KOS

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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

2022

ANNUAL REPORT

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.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Chan Ka Kin Kevin *(Chairman)*
Mr. Chan Ka On Eddie
Mr. Chan Ka Shing Jackson

Independent Non-executive Directors
Mr. Poon Kai Kin
Dr. Lau Kin Shing Charles
Mr. Cheung Wang Kei Wayne

AUDIT COMMITTEE

Mr. Poon Kai Kin *(Chairman)*
Dr. Lau Kin Shing Charles
Mr. Cheung Wang Kei Wayne

REMUNERATION COMMITTEE

Dr. Lau Kin Shing Charles *(Chairman)*
Mr. Poon Kai Kin
Mr. Cheung Wang Kei Wayne

NOMINATION COMMITTEE

Mr. Cheung Wang Kei Wayne *(Chairman)*
Mr. Poon Kai Kin
Dr. Lau Kin Shing Charles

AUTHORISED REPRESENTATIVES

Mr. Chan Ka On Eddie
Mr. Chan Ka Shing Jackson

COMPANY SECRETARY

Ms. Chang Kam Lai

COMPLIANCE OFFICER

Mr. Chan Ka Shing Jackson

LEGAL ADVISER

As to Hong Kong Law
Jingtian & Gongcheng LLP

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 610, 6th Floor, Ocean Centre
No. 5 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Hong Leong Bank Berhad

AUDITOR

D & PARTNERS CPA LIMITED
Certified Public Accountants

STOCK CODE

8042

COMPANY'S WEBSITE

www.kos-intl.com

Chairman's Statement

Dear Shareholders,

On behalf of the Company's board of directors (the "Board"), I am pleased to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022.

With the ongoing impact of the COVID-19 pandemic, the Group faced different challenges and changes in 2022. Despite the unfavourable economic situation in Mainland China and the fifth wave of the local epidemic in Hong Kong, the Group has recorded growth in both revenue and profit. We will continue to commit resources and improve our operational efficiency and profitability through business development, regional expansion, and a wider range of service provision. Our business continued to demonstrate resilience in terms of higher revenue and better profit , which shows solid proof of our business model and the establishment of a robust foundation for further growth and expansion.

REVIEW

For the year ended 31 December 2022, the Group's revenue increased by approximately HK$17.0 million or 15.6% from approximately HK$108.9 million in 2021 to approximately HK$126.0 million in 2022. This increase is primarily due to the growth of our business in Hong Kong and Mainland China. The demand for talent has remained strong as our customers – especially those in Hong Kong – were able to adapt to the COVID-19 situation, and were willing to use recruitment services to hire the right talent, thus leading to an increase in successful placements. The recruitment service revenue in Hong Kong increased by approximately HK$16.4 million or 26.5% from approximately HK$61.8 million for the year ended 31 December 2021 to approximately HK$78.2 million for the year ended 31 December 2022. The Group's recruitment service revenue in Mainland China has shown an increase of 26.7% from approximately HK$17.4 million in 2021 to approximately HK$22.0 million in 2022.

Being an HR recruitment company, we fully understand the importance of talent to the growth of the Group. With the expansion of our business, internal staff costs increased by approximately HK$15.2 million or 30.4% from approximately HK$50.1 million for the year ended 31 December 2021 to approximately HK$65.3 million for the year ended 31 December 2022. Seconded staff costs have decreased by approximately HK$4.7 million or 17.0% from approximately HK$27.6 million for the year ended 31 December 2021 to approximately HK$22.9 million for the year ended 31 December 2022. The decrement in seconded staff costs is in line with the reduced revenue from our secondment and payroll service clients in 2022. We will continue to hire the best and most suitable talent for our clients in Hong Kong, Mainland China and Singapore to support our expansion and create more revenue streams for the Group.

Chairman's Statement

OUTLOOK

Going into 2023, we see plenty of opportunities for our business as Hong Kong and Mainland China start to ease COVID-19 restrictions, which should also provide favourable conditions for the economy to recover gradually. Furthermore, with travel restrictions being lifted between Hong Kong and Mainland China, there will be more cross-border activity throughout the Greater Bay Area. However, as there are still uncertainties regarding the pace of economic recovery, the Group will move into 2023 with cautious optimism. To better serve our multinational corporation clients and explore more business opportunities, we have set up a new entity in Singapore as our first step to developing the South East Asia market. In addition to regional expansion, we will also seek business exposure in HR-related and consultancy businesses to maximise synergy across our internal teams. By leveraging our solid reputation, well-established business relationships, sizeable pool of candidates, and excellent management team, there is strong potential for the Group's future growth.

APPRECIATION

Finally, I would like to express my sincere gratitude to all of our shareholders, customers, and stakeholders for their ongoing support. I would also like to give special thanks to our management team and colleagues for their professionalism, dedication, and commitment; their service over the years has been invaluable. Despite the many challenges of 2022, the Group has delivered a satisfactory result. Going forward, I am certain that through our determination and team-oriented mindset, we will keep striving to reach higher and create more value for the Group and our shareholders.

Chan Ka Kin Kevin
Chairman and Executive Director
Hong Kong, 24 March 2023

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

Revenue from Mainland China operations

Mainland China experienced one of the slowest growths 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 the 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 approximately by 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 People's Republic of China (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.

Management Discussion and Analysis

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 was 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.

Management Discussion and Analysis

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.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chan Ka Kin Kevin ("Mr. Kevin Chan"), aged 45, joined the Group in April 2009 and is the executive Director and chairman of the Company. He was appointed as the Director on 19 December 2017 and was re-designated as an executive Director on 31 January 2018. Mr. Kevin Chan is responsible for the overall strategic planning and business development of the Group. Mr. Kevin Chan is also a director of all subsidiaries of the Group.

Mr. Kevin Chan has more than 13 years of experience in the human resources services industry. Mr. Kevin Chan joined the Group in April 2009 as director and was responsible for overseeing its daily operation and business development. Prior to joining the Group, Mr. Kevin Chan incorporated several private companies in Hong Kong and acted as director, which operated business in the sectors other than the human resources services industry, such as food and beverages and retail.

Mr. Kevin Chan is the elder brother of Mr. Eddie Chan and Mr. Jackson Chan.

Mr. Chan Ka On Eddie ("Mr. Eddie Chan"), aged 40, is the executive Director. He was appointed as the Director on 19 December 2017 and was re-designated as the executive Director on 31 January 2018. Mr. Eddie Chan is responsible for overseeing the day-to-day management and operation of the Group. Mr. Eddie Chan is also a director of all subsidiaries of the Group.

Mr. Eddie Chan has over 19 years of experience in the human resources services industry. Prior to founding the Group, Mr. Eddie Chan has served in senior positions in leading renowned human resources companies including Jobs DB Hong Kong Limited and Monster.com Asia Pacific Limited, focusing on business development. Together with his working experience at Robert Walters (Hong Kong) Limited, Mr. Eddie Chan has acquired in-depth expertise in the human resources service industry which allowed him to manage and supervise daily operations for the Group.

Mr. Eddie Chan is the younger brother of Mr. Kevin Chan and the elder brother of Mr. Jackson Chan.

Biographical Details of Directors and Senior Management

Mr. Chan Ka Shing Jackson ("Mr. Jackson Chan"), aged 40, is the executive Director. He was appointed as the Director on 19 December 2017 and was re-designated as the executive Director on 31 January 2018. Mr. Jackson Chan is responsible for overseeing marketing and execution of strategic and operational planning of the Group. Mr. Jackson Chan is also a director of all subsidiaries of the Group.

Mr. Jackson Chan has over 20 years of experience in the human resources services industry. Prior to joining the Group, Mr. Jackson Chan has served in senior positions in leading renowned human resources companies including Jobs DB Hong Kong Limited and Monster.com Asia Pacific Limited, focusing on business development. Together with his working experience at Michael Page International (Hong Kong) Limited, Mr. Jackson Chan has acquired in-depth expertise in the human resources service industry which allowed him to develop and execute strategic plans for the Group.

Mr. Jackson Chan is dedicated to charity work and youth development. He is a board member of InspiringHK Sports Foundation, a local charity established in 2012, with a vision of developing better youths through sports. He is also a committee member of the Hong Kong Youth Development Alliance and a Mentor of the Executive Mentoring Programme of City University of Hong Kong.

Mr. Jackson Chan has obtained a professional diploma in marketing jointly awarded by The Chinese University of Hong Kong and Hong Kong Institute of Marketing in 2005. He is currently pursuing an Executive Master of Business Administration degree at City University of Hong Kong, expecting graduation in 2023.

Mr. Jackson Chan is the younger brother of Mr. Kevin Chan and Mr. Eddie Chan.

Independent non-executive Directors

Mr. Poon Kai Kin ("Mr. Poon"), aged 60, was appointed as an independent non-executive Director on 13 September 2018. He is the chairman of the audit committee of the Company and a member of the remuneration committee and the nomination committee of the Company.

Mr. Poon has approximately 22 years of experience in the human resources services and finance industries. Prior to joining the Group, he worked at Ernst & Whinney (currently known as Ernst & Young) from October 1987 to August 1992 and his last position was deputy manager. Mr. Poon was co-founder and director of Jobs DB Hong Kong Limited from June 1998 to June 2006. Mr. Poon is a member of Hong Kong Institute of Certified Public Accountants and has been a member of Australia Society of Accountants (currently known as CPA Australia) since February 1987.

