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KOS International Holdings Limited
高奧士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8042)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of KOS International Holdings Limited (the "**Company**" or "**KOS International**", together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

RESULTS

The board of Directors of the Company (the "**Board**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022, together with the audited comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Revenue	4	**125,965**	108,948
Other income	5	**2,419**	272
Other gains and losses	6	**(707)**	37
Staff costs		**(88,201)**	(77,698)
Other expenses and losses		**(22,258)**	(16,226)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal		**(286)**	(327)
Finance costs	7	**(377)**	(170)
Profit before taxation	8	**16,555**	14,836
Income tax expense	9	**(2,508)**	(2,032)
Profit for the year		**14,047**	12,804
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(507)**	148
Total comprehensive income for the year		**13,540**	12,952
Earnings per share – basic and diluted *(Hong Kong cent)*	11	**1.76**	1.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Non-current assets			
Property, plant and equipment		**5,322**	2,543
Right-of-use assets		**7,002**	5,904
Other intangible asset		**980**	–
Rental deposits	12	**1,185**	674
Equity instrument at fair value through other comprehensive income ("**FVTOCI**")		**1,556**	1,556
		16,045	10,677
Current assets			
Accounts and other receivables	12	**28,300**	19,747
Tax recoverable		**44**	–
Financial assets at fair value through profit or loss ("**FVTPL**")		**949**	1,608
Pledged bank deposits		**3,600**	1,200
Bank balances and cash		**42,734**	42,767
		75,627	65,322
Current liabilities			
Other payables and accruals		**10,742**	9,748
Contract liability		**258**	–
Lease liabilities		**3,819**	1,971
Taxation payable		**1,035**	1,794
Bank overdraft		**5,996**	5,965
		21,850	19,478
Net current assets		**53,777**	45,844
Non-current liabilities			
Lease liabilities		**3,285**	3,724
Deferred tax liability		**299**	305
Provision for reinstatement costs		**431**	225
		4,015	4,254
Net assets		**65,807**	52,267

	2022	2021
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**8,000**	8,000
Reserves	**57,807**	44,267
Total equity	**65,807**	52,267

Notes:

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on GEM of the Stock Exchange on 12 October 2018. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Suite 610, 6th Floor, Ocean Centre, No. 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company's immediate and ultimate holding company is KJE Limited, a company incorporated in the British Virgin Islands. The ultimate controlling parties of the Company are Mr. Chan Ka Kin Kevin ("**Mr. Kevin Chan**"), Mr. Chan Ka On Eddie ("**Mr. Eddie Chan**"), Mr. Chan Ka Shing Jackson ("**Mr. Jackson Chan**") and Mr. Chow Ka Wai Raymond ("**Mr. Raymond Chow**").

The Company is an investment holding company and its subsidiaries are principally engaged in providing recruitment services and secondment and payroll services in Hong Kong, Macau and the Mainland of the People's Republic of China (the "**PRC**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 "Business Combinations" so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of the HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK (IFRIC)-Int 21 "Levies", an acquirer applies HKAS 37 or HK (IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

Impact on application of Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 "Inventories".

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

Impact on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

Impact on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	2022	2021
	HK$'000	*HK$'000*
Recruitment services		
– Hong Kong	**78,150**	61,767
– The PRC	**21,985**	17,355
	100,135	79,122
Secondment and payroll services		
– Hong Kong	**23,429**	26,786
– Macau	**2,401**	3,040
	25,830	29,826
Total	**125,965**	108,948

Segment information

The Group's operating segment is determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company) for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on their services, and only has one operating segment, human resource services operation. The chief operating decision maker reviews the revenue and results of the Group as a whole without further discrete financial information.

Accordingly, no analysis of this single operating and reportable segment is presented.

