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 2023

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 2023, together with the audited comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** ***HK$'000***	2022 HK$'000
Revenue	4	**143,566**	125,965
Other income	5	**1,324**	2,419
Other loss	6	**(348)**	(707)
Staff costs		**(119,613)**	(88,201)
Other expenses and losses		**(28,289)**	(22,258)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal		**(139)**	(286)
Finance costs	7	**(372)**	(377)
(Loss) profit before taxation	8	**(3,871)**	16,555
Income tax expense	9	**(286)**	(2,508)
(Loss) profit for the year		**(4,157)**	14,047
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on:			
Investment in financial instruments at fair value through other comprehensive income ("**FVTOCI**")		**(186)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(235)**	(507)
Total comprehensive (expense) income for the year		**(4,578)**	13,540
(Loss) earnings per share – basic and diluted *(Hong Kong cent)*	11	**(0.52)**	1.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**3,660**	5,322
Right-of-use assets		**4,405**	7,002
Other intangible asset		**980**	980
Rental deposits	12	**1,432**	1,185
Equity instrument at FVTOCI		**1,370**	1,556
		11,847	16,045
Current assets			
Accounts and other receivables	12	**28,879**	28,300
Tax recoverable		**1,491**	44
Financial assets at fair value through profit or loss ("**FVTPL**")		**601**	949
Pledged bank deposits		**3,000**	3,600
Bank balances and cash		**34,668**	42,734
		68,639	75,627
Current liabilities			
Other payables and accruals		**13,953**	10,742
Contract liability		**144**	258
Lease liabilities		**3,477**	3,819
Tax payable		**–**	1,035
Bank overdraft		**–**	5,996
		17,574	21,850
Net current assets		**51,065**	53,777
Non-current liabilities			
Lease liabilities		**916**	3,285
Deferred tax liability		**233**	299
Provision for reinstatement costs		**534**	431
		1,683	4,015
Net assets		**61,229**	65,807

	2023	2022
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**8,000**	8,000
Reserves	**53,229**	57,807
Total equity	**61,229**	65,807

Notes:

1. **GENERAL**

The Company was incorporated in the Cayman Islands with limited liability under the Companies Act 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, the Mainland of the People's Republic of China (the "**PRC**") and Singapore.

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.

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**

New and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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 HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. In accordance with the transition provision: (i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after 1 January 2022; (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related asset.

The application of the amendments has had no material impact on the Group's financial position and performance.

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform – Pillar Two Model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The revised standard requires that entities apply the amendments both retrospectively and immediately upon issuance. The revised standard also requires entities to separately disclose its qualitative and quantitative exposure relative to the Pillar Two. This disclosure requirement is effective for Pillar Two legislation enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

Except for the amendment to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	2023	2022
	HK$'000	*HK$'000*
Recruitment services		
– Hong Kong	**67,873**	78,150
– Mainland China	**16,551**	21,985
– Singapore	**365**	–
	84,789	100,135
Secondment and payroll services		
– Hong Kong	**56,005**	23,429
– Macau	**2,772**	2,401
	58,777	25,830
Total	**143,566**	125,965

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:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**N/A***	14,859
Customer B	**N/A***	13,860

* For the year ended 31 December 2023, no revenue derived from transactions with a single customer represent 10% or more of the Group's total revenue.

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Dividend income from investments in listed securities	**21**	41
Interest income	**553**	168
Government grants *(Note)*	**233**	2,116
Visa application income	**261**	–
Sundry income	**256**	94
	1,324	2,419

Note: For the year ended 31 December 2023, the Group recognised the government grants HK$233,000 (2022: HK$2,116,000) of which HK$152,000 (2022: Nil) related to Technology Voucher Programme provided by Hong Kong Government, no COVID-19 related subsidies was recognised related to Employment Support Scheme (2022: HK$1,786,000) and Anti-Epidemic Funds (2022: HK$60,000) and the remaining relates to Maternity Allowance and Job Stability subsidy granted by the PRC Government and Employer subsidy for COVID-19 provided by the Macau Government.

