and accounts for the financial year ended 31 December 2016;
"Acquisition"	the proposed acquisition by Hydrogen of the entire issued share capital of Argyll Scott (Holdings) Limited pursuant to the Acquisition Agreement;
"Acquisition Agreement"	the conditional agreement dated 8 May 2017 between (1) the Key Vendors and (2) Hydrogen;
"Acquisition Agreements"	the Acquisition Agreement and Minority Interest Acquisition Agreement;
"Act"	the Companies Act 2006 (as amended);
"Admission"	admission of the Consideration Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
"AIM"	the AIM Market operated by the London Stock Exchange;
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time;
"Argyll Scott Group"	Argyll Scott (Holdings) Limited, Argyll Scott International Limited, Argyll Scott Technology Limited, Argyll Scott Singapore Pte Ltd, Argyll Scott International (Hong Kong) Limited, Argyll Scott Recruitment (Thailand) Limited, Argyll Scott Hong Kong Limited, Argyll Scott International (Singapore) Pte Ltd and Argyll Scott Malaysia Sdn Bhd;
"Argyll Scott Holdings"	Argyll Scott (Holdings) Limited, a company incorporated and registered in England and Wales with registered number 08801228**;**
"Argyll Scott Asia"	Argyll Scott Singapore Pte Ltd and Argyll Scott International (Hong Kong) Limited;
"Business Day"	a day between Monday and Friday, inclusive, on which clearing banks are open in the City of London;
"Code"	the City Code on Takeovers and Mergers;
"Company" or "Hydrogen"	Hydrogen Group Plc, a company incorporated and registered in England and Wales with registered number 05563206;
"Concert Party"	the Vendors and Andrew Dallas;
"Consideration Shares"	the 9,034,110 new Ordinary Shares to be issued and allotted to the Vendors on completion of the Acquisition as consideration pursuant to the terms of the Acquisition Agreement;
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations);
"CREST Manual"	The CREST reference manual available from https://www.euroclear.com/site/public/EUI;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755);

"Directors" or "Board"	the current directors of the Company whose names are set out on page 9 of this document, or any duly authorised committee thereof;
"Enlarged Group"	Hydrogen Group as enlarged by the Acquisition;
"Enlarged Share Capital"	the issued ordinary share capital of the Company as enlarged by the Consideration Shares;
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST;
"Existing Ordinary Shares"	the 23,891,713 ordinary shares of £0.01 (1 pence) each in the capital of the Company in issue at the date of this document;
"FCA"	the UK Financial Conduct Authority;
"Form of Proxy"	the form of proxy for use in connection with the General Meeting, which accompanies this document;
"FSMA"	the Financial Services and Markets Act 2000 (as amended);
"GAAP"	Generally Accepted Accounting Principles;
"General Meeting"	the general meeting of the Company to be held its offices at 30 Eastcheap, London, EC3M 1HD on 2nd June 2017 at 8.05 a.m., notice of which is set out at the end of this document;
"Hydrogen Group"	the Company and its subsidiaries as at the date of this document;
"IFRS"	International Financial Reporting Standards;
"Independent Directors"	a Director who is at the relevant time considered by the Board to be independent, as determined by reference to the Corporate Governance Code for Small and Mid Size Quoted Companies published by the Quoted Companies Alliance;
"Key Vendor Group"	the Key Vendors and their associates;
"Key Vendors"	Brian Hamill, John Hunter, Shane Sibraa, Rodney Fraser and James Fitzsimmons;
"London Stock Exchange"	London Stock Exchange plc;
"Minority Interest Acquisition Agreement"	the agreement to be entered into on completion of the Acquisition between (1) the Minority Vendors and (2) Hydrogen;
"Minority Interests"	the interests in Argyll Scott Technology Limited, Argyll Scott International Limited and Argyll Scott Asia to be retained by the Minority Vendors after completion of the Acquisition Agreement, and pending completion of the Minority Interest Acquisition Agreement in accordance with its terms;
"Minority Vendors"	Shane Sibraa, Rodney Fraser and Andrew Dallas;
"Notice of General Meeting"	the notice convening the General Meeting which is set out at the end of this document;
"Ordinary Shares"	ordinary shares of £0.01 (1 pence) each in the capital of the Company;
"Panel"	the Panel on Takeovers and Mergers;
"Proposal"	the proposal set out at paragraph 14 of the letter from the Chairman of the Company on page 18;

“Proposed Director”	John Hunter, one of the Key Vendors and the current Chief Executive of the Argyll Scott Group;
“Prospectus Rules"	the prospectus rules made by the FCA pursuant to section 73A of the FSMA;
“Resolution”	the resolution set out in the Notice of General Meeting;
“SCC”	Shore Capital and Corporate Limited, the Company’s nominated adviser for the purposes of the AIM Rules;
“SCS”	Shore Capital Stockbrokers Limited, the Company’s broker for the purposes of the AIM Rules;
“Shareholders”	holders of Existing Ordinary Shares;
“Shore Capital”	SCC and/or SCS as the context requires;
“UK”	the United Kingdom of Great Britain and Northern Ireland; and
“Vendors”	the Key Vendors together with the other current or prospective shareholders in Argyll Scott Holdings, being James Howells, David Bodmer, Somerled MacDonald, Paul Fox, Matthew Finnegan and Marek Danyluk.