The majority of Group's revenue is generated from Hong Kong, and majority of non-current assets are located in Hong Kong.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the year is as follows:

	2022	2021
	HK$'000	*HK$'000*
Customer A	**14,859**	17,210
Customer B	**13,860**	11,467

5. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Dividend income from investments in listed securities	**41**	9
Interest income	**168**	22
Government grants *(Note)*	**2,116**	–
Sundry income	**94**	241
	2,419	272

Note: For the year ended 31 December 2022, the Group recognised government grants HK$2,116,000 in respect of COVID-19 related subsidies of which HK$1,786,000 relates to Employment Support Scheme, HK$60,000 relates to Anti-Epidemic Funds provided by the Hong Kong Government and the remaining relates to One-time Expansion subsidy and Job Stability subsidy granted by the PRC Government and Employer subsidy for COVID-19 provided by the Macau Government.

6. OTHER GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Net realised gain on financial assets at FVTPL	**–**	207
Net unrealised loss on financial assets at FVTPL	**(707)**	(170)
	(707)	37

7. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on lease liabilities	**323**	111
Interest on bank overdraft	**39**	57
Interest on provision for reinstatement costs	**15**	2
	377	170

8. PROFIT BEFORE TAXATION

	2022	2021
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**6,904**	6,682
Salaries and allowance for staff excluding directors	**76,449**	67,158
Staff welfare	**494**	677
Retirement benefit schemes contributions for staff excluding directors	**4,354**	3,181
Total staff costs	**88,201**	77,698
Rental expenses in respect of short-term leases	**1,088**	1,254
Depreciation of property, plant and equipment	**1,582**	1,532
Depreciation of right-of-use assets	**3,565**	2,181
Write-off of property, plant and equipment	**–**	3
Auditor's remuneration	**800**	800

9. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**2,622**	1,732
– The PRC Enterprise Income Tax (the "**EIT**")	**–**	121
	2,622	1,853
Overprovision in prior years	**(108)**	(6)
	2,514	1,847
Deferred tax	**(6)**	185
	2,508	2,032

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the two-tiered profits rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding Macao Pataca ("**MOP**") 600,000 for each of the years ended 31 December 2022 and 2021. No provision of Macau Complementary Tax was made as the subsidiary in Macau has no assessable profit exceeding MOP600,000 in both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for the year ended 31 December 2021. No provision for EIT is made for the year ended 31 December 2022 as the Group has no assessable profit arising in the PRC or the assessable profits are wholly absorbed by tax losses brought forward from prior years.

According to Guangdong Provincial Tax Service, State Taxation Administration 《財政部稅務總局關於實施小微企業和個體工商戶所得稅優惠政策的公告》(2021年第12號), on the first RMB1 million annual taxable income, the subsidiary would enjoy the deduction of such taxable income to 12.5% at 20% enterprise income tax rate; for the annual taxable income exceeding RMB1 million but less than RMB3 million, the subsidiary would enjoy the deduction of such taxable income to 50% at 20% enterprise income tax rate from 1 January 2021 to 31 December 2022.

10. DIVIDENDS

No dividend has been proposed by the directors of the Company for the year ended 31 December 2022 (2021: Nil).

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2022	2021
	HK$'000	*HK$'000*
Profit for the year	**14,047**	12,804

	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share	**800,000,000**	800,000,000

No diluted earnings per share for years ended 31 December 2022 and 2021 were presented as there were no potential ordinary shares in issue during the years ended 31 December 2022 and 2021.

12. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSITS

	2022	2021
	HK$'000	*HK$'000*
Accounts receivables	**25,294**	17,830
Less: Allowance for ECL	**(939)**	(653)
	24,355	17,177
Other receivables		
– Prepayments	**1,807**	1,414
– Rental and utility deposits	**1,425**	1,430
– Others	**1,898**	400
Total accounts and other receivables	**29,485**	20,421
Less: Receivables within twelve months shown under current assets	**(28,300)**	(19,747)
Rental deposits shown under non-current assets	**1,185**	674

Generally, the Group allows a credit period of not more than 60 days to its customers.

The following is an ageing analysis of accounts receivables presented based on the revenue recognition date at the end of the reporting period.