6. OTHER LOSS

	2023	2022
	HK$'000	*HK$'000*
Net unrealised loss on financial assets at FVTPL	**348**	707

7. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on lease liabilities	**253**	323
Interest on bank overdraft	**38**	39
Interest on bank loan	**61**	–
Interest on provision for reinstatement costs	**20**	15
	372	377

8. (LOSS) PROFIT BEFORE TAXATION

	2023	2022
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	**7,398**	6,904
Salaries and allowance for staff excluding directors	**106,497**	76,449
Staff welfare	**649**	494
Retirement benefit schemes contributions for staff excluding directors	**5,069**	4,354
Total staff costs	**119,613**	88,201
Rental expenses in respect of short-term leases	**794**	1,088
Depreciation of property, plant and equipment	**2,763**	1,582
Depreciation of right-of-use assets	**4,347**	3,565
Write-off of property, plant and equipment	**1**	–
Auditor's remuneration	**750**	800

9. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**431**	2,622
– The PRC	**–**	–
– Macau	**–**	–
– Singapore	**–**	–
Overprovision in prior years	**(79)**	(108)
	352	2,514
Deferred tax	**(66)**	(6)
	286	2,508

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 2023 and 2022. 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 years ended 31 December 2023 and 2022. No provision for EIT is made for the years ended 31 December 2023 and 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》(2023年第12號), for the annual taxable income not exceeding RMB3 million, the subsidiary would enjoy the deduction of such taxable income to 25.0% at 20% enterprise income tax rate from 1 January 2023 to 31 December 2027.

Singapore Corporate Income Tax is calculated at the rate of 17% on the estimated assessable profits arising in Singapore for the year ended 31 December 2023. No provision of Corporate Income Tax was made as the subsidiary in Singapore has no assessable profits for the year ended 31 December 2023.

10. DIVIDENDS

No dividend has been proposed by the directors of the Company for the year ended 31 December 2023 (2022: Nil).

11. (LOSS) EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
(Loss) profit for the year	**(4,157)**	14,047

	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic (loss) earnings per share	**800,000,000**	800,000,000

No diluted (loss) earnings per share for years ended 31 December 2023 and 2022 were presented as there were no potential ordinary shares in issue during the years ended 31 December 2023 and 2022.

12. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSITS

	2023	2022
	HK$'000	*HK$'000*
Accounts receivables	**27,338**	25,294
Less: Allowance for ECL	**(1,078)**	(939)
	26,260	24,355
Other receivables		
– Prepayments	**1,911**	1,807
– Rental and utility deposits	**1,774**	1,425
– Others	**366**	1,898
Total accounts and other receivables	**30,311**	29,485
Less: Receivables within twelve months shown under current assets	**(28,879)**	(28,300)
Rental deposits shown under non-current assets	**1,432**	1,185

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.

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**16,386**	9,500
31 to 60 days	**4,566**	3,506
61 to 90 days	**1,557**	1,940
91 to 180 days	**3,200**	5,546
Over 180 days	**551**	3,863
	26,260	24,355

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, Macau, Shenzhen, Guangzhou and Singapore, and have recently set up an office in Shanghai. 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 are expanding our footprint in other regions of China as well as Southeast Asia in the future.

The Group has faced a challenging year in 2023 marked by a drop in recruitment revenue and profit compared to 2022. The recruitment markets in both Hong Kong and Mainland China have proven to be competitive and volatile, posing significant challenges to our operations. Despite these obstacles, we have shown resilience and adaptability in navigating the tough market conditions. One notable area of growth for the Group has been in our secondment and payroll business. Recognising the shifting demands and needs of our clients, we have strategically focused on expanding these services to provide comprehensive solutions beyond traditional recruitment services. This strategic decision has not only allowed us to diversify our revenue streams but also to better serve our clients in a more holistic manner.

Throughout the year, the Group has remained committed to delivering high-quality recruitment solutions to our clients while maintaining a strong focus on operational efficiency. We have continued to invest in our team of experienced recruiters and industry experts, ensuring that we are well-equipped to meet the evolving needs of our clients in a rapidly changing market landscape.

The total revenue generated from the Group's recruitment services and secondment and payroll services recorded growth for the year ended 31 December 2023, as compared to the same period in 2022. The Group's revenue recorded an increase of approximately HK$17,601,000 or 14.0% from approximately HK$125,965,000 for the year ended 31 December 2022 to approximately HK$143,566,000 for the year ended 31 December 2023. Yet, the Group reported a net loss of approximately HK$4,157,000 for the year ended 31 December 2023, as compared to a net profit of approximately HK$14,047,000 for the year ended 31 December 2022 due to the decrease in revenue generated from our recruitment services and the increase in staff cost.

Revenue from Hong Kong operations

In the ever-evolving business landscape of Hong Kong, the Group has encountered a myriad of challenges and opportunities during 2023. The observed decline in recruitment revenue was a direct consequence of the multifaceted market conditions that characterised the period. Economic uncertainties and keen competition within the recruitment industry, presented challenges for the Group. As companies in Hong Kong recalibrated their hiring strategies and adopted more cautious approaches towards external recruitment services, the demand for recruitment solutions was not as strong as 2022. These market dynamics underscored the importance of adaptability and strategic foresight in navigating the complexities of the business environment.