Note: Any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

Glossary of technical terms

"Adjusted PBT"	Profit before tax adjusted for foreign exchange gains, share based payments and exceptional items
"APAC"	Asia-Pacific
"EBIT"	earnings before interest and taxation;
"EBITDA"	earnings before interest, taxation, depreciation and amortisation;
"EMEA"	Europe, the Middle East and Africa
"FY"	financial year to 31 December;
"NFI"	net fee income
"RPO"	Recruitment Process Outsourcing
"P/E ratio"	price to earnings ratio

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2017
Announcement of the Acquisition and publication of this document	9 May
Latest time and date for receipt of Forms of Proxy for the General Meeting	8.05 a.m. on 31May
General Meeting	8.05 a.m. on 2 June
Completion of the Acquisition	2 June
Admission and commencement of dealings in the Consideration Shares on AIM	5 June
CREST accounts credited	5 June

Each of the times and dates in the above timetable is subject to change at the absolute discretion of the Company and SCC. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement through a Regulatory Information Service. References to time in this document are to British Summer Time. The timetable above assumes that the Resolution is passed at the General Meeting without adjournment.

If you have any questions relating to return of the Form of Proxy, please telephone Hydrogen Plc's registrars, Capita Asset Services, on 0871 664 0300 from within the UK, calls will be charged at 12p per minute plus your phone company's access charge. If you are outside the UK please call +44 371 664 0300, calls will be charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Different charges may apply to calls from mobile telephones. Please note that calls to the helpline may be monitored or recorded and that the helpline is not able to advise on the merits of the matters set out in this document or to provide any legal, financial or taxation advice.

STATISTICS RELATING TO THE ACQUISITION

Number of Existing Ordinary Shares	23,891,713
Number of Consideration Shares to be issued on completion of the Acquisition	9,034,110
Enlarged Share Capital	32,975,823
Market capitalisation of the Enlarged Group[1]	£11.95m
Consideration Shares expressed as a percentage of the Enlarged Share Capital	27.4%

Note:

1. Based on the closing mid share price of 36.25p as at 8 May 2017.

LETTER FROM THE CHAIRMAN

Hydrogen Group Plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05563206)

Directors:		*Registered office:*
Stephen Puckett	*Non-Executive Chairman*	30-40 Eastcheap
Ian Temple	*Chief Executive Officer*	London
Richard Green	*Senior Non-Executive Director*	EC3M 1HD

Proposed Director:

John Hunter *Executive Director*

9 May 2017

Dear Shareholder,

Proposed acquisition of the Argyll Scott Group and

Notice of General Meeting

1. Introduction

The Company today announced that it has entered into a conditional agreement with the Key Vendors to acquire the entire issued share capital of Argyll Scott (Holdings) Limited for £3.3 million through the issue of the 9,034,110 Consideration Shares representing approximately 27.4 per cent. of the Enlarged Share Capital. Hydrogen will subsequently acquire the Minority Interests in separate tranches up to April 2021 to be satisfied by payment in cash and/or through the issue of new Ordinary Shares. Further details are set out in paragraph 8 below.

The Argyll Scott Group was founded in 2009 and recruits for contract, interim and permanent middle management positions across key business functions including accounting & finance, business transformation, marketing, sales and technology across APAC and EMEA.

Completion of the Acquisition is conditional upon the Company obtaining approval from Shareholders to grant the Board authority to allot the Consideration Shares. Accordingly, the main purpose of this document is to set out the reasons for and details of the Acquisition, to explain why the Directors consider that it is in the best interests of the Company and its Shareholders as a whole, and to recommend that you vote in favour of the Resolution to be proposed at the General Meeting, notice of which is set out at the end of this document.

2. Information on Hydrogen

Hydrogen was established in 2005 on the merger of Partners Group Limited and PRO Limited and was subsequently admitted to trading on AIM in September 2006. The Hydrogen Group provides recruitment services for permanent and contract mandates in respect of positions which are available primarily for mid to senior level staff members (typically earning between £70,000 and £150,000 per annum) across both types of role.

The Hydrogen Group's operating model is international and split by geography being EMEA (including USA) with a significant presence in APAC. Within each region are individual practices; technology, finance, energy, legal, life sciences and business transformation.

The Board is focused on building market leading specialist teams. This is achieved by setting up incubator practices that the Hydrogen Group seeks to grow to attain a market leading position. The focus on an ultra-niche model enables the Hydrogen Group to utilise digital marketing to build and maintain relationships and leverage off its global platform.

3. Current trading and prospects

The Company announced its final results for FY 2016 on 4 April 2017 and reported NFI of £17.7 million (FY 2015: £19.4 million), with Adjusted PBT of £0.8 million (FY 2015: £0.2 million). The make-up of the Company's NFI altered in line with its focus on developing its contractor base. Contract NFI grew 11% to £11.6 million (FY 2015: £10.5 million) and represented 65% of the Company's NFI, with the balance of 35% relating to permanent placements. NFI from EMEA (including the USA) was £14.4 million or 81% of total NFI (FY 2015: £15.7 million) with APAC generating £3.3 million (FY 2015: £3.7 million).