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**9,500**	12,074
31 to 60 days	**3,506**	3,071
61 to 90 days	**1,940**	907
91 to 180 days	**5,546**	1,057
Over 180 days	**3,863**	68
	24,355	17,177

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business review

KOS International is a leading human resources ("**HR**") service provider that is based in Hong Kong. We believe that hiring the right people is key to the success of every company. As such, we provide impeccable recruitment services to our clients by placing high-calibre candidates that are most suitable for our clients' vacancies. Together with our secondment and payroll services, we extend beyond job placements by providing a complete HR solution for our clients. We have already established offices in Hong Kong, Shenzhen, and Guangzhou, and have recently set up an office in Singapore. With the vision of becoming the leading HR service provider in Hong Kong, Mainland China and Southeast Asia, we will continue to grow and expand our team. In addition to the Greater Bay Area ("**GBA**"), we aim to expand our footprint in other regions of China as well as Southeast Asia in the future.

The COVID-19 pandemic continued to create a challenging environment for many corporations in 2022. Moreover, Hong Kong's economy experienced a contraction due to the impact of the fifth wave of the local epidemic. Thanks to the stabilization of the local epidemic, gradual relaxation of social distancing measures, improved labour market conditions, and the issuance of consumer vouchers, private consumption was able to improve since the second quarter of 2022 especially towards the end of the year. Mainland China faced challenges caused by the pandemic for most of 2022. Applying strict quarantine measures for certain major cities resulted in a loss of growth momentum for Mainland China's domestic demand and consumption. Despite the challenging operating conditions, by staying agile and adopting effective business development strategies, the Group was still able to grow its business in 2022 – especially with our Hong Kong clients being able to adjust their recruitment procedures with appropriate steps and measures to adapt to the new normal.

The revenue generated from the Group's recruitment services recorded growth for the year ended 31 December 2022, as compared to the same period in 2021. Thanks to the great effort from management and all our employees, we were able to seize various market opportunities, leading to a satisfactory performance in 2022. The Group's revenue recorded an increase of approximately HK$17,017,000 or 15.6% from approximately HK$108,948,000 for the year ended 31 December 2021 to approximately HK$125,965,000 for the year ended 31 December 2022. Furthermore, the Group reported a net profit of approximately HK$14,047,000 for the year ended 31 December 2022, as compared to approximately HK$12,804,000 for the year ended 31 December 2021.

Revenue from Hong Kong operations

Hong Kong's economy faced numerous challenges in 2022 after a visible expansion in 2021. The fifth wave of the local epidemic and the subsequent deterioration of the external environment also affected the Hong Kong's economic activity. However, even though real gross domestic product ("**GDP**") contracted by 3.5% for 2022, the unemployment rate kept improving throughout the year. This has reflected the optimism of Hong Kong corporations about economic recovery and their subsequent hiring plans. We have noticed active recruitment activity and constant demand for hiring quality talent, especially in the financial services ("**FS**") and sales and marketing sectors ("**S&M**").

As one of the core pillars supporting Hong Kong's economy, the demand for talent in the FS sector has always been high. As banks in Hong Kong allocate more resources to developing finance technologies, green finance, and GBA wealth management, we saw growth in demand for finance talent across a wide range of areas in 2022, including retail banking. Being a key revenue generator, front office hiring has been highly active, and with our dedicated FS team and sufficient candidate pool, we satisfied the talent needs of our FS clients effectively.

During the pandemic in 2022, the sales and marketing industry had rapidly adapted to use digital technologies and sales techniques to pivot at excessive speed to maintain tempo with evolving consumer behaviour and had driven businesses' digital transformation. More S&M talents were needed to augment each and every factor of online experience and capitalise on market trends. The skills of S&M talents were also desired by companies to leverage digital marketing and technology to build their brand presence and reputation. Our experienced staff was able to address the needs of each position and make timely placements. We see great business potential in not only the two aforementioned sectors but also across the entire labour market in Hong Kong. We will continue to invest resources to enhance our team in order to deliver the best services to our clients.

The revenue generated from recruitment services in Hong Kong recorded an increase of approximately HK$16,383,000 or 26.5% from approximately HK$61,767,000 for the year ended 31 December 2021 to approximately HK$78,150,000 for the year ended 31 December 2022. For secondment and payroll services, the team has changed our business development strategies and placed more focus on new clients with better margin. Due to the change in client profile, the revenue generated from secondment and payroll services in Hong Kong recorded a decrease of approximately HK$3,357,000 or 12.5% from approximately HK$26,786,000 for the year ended 31 December 2021 to approximately HK$23,429,000 for the year ended 31 December 2022. With the Group's dedicated staff and established processes, the Group fulfilled the needs and expectations of our clients and considerably reduced their time and costs for communication and administrative tasks with regards to payroll.