Mr. Poon graduated from University of New England with a degree of bachelor of financial administration in April 1986 and later obtained a degree of master of commerce awarded by University of New South Wales in October 1987.

Biographical Details of Directors and Senior Management

Dr. Lau Kin Shing Charles ("Dr. Lau"), aged 67, was appointed as an independent non-executive Director on 1 February 2021. He is the chairman of the remuneration committee of the Company and a member of the audit committee and the nomination committee of the Company.

Dr. Lau possesses about 36 years executive experiences in corporate control, financial management, risk management and internal control gained from international listed companies. Dr. Lau has been appointed as an independent non-executive director of Lingyi Itech (Guangdong) Company Limited* (廣東領益智造股份有限公司) (stock code: 002600), a company whose shares are listed on the Shenzhen Stock Exchange, from 6 July 2021; and an executive director of Sitoy Group Holdings Limited (stock code: 1023) ("Sitoy"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, from 1 June 2017 and was re-designated from an executive director to a non-executive director on 1 August 2021. He was also the chief financial officer of Sitoy and its subsidiaries between August 2015 and September 2020, and was the company secretary and authorised representative of Sitoy between November 2016 and September 2020, and was responsible for the overall financial management and reporting, internal control, risk management, day-to-day financial administration, and for supporting the development of retail business and corporate governance. Before joining Sitoy in 2015, he held key corporate executive positions in various conglomerates, including: vice president of China Resources Beer (Holdings) Company Limited (stock code: 291, formerly known as China Resources Enterprise, Limited), deputy head of internal audit for Hutchison Whampoa Limited, executive director and chief investment officer of China Public Procurement Limited (stock code: 1094), and chief financial officer and company secretary of Miramar Hotel and Investment Company, Limited (stock code: 71).

Dr. Lau holds a Doctorate degree in Business Administration from the Newcastle University of Australia, Master degree in Information System Management from the National University of Ireland, and a Bachelor degree in Accounting from the Curtin University of Technology, Australia. He is a Chartered Accountant (New Zealand & Australia), Certified Internal Auditor (US), and also a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia.

* *The English name is for identification purpose only*

Biographical Details of Directors and Senior Management

Mr. Cheung Wang Kei Wayne ("Mr. Cheung"), aged 45, was appointed as an independent non-executive Director on 12 October 2021. He is the chairman of the nomination committee of the Company and a member of the audit committee and the nomination committee of the Company.

Mr. Cheung possesses more than 21 years of executive experience in corporate control, management, risk management and advisory services. Mr. Cheung has been appointed as a director of Beautiful Enterprise Company Limited from March 2000, and he is responsible for the overall day-to-day management of the business involved in consumer electronics manufacturing. Mr. Cheung is also the founder and chief executive officer of three companies: Twine International Limited in June 2009, Twine Co., Limited in October 2018, and Wayne Cheung Capital Limited in November 2018. Both Twine International Limited and Twine Co., Limited are primarily engaged in the business of consumer electronics manufacturing, whereas Wayne Cheung Capital Limited is primarily focused on investments. Furthermore, Mr. Cheung is a member of the Standing Committee of the Communist Party of China Xing Ning Municipal Committee, and a member of Boston University International Advisory Board.

Mr. Cheung graduated from Boston University of the United States with a degree of bachelor of Science with a major in Engineering in May 1999, and obtained a Certificate of General Management from Harvard Business School of the United States in May 2008.

SENIOR MANAGEMENT

Ms. Yeung Shek Shek Louisa ("Ms. Yeung"), aged 57, joined the Group in April 2017 as chief executive officer of the Group. Ms. Yeung is responsible for overseeing the daily operation, training and development of our employees and formulating the overall strategies and planning of the Group with the Board.

Ms. Yeung has approximately 26 years of experience in the human resources services industry. Prior to joining the Group, from July 1988 to April 1997, she worked at Price Waterhouse (currently known as PricewaterhouseCoopers) and her last position was tax manager. From April 1997 to March 2017, she worked at Michael Page International (Hong Kong) Limited and she had been director of finance in Hong Kong and South China region between December 2006 and June 2011 and managing director of Hong Kong and South China region between July 2011 and August 2013, and her last position was managing director in Page Executive Greater China division since 2013, where she was responsible for building the Page Executive brand and establishing the recruitment business operations in Shenzhen and Guangzhou in China, and the company had 10 offices in China when she left.

Ms. Yeung was awarded professional diploma (with distinction) in company secretaryship and administration by Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. She became an associate of The Institute of Chartered Secretaries and Administrators (currently known as The Chartered Governance Institute) in August 1991. Ms. Yeung became a fellow of The Association of Chartered Certified Accountants in March 1997, a fellow of Hong Kong Institute of Certified Public Accountants in February 2001 and a fellow of CPA Australia in October 2008.

Report of the Directors

The Directors hereby submit their report together with the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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 Mainland China.

Particulars of the subsidiaries of the Company as at 31 December 2022 are set out in note 32 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business are provided in the section headed "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 6 to 14 of this annual report.

Risks and uncertainties

Principal risks and uncertainties that the Group may be facing include (i) the Group's success depends on key management personnel and experienced consultants; (ii) the nature of business of the Group is labour intensive, if we experience any shortage of labour or material increase in staff costs, the Group's business operation and financial results would be adversely affected; and (iii) the software, computer and network systems of the Group may not perform as anticipated and are vulnerable to damage and interruption, which may lead to leakage of personal data of individual candidates.

In addition, various financial risks have been disclosed in note 28 to the consolidated financial statements.

An analysis using financial key performance indicators

An analysis of the Group's performance during the year ended 31 December 2022 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 6 to 14 of this annual report.

Environmental protection

The Group recognises its responsibility to protect the environment from its business activities. The Group has endeavored to comply with laws and regulations regarding environmental protection and encourages environmental protection and promotes awareness towards environmental protections to the employees. Details of the Group's development, performance and operation in the environmental aspect are set out in the Environmental, Social and Governance Report ("ESG report") on pages 45 to 72 of this annual report.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. During the year ended 31 December 2022, the Group is not aware of any material non-compliance with the laws and regulations that has a significant impact on the business of Group.

Relationships with employees and customers

The Group understands that employees are valuable assets. The Group ensures all employees is reasonably remunerated and regularly reviews the remuneration package of employees and other benefits. The Group also understands that it is important to maintain good relationship with its customers to fulfil its short and long-term goals. More information concerning the employees and customers of the Group are set out in the ESG Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 of this annual report.

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

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2022 amounted to HK$362,000 (2021: HK$140,000).

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the reserves of the Company available for distribution to shareholders under the Companies Act of the Cayman Islands amounted to approximately HK$2,914,000 (2021: HK$2,327,000).

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Options Scheme" of this Report of the Directors, no equity-linked agreement was entered into by the Company during the year or subsisted at the end of the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

There was no change in the share capital of the Company during the year ended 31 December 2022. Details of the share capital of the Company for the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 142 of this annual report. This summary does not form part of the audited consolidated financial statements.

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.

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.

The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company.

(b) Participants

The participants of the Share Option Scheme include full time or part time employees of the Group (including any Directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any suppliers, clients, consultants, agents, advisers, franchisees, joint venture partners and related entities to the Group. The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the participants contribution to the development and growth of the Group. In order for a person to satisfy the Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as the Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

(c) Maximum number of Shares available for issue

As at the date of this annual report, the maximum number of Shares available for issue was 80,000,000 representing 10% of the Shares in issue.

(d) Maximum entitlement of each participant and connected persons

The total number of Shares issued and to be issued upon exercise of all options granted to each participant (including both exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(e) Acceptance of options

An offer shall be accepted by the participant concerned within 28 days from the date of the offer of grant of the option. A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option.

(f) Time of exercise of option

The period under which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted) but subject to the early termination of the Share Option Scheme.

(g) Subscription price of Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option (which must be a Business Day); (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day); and (iii) the nominal value of the Shares.

(h) Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

DIRECTORS

The Directors during the year and up to the date of this Report of the Directors were:

Executive Directors

Mr. Chan Ka Kin Kevin *(Chairman)*
Mr. Chan Ka On Eddie
Mr. Chan Ka Shing Jackson

Independent Non-executive Directors

Mr. Poon Kai Kin
Dr. Lau Kin Shing Charles
Mr. Cheung Wang Kei Wayne

In accordance with the article 84(1) of the second amended and restated articles of association of the Company (the "Articles of Association"), at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Chan Ka Shing Jackson and Dr. Lau Kin Shing Charles will retire from office by rotation and, both being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

Emoluments of the Directors and the five highest paid individuals

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in note 11 to the consolidated financial statements.

The emoluments of the Directors are subject to review by the remuneration committee of the Company. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions.