Amidst the backdrop of challenges, the Group strategically pivoted towards expanding its service offerings, a decision that bore fruit in the form of a significant increase in secondment and payroll services revenue. The strategic expansion of the client base in the secondment and payroll services segment emerged as a key growth driver for the business. By actively engaging in targeted client acquisition initiatives and enhancing business lead generation strategies, the Group successfully tapped into new market segments and diversified its revenue streams. This proactive approach not only bolstered the Group's revenue but also solidified its position as a versatile provider of workforce solutions tailored to meet the evolving needs of clients in Hong Kong's dynamic business landscape.

Furthermore, the Company's commitment to service differentiation and client-centric solutions played a pivotal role in its resilience amidst challenging market conditions. By offering a comprehensive suite of recruitment, secondment and payroll services, the Company positioned itself as a one-stop destination for organisations seeking integrated HR solutions. Through a meticulous analysis of market trends, a customer-centric approach, and a relentless focus on service quality, the Group emerged stronger with a diversified revenue portfolio and a reputation for excellence in delivering tailored workforce solutions in Hong Kong.

The revenue generated from recruitment services in Hong Kong recorded a decrease of approximately HK$10,277,000 or 13.2% from approximately HK$78,150,000 for the year ended 31 December 2022 to approximately HK$67,873,000 for the year ended 31 December 2023. For secondment and payroll services, the team has continued our business development strategies and focused on bringing in new clients. Due to the increase in number of clients, the revenue generated from secondment and payroll services in Hong Kong recorded an increase of approximately HK$32,576,000 or 139.0% from approximately HK$23,429,000 for the year ended 31 December 2022 to approximately HK$56,005,000 for the year ended 31 December 2023. 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

In current years, the Group's operations in China faced a challenging business environment that impacted the overall performance of the China business segment. The recruitment revenue of our China business witnessed a decline due to the prevailing market conditions in the region. Market factors such as economic uncertainties, shifting industry dynamics, and competition within the recruitment sector contributed to the drop in recruitment revenue. The market conditions in China presented unique challenges for our recruitment business. Companies in China adopted a cautious approach towards hiring amid economic fluctuations and uncertainties, leading to a decrease in the demand for external recruitment services. The Group's recruitment revenue from Mainland China decreased from approximately HK$21,985,000 for the year ended 31 December 2022 to approximately HK$16,551,000 for the year ended 31 December 2023, indicating a decrease of approximately HK$5,434,000 or 24.7%.

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.

Our Mainland China team will continue to focus on strengthening client relationships, enhancing service quality, and exploring new business opportunities to diversify revenue streams and expand market reach in Mainland China. We have hence set up our Shanghai office in 2024 to capture new business opportunities. These strategic initiatives aim to position the Group for long-term success and resilience in the dynamic Mainland China business landscape. The Group 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

Notwithstanding the overall decline in recruitment revenue and profit, we have remained optimistic about the long-term growth prospects of the human resources industry in Hong Kong, Mainland China and Southeast Asia. With a strong foundation built on a reputation for excellence and a track record of success, the Group is well-positioned to capitalise on future opportunities and drive sustainable growth in the years to come. Looking ahead, we are committed to further expanding our human resources services, leveraging our expertise and capabilities to deliver innovative solutions that meet the evolving needs of our clients. While the 2023 has presented its share of challenges, the Group remains steadfast in its commitment to excellence and client satisfaction. We are confident that with our dedicated team, strategic focus, and unwavering determination, we will overcome the current obstacles and emerge stronger and more resilient than ever before in 2024. 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.

To generate and preserve value over the longer term, and deliver the Group's objectives, the Group will in 2024:

- 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$143,566,000 for the year ended 31 December 2023, increased by approximately HK$17,601,000 or 14.0% as compared to approximately HK$125,965,000 for the year ended 31 December 2022.

Set forth below is a breakdown of the total revenue during the years ended 31 December 2023 and 2022:

	For the year ended 31 December			
	2023		2022	
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*
Recruitment services				
– Hong Kong	**67,873**	**47.3**	78,150	62.0
– Mainland China	**16,551**	**11.5**	21,985	17.5
– Singapore	**365**	**0.3**	–	–
	84,789	**59.1**	100,135	79.5
Secondment and payroll services				
– Hong Kong	**56,005**	**39.0**	23,429	18.6
– Macau	**2,772**	**1.9**	2,401	1.9
	58,777	**40.9**	25,830	20.5
Total revenue	**143,566**	**100.0**	125,965	100.0

(i) ***Revenue from recruitment services***

We provide recruitment services primarily in Hong Kong, Mainland China and Singapore. Revenue from recruitment services amounted to approximately HK$84,789,000 for the year ended 31 December 2023 and approximately HK$100,135,000 for the year ended 31 December 2022, representing approximately 59.1% and 79.5% of the total revenue, respectively.