Revenue from Mainland China operations

Mainland China experienced one of the slowest growth periods in nearly half a century after being hit hard by strict COVID-19 restrictions, especially during the fourth quarter, which also included a property market slump. The GDP growth in 2022 was 3.0%, only slightly better than the 2.2% expansion after the initial impact of COVID-19 in 2020. Despite the challenging environment, with our Mainland China team's devotion to high standards and professional services, the Group managed to grow its revenue from approximately HK$17,355,000 for the year ended 31 December 2021 to approximately HK$21,985,000 for the year ended 31 December 2022, indicating an increase of approximately HK$4,630,000 or 26.7%.

The following strategies and expansion plans continue to be in place in our Shenzhen and Guangzhou offices:

- Follow the "Outline Development Plan for GBA" (粵港澳大灣區發展規劃綱要) to increase our presence in the technology, consumer, and property sectors, mainly in Shenzhen and Guangzhou;

- Build teams to focus on domestic Chinese technology, e-commerce, and healthcare companies which thrived throughout the pandemic;

- Enhance the quality of our current teams through more structured internal and external training; and

- Improve public visibility and brand awareness with the existing in-house marketing team.

Mainland China's relaxation of stringent anti-virus measures is expected to help improve the economy. Our Mainland China team will remain agile and ready to take full advantage of any opportunities during economic recovery. We will continue to place strong focus on business in Mainland China, and its performance will play a key role in achieving the Group's strategic goals and vision.

Looking ahead

Since the Omicron outbreak of COVID-19 in 2022, Hong Kong's economy has faced many challenges, which was reflected in its fall in GDP. Mainland China's economy was also greatly affected in 2022. For the rest of 2023, we envision both opportunities and challenges. With the pandemic and social distancing measures coming to an end, Mainland China has opened its borders and Hong Kong is speeding up its reconnection with Mainland China and the rest of the world. Although the pace of economic recovery will remain uncertain in 2023, we will leverage our agility and adaptability to begin a new chapter in the post-epidemic era. Based on our past performance, we have proven to be resilient under tough situations, and this is set to continue going forward. We see great potential for HR services in Hong Kong, Mainland China, and Southeast Asia and will consider expanding into other cities at the right time and under the right conditions. We are cautiously optimistic about the Group's overall performance in 2023, and will continue to strive for excellence.

To generate and preserve value over the longer term, and deliver the Group's objectives, the Group will in 2023:

- Gather the Group's existing resources and put a strong focus on industries with recovery potential;
- Invest in the Group's team serving the financial services and information technology sectors in Hong Kong, as well as businesses in Mainland China and Singapore, while at the same time closely monitor the performance and return on investment;
- Drive activity, productivity, and profitability with stringent measures in terms of team composition, discipline, and geography;
- Recruit selectively from our competition, as well as train, develop, and retain quality recruitment talent who are vital to the Group's long-term organic growth strategy;
- Maintain sound liquidity and cashflow management practices;
- Strengthen our in-house marketing teams in both Hong Kong, Mainland China and Singapore to raise brand awareness using digital and social media platforms;
- Stay ahead of the market and pay close attention to potential investment opportunities that provide good returns and/or have synergy with our core business; and
- Create more corporate social value as both a public company and HR service company.

Despite the uncertain economic conditions, we will continue to seek opportunities out of adversity. The Group is excited about the possibilities that lie ahead along the path of economic recovery. We are also well prepared to fine tune our plans and future direction, wherever and whenever needed, to seize those opportunities. We will actively explore all possible approaches to extend the Group's business horizons and will work hard in strengthening our overall business development. The Group's business strategy will always be in line with our vision and core values, and from there, we will press on towards our goals.

FINANCIAL REVIEW

Revenue

Our revenue was derived from the provision of recruitment services and secondment and payroll services.