The Company has adopted share option scheme as an incentive to Directors and eligible employees, details of the share option scheme are set out in the Share Options Scheme section above and in note 31 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 12 October 2018 and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years. The term of appointment of Mr. Poon Kai Kin, Dr. Lau Kin Shing Charles and Mr. Cheung Wang Kei Wayne will expire on 11 October 2024, 31 January 2024 and 11 October 2024, respectively.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Company at the date of this Report of the Directors are set out in the Biographical Details of Directors and Senior Management section on pages 15 to 18 of this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

There were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2022 was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2022, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of Directors	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital
Mr. Chan Ka Kin Kevin ("Mr. Kevin Chan")	Interest in a controlled corporation and person acting in concert *(Note 1)*	600,000,000	75%
Mr. Chan Ka On Eddie ("Mr. Eddie Chan")	Interest in a controlled corporation and person acting in concert *(Note 1)*	600,000,000	75%
Mr. Chan Ka Shing Jackson ("Mr. Jackson Chan")	Interest in a controlled corporation and person acting in concert *(Note 1)*	600,000,000	75%

Note:

1. Among such 600,000,000 Shares, 450,000,000 Shares are registered in the name of KJE Limited and 150,000,000 Shares are registered in the name of Caiden Holdings Limited. KJE Limited was owned as to approximately 33.33% by Mr. Kevin Chan, 33.33% by Mr. Eddie Chan and 33.33% by Mr. Jackson Chan and accordingly each of them is deemed to be interested in all the Shares held by KJE Limited under the SFO. Caiden Holdings Limited is wholly owned by Mr. Chow Ka Wai Raymond ("Mr. Raymond Chow") and Mr. Raymond Chow is therefore deemed to be interested in all the Shares held by Caiden Holdings Limited under the SFO. On 18 January 2018, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow executed a deed of concert parties arrangement and they have been and will be acting in concert pursuant to the deed. Therefore, each of Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan is deemed to be interested in all the Shares held by KJE Limited and Caiden Holdings Limited under the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which taken or deemed to be taken under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2022, the following person (other than the Directors or chief executive of the Company the interests of which were disclosed above) or corporation had interest or short position in the shares of the Company which were required to be entered in the register of the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital
KJE Limited	Beneficial owner and person acting in concert *(Note 1)*	600,000,000	75%
Caiden Holdings Limited	Beneficial owner and person acting in concert *(Note 1)*	600,000,000	75%
Mr. Raymond Chow	Interest in a controlled corporation and person acting in concert *(Note 1)*	600,000,000	75%

Note:

1. Among such 600,000,000 Shares, 450,000,000 Shares are registered in the name of KJE Limited and 150,000,000 Shares are registered in the name of Caiden Holdings Limited. KJE Limited was owned as to approximately 33.33% by Mr. Kevin Chan, 33.33% by Mr. Eddie Chan and 33.33% by Mr. Jackson Chan and accordingly each of them is deemed to be interested in all the Shares held by KJE Limited under the SFO. Caiden Holdings Limited is wholly owned by Mr. Raymond Chow and Mr. Raymond Chow is therefore deemed to be interested in all the Shares held by Caiden Holdings Limited under the SFO. On 18 January 2018, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow executed a deed of concert parties arrangement and they have been and will be acting in concert pursuant to the deed. Therefore, Mr. Raymond Chow is deemed to be interested in all the Shares held by KJE Limited and Caiden Holdings Limited under the SFO.

Save as disclosed above, the Directors were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that fell to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFC or were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 December 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2022, the largest customer of the Group accounted for approximately 11.8% (2021: 15.8%) of the total revenue of the Group while the five largest customers of the Group in aggregate accounted for approximately 30.6% (2021: 38.9%) of the total revenue of the Group.

Due to the nature of the business of the Group, there is no major suppliers during the year (2021: Nil).

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at any time during the year ended 31 December 2022 and up to the date of this annual report.

Report of the Directors

PERMITTED INDEMNITY

In accordance with the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

The Company has also taken out and maintained Directors' and officers' liability insurance for the purpose of indemnifying for losses in respect of potential legal actions against the Directors and other officers of the Company.

RETIREMENT BENEFIT COSTS

Other than the payments to the Mandatory Provident Fund Scheme in Hong Kong, the Social Security Fund Contribution in Macau and the defined contribution retirement benefit schemes in the Mainland China, the Group has not operated any other retirement benefit schemes for its employees. Particulars of the retirement benefit schemes are set out in note 30 to the consolidated financial statements.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 30 to 44 of this annual report.

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.

A deed of non-competition (the "Deed of Non-competition") dated 19 September 2018 was executed in favour of the Company by Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow (collectively the "Controlling Shareholders") regarding certain non-competition undertakings. The details of the Deed of Non-competition have been disclosed under the section headed "Relationship with Controlling Shareholders" in the prospectus of the Company dated 28 September 2018.

Each of the Controlling Shareholders has given an annual declaration to the Company confirming that he has complied with the non-compete undertakings to the Company under the Deed of Non-competition. The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition and are satisfied that the Controlling Shareholders have complied with the provisions of the Deed of Non-Competition during the year ended 31 December 2022.

Report of the Directors

For the year ended 31 December 2022, there is no contract of significance between the Group and a controlling shareholder of the Company or any of its subsidiaries, including for the provision of services to the Group.

CONNECTED TRANSACTIONS

The "related party transactions" as disclosed in note 29 to the consolidated financial statements for the year ended 31 December 2022 do not constitute a connected transaction or a continuing connected transaction as defined in Chapter 20 of the GEM Listing Rules.

Save as disclosed, for the year ended 31 December 2022, the Directors are not aware of any related party transaction which constituted a connected transaction or continuing connected transaction of the Company required to be disclosed under Chapter 20 of the GEM Listing Rules.

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 Report of the Directors.

AUDITOR

Deloitte Touche Tohmatsu retired as the auditor of the Company at the close of the annual general meeting of the Company held on 12 May 2020 and did not seek for re-appointment. D & PARTNERS CPA LIMITED was appointed as the auditor of the Company with effect from 1 June 2020 to fill the causal vacancy following the retirement of Deloitte Touche Tohmatsu.

Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

The consolidated financial statements for the year ended 31 December 2022 have been audited by D & PARTNERS CPA LIMITED who will retire and, being eligible, offers themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of D & PARTNERS CPA LIMITED as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Chan Ka Kin Kevin
Chairman and Executive Director
Hong Kong, 24 March 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices enhancing greater transparency and quality of disclosure as well as more effective internal control.

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

KOS Culture and Values

The Group's mission is to create Asia's leading one-stop HR solution platform with quality, service and trust. With this vision, we will grow with our clients and candidates to further our Knowledge, Opportunity and Synergy. Apart from striving for excellence in business performance, the Group attaches great importance to environmental protection, sustainability, diversion and inclusion, and social responsibility.

We believe that a healthy corporate culture across the Group is critical to the company's sustainable development, as well as achieving its vision and mission. Our board of directors leads the Group by integrating the below core principles into our corporate culture to guide our employees' behaviour and to ensure that the Group's vision, values, and business strategy are aligned with it.

(1) Culture of Integrity

The Group cultivates a corporate culture of integrity to establish ethical norms in our employees' work and business relationships with our partners. A human resources policy is in place to promote an environment of mutual respect by encouraging employees to demonstrate respectful behaviour and an inclusive atmosphere in the workplace. The Group also has an Anti-Corruption Policy to guide the behaviour of our employees. All of these policies are supported by mandatory and regular training courses to instil and reinforce the Group's values of acting lawfully, ethically, and responsibly.

(2) Culture of Accountability

All the way from the Board, including senior and middle level management down to every individual employee, and through the delegation of authorities, the Group promotes a strong culture of accountability for every individual. Each department and team have clear objectives and goals, which are regularly reviewed and evaluated through an open communication and transparent performance evaluation system for all staff. We have an excellent team who are committed to working together and are accountable for achieving our business goals. These are essential elements to the growth and long-term success of the Group.

(3) Culture of Agility

In today's dynamic business environment, we continue to support and encourage our team to be flexible, adaptive, and rapid in response. By ensuring that all employees align with the Group's purpose and vision, each team member understands the Group's focus, even during environmental changes and disruptions. Our teams respond to clients and candidates by demonstrating innovation such that the relationship between them becomes stronger over time. Our Board and team leaders adapt the Group's strategy to market dynamics by maintaining a continuous focus on the international markets. In order to combat climate change and drive sustainable growth, the Group also places a great deal of focus on sustainability when developing its business strategies.

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.

BOARD OF DIRECTORS

Board Composition

The board of Directors (the "Board") of the Company currently comprises a total of six Directors, with three executive Directors namely Mr. Chan Ka Kin Kevin (as 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. A list containing the names of the Directors and their roles and functions is published on the Company's website and the Stock Exchange's website at www.hkexnews.hk. To the best knowledge of the Company, other than Mr. Chan Ka Kin Kevin, Mr. Chan Ka On Eddie and Mr. Chan Ka Shing Jackson are brothers, there is no financial, business, family or other material or relevant relationship between the members of the Board. Biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" on pages 15 to 18 of this annual report.

The Company complies at all times during the year ended 31 December 2022 with the requirements under the Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules respectively relating to the appointment of at least three independent non-executive Directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise and the independent non-executive Directors represent at least one-third of the Board.

Corporate Governance Report

Responsibilities

The Board is collectively responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the notice of board meeting. Matters requiring the Board's approval include review of overall policies, corporate plan of the Company, investment plans which would involve significant risks for the Company, major organisation changes, significant sales, transfers, or other dispositions of property or assets, approval of the annual report, interim report, quarterly report and approval of interim dividend and recommendation of the final dividend, other matters relating to the Company's business which in the judgment of the executive Directors are of such significance as to merit the Board's consideration. The Board may delegate its authority and responsibilities to the senior management for the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions being entered into by the senior management.