NFI since 1 January 2017 has continued broadly in line with management's expectations. The Board continues to be focused on growing and developing the Company's niche businesses by backing high performing individuals and by taking advantage of the its global digital marketing platform. Whilst mindful of the continued economic uncertainty in the UK, the Board believes the Company is well placed overall to continue to invest in both its international and UK businesses.

4. Information on the Argyll Scott Group

The Argyll Scott Group was initially launched as a division of Redgrave Partners LLP (now Redgrave Search Limited) in late 2009 in London. John Hunter and Shane Sibraa then founded Argyll Scott International (Hong Kong) Limited in early 2010 and launched the business in Asia. They were joined by Rodney Fraser in January 2011 when John and Rodney co-founded Argyll Scott Technology Limited in London. This team has been the principal driver of the Argyll Scott Group's strategy and growth since then.

The Argyll Scott Group recruits for contract, interim and permanent middle management positions across a range of key talent scarce business functions and industry sectors – primarily professional services related. It predominantly serves client enterprises that have not engaged an RPO partner and which therefore management believes are in general more reliant on agency based recruitment models.

Between 2009 and 2016 the Argyll Scott Group grew organically to approximately 96 staff based across offices in London, Dubai, Hong Kong, Singapore and Bangkok.

In January 2017 it acquired the Hong Kong, Singapore and Kuala Lumpur based operations of Reed Specialist Recruitment Group ('**Reed**") further broadening its footprint in the APAC market. Each of these businesses has now been fully integrated into Argyll Scott's existing operations with all staff operating under the Argyll Scott brand, on Argyll Scott's operating systems and from a single office in each geography.

The Argyll Scott Group currently has 129 staff, 35 of whom are based in its EMEA operations and 94 in APAC.

In FY 2016, approximately 80% of the Argyll Scott Group's revenues were derived from permanent recruitment and approximately 20% from contract and interim recruitment.

In both 2016 and 2017, the Argyll Scott Group was named in the Sunday Times "100 Best Companies to Work For" report.

4.1. *Areas of expertise*

The Argyll Scott Group has capability across the following sectors:

- Accounting and finance
- Advanced analytics and data science
- Business support
- Business transformation
- Digital & e-commerce
- Financial services
- Human resources
- Life sciences
- Manufacturing
- Procurement
- Real estate
- Retail
- Sales & marketing
- Strategy
- Supply chain
- Technology

4.2. *Client base*

The Argyll Scott Group's operating model affords it a very diverse client base. It is therefore not overly reliant on any one client or sector. Its largest client in 2016 accounted for approximately 2.3% of group NFI.

4.3. *Property/leases*

With the exception of its business in Dubai (see paragraph 5 below), the Argyll Scott Group leases its various offices in each of its geographies of operation. These leases are held on terms of up to three years and on commercial terms that management believes are typical in each geography. As a result of the acquisition of Reed's APAC businesses in January 2017, Argyll Scott Group currently has lease commitments in respect of vacant offices in Hong Kong and Singapore. However, the leases on these properties expire on 31 May 2017 and 1 September 201,7 respectively.

4.4. *Management team*

The Argyll Scott Group's management team includes the following individuals:

John Hunter, CEO
John is a Chartered Accountant. He joined the former AIM listed recruitment group Imprint plc on its inception in 2001 as Chief Financial Officer. At Imprint plc he also served as Chief Operating Officer and Chief Executive Asia Pacific & Middle East and was instrumental in the development of the business to a market capitalisation, at its peak, of some £100m. In early 2010, John co-founded Argyll Scott's Asian business with Shane Sibraa, and in 2012 he was appointed Group Chief Executive.