The decrease in the recruitment service revenue of the Group was mainly attributable to an adjustment in both Hong Kong and Mainland China market for recruitment services. This adjustment refers to changes in the supply and demand dynamics of the job market in both Hong Kong and Mainland China.

The recruitment service revenue in Hong Kong decreased by approximately HK$10,277,000 or 13.2% from approximately HK$78,150,000 for the year ended 31 December 2022 to approximately HK$67,873,000 for the year ended 31 December 2023. The recruitment service revenue in Mainland China decreased by approximately HK$5,434,000 or 24.7% from approximately HK$21,985,000 for the year ended 31 December 2022 to approximately HK$16,551,000 for the year ended 31 December 2023.

The Group's recruitment services in Singapore had commenced operation during the year ended 31 December 2023 and had recorded revenue of approximately HK$365,000.

(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$58,777,000 for the year ended 31 December 2023 and approximately HK$25,830,000 for the year ended 31 December 2022, representing approximately 40.9% and 20.5% of the total revenue, respectively. The revenue from secondment and payroll service increased by approximately HK$32,947,000 or 127.6%. Such increase was mainly attributable to the expansion of the secondment team and the new strategy implemented by the secondment team, which changed their business development approach and placed more focus on new clients with better margins.

(iii) ***Revenue by geographical location***

During the years ended 31 December 2023 and 2022, Hong Kong remained as our major market, which contributed approximately 86.3% and 80.6% of the total revenue, respectively. The revenue generated from Hong Kong increased by approximately HK$22,299,000 or 22.0% from approximately HK$101,579,000 for the year ended 31 December 2022 to approximately HK$123,878,000 for the year ended 31 December 2023. The revenue generated from Mainland China decreased approximately by HK$5,434,000 or 24.7% from approximately HK$21,985,000 for the year ended 31

December 2022 to approximately HK$16,551,000 for the year ended 31 December 2023. The Group had also commenced operation in Singapore and had recorded revenue of approximately HK$365,000 during the year ended 31 December 2023.

Other income

Other income decreased by approximately HK$1,095,000 or 45.3% from approximately HK$2,419,000 for the year ended 31 December 2022 to approximately HK$1,324,000 for the year ended 31 December 2023 which was mainly due to the government subsidies granted in 2022. During the year ended 31 December 2022, the Group had recognised government grants of approximately HK$2,116,000 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, HK$243,000 relates to Employer subsidy under the 10-billion-pataca fund provided by the Macau Government and the remaining relates to one-time Expansion subsidy and Job Stability subsidy granted by PRC Government. The Group had received the government grants related to Technology Voucher Programme provided by Hong Kong Government of approximately HK$152,000 and remaining relates to one-time Expansion subsidy and Job Stability subsidy granted by PRC Government during the year ended 31 December 2023.

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 2023, the staff costs were approximately HK$119,613,000 (2022: approximately HK$88,201,000), which accounted for approximately 83.3% (2022: approximately 70.0%) of the revenue. Seconded staff costs for the year ended 31 December 2023 was approximately HK$51,214,000 (2022: approximately HK$22,932,000), representing approximately 42.8% of the total staff costs (2022: approximately 26.0%). The internal staff costs amounted to approximately HK$68,399,000 for the year ended 31 December 2023 (2022: approximately HK$65,269,000), representing approximately 57.2% of the total staff costs (2022: approximately 74.0%).

The staff costs increased by approximately HK$31,412,000 or 35.6%. The seconded staff costs increased by approximately HK$28,282,000 or 123.3% which were in line with the increase in revenue derived from secondment and payroll services. The Group's internal staff costs increased by approximately HK$3,130,000 or 4.8%. This increase was mainly due to the Group's expansion efforts, as it recruited additional staff for its Hong Kong and Singapore operations and salary revision for the staff.

Other expenses and losses

Other expenses and losses increased by approximately HK$6,031,000 or 27.1% from approximately HK$22,258,000 for the year ended 31 December 2022 to approximately HK$28,289,000 for the year ended 31 December 2023. 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, Mainland China and Singapore.