There is an established mechanism for Directors to seek independent professional advices for them to discharge their duties and responsibilities, and to ensure independent views and input are available to the Board. On 24 March 2023, the Board reviewed the implementation and effectiveness of the mechanism.

Each Director is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities. The Director must seek the prior approval of the Board. In seeking such prior approval, the Director must provide details of the nature of and reasons for the independent professional advice to be sought, the likely cost of obtaining the independent professional advice; and details of the independent adviser. The approval of the Board must not be unreasonably withheld. The Board may set a reasonable limit on the amount that the Company will contribute towards the cost of obtaining such advice. All documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company and the Director in their personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including, for example, matters relating to the Director's contract of employment with the Company (in the case of an executive director) or any dispute between the Director and the Company. Unless the Board otherwise determines, any advice received by an individual Director will be circulated to the Board.

Independence of Independent Non-executive Directors

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules, and the nomination committee of the Company has assessed the independence of each of the independent non-executive Directors and the Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with terms of the guidelines.

Currently, none of the independent non-executive Directors has served the Company for more than nine years and none of them, individually, held directorships in 7 or more listed public companies (including the Company).

Board, Board Committees and General Meetings

Four Board meetings and one general meeting were held during the year ended 31 December 2022. The chairman of the Board met with the independent non-executive Directors without the presence of executive Directors during the year.

Here below is the attendance record of Directors at the meetings held during the year ended 31 December 2022:

	Number of meetings attended/held				
	2022 AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Chan Ka Kin Kevin	1/1	4/4	N/A	N/A	N/A
Mr. Chan Ka On Eddie	1/1	4/4	N/A	N/A	N/A
Mr. Chan Ka Shing Jackson	1/1	4/4	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Poon Kai Kin	1/1	4/4	5/5	2/2	1/1
Dr. Lau Kin Shing Charles	1/1	4/4	5/5	2/2	1/1
Mr. Cheung Wang Kei Wayne	1/1	4/4	5/5	2/2	1/1

The Company's last annual general meeting was held on 12 May 2022 (the "2022 AGM"). The chairman of the Board, and the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee as well as the external auditor of the Company attended the 2022 AGM.

Evaluation for the Board and Board Committees

The Company conducts evaluation on the performance of the Board and its Committees every two years since 2022.

In March 2023, the Board, Audit Committee, Remuneration Committee and Nomination Committee underwent an annual evaluation of their respective effectiveness and performance with regard to the financial year ended 31 December 2022.

The results of the evaluation were that the Board and all Board Committees were found to be operating effectively, there is nothing significant affecting the Board or the Board Committees performance and there is no material issue needed for further discussion.

Corporate Governance Report

DIRECTORS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the Directors' and Officers' liabilities in respect of potential legal actions against the Directors and officers of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Development and training of Directors is an ongoing process so that they can perform their duties appropriately.

During the year ended 31 December 2022, the Company has organised a training session as part of the continuous professional development conducted by qualified professional on GEM Listing Rules requirements for the Directors and relevant staff to develop and refresh their knowledge and skills. Update on changes to the GEM Listing Rules are also provided by the company secretary of the Company where Directors are informed of the impact of such developments or changes to the Company and the external auditors has also provided briefing on changes or amendments to accounting standards at the audit committee meeting. All Directors, namely Mr. Chan Ka Kin Kevin, Mr. Chan Ka On Eddie, Mr. Chan Ka Shing Jackson, Mr. Poon Kai Kin, Dr. Lau Kin Shing Charles and Mr. Cheung Wang Kei Wayne, had participated in appropriate continuous professional development by way of attending trainings and/or reading materials.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense, and they have been requested to provide the Company with their training records.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer of the Company are held separately by Mr. Chan Ka Kin Kevin and Ms. Yeung Shek Shek Louisa respectively.

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Group's business.

The separation of duties of the chairman and chief executive officer of the Company ensures a clear distinction between the chairman's responsibility for running the Board and the chief executive officer's responsibility for running the Group's business.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach of which the Board could achieve a higher level of diversity. The Company recognises the benefits of having a diversified Board to enhance the quality of its performance. In summary, the board diversity policy sets out that when considering the nomination and appointment of a director, with the assistance of the nomination committee, the Board would consider a number of factors, including but not limited to gender, age, cultural and educational background, professional experience and qualification, skills and length of service of the prospective candidate. The ultimate decision of the appointment will be based on merit and the contribution which the prospective candidate would bring to the Board. All Board appointments will be considered against objective criteria, having due regard to the benefits of diversity on the Board in order to best serve the shareholders and other stakeholders of the Company going forward.

The nomination committee of the Company has conducted the annual review of the Board composition and the implementation of the board diversity policy. Based on different measurable objectives on the board diversity, the nomination committee (and the Board) recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members.

DIVERSITY IN BOARD AND WORKFORCE

Board Level

As at the date of this annual report, the Board comprises six members, amongst them, three are independent non-executive Directors. All the executive Directors possess extensive experience in human resources services industry. The independent non-executive Directors possess extensive knowledge and experience in human resources services, corporate control and advisory services, finance as well as accounting and auditing. Furthermore, the Board has a wide range of age, ranging from 40 years old to 67 years old. Taking into account the existing needs of the Company, the combination of the Board would bring about the necessary balance of skills and experience appropriate for the requirements of the business development of the Company, despite the lack of gender diversity.

Pursuant to the amended Rule 17.104 of the GEM Listing Rules (effective from 1 January 2022), the Stock Exchange will not regard a single gender board of directors as achieving member diversity. As at the date of this annual report, the directors of the Board are all male directors, and have not achieved diversity under the amended Rule 17.104 of the GEM Listing Rules. The Company will appoint one female director before 31 December 2024.

Workforce Level

As of 31 December 2022, the Group's total workforce (including senior management) comprised 66.67% female and 33.33% male. Further details of the Group's workforce composition are provided in the section headed "Employment and Labour Practices" in the Environmental, Social and Governance Report of this annual report.

The Company welcomes all gender to join. The recruitment strategy is to employ a right staff for a right position regardless of the gender. The Company commits to provide equal opportunities to its staff in respect of recruitment, training and development, job advancement, and remuneration and benefits.

BOARD COMMITTEES

The Board has established three committees, namely the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") with defined terms of reference.

Audit Committee

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 CG Code, with the latest version adopted with effect from 28 December 2018. 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 Group and monitoring continuing connected transactions (if any).

During the year ended 31 December 2022, the Audit Committee held five meetings and two meetings were attended by the Company's external auditor. The attendance of each of the members of the Audit Committee was set out on page 33 of this annual report.

The following is a summary of work performed by the Audit Committee during the year ended 31 December 2022:

(i) Reviewed the annual report and the annual results announcement for the year ended 31 December 2021, with a recommendation to the Board for approval;

(ii) Reviewed the external auditor's independence and its report in relation to the audit of the Group for the year ended 31 December 2021, and recommended to the Board on the re-appointment of the external auditor of the Company at the annual general meeting of the Company;

(iii) Reviewed the effectiveness of the risk management and internal control systems of the Group;

(iv) Reviewed the quarterly report and the quarterly results announcement for the three months ended 31 March 2022, with a recommendation to the Board for approval;

(v) Reviewed the interim report and the interim results announcement for the six months ended 30 June 2022, with a recommendation to the Board for approval; and

(vi) Reviewed the quarterly report and the quarterly results announcement for the nine months ended 30 September 2022, with a recommendation to the Board for approval.

Prior to the commencement of the audit of the Group's 2022 financial statements, the Audit Committee has discussed with the external auditor the audit planning work (including the nature and scope of the audit and reporting obligations), received confirmation from the external auditor of its independence and approved the audit fees.

Remuneration Committee

The Remuneration Committee was established on 13 September 2018 in compliance with Rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code, with the latest version adopted with effect from 23 December 2022. It currently comprises three independent non-executive Directors, namely Mr. Poon Kai Kin, Dr. Lau Kin Shing Charles and Mr. Cheung Wang Kei Wayne. Dr. Lau Kin Shing Charles is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, reviewing other remuneration-related matters, including benefits-in-kind and other compensation payable to the Directors and senior management, and reviewing performance based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

During the year ended 31 December 2022, the Remuneration Committee held two meetings to (i) review and recommend to the Board for approval the remuneration packages of the Directors and senior management and (ii) review on the policy and structure of the remuneration package of the Directors and senior management. The attendance of each of the members of the Remuneration Committee was set out on page 33 of this annual report.

The Remuneration Committee has adopted the model that it will review the proposal made by the management on the remuneration package of individual executive Directors and senior management and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

The remuneration of the members of the senior management of the Group excluding the Directors by band for the year ended 31 December 2022 is set out below:

Remuneration band *(HK$)*	**Number of individuals**
Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	1

Details of the emoluments of the Directors for the year ended 31 December 2022 are set out in note 11 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 13 September 2018 with written terms of reference in compliance with the CG Code. 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. Cheung Wang Kei Wayne is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include reviewing the structure, size, composition and diversity of the Board and monitoring the implementation of the board diversity policy on a regular basis, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors, making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and making recommendations to the Board regarding the candidates to fill vacancies on the Board.