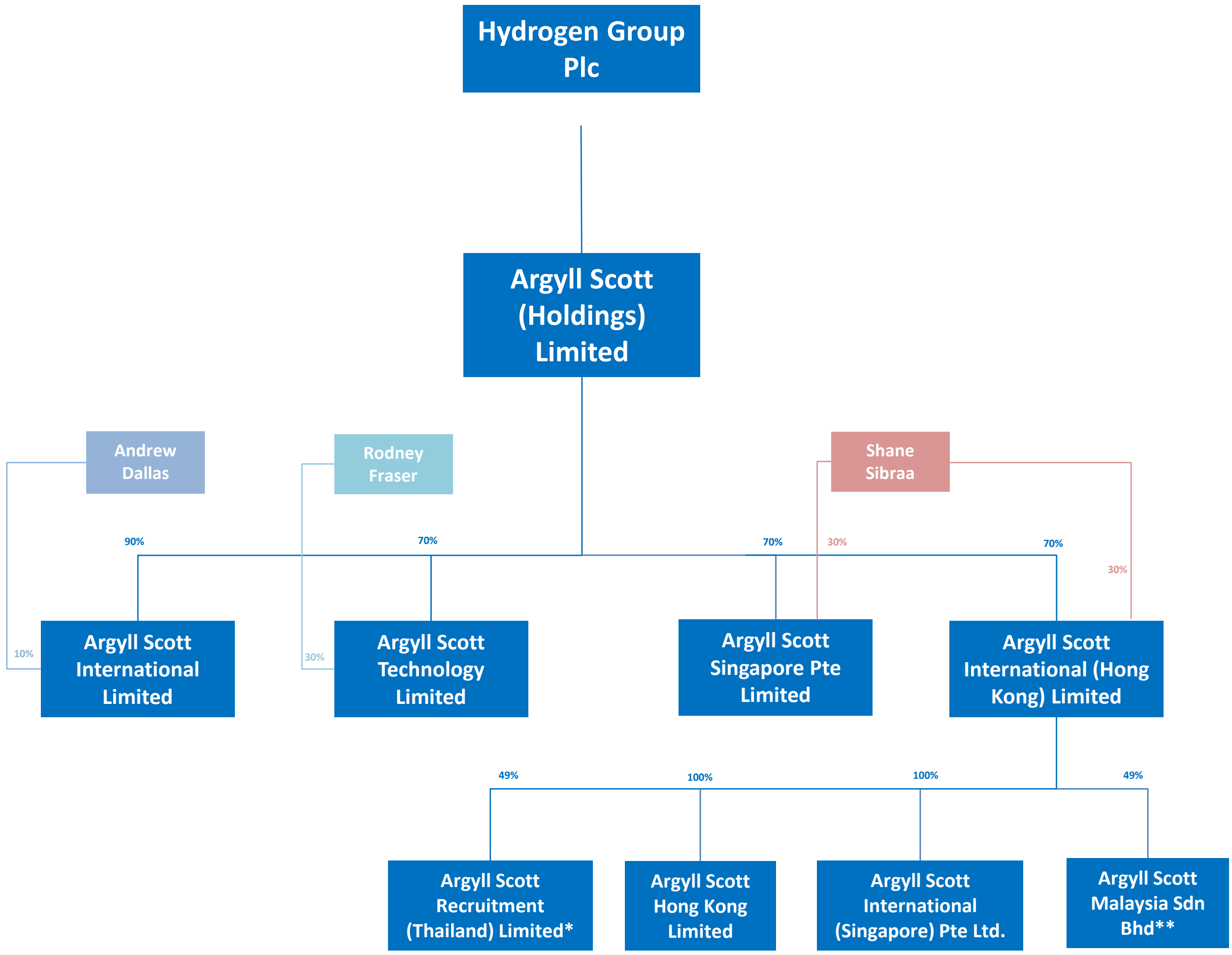
Shane Sibraa, MD APAC
Shane has lived and worked in Asia for over 20 years. He joined Robert Walters Tokyo in 1999, where he spent three years developing the business into a leading player in its market. In November 2002 Shane transferred to Hong Kong and was appointed Director of Robert Walters Hong Kong. In 2008 he was promoted to Managing Director Greater China and he was responsible for the execution of a joint venture between that business and a local Chinese partner. Shane left Robert Walters in 2009 and in 2010 co-founded Argyll Scott's Asian business.

Tom Swain, MD Singapore
Tom commenced his recruitment career when he joined Michael Page's London office in 2006. He was transferred to Michael Page's office in Sydney in 2009 and then to Singapore in 2013. Tom left Michael Page in the summer of 2014 to join Argyll Scott Singapore as head of its Commerce & Industry practice. In early 2015 he was promoted to Managing Director. Since then he has developed the team from a headcount of 14 to 33 staff.

Rodney Fraser, MD Argyll Scott Technology Limited
Rodney started his career in recruitment in London in 1998 with Computer Team Group Ltd. In 2000 he joined Nicoll Curtin and became a founder of Nicoll Curtin Technology in 2003, a boutique IT recruitment firm focusing on IT into the financial services sector. He built the business to an annual turnover of more than £15m. In 2011, Rodney co-founded Argyll Scott Technology Limited with John.

5. Enlarged Group structure

The Argyll Scott Group comprises nine separate trading companies and immediately following completion of the Acquisition, the Enlarged Group will have the following structure:



Notes:

*51% is held by Mr Sathien Hemsin and First Asia Industries Limited

** 51% is held by Roland Selvanayagam on trust for the benefit of Argyll Scott (Hong Kong) international Limited

On completion of the Acquisition, Argyll Scott Holdings will acquire the sole economic interest in its Dubai operations with effect from 31 May 2017 through an asset purchase agreement with Redgrave Group Executive Search DMCC (a company ultimately owned by Brian Hamill, one of the Key Vendors) which has historically operated both its own and the Argyll Scott branded recruitment businesses in the Middle East. This agreement provides Argyll Scott Holdings with an option to acquire the entire legal interest in the assets, staff and contracts of the business for a nominal consideration at any time on or before 31 May 2021 pending the establishment by it of a duly-licensed, locally incorporated legal entity.

Shane Sibraa was a co-founder and initial investor in both Argyll Scott International (Hong Kong) Limited and Argyll Scott Singapore Pte Ltd. Similarly, Rodney Fraser was a co-founder and initial investor in Argyll Scott Technology Limited. Although both will, prior to completion of the Acquisition, exchange part of their shareholdings in those companies for shares in Argyll Scott Holdings which will be acquired by Hydrogen under the Acquisition Agreement, in order to optimise their future incentivisation they have both retained 30% direct shareholdings in their local businesses.