The Group's revenue amounted to approximately HK$125,965,000 for the year ended 31 December 2022, increased by approximately HK$17,017,000 or 15.6% as compared to approximately HK$108,948,000 for the year ended 31 December 2021.

Set forth below is a breakdown of the total revenue during the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*
Recruitment services				
– Hong Kong	**78,150**	**62.0**	61,767	56.7
– Mainland China	**21,985**	**17.5**	17,355	15.9
	100,135	**79.5**	79,122	72.6
Secondment and payroll services				
– Hong Kong	**23,429**	**18.6**	26,786	24.6
– Macau	**2,401**	**1.9**	3,040	2.8
	25,830	**20.5**	29,826	27.4
Total revenue	**125,965**	**100.0**	108,948	100.0

(i) Revenue from recruitment services

We provide recruitment services primarily in Hong Kong and Mainland China. Revenue from recruitment services amounted to approximately HK$100,135,000 for the year ended 31 December 2022 and approximately HK$79,122,000 for the year ended 31 December 2021, representing approximately 79.5% and 72.6% of the total revenue, respectively.

The increase in the recruitment service revenue of the Group was mainly attributable to the increased demand from the Group's clients from both Hong Kong and Mainland China operations and a sharp increase in the number of successful placements during the year. Benefiting mainly from the Group's business expansion in both Hong Kong and Mainland China, the revenue generated from the recruitment services of the Group has recorded a significant growth for the year ended 31 December 2022.

The recruitment service revenue in Hong Kong increased by approximately HK$16,383,000 or 26.5% from approximately HK$61,767,000 for the year ended 31 December 2021 to approximately HK$78,150,000 for the year ended 31 December 2022. The recruitment service revenue in Mainland China increased by approximately HK$4,630,000 or 26.7% from approximately HK$17,355,000 for the year ended 31 December 2021 to approximately HK$21,985,000 for the year ended 31 December 2022.

(ii) Revenue from secondment and payroll services

We provide secondment and payroll services in Hong Kong and Macau. Revenue from secondment and payroll services amounted to approximately HK$25,830,000 for the year ended 31 December 2022 and approximately HK$29,826,000 for the year ended 31 December 2021, representing approximately 20.5% and 27.4% of the total revenue, respectively. The revenue from secondment and payroll service decreased approximately by HK$3,996,000 or 13.4%. Such decrease was mainly attributable to the decrease in demand for the secondment service from our customers in both Hong Kong and Macau and the change of annual remuneration package of the secondment staff.

(iii) Revenue by geographical location

During the years ended 31 December 2022 and 2021, Hong Kong remained as our major market, which contributed approximately 80.6% and 81.3% of the total revenue, respectively. The revenue generated from Hong Kong increased by approximately HK$13,026,000 or 14.7% from approximately HK$88,553,000 for the year ended 31 December 2021 to approximately HK$101,579,000 for the year ended 31 December 2022. The revenue generated from Mainland China increased by approximately HK$4,630,000 or 26.7% from approximately HK$17,355,000 for the year ended 31 December 2021 to approximately HK$21,985,000 for the year ended 31 December 2022. Such increase was primarily due to the increased demand from the Group's clients from both Hong Kong and Mainland China operations.

Other income

Other income increased by approximately HK$2,147,000 from approximately HK$272,000 for the year ended 31 December 2021 to approximately HK$2,419,000 for the year ended 31 December 2022. The increment was primarily due to the Group recognised government grants of approximately HK$2,116,000 in respect of COVID-19 related subsidies of which HK$1,786,000 relates to Employment Support Scheme, HK$60,000 relates to Anti-Epidemic Funds provided by the Hong Kong Government and the remaining relates to one-time Expansion subsidy and Job Stability subsidy granted by the PRC Government and Employer subsidy for COVID-19 provided by the Macau Government. No subsidies were granted during the year ended 31 December 2021.

Staff costs

Staff costs comprise (i) the salaries and other staff benefits the Group paid to its internal staff for carrying on and in support of its business operation; and (ii) the labour cost associated with deployment of seconded staff for the secondment and payroll services. The majority of the internal staff costs are the salaries and other staff benefits relating to the consultants for carrying on the recruitment services.