During the year ended 31 December 2022, the Nomination Committee held one meeting to review the structure, size and composition of the existing Board; assess the independence of the independent non-executive Directors; and recommend the retiring Directors to the Board for it to recommend to the shareholders for re-election at the annual general meeting of the Company. The attendance of each of the members of the Nomination Committee was set out on page 33 of this annual report. The Nomination Committee had recommended the re-nomination of Mr. Chan Ka Shing Jackson and Dr. Lau Kin Shing Charles for re-election at the annual general meeting of the Company to be held on Friday, 12 May 2023. The Board had accepted the Nomination Committee's recommendation.

Nomination policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders of the Company for election as Directors at general meetings or appoint as Directors to fill casual vacancies. When the Nomination Committee considers it appropriate, it invites nominations of candidates from Board members or any person and makes recommendations for the Board's consideration and approval.

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including:

(a) reputation for integrity;

(b) experience in human resources services industry, management, legal and financial aspects;

(c) whether the proposed candidate is able to assist the Board in effective performance of its responsibilities;

(d) the perspectives and skills that the proposed candidate is expected to bring to the Board;

(e) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

(f) commitment in respect of available time and relevant interest; and

(g) in the case of selection for independent non-executive Directors, the independence of the proposed candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

According to Provision A.2 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board has reviewed the Company's compliance with the CG Code for the year ended 31 December 2022 and other legal and regulatory requirements set out under Provision A.2.1 of the CG Code.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group. In preparing the financial statements for the year ended 31 December 2022, the Directors have selected appropriate accounting policies, applied them consistently, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

As at 31 December 2022 and up to the date of this report, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Group's ability to continue as a going concern.

The statement by the auditors of the Company, D & PARTNERS CPA LIMITED, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

AUDITOR'S REMUNERATION

The Company engaged D & PARTNERS CPA LIMITED as its auditor for the year ended 31 December 2022. The analysis of the auditor's remuneration for the year ended 31 December 2022 is presented as follows:

Services rendered	Fees paid/payable *HK$'000*
Audit services	800

RISK MANAGEMENT AND INTERNAL CONTROL

The management identified and evaluated the significant risks relevant to the Group based on their experience in the business environment. They regularly met with frontline employees and continuously monitored business performance comparing to operational plan and financial forecasts. The risk management and internal control systems are in place to cope with potential risk in different areas including liquidity, fraud and financial reporting, operational and compliance risks.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The Board has delegated its responsibility to the Audit Committee to review the Group's risk management and internal control matters on an annual basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2022, the Company does not have an internal audit department and is currently of the view that there is no immediate need to set up an internal audit department within the Group in light of the size, nature and complexity of the Group's business. Nevertheless, the Company has engaged an external professional firm, as its risk management and internal control review adviser (the "Adviser") for the year ended 31 December 2022, to conduct the annual review of the risk management system and internal control system that covers financial, operational and compliance controls. The Adviser has reported findings and areas for improvement to the management and Audit Committee, which then reviewed and reported the same to the Board. The Board and Audit Committee are of the view that there are no material internal control defeats noted. The Board considered that the risk management and internal audit control system are effective and adequate.

The Group has formulated the whistleblowing policy for employees to raise concerns, in confidence, about possible improprieties in operation, financial reporting or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

Corporate Governance Report

The Group is committed to achieving the highest standards of business conduct and has zero tolerance for corruption and related malpractice. The anti-corruption policy of the Group outlines the Group's expectations and requirements of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure that the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

COMPANY SECRETARY

The company secretary of the Company is Ms. Chang Kam Lai. Ms. Chang Kam Lai is a fellow of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants.

During the year ended 31 December 2022, Ms. Chang Kam Lai undertook no less than 15 hours of relevant professional training.

COMPLIANCE OFFICER

Mr. Chan Ka Shing Jackson is the compliance officer of the Company. His biographical details are set out in Biographical Details of Directors and Senior Management on page 16 of this annual report.

SHAREHOLDERS' RIGHTS

Procedures to convene an extraordinary general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may request the Board to convene an extraordinary general meeting pursuant to the article 58 of the articles of association of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s) and deposited at the principal place of business of the Company in Hong Kong (presently at Suite 610, 6th Floor, Ocean Centre, No. 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong) for the attention of the company secretary of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a meeting, but such meeting shall be held within two months after the deposit of requisition.

Procedures by which enquiries may be put to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Other shareholders' enquiries can be directed in writing with contact details (including name, address, telephone number and email address) to the principal place of business of the Company in Hong Kong, presently at Suite 610, 6th Floor, Ocean Centre, No. 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong or by email to info@kos-intl.com.

Procedures for putting forward proposals at a general meeting

Proposals shall be directed in writing with contact details (including name, address, telephone number and email address) to the Company's principal place of business in Hong Kong.

The Board will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

DIVIDEND POLICY

The Company seeks to maintain a balance between meeting the shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Company would consider various factors including the Company and the Group's actual and expected financial performance, the Group's current and future operations, the level of the Group's debts to equity ratio, liquidity position and capital requirement of the Group, general market conditions and any other factors that the Board deems appropriate.

SHAREHOLDERS COMMUNICATION POLICY

The Company has adopted a shareholders' communication policy which aims to ensure the Company's shareholders, both individual and institutional, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and business plans, material business developments and corporate governance), in order to enable the shareholders of the Company to exercise their rights in an informed manner, and to allow shareholders of the Company and the investment community to engage actively with the Company.

The Board maintains an on-going dialogue with shareholders and the investment community, and regularly reviews the policy to ensure its effectiveness. Information is communicated to the shareholders of the Company and investment community mainly through the Company's financial reports (quarterly, interim and annual reports), ESG reports and general meetings, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website.

The communication strategies are as follows:

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar. Shareholders and the investment community may, at any time make a request for the Company's information to the extent such information is publicly available by post addressed to the principal place of business of the Company in Hong Kong or by email to info@kos-intl.com.

Corporate Communications

Corporate communication documents (including annual report, interim report, quarterly report, ESG report, notice of meeting, circular and proxy form) would be provided to shareholders in plain language and in both English and Chinese versions to facilitate shareholders' understanding.

Corporate Website

Information on the Company's website is updated from time to time.

Information released by the Company to the Stock Exchange would be also posted on the Company's website as soon as possible thereafter. Such information includes, but not limited to, financial statements, results announcements, ESG reports, circulars and notices of general meetings and other regulatory disclosures.

All the Company's news regarding the major events and activities of the Group would be made available on the Company's website.

Shareholders' Meetings

Shareholders are encouraged to participate in general meetings. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that shareholder's needs are best served. The chairman of the Board and the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee and external auditor should attend the annual general meeting to answer shareholders' questions.

Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows, media interviews, marketing activities for investors and specialist industry forums etc. will be launched on an as-required basis.

The Board has conducted the annual review of the implementation and effectiveness of the shareholders' communication policy of the Company, and with the above measures in place, concluded that the policy was implemented effectively during the year.

CONSTITUTIONAL DOCUMENTS

In order to (i) permit the Company to hold hybrid general meetings and electronic general meetings; (ii) conform to the current requirements of the GEM Listing Rules, including but not limited to the Core Shareholder Protection Standards as set out in Appendix 3 to the GEM Listing Rules; and (iii) incorporate certain housekeeping amendments, the Board has made certain amendments to the memorandum of association and articles of association of the Company.

At the annual general meeting held on 12 May 2022, the shareholders of the Company approved the amendments to the memorandum of association and articles of association of the Company, the updated consolidated version of the second amended and restated memorandum of association and articles of association of the Company is available on the websites of the Company and the Stock Exchange.

For details, please refer to the Company's announcements dated 23 March 2022 and circular dated 31 March 2022.

Hong Kong, 24 March 2023

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This is the Environmental, Social, and Governance ("ESG") report of KOS International Holdings Limited (the "Company", and collectively with its subsidiaries referred as the "Group"), highlighting ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and Guidance provided by The Stock Exchange of Hong Kong Limited.

The Group is a Hong Kong-based human resources solutions provider that is dedicated to delivering high quality recruitment, secondment and payroll services to clients. This ESG report covers the Group's overall environmental and social performances of its major business operations in its offices in Hong Kong, Macau, Shenzhen, and Guangzhou of the People's Republic of China (the "PRC") from 1 January 2022 to 31 December 2022, unless otherwise stated.

REPORTING PRINCIPLES

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and Guidance provided by The Stock Exchange of Hong Kong Limited (the "Guide"). The contents covered herein are in compliance with the provision of "Comply or Explain" as well as four reporting principles of materiality, quantitativeness, balance and consistency required in the Guide.

Materiality – Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitativeness – Key performance indicators ("KPI"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance – The Report presents the Group's performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

Consistency – Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

Environmental, Social and Governance Report

REPORTING LANGUAGE

The Report is published in both English and Traditional Chinese versions. In case of discrepancies the English version shall prevail.

THE STATEMENT OF THE BOARD OF DIRECTORS

Over the past three years, businesses all over the world have been greatly affected by the pandemic of coronavirus disease 2019 ("COVID-19"). As COVID-19 begins to subsize, we have learnt the lesson that to withstand difficult macroeconomic situations, sustainability is the key to success. As a corporate citizen, the Group recognises this and continues to make sustainability its operational focus. We are dedicated to improving our sustainability performance in our operations. We understand that sustainability governance is the foundation to a successful operation.

The Board is, therefore, responsible in setting our strategic direction, ensuring that our ESG strategy reflects the Group's values and core businesses. In the future, the Board will review the progress made against ESG-related goals to guide the Group in monitoring its ESG performance.