Andrew Dallas who joined the Argyll Scott Group as MD of Argyll Scott International Limited in June 2015 subscribed for 10% of its share capital in February 2016.

Under the terms of the Minority Interest Acquisition Agreement, Hydrogen has undertaken to acquire the remaining minority interests retained by Rodney Fraser, Andrew Dallas and Shane Sibraa. The consideration for the purchase of these minority interests may be settled either in new Ordinary Shares or in cash at Hydrogen's discretion. Further details of the terms of the Acquisition, its conditionality and the further acquisition of the remaining minority interests, are set out below under the headings "Principal terms of the Acquisition".

6. Pro-forma financial results of Argyll Scott Holdings for FY 2016

The unaudited summary consolidated pro forma income statement, statement of financial position and statement of cash flows (the "**pro forma financial information**") set out below for Argyll Scott Holdings for the FY 2016 have been prepared based on audited accounts, prepared under local GAAP, for itself and each of its subsidiaries and associated companies, together with the accounts of Argyll Scott Dubai which have been extracted from the audited accounts of Redgrave Group Executive Search DMCC. The Board is of the opinion that there are no material differences between local GAAP and IFRS and no material differences between the accounting policies of Argyll Scott Holdings and Hydrogen Group.

The unaudited pro forma financial information has been prepared to illustrate the effect on earnings, net assets and cash flows as if the financial statements of Argyll Scott Holdings and the relevant subsidiaries and associated companies were consolidated into a single group entity for the FY 2016 and has been based on the audited subsidiary accounts (together with the accounts of Argyll Scott Dubai which has been extracted from the audited accounts of Redgrave Group Executive Search DMCC) of Argyll Scott Holdings, together with appropriate consolidation adjustments. No material adjustments have been made to the audited accounts which form the basis of the unaudited pro forma financial information.

The unaudited consolidated pro forma financial information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore does not represent Argyll Scott Holdings' actual financial position or results.

Summary of income statement for the year ended 31 December 2016	*£m*
Revenue	18.1
Net fee income	8.4
Operating costs	(7.6)
Other income	-
Operating profit	**0.8**
- EMEA	-
- APAC	*£0.8m*
- Group costs	-
Finance costs	(0.1)
Finance income	**-**
Profit for the period before tax	**0.7**
Taxation	(0.2)
Profit for the period after tax	**0.5**
Attributable to owners	0.3
Attributable to non-controlling interests	0.2

Summary of financial position as at 31 December 2016	£m
Non-current assets	0.1
- Intangible assets	-
- Tangible assets	0.1
- Other assets	-
Current assets	3.6
- Debtors	2.9
- Cash and cash equivalents	0.7
Total assets	**3.7**
- Current liabilities	(3.0)
- Non-current liabilities	(0.2)
Total liabilities	**(3.2)**
Net assets	**0.5**

Summary of cash flows for the year ended 31 December 2016	£m
Operating cash flows before working capital movements	0.9
Working capital movement	(0.6)
- Movement on receivables	(0.4)
- Movement in payables	(0.2)
Finance costs	(0.1)
Tax paid	(0.1)
Net cash used in investing activities	(0.1)
Increase in borrowings	0.2
Dividends paid	(0.1)
Exchange gain on translation	0.1
Movement on cash in the year	**0.2**

In January 2017 Argyll Scott International (Hong Kong) Limited, a subsidiary of Argyll Scott Holdings, purchased the entire issued share capital of Reed Personnel Services PTE Ltd, Reed Hong Kong Ltd and Reed Specialist Recruitment Malaysia Sdn. Bhd., together comprising the "Reed Group".

The last audited financial statements of these entities were prepared under local GAAP for each respective entity for the year ended 30 June 2016. On an unaudited pro-forma consolidated basis the Reed Group generated revenues of £4.4 million a loss of £0.3 million and had net liabilities of £2.5 million for the year ended 30 June 2016, using the prevailing exchange rate for each local currency on 30 June 2016. This information is for illustrative purposes and addresses a hypothetical situation as if the Reed Group was consolidated as at 30 June 2016.

7. Background and reasons for the Acquisition

7.1. Background, rationale and benefits

The Board implemented a turnaround plan for the Company in 2015, turning its focus to developing its contracting business and developing market leading ultra-niche businesses which are more relevant to today's business practices.

The Board believes the Acquisition will provide a number of benefits to the Company:

7.2. Accelerate the Hydrogen Group's growth:

- build on Hydrogen's return to underlying growth and accelerate the growth path;
- rapidly expand the Hydrogen Group's presence in APAC - enhance its contact base in order to leverage new and existing relationships to ensure the business continues to find the highest calibre candidates for clients;
- generate increased economies of scale and further dilute central costs; and
- realise synergies through the alignment of internal IT systems, procedures, processes and head office costs;

7.3. Diversification

- diversify customer revenue concentration within the Enlarged Group; and
- increase the proportion of NFI originating from outside the UK to greater than 50%;

7.4. Opportunity for further value creation

- leverage the Hydrogen Group's investment in digital marketing and infrastructure;
- accelerate implementation of the Enlarged Group's business plan;
- improve the ability to meet clients' needs in a more timely fashion due to increased proximity to a broader candidate base;
- increase the complementary skills of Hydrogen and Argyll Scott; and
- increased resources should allow the Enlarged Group to compete more effectively for prominent on-going relationships with clients.