For the year ended 31 December 2022, the staff costs were approximately HK$88,201,000 (2021: approximately HK$77,698,000), which accounted for approximately 70.0% (2021: approximately 71.3%) of the revenue. Seconded staff costs for the year ended 31 December 2022 was approximately HK$22,932,000 (2021: approximately HK$27,644,000), representing approximately 26.0% of the total staff costs (2021: approximately 35.6%). The internal staff costs amounted to approximately HK$65,269,000 for the year ended 31 December 2022 (2021: approximately HK$50,054,000), representing approximately 74.0% of the total staff costs (2021: approximately 64.4%).

The staff costs increased by approximately HK$10,503,000 or 13.5%. The increment was due to the increase in the internal staff cost by approximately HK$15,215,000 or 30.4% which was mainly due to the expansion of business scale in the Group and the revenue related commission package for the consultants for the talent retention. The seconded staff costs decreased by approximately HK$4,712,000 or 17.0% which mainly due to the decrease in demand for the secondment and payroll services and the change of annual remuneration package of the secondment staff.

Other expenses and losses

Other expenses and losses increased by approximately HK$6,032,000 from approximately HK$16,226,000 for the year ended 31 December 2021 to approximately HK$22,258,000 for the year ended 31 December 2022. Other expenses and losses mainly consist of rent and rates, depreciation, marketing and advertising expenses and business expenses related to the business expansion in both Hong Kong and Mainland China.

Finance costs

Finance costs represented the interest on lease liabilities, bank overdraft facility and interest on provision for reinstatement costs. The interest on the lease liabilities are increased by approximately HK$212,000 from approximately HK$111,000 for the year ended 31 December 2021 to approximately HK$323,000 for the year ended 31 December 2022. The increment is due to the new rental of Mainland China office and Hong Kong office. The interest on a bank overdraft facility and provision for reinstatement costs are amounted to approximately HK$39,000 (2021: approximately HK$57,000) and approximately HK$15,000 (2021: approximately HK$2,000), respectively.

Income tax expense

For the year ended 31 December 2022, income tax expense increased by approximately HK$476,000, from approximately HK$2,032,000 for the year ended 31 December 2021 to approximately HK$2,508,000 for the year ended 31 December 2022. The increase was primarily attributable to the increase in estimated assessable profits from the operating subsidiaries of the Group.

Total comprehensive income for the year

As a result of the foregoing, total comprehensive income for the year ended 31 December 2022 increased by approximately HK$588,000 or 4.5%, from approximately HK$12,952,000 for the year ended 31 December 2021 to approximately HK$13,540,000 for the year ended 31 December 2022. If the government subsidies under the Government's Anti-epidemic Fund in Hong Kong, Macau and Mainland China are excluded, the Group would have recorded a total comprehensive income for the year ended 31 December 2022 of approximately HK$11,424,000 as compared to a total comprehensive income of approximately HK$12,952,000 for the year ended 31 December 2021, representing a decrease of approximately HK$1,528,000 or 11.8%.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group financed its operations primarily with the cash generated from its operations. As at 31 December 2022, the Group had pledged bank deposits of HK$3,600,000 (2021: HK$1,200,000) and bank balances and cash of approximately HK$42,734,000 (2021: approximately HK$42,767,000). The increase in the pledged bank deposits was mainly due to the new application of SME Financing Guarantee Scheme from the Government for future business expansion. As at 31 December 2022, the bank facility is not yet utilised. The pledged bank deposits and most of the bank balances and cash were placed with banks in Hong Kong and the Mainland China. The pledged bank deposits were denominated in Hong Kong dollars.

81.9% (2021: 84.0%) of the Group's bank balances and cash was denominated in Hong Kong dollars, whereas 18.1% (2021: 16.0%) was denominated in Renminbi, MOP or US dollars. The current ratio, calculated by dividing current assets by current liabilities, as at 31 December 2022 was approximately 3.5 times (2021: approximately 3.4 times).