At the same time, stakeholders are increasingly nudging corporations to take sustainability factors into consideration when doing businesses. To better understand the demands and expectations of our stakeholders, we invite our employees, shareholders, third-party professionals, and suppliers to participate in a survey to maintain effective communication, allowing us to better accommodate their needs.

The Group has tried to leverage its expertise in helping local communities to flourish by making monetary donations to Share for Good, a charity platform which purchased supplies and rendered support to the needy on the Group's behalf. With loosening COVID-19 restrictions, the Group has also reconfirmed its commitment to sharing its industry experiences with society through increased participation in webinars, knowledge sharing sessions, and conferences.

Through embedding sustainability in our business concept, we create greater value for both our stakeholders and society. Without the contribution of our employees, customers, business partners and communities, it would not have been possible for our Group to have achieved so much.

Looking ahead, to tackle future challenges, we will continue to drive our sustainability performance and further incorporate sustainability into our core strategy. This report sets out our sustainability practices and approaches throughout the past year. We hope this report will provide our stakeholders an overview of our sustainability performance.

THE GROUP'S FUTURE DEVELOPMENT AND COMMITMENTS

The Group commits to becoming a responsible corporate which upholds a high standard of corporate governance, strictly follows the code of ethics, advocates environmental protection and community services, and promotes social responsibility practices. It also embeds social responsibility into its operation and management to facilitate sustainability in economy, society and the environment. The Group's commitments include creating further employment opportunities for disadvantaged groups such as persons with disabilities, the elderly, and rehabilitated persons released from custody; promoting the rights and physical and mental health of the Group's employees; and minimising the Group's impact on the environment.

SUSTAINABILITY GOVERNANCE

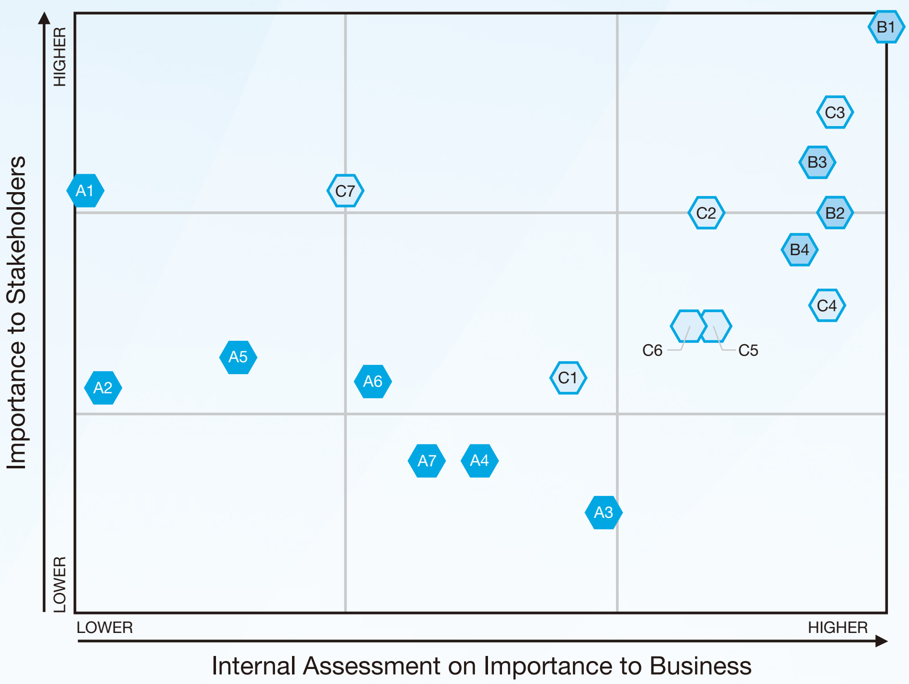
The Board has overall responsibility for the Group's sustainability strategy and reporting. The sustainability plan of the Group is developed based on results of ESG Reports, which is reviewed on an annual basis and adjusted as needed to align with the long-term business strategy of the Group.

The management team of the Group has also been delegated the responsibility of assessing and managing ESG-related issues. If any ESG issues are identified, the management team shall meet with the Board to discuss possible solutions. These measures shall ensure the sustainable and responsible growth and operation of the Group.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

During the Reporting Period, the Group has specifically engaged its board of directors, senior management, shareholders, frontline employees, third-party professionals, and suppliers to gain further insights on ESG aspects they find material and relevant challenges that they may induce. A materiality assessment has then been produced according to the engagement as follows.

Materiality of Different Topics from Stakeholder Engagement



Environmental Practices		Labour Practices		Operational Practices	
A1	Energy	B1	Employment	C1	Supply Chain Management
A2	Water	B2	Occupational Health and Safety	C2	Intellectual Property
A3	Air Emission	B3	Development and Training	C3	Data Protection
A4	Waste and Effluent	B4	Labour Standards	C4	Customer Service
A5	Other Raw Materials Consumption			C5	Product/Service Quality
A6	Environmental Protection Measures			C6	Anti-corruption
A7	Climate Change			C7	Community Investment

According to the assessment, the five most material topics to the Group are therefore,

1. Employment
2. Data Protection
3. Development and Training
4. Occupational Health and Safety
5. Intellectual Property

The Group aims to keep close communication with its stakeholders for the identified aspects and continues to improve its ESG performance. The Group also hopes to have better management on ESG-related risks for future business development. In alignment with the Group's vision on sustainability, the business will continue to operate with high ethical standards and provide sustainable returns to stakeholders.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Stakeholders can give their suggestions or share their views with us via email to info@kos-intl.com.

A. ENVIRONMENTAL

A1. Emissions

Due to the nature of business, the Group's operations are office based and their related environmental impact was very minimal. The Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

A1.1. Air Emissions

During the Reporting Period, business operations of the Group did not result in the consumption of any natural gas, petrol, or diesel. As such, there were no nitrogen oxides ("NO_x"), sulphur oxides ("SO_x"), or particulate matters ("PM") emissions during the Reporting Period.

A1.2. *Greenhouse Gas Emissions*

During the Reporting Period, 29.79 tonnes of carbon dioxide equivalent ("tCO_2e") greenhouse gases ("GHG", mainly carbon dioxide, methane and nitrous oxide) were emitted from the Group's operations. This is a 177.4% increase from last year, which is mainly due to additional electricity consumption by the Group during the Reporting Period, as well as increased business air travel by the Group during the Reporting Period.

The overall intensity was 4.42 $kgCO_2e$ per m^2 of total area, or 82.09 $kgCO_2e$ per employee.

During the Reporting Period, the Group's GHG emissions were contributed by:

– Scope 2 – "Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group; and

– Scope 3 – All other indirect emissions that occur outside the Group, including both upstream and downstream emissions.

During the Reporting Period, the Group did not emit any Scope 1 Emissions, which refer to any Direct Emissions from operations that are owned or controlled by the Group.

See below for the detail breakdown of 2022 GHG contributions, as well as comparisons with last year.

Scope of GHG	Emission Sources	2022 Emission (in tCO_2e)	2021 Emission (in tCO_2e)
Scope 1			
Direct Emissions	N/A	**0.00**	0.00
Scope 2			
Energy Indirect Emission	Purchased Electricity[1, 2]	**18.13**	9.79
Scope 3	Paper Waste Disposal	**1.31**	0.84
Other Indirect Emissions	Electricity used for processing fresh water and sewage by third party handler	**0.01**	0.00
	Business Air Travels[3]	**10.34**	0.11
Total[4]		**29.79**	10.74
Overall GHG Intensity ($kgCO_2eq./m^2$)		**4.42**	2.21
Overall GHG Intensity ($kgCO_2eq.$/employee)		**82.09**	37.41

Note: Emission factors were made reference to Appendix 20 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise. Scope 3 emissions were only calculated based on the available emission factors from the referred documentation.

Note 1: According to CLP 2021 Sustainability Report and CLP 2020 Sustainability Report: Emission factor of 0.39 tCO_2e/MWh was used for purchased electricity from CLP in Hong Kong in 2022, whereas emission factor of 0.37 tCO_2e/MWh was used for purchased electricity from CLP in Hong Kong in 2021.

Note 2: According to The Ministry of Ecology and Environment of People's Republic of China (2022): Emission factor of 0.5810 tCO_2e/MWh was used for purchased electricity from the National Grid of the PRC in 2022; Emission factor of 0.6101 tCO_2e/MWh was used for purchased electricity from the National Grid of the PRC in 2021.

Note 3: CO_2 emissions from the Group's business air travels were reported in accordance with the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator.

Note 4: Total GHG Emissions may not equal total of emission sources due to rounding errors.

A1.3. Hazardous Waste

During the Reporting Period, daily business operations of the Group did not generate any significant amounts of hazardous waste.

The overall intensity of hazardous waste generated was 1.48 g per m^2 of total area, or 27.55 g per employee.

See below for the detail breakdown of 2022 hazardous waste generation, as well as comparisons with last year.