7.5. Strategy for the Enlarged Group

The Board have the following strategy and outlook for the Enlarged Group:

- multi-brand with a focus on growing incubators and fast growth businesses to market leaders;
- focus on improving the Company's profit conversion in its market leading businesses;
- integrate back office and leverage global platform. and
- explore further mergers and acquisition opportunities.

7.6. Summary of objectives

The Board have the following objectives for the Enlarged Group:

- to grow NFI organically by over 10% per annum;
- to grow PBT organically by at least 20% per annum; and
- to increase underlying PBT to NFI conversion to greater than 10%.

8. Principal terms of the Acquisition

8.1. Acquisition Agreement

Under the terms of the Acquisition Agreement, Hydrogen has agreed with the Key Vendors that it will, subject to Shareholder approval, acquire Argyll Scott Holdings from the Vendors through the issue of 9,034,110 new Ordinary Shares representing 27.4 per cent. of the Enlarged Share Capital. The Minority Vendors will retain minority interests in certain subsidiary companies as described further in paragraph 8.2 below.

The Key Vendors have given customary warranties and indemnities and will be subject to restrictions against competing with the Hydrogen Group for two years from completion of the Acquisition. These restrictions will not, however, prevent, one vendor, Brian Hamill from continuing to operate the executive search firm business carried on by the Redgrave group of companies.

Completion of the Acquisition Agreement is conditional on the passing of the Resolution.

8.2. Minority Interest Acquisition Agreement

The Minority Vendors will retain minority interests in four Argyll Scott Holdings subsidiary companies and associated companies. These retained minority interests are as follows:

- Andrew Dallas: 10% of Argyll Scott International Limited
- Rodney Fraser: 30% of Argyll Scott Technology Limited
- Shane Sibraa: 30% of the two companies comprising Argyll Scott Asia

Argyll Scott Technology and Argyll Scott Asia

Under the terms of the Minority Interest Acquisition Agreement, Hydrogen will agree to acquire the remaining minority interests in Argyll Scott Technology and Argyll Scott Asia in four share purchases of 7.5% of the outstanding share capital within 15 Business Days of each of 30 April 2018, 30 April 2019, 30 April 2020 and 30 April 2021.

The consideration for each share purchase will be calculated as a multiple of the prior financial year's audited profit after tax of the company in question. The multiple will be equal to Hydrogen's historic P/E ratio on that date (30 April) subject to a discount of 25% provided that the multiple shall not be less than 5 times or greater than 7.5 times. Hydrogen's historic P/E ratio for this purpose will be equal to its market capitalisation on each 30 April divided by its prior financial year reported statutory profit after tax, excluding any material non-trading foreign exchange derived gains or losses.

Argyll Scott International

Under the terms of the Minority Interest Acquisition Agreement, Hydrogen will also agree to acquire the 10% minority interest in Argyll Scott International within 15 Business Days of 30 April 2021.

The consideration for this share purchase will be calculated as a multiple of Argyll Scott International's average audited profit after tax for the two financial years ending 31 December 2019 and 31 December 2020. The multiple will be equal to Hydrogen's historic P/E ratio on 30 April 2021 subject to a discount of 25% provided that the multiple shall not be less than 5 or greater than 7.5 times. Hydrogen's historic P/E ratio for this purpose will be equal to its market capitalisation on 30 April 2021 divided by its prior financial year reported statutory profit after tax, excluding any material non-trading foreign exchange derived gains or losses.

Form of consideration

The consideration for the minority interests may be settled either in new Ordinary Shares ("**Deferred Consideration Shares**") or in cash at Hydrogen's sole discretion, save that each Minority Vendor may choose to receive up to £75,000 of the consideration due to him in cash in any year where consideration is payable.

Should Andrew Dallas cease to be engaged (other than in certain circumstances) in a full time capacity by a member of the Enlarged Group prior to 30 April 2021, the multiple described above which applies in respect of the consideration due to him on that date will be reduced on a proportionate basis.

Should Rodney Fraser or Shane Sibraa cease to be engaged (other than in certain circumstances) in a full time capacity by a member of the Enlarged Group prior to the date on which any consideration is due to be paid to him, the multiple described above which applies in respect of the consideration due on that date and in the future will be reduced by 50 per cent.

Entry into the Minority Interest Acquisition Agreement is conditional upon completion of the Acquisition Agreement itself.

9. Working capital

The Directors are of the opinion, having made due and careful enquiry, that, on the basis that the Enlarged Group's existing bank facilities remain available to it and taking into account the existing cash resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

10. Lock in and orderly market arrangements

The Vendors will each give an irrevocable undertaking not to dispose (save in certain specified circumstances) of any interest in their Consideration Shares for a period of one year from Admission. The Vendors will also undertake that they will not dispose of any interest in Consideration Shares for a period of 12 months following the first anniversary of Admission unless such disposal is effected through, and agreed by, Shore Capital.