Finance costs

Finance costs represented the interest on lease liabilities, bank overdraft, bank loan and provision for reinstatement costs. The interest on lease liabilities amounted to approximately HK$253,000 (2022: approximately HK$323,000). The interest on a bank overdraft facility, bank loan and provision for reinstatement costs amounted to approximately HK$38,000 (2022: approximately HK$39,000), approximately HK$61,000 (2022: Nil) and approximately HK$20,000 (2022: approximately HK$15,000), respectively.

Income tax expense

For the year ended 31 December 2023, income tax expense decreased by approximately HK$2,222,000, from approximately HK$2,508,000 for the year ended 31 December 2022 to approximately HK$286,000 for the year ended 31 December 2023. The decrease was primarily attributable to the decrease in estimated assessable profits and the net loss positions from the operating subsidiaries of the Group.

Loss and total comprehensive expense for the year

As a result of the foregoing, the Group recorded a net loss of approximately HK$4,157,000 and total comprehensive expense of approximately HK$4,578,000 for the year ended 31 December 2023 as compared to a net profit of approximately HK$14,047,000 and total comprehensive income of approximately HK$13,540,000 for the year ended 31 December 2022.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group financed its operations primarily with the cash generated from its operations. As at 31 December 2023, the Group had pledged bank deposits of HK$3,000,000 (2022: HK$3,600,000) and bank balances and cash of approximately HK$34,668,000 (2022: approximately HK$42,734,000). The pledged bank deposits and most of the bank balances and cash were placed with banks in Hong Kong and Mainland China. The pledged bank deposits were denominated in Hong Kong dollars. 78.9% and 14.4% (2022: 81.9% and 13.8%) of the Group's bank balances and cash were denominated in Hong Kong dollars and Renminbi respectively, whereas 6.7% (2022: 4.3%) were denominated in MOP or Singapore dollars. The current ratio, calculated by dividing current assets by current liabilities, as at 31 December 2023 was approximately 3.9 times (2022: approximately 3.5 times).

As at 31 December 2023, the Group had lease liabilities of approximately HK$4,393,000 (2022: bank overdraft of approximately HK$5,996,000 and lease liabilities of approximately HK$7,104,000). Interest rates for the leases are fixed on the contract date. As at 31 December 2022, the bank overdraft was denominated in Hong Kong dollars and repayable within one year and secured by the pledged bank deposit of HK$1,200,000. The effective annual interest rate on the bank overdraft was 5.38%.

The gearing ratio as at 31 December 2023 was 7.2% (2022: 19.9%). 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 2023 and 2022.

CAPITAL STRUCTURE

As at 31 December 2023, the capital structure of the Company comprised its issued share capital and reserves.

There has been no change in the Company's share capital during the year ended 31 December 2023. As at 31 December 2023, the total number of issued ordinary shares of the Company was 800,000,000 of HK$0.01 each.

The reserves recorded a decrease of approximately HK$4,578,000 in 2023 from approximately HK$57,807,000 in 2022 to approximately HK$53,229,000 in 2023 due to net loss incurred for the year.

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 2023, there were no significant investments held by the Group. There was no plan for any material investments or other additions of capital assets as at the date of this announcement.

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 2023.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2023, bank deposits of HK$3,000,000 (2022: HK$3,600,000) 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 2023, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 112 (2022: 110) internal staff and 679 (2022: 253) seconded staff. The staff costs of the Group, including Directors' emoluments, amounted to approximately HK$119,613,000 for the year ended 31 December 2023 (2022: approximately HK$88,201,000).

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

On 9 January 2024, KOS International Limited, an indirect wholly-owned subsidiary of the Company, entered into tenancy agreement as tenant with Harbour City Estates Limited (an independent third party) as landlord in respect of renewal of the tenancy of the Company's office premises for a term of three years commencing from 1 September 2024 and expiring on 31 August 2027. Further details of the renewal of tenancy agreement are set out in the announcement of the Company dated 9 January 2024.

Save as disclosed, there were no other material events undertaken by the Company or by the Group subsequent to 31 December 2023 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 2023.

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 2023.

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 2023.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("**AGM**") of the Company will be held on Thursday, 16 May 2024. The transfer books and register of members of the Company will be closed from Friday, 10 May 2024 to Thursday, 16 May 2024, 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 Thursday, 9 May 2024.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2023, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the GEM Listing Rules.

SCOPE OF WORK OF MESSRS. 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 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. D & PARTNERS CPA LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. 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 Messrs. 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 C1 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, 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 2023 and this annual results announcement.

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

Hong Kong, 27 March 2024

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.