Type of Hazardous Waste	**2022 Amount *(in kg)***	2021 Amount *(in kg)*
Television	**5.0**	0.0
Printing Cartridges	**3.0**	5.0
Batteries	**1.0**	0.0
Lighting Waste (e.g. Fluorescent Lamps)	**1.0**	0.0
MacBook	**0.0**	2.8
Total	**10.0**	7.8
Overall Hazardous Waste Intensity (g/m^2)	**1.48**	1.60
Overall Hazardous Waste Intensity (g/employee)	**27.55**	27.18

A1.4. Non-hazardous Waste

The Group recognises that its business operations had generated non-hazardous waste, which mainly consisted of general office waste such as plastic bags for rubbish bins, paper cups, paper towels, etc. However, since the amount of non-hazardous waste generated was insignificant, the Group had not kept records of the disposal of such items during the Reporting Period.

A1.5. Emissions Mitigation Initiatives and Targets

The Group's operations resulted in insignificant emissions. The main source of emission was electricity consumption from daily office operations and business air travel. Please refer to Section 2.3 for electricity-saving measures and Section A1.6 for paper-saving measures that shall mitigate emissions.

The Group had set the target of achieving a 10% reduction in emissions intensity by 2031, using 2021 as the baseline year. The Group's emission intensity in 2021 was 2.21 $kgCO_2e$ per m^2 of total office area, which means the Group has recorded a 100% increase in emissions intensity from the baseline year for this Reporting Period. These increased emissions figures are due to the Group rented a new office location in Hong Kong, while at the same time the Shenzhen office has started providing more comprehensive environmental data due to moving out from the shared coworking space. Due to the increase in office locations and more extensive coverage of environmental data, the Group has decided to reset the baseline of its emissions intensity reduction target to the current Reporting Period, with the new target of achieving a 10% reduction in emissions intensity by 2032, using 2022 as the baseline year.

A1.6. Waste Reduction Initiatives and Targets

The Group understands the importance of good waste management practices and strictly abides by waste disposal related rules and regulations.

The Group generated most of its hazardous waste from disposal of computer hardware waste, and these wastes were collected by professional third-party waste-handlers for recycling, reuse, or further processing. For example, the television which was disposed during the Reporting Period was handed to professional third-party waste-handlers for recycling.

Non-hazardous waste from the Group is collected and handled by office building management. To encourage waste reduction among its employees, the Group has taught waste reduction methods to its employees, put up signages on waste reduction, set up recycling bins for paper and plastic waste, and pushed measures to reduce kitchen and food waste.

Paper is used for daily office operations such as documents printing. Paper saving initiatives on recycling paper are encouraged among employees to reduce paper waste disposal at landfills, as well as adopting double-sided printing and printing with single-sided used paper for non-formal and non-confidential documents. The Group also encourages using electronic document for document issuance and notification, and using E-fax to promote a paperless office environment.

The Group had set the target of achieving a 10% reduction in overall waste generation by 2031, using 2021 as the baseline year. The Group generated 7.8 kg of hazardous waste in 2021, which means the Group has recorded a 28.21% increase in overall waste generation from the baseline year for this Reporting Period. These increased waste generation figures are due to the Group rented a new office location in Hong Kong, while at the same time the Shenzhen office has started providing more comprehensive environmental data due to moving out from the shared coworking space. Due to the increase in office locations and more extensive coverage of environmental data, the Group has decided to reset the baseline of its overall waste reduction target to the current Reporting Period, with the new target of achieving a 10% reduction in overall waste generation by 2032, using 2022 as the baseline year.

A2. Use of Resources

The Group has not established policies on the efficient use of resources. Nevertheless, the Group is committed to protecting the environment by enhancing operational efficiency to reduce energy and water consumption.

A2.1. Energy Consumption

A total of 42,800 kWh of energy was consumed by the Group for its operations during the Reporting Period, which represents a 61.76% increase from last year. Electricity was the major source of energy for the Group, which was used for powering lighting, air-conditioning and other equipment of the Group necessary for its daily operations.

However, please note that electricity consumption data is only available for the Hong Kong and Shenzhen offices. The Macau office is a virtual office space, while the Guangzhou office is a coworking space shared with other companies, so individual electricity consumption data is not available for these offices.

The intensity was 6.35 kWh of electricity consumption per m^2 of total area, or 117.91 kWh of electricity consumption per employee.

See below for the detail breakdown of 2022 energy consumption, as well as comparisons with last year.

Type of Energy Consumption	**2022 Amount *(in kWh)***	2021 Amount *(in kWh)*
Electricity	**42,800.02**	26,459.00
Overall Energy Use Intensity (kWh/m^2)	**6.35**	5.44
Overall Energy Use Intensity (kWh/employee)	**117.91**	92.19

A2.2. Water Consumption

Due to the nature of business, water consumption of the Group during the Reporting Period is minimal. The majority of the water supply facilities are provided and managed by property managers on the Group's rented premises, and the usage have been included in the management fees. As such, water consumption data is not available for Hong Kong, Macau, and Guangzhou offices.

The intensity was 0.033 m^3 of water consumption per m^2 of Shenzhen office area, or 0.625 m^3 of water consumption per Shenzhen office employee.

See below for the detail breakdown of 2022 water consumption, as well as comparisons with last year.

	2022 Amount *(in m^3)*	2021 Amount *(in m^3)*
Shenzhen Office Water Consumption	**15.00**	N/A[1]
Water Use Intensity (m^3/m^2 Shenzhen office area)	**0.033**	N/A[1]
Water Use Intensity (m^3/Shenzhen office employee)	**0.625**	N/A[1]

Note 1: Water consumption data for Shenzhen office was not available for 2021.

A2.3. Energy Use Efficiency Initiatives and Targets

To reduce electricity consumption, employees are reminded to turn off office lights, computers, printers, and air conditioners when leaving office or whenever they are not in use. In addition, the Group also plans on gradually replacing older electronic equipment with more efficient ones.

The Group had set the target of achieving a 10% reduction in energy use intensity by 2031, using 2021 as the baseline year. The Group's energy use intensity in 2021 was 5.44 kWh per m^2 of total office area, which means the Group has recorded a 16.73% increase in energy use intensity from the baseline year for this Reporting Period. These increased energy consumption figures are due to the Group rented a new office location in Hong Kong, while at the same time the Shenzhen office has started providing more comprehensive environmental data due to moving out from the shared coworking space. Due to the increase in office locations and more extensive coverage of environmental data, the Group has decided to reset the baseline of its energy use intensity reduction target to the current Reporting Period, with the new target of achieving a 10% reduction in energy use intensity by 2032, using 2022 as the baseline year.

A2.4. Water Use Efficiency Initiatives

The Group abides by the rules and regulations in relation to water pollution control, and the Group has had no problem in sourcing water that is fit for purpose during the Reporting Period. While the Group has not set any targets for water consumption reduction due to its minimal impacts, the Group nonetheless promotes reasonable water use initiatives and water saving measures among its employees.

A2.5. Packaging Materials

The Group's operations during the Reporting Period did not involve any regular use of packaging materials.

A3. The Environment and Natural Resources

The Group is committed to conducting its business responsibly, ensuring that its business does not contribute to significant adverse impact on the environment and society while bringing sustainable growth and profit.

A3.1. Significant Impacts of Activities on the Environment

While the Group's business has no direct or significant impact on the environment and natural resources, the Group is committed to reducing its consumption of resources and minimising its use of business travel.

A4. Climate Change

Due to the nature of business as an office-based company, climate change has not posed significant impact on the Group's business operation. As such, the Group has not formulated any policy regarding climate change. However, the Group has identified relevant climate-related risks and assessed their potential financial impacts. The climate risks identified, their time horizon, trend, and the potential financial impacts affecting the Group are shown below.

	Climate Risks	Time horizon	Trend	Potential financial impact
Physical Risks	Acute	Short term	Increase	Extreme weather events with increased severity during cyclones, hurricanes, storm surges and floods can cause supply chain interruption by bringing damage to local infrastructure, potential damage to offices and disruption to human resources.
	Chronic	Long term	Increase	Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and increased insurance premium.
Transition Risks	Technology	Long term	Increase	During the transitional period, the Group expects increased procurement expenditures to introduce new and alternative technologies, and the additional cost of adopting/deploying new practices and processes.
	Policy and Legal	Short to medium term	Increase	Implementation of tightened environmental laws, stringent requirements on climate disclosures and carbon pricing system increases operating costs.
	Market	Short term	Increase	During the transitional period, the Group might face a decrease in revenue due to higher environmental requirements of clients, if no strategy has been set accordingly.
	Reputation	Short to medium term	Increase	Stakeholders' concerns on climate-related issues of the Group might dampen the investment sentiment of investors, impacting the stock price and market capitalisation of the Group, and hence increasing the liquidity risk.

A4.1 Significant Climate-Related Issues

The Group recognises that extreme weather events caused by climate change may negatively impact daily operations and has accordingly prepared contingency plans for these situations. These include, but not limited to, work-from-home plans for employees and insurance against damages from extreme weather events. However, the Group has yet to identify any opportunities arising from climate change.

Environmental, Social and Governance Report

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

The Group has complied strictly with the relevant laws and regulations to ensure employees' interests are protected. See below for a list of employment laws and regulations of the respective regions the Group operate in.

Mainland China	Hong Kong	Macau
• Labour Law • Labour Contract Law • Regulations on Paid Annual Leave for Employees • Law on the Protection of Women's Rights and Interests • Special Rules on the Labour Protection of Female Employees	• Employment Ordinance (Cap. 57) • Inland Revenue Ordinance (Cap. 112) • Sex Discrimination Ordinance (Cap. 480) • Mandatory Provident Fund Schemes Ordinance (Cap. 485) • Personal Data (Privacy) Ordinance (Cap. 486) • Disability Discrimination Ordinance (Cap. 487) • Family Status Discrimination Ordinance (Cap. 527) • Race Discrimination Ordinance (Cap. 602) • Minimum Wage Ordinance (Cap. 608)	• Labour Relations Law • Framework Law on Employment Policy and Worker's Rights • Regulation on Prohibition of Illegal Work • Minimum wage for employees (Law No. 5/2020)

In addition, the Group has formulated an employee handbook to facilitate the building of talent teams and strive to create an equal, inclusive, healthy, and safe working environment. The employee handbook clearly lays out human resource policies, which include equal employment, attendance management, remuneration and benefits, recruitment and promotion, health and safety, performance assessment, code of conduct, etc., so as to keep employees aware of the Group's management basis and their own interests. The Group did not note any cases of material non-compliance in relation to employment during the Reporting Period.

B1.1. *Employment Figures*

As of 31 December 2022, the Group had a total of 363 employees across its offices in Hong Kong, Macau, Shenzhen, and Guangzhou.

See below for the detail breakdown of the 2022 workforce, as well as comparisons with last year.

Total Workforce as of 31 December	**2022**		2021	
	Number	***Percentage***	*Number*	*Percentage*
By Gender				
Male	**121**	**33.33%**	94	32.75%
Female	**242**	**66.67%**	193	67.25%
By Employment Type				
Full-Time	**138**	**38.02%**	126	43.90%
Part-Time	**225**	**61.98%**	161	56.10%
By Employee Category				
Senior Management	**9**	**2.48%**	15	5.23%
Middle Management	**25**	**6.89%**	15	5.23%
Frontline and Other Employees	**329**	**90.63%**	257	89.54%
By Age Group				
18–25	**140**	**38.57%**	110	38.33%
26–35	**127**	**34.99%**	109	37.98%
36–45	**54**	**14.88%**	44	15.33%
46–55	**26**	**7.16%**	13	4.53%
56 or above	**16**	**4.40%**	11	3.83%
By Geographical Location				
Hong Kong	**303**	**83.47%**	232	80.84%
Macau	**13**	**3.58%**	42	4.53%
Mainland China	**47**	**12.95%**	13	14.63%
Total	**363**	**100.00%**	287	100.00%

B1.2. Turnover Figures

A total of 165 employees left the Group during the Reporting Period, which gave a turnover rate of 45.45%.[1] The Group regularly reviews salary remuneration and benefits to retain talents and stay attractive and competitive in the market.

See below for the detail breakdown of 2022 turnover rate by employee group, as well as comparisons with last year.

Turnovers as of 31 December	2022		2021	
	Number	***Turnover Rate***	*Number*	*Turnover Rate*
By Gender				
Male	**47**	**38.84%**	70	74.47%
Female	**118**	**48.76%**	112	58.03%
By Employment Type				
Full-Time	**56**	**40.58%**	41	32.54%
Part-Time	**109**	**48.44%**	141	87.58%
By Employee Category				
Senior Management	**1**	**11.11%**	3	20.00%
Middle Management	**0**	**0.00%**	2	13.33%
Frontline and Other Employees	**164**	**49.85%**	177	68.87%
By Age Group				
18–25	**66**	**47.14%**	79	71.82%
26–35	**61**	**48.03%**	68	62.39%
36–45	**23**	**42.59%**	25	56.82%
46–55	**10**	**38.46%**	6	46.15%
56 or above	**5**	**31.25%**	4	36.36%
By Geographical Location				
Hong Kong	**138**	**45.54%**	169	72.84%
Macau	**3**	**23.08%**	11	15.38%
Mainland China	**24**	**51.06%**	2	26.19%
Total	**165**	**45.45%**	182	63.41%

Note: 2022 and 2021 turnover figures exclude employees who worked with the Group for less than or equal to 60 days

[1] Figure excludes employees who worked with the Group for less than or equal to 60 days

B1.3 Employee Recruitment, Compensation and Benefits

The Group complies strictly with all applicable laws and regulations in relation to recruitments, pursuant to which the Group is to select, recruit and promote its employees at all levels in a fair and open manner based on their knowledge, integrity, ability and experience in either public recruitment or internal promotion. When an employee presents their resignation, the human resources department will arrange an interview with them to understand their motives and identify issues in relation to management and employee turnover rates.

There were no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination during the Reporting Period. In additions, during the Reporting Period, the Group was not aware of any violation cases relating to compensation, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the operations of the Group.

The Group abides by all applicable employment and labour related laws of Hong Kong, Macau, and Mainland China. The Group's employees are remunerated in accordance with their performance, qualification, work experience and prevailing industry practice. In addition to a fixed salary, commission-based bonuses are offered to consultants whose sales figures exceed a certain level to attract and retain eligible employees to contribute to the Group. The Seconded Staff have been remunerated in accordance with their contracts with the Group and the relevant laws and regulations in Hong Kong or Macau.

Various types of leave, including annual leaves, sick leaves, maternity leaves, paternity leaves and jury services leave, are also provided. The Group safeguards employees' entitlement to statutory benefits. The Group participates in the mandatory provident fund ("MPF") for employees, including Internal Staff and Seconded Staff, in accordance with the MPF in Hong Kong, the Social Security Regime in Macau, and the state-managed retirement benefit scheme managed by the PRC government, respectively, and have paid the relevant contributions accordingly. The Group has also maintained employees' compensation insurance for all our employees.

To mitigate the impact of COVID-19 on its employees, the Group had not adjusted the salary of its internal staff during the Reporting Period. If any employee get infected or needs to be quarantined, the Group arranges for full pay sick leave for the affected employee. During the Reporting Period, the Group did not dismiss any employees due to COVID-19.

There were no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination during the Reporting Period.

B1.4. Employee Communication

The Group treasures employees as its valuable assets. Employees are encouraged to provide their opinions directly to the directors and the chief executive officer of the Company by email. In addition, the Group arranges catch up meeting with the chief executive officer and team head by weekly and also arranges month-ended meeting for all employees in order to let the employees to provide their opinions to the top management. To strengthen and upgrade employees' qualifications, the Group provides appropriate appraisals to employees in trainings and development activities. It also enhances employees' sense of satisfaction through presentation of awards.

With loosening COVID-19 restrictions, the Group has organised the following activities to enhance employees' sense of belonging:

- CNY lunch;
- Lunch/Dinner meeting with employees;
- Kick-off meetings and team building activities;
- Mid-Autumn Festival celebration;
- Monthly birthday celebration; and
- Christmas Party

B1.5. Equal Opportunity and Anti-Discrimination

The Group attaches particular importance to equal employment opportunities and comply strictly with anti-discrimination laws. In support of equal employment opportunities, the Group adopts fair and open recruitment mechanism with all positions being openly recruited regardless of age, gender, race, nationality, religion, marital status, or disability.

B2. *Employee Health and Safety*

The Group ensures that safety is placed at the top priority in its operation, and is maintained as a critical component in its workplace culture. It constantly improves safety performances of its different business areas, in order to provide a safe and healthy environment to employees. Furthermore, the Group offers medical insurance to its internal staff.

During the Reporting Period, the Group has complied with occupational health related laws and regulations to avoid any health risks from being imposed onto its employees. See below for a list of occupational health related laws and regulations of the respective regions the Group operate in.

Mainland China	Hong Kong	Macau
• Labour Law • Labour Contract Law • PRC Law on The Prevention and Control of Occupational Diseases	• Employees' Compensation Ordinance (Cap. 282) • Occupational Safety and Health Ordinance (Cap. 509)	• Legal Regime on Compensation for Damage Arising from Work Accidents and Occupational Diseases • Convention concerning Occupational Safety and Health and the Working Environment

There were no major changes in management practice in relation to occupational health and safety during the Reporting Period.

COVID-19 Measures

When COVID-19 broke out, the Group was highly cautious of the most up-to-date situations as employees' health and safety is the Group's priority. The Group has taken lead in setting up preventive measures and arrangements for employees, some practices include:

- Adopting home officing measures as appropriate;
- Strengthening health surveillance measures, such as measuring body temperatures of employees, clients, and visitors;

- Performing deep-cleaning of office;
- Setting up emergency response groups to keep up to date with COVID-19 developments;
- Encouraging COVID-19 vaccinations among employees by providing a day of vaccination leave for each vaccination dose received; and
- Sourcing and providing anti-virus supplies, such as surgical masks and sanitisers

B2.1. Work-related fatalities and injury

Occupational Health and Safety Data in 2022	
Work related fatality	0
Fatality rate	0.00%
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0

Occupational Health and Safety Data in 2021	
Work related fatality	0

Occupational Health and Safety Data in 2020	
Work related fatality	0

Employees involved in work-related injuries shall inform their Department Heads or Human Resources Department within 24 hours after the accident, and seek medical consultation in nearby hospitals or clinics. Within 48 hours after the injured employees obtained the sick leave certificates, Human Resources Department shall complete and submit the work injury report to the insurance company for related compensation.

During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of health and safety-related laws, and there was no work-related death in the past three years.

B3. *Development and Training*

The Group values its employees as human capital and invest resources to educate and maintain their standards so that they can make a greater contribution to its success. The chief executive officer of the Group is responsible for providing training and developments to its employees.

Orientation programmes is provided for new Internal Staff to familiarise them with the Group's daily operation