As at 31 December 2022, the Group had bank overdraft of approximately HK$5,996,000 (2021: approximately HK$5,965,000) and lease liabilities of approximately HK$7,104,000 (2021: approximately HK$5,695,000). The bank overdraft was denominated in Hong Kong dollars and repayable within one year. The bank overdraft was secured by the pledged bank deposit of HK$1,200,000 (2021: HK$1,200,000) and the effective annual interest rate on the bank overdraft is 5.13% (2021: 4.25%). Interest rates for the leases are fixed on the contract date.

The gearing ratio as at 31 December 2022 was 19.9% (2021: 22.3%). The gearing ratio was calculated by dividing the sum of bank overdraft and lease liabilities by total equity multiplied by 100%. With available bank balances and cash, the Directors are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

FOREIGN EXCHANGE EXPOSURE

Most of the revenue-generating operations of the Group were denominated in Hong Kong dollars. There was no significant exposure to foreign exchange rate fluctuations. As such, no hedging or other arrangements was made by the Group during the years ended 31 December 2022 and 2021.

CAPITAL STRUCTURE

As at 31 December 2022, the capital structure of the Company comprised its issued share capital and reserves.

There has been no change in the Company's share capital structure during the year ended 31 December 2022. As at 31 December 2022, the total number of issued ordinary shares of the Company was 800,000,000 of HK$0.01 each.

The reserves recorded an increase of HK$13,540,000 in 2022 from HK$44,267,000 in 2021 to HK$57,807,000 in 2022. The increment was due to the increase of retained profits.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2022, there were no significant investments held by the Group. There was no plan for any material investments or other additions of capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, bank deposits of HK$3,600,000 (2021: HK$1,200,000) were pledged to secure the bank facilities of the Group. Save as disclosed, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 110 (2021: 97) internal staff and 253 (2021: 190) seconded staff. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK$88,201,000 for the year ended 31 December 2022 (2021: approximately HK$77,698,000).

The Group's employees are remunerated in accordance with their performance, qualification, work experience and prevailing industry practices. In addition to a basic salary, commission-based bonuses are offered to employees whose sales figures exceed a certain level to attract and retain eligible employees to contribute to the Group. Share options and discretionary bonus are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group. Employees are provided with relevant in-house and/or external training from time to time.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

COMPETING INTERESTS

During the year, none of the Directors or the controlling shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2022.

The Company's code of conduct also applies to all employees who are likely to be in the possession of inside information of the Company. No incident of non-compliance of the Company's code of conduct by the employees was noted by the Company.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 13 September 2018 (the "**Share Option Scheme**").

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("**AGM**") of the Company will be held on Friday, 12 May 2023. The transfer books and register of members of the Company will be closed from Tuesday, 9 May 2023 to Friday, 12 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 8 May 2023.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2022, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of the Appendix 15 to the GEM Listing Rules.

SCOPE OF WORK OF MESSERS. D & PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, Messers. D & PARTNERS CPA LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messers. D & PARTNERS CPA LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messers. D & PARTNERS CPA LIMITED on this preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") was established on 13 September 2018 in compliance with Rule 5.28 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. It currently comprises three independent non-executive Directors, namely Mr. Poon Kai Kin, Dr. Lau Kin Shing Charles and Mr. Cheung Wang Kei Wayne. Mr. Poon Kai Kin is the chairman of the Audit Committee.

The primary duties of the Audit Committee include making recommendations to the Board on the appointment and approval of external auditors, reviewing and supervising the financial statements and material advice in respect of financial reporting, overseeing internal control procedures and corporate governance of the Company, supervising internal control and risk management systems of the Company and monitoring continuing connected transactions (if any).

The audit committee has reviewed the consolidated financial statements for the year ended 31 December 2022 and this annual results announcement.

By Order of the Board
KOS International Holdings Limited
Chan Ka Kin Kevin
Chairman

Hong Kong, 24 March 2023

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chan Ka Kin Kevin (Chairman), Mr. Chan Ka On Eddie and Mr. Chan Ka Shing Jackson; and three independent non-executive Directors, namely, Mr. Poon Kai Kin, Dr. Lau Kin Shing Charles and Mr. Cheung Wang Kei Wayne.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its publication and on the Company's website at www.kos-intl.com.