The Minority Vendors will each give an irrevocable undertaking not to dispose (save in certain specified circumstances) of any interest in their Deferred Consideration Shares for a period of one year from issue. The Minority Vendors will also undertake that they will not dispose of any interest in Deferred Consideration Shares for a period of 12 months following the first anniversary of issue unless such disposal is effected through, and agreed by, Shore Capital.

The Directors will also each enter into an irrevocable undertaking not to dispose (save in certain specified circumstances) of any interest in their Ordinary Shares for a period of one year from Admission. The Directors will also undertake that they will not dispose of any interest in Ordinary Shares for a period of 12 months following the first anniversary of Admission unless such disposal is effected through, and agreed by, Shore Capital.

11. Board

Conditional on completion of the Acquisition, John Hunter will join the Board of the Enlarged Group as Executive Director and will be responsible for further developing the Enlarged Group's businesses in APAC and the US. Ian Temple will continue in his capacity as Chief Executive Officer of the Enlarged Group and will retain primary responsibility for defining the Group's strategy.

Service agreement

John Hunter has entered into a service agreement conditional upon completion of the Acquisition Agreement, pursuant to which Mr Hunter will be appointed as Executive Director of Hydrogen and will receive an annual salary of £168,000. The appointment will be terminable on six months' notice on either side. Mr Hunter will be entitled to an annual car allowance of £12,000 per annum, private medical insurance and a pension contribution of £10,000 per annum.. Mr Hunter will be eligible to receive an annual bonus at the discretion of the Board and he is eligible to participate in the Company's executive share scheme.

12. Relationship Agreement

The Company and SCC will enter into the Relationship Agreement with the Key Vendors to regulate their on-going relationship with the Company, so as to ensure that the Enlarged Group is capable of carrying on its businesses independently of the Key Vendors and that any transactions and relationships between the Hydrogen Group and the Key Vendors are at arms' length and on a normal commercial basis and do not affect the Enlarged Group's continuing appropriateness as a company whose Ordinary Shares are traded on AIM.

The Relationship Agreement will apply for as long as the Ordinary Shares are admitted to trading on AIM and the Key Vendors and any persons connected with them are able to exercise control including holding, in aggregate, an interest in 15 per cent. or more of the Ordinary Shares.

Under the Relationship Agreement the Key Vendors will undertake to each of the Company and SCC to exercise their voting rights and to procure that any person connected with them will exercise their voting rights over Ordinary Shares such that, amongst other things:

a) the Enlarged Group will be managed independently of the Key Vendor Group; and

b) any transactions, agreements or arrangements between any member of the Enlarged Group and the Key Vendor Group are made at arm's length and on normal commercial terms and with the prior approval of the Independent Directors (with the Key Vendors and any connected persons who are directors of the Company abstaining from any such resolution).

13. Concert party and the Code

The Acquisition gives rise to certain considerations under the Code. The Code is issued and administered by the Panel. The Code applies to all takeovers and merger transactions however effected, where the offeree company is, inter alia, a public company with its registered office in the UK and whose place of central management and control is in the UK. The Company is and will be a company subject to the Code and, as a result, Shareholders are entitled to the protections afforded by the Code.

Under Rule 9 of the Code ("**Rule 9**") where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Code) which (taken together with shares already held by him and any interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company which is subject to the Code, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

An offer under Rule 9 must be in cash (or with a cash alternative) and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

For the purposes of the Code, the Vendors (and Andrew Dallas) are presumed to be acting in concert in relation to the Company in connection with the Acquisition. Following completion of the Acquisition the Concert Party will, as a result of the Acquisition, beneficially own 27.4 per cent. of the Enlarged Share Capital which will be held as follows:

Name of Concert Party Member	**Number of Ordinary Shares on Admission**	**Percentage of Enlarged Share Capital**
Brian Hamill	2,924,815	8.87%
Shane Sibraa	1,897,074	5.75%
John Hunter	1,646,872	4.99%
Rodney Fraser	636,264	1.93%
James Howells	524,967	1.59%
David Bodmer	406,667	1.23%
James Fitzsimmons	246,958	0.75%
Somerled Macdonald	236,805	0.72%
Paul Fox	236,805	0.72%
Marek Danyluk	157,713	0.48%
Redgrave Search Ltd	96,666	0.29%
Matthew Finnegan	22,504	0.07%
Total	**9,034,110**	**27.40%**

14. Proposal

In order to issue the Consideration Shares and therefore complete the Acquisition, the Directors need the authority of the Shareholders. The Directors have therefore proposed the Resolution.

15. Leadership Scheme and Minority Interest Share Scheme

In order to recruit, retain and incentivise selected key employees, managers of the Enlarged Group's business units and group senior management, the Company intends to implement two incentive schemes being the Leadership Share Scheme and the Minority Interest Share Scheme (together the "**Incentive Schemes**"). Resolutions to approve the establishment of the Incentive Schemes are being tabled, together with explanatory notes on both incentive Schemes, at the Company's forthcoming annual general meeting ("**AGM**") to be held at its offices 30 Eastcheap, London, EC3M 1HD on 2 June 2017 at 8.10 a.m. The Company's notice of AGM is today being posted to Shareholders in conjunction with the Company's annual report and this document, with the associated forms of proxy.

16. Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolution from Directors and certain Shareholders who hold, or are interested in, an aggregate of 14,645,510 Existing Ordinary Shares, representing approximately 61.2 per cent. of the Company's current issued share capital.

17. General Meeting

The Directors do not currently have the authority required under the Act in order for them to allot the Consideration Shares pursuant to the Acquisition Agreement. Accordingly, the Directors are seeking authority at the General Meeting to allot the Consideration Shares in order to implement the Acquisition. Set out at the end of this document is a notice convening the General Meeting to be held at the offices of Hydrogen Group plc, 30 Eastcheap, London, EC3M 1HD on 2 June 2017 at 8.05 a.m., at which the Resolution will be proposed.

18. Action to be taken

The Form of Proxy for use at the General Meeting by Shareholders holding Existing Ordinary Shares in certificated form accompanies this document. Whether or not you intend to be present at the meeting, the Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's registrars, Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible, but in any event so as to be received by no later than 8.05 a.m. on 31 May 2017. Alternatively, CREST members who wish to appoint a proxy or proxies via CREST may do so in accordance with the procedures set out in the Notice of General Meeting and described in the CREST Manual. **The completion and return of a Form of Proxy or appointment of a proxy via CREST will not preclude Shareholders from attending the General Meeting and voting in person should they so wish.**

19. Recommendation

The Directors consider the Acquisition to be in the best interests of the Company and its Shareholders as a whole and accordingly unanimously recommend that Shareholders vote in favour of the Resolution as they intend to do in respect of their beneficial holdings amounting, in aggregate, to 4,665,392 Existing Ordinary Shares, representing approximately 19.5 per cent. of the current issued share capital of the Company.

Yours faithfully

Stephen Puckett

Non-Executive Chairman

Hydrogen Group Plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05563206)

Notice of General Meeting

Notice is given that a general meeting of the members of the Company will be held at the offices of Hydrogen Group Plc, 30 Eastcheap, London, EC3M 1HD on 2nd June 2017 at 8.05 a.m. to consider and if thought fit to transact the following business.

Ordinary resolution

1. That:

1.1 in accordance with section 551 of the Companies Act 2006, the directors of the Company be generally and unconditionally authorised to allot Relevant Securities (as defined below) up to an aggregate nominal amount of £91,341.10 as consideration for the acquisition by the Company of the entire issued share capital of Argyll Scott (Holdings) Limited;

1.2 this authority will, unless renewed, varied or revoked by the Company, expire on 2 June 2018 but the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired;

1.3 this resolution is in addition to all unexercised authorities previously granted to the directors to allot Relevant Securities and is without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities;

1.4 in this resolution, **Relevant Securities** means:

1.4.1 shares in the Company other than shares allotted pursuant to:

1.4.1.1 an employee share scheme (as defined by section 1166 of the Companies Act 2006);

1.4.1.2 a right to subscribe for shares in the Company where the grant of the right itself constitutes a Relevant Security; or

1.4.1.3 a right to convert securities into shares in the Company where the grant of the right itself constitutes a Relevant Security; and

1.4.2 any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Companies Act 2006). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

By order of the board

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Notes:

(i) Voting will take place by means of a show of hands, unless a poll vote is demanded.

(ii) A shareholder may appoint one or more proxies to exercise their voting rights at the General Meeting ("GM"), so long as each proxy is appointed to exercise voting rights attached to different shares. A proxy need not be a member of the Company.

(ii) The Form of Proxy provided by post may be used to appoint a proxy to attend and vote at the meeting on behalf of a shareholder. Shareholders who have already registered their details at www.capitashareportal.com may choose instead to register their proxy appointment online. Full details on giving voting instructions are available at www.capitashareportal.com or on the Form of Proxy. A blank Form of Proxy can also be downloaded from our website at www.hydrogengroup.com/GM_documents. The postal address for receipt of completed proxy forms is Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

(iii) To be valid, an electronic proxy appointment, or a duly signed Form of Proxy, (together with any power of attorney or other authority under which it is signed, or a certified copy of the same, if applicable), must be received by the Registrars by 8.05 a.m. on 31 May 2017. The cut-off time for receipt of proxy appointments also applies to the amendment of proxy instructions. Any amended proxy appointment received after 8.05 a.m. on 31 May 2017 will be disregarded.

(iv) Appointing a proxy will not prevent you from attending the GM and voting in person. However, if you decide to do so, any proxy previously appointed by you will not also be able to attend, speak and vote on your behalf.

(v) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders listed in the register of members of the Company as at close of business on 31 May 2017 shall be entitled to attend and vote at the GM in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is the close of business on the day preceding the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

(vi) In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(vii) Copies of directors' service contracts and the letters of appointment of the non-executive directors will be available for inspection at the registered office of the Company, 30-40 Eastcheap, London EC3M 1HD, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the GM.

(viii) As at the date of this Notice the Company's issued share capital comprises 23,941,713 ordinary shares of 1p each. Each ordinary share carries one vote and therefore the total number of voting rights at 8 May 2017 was 23,941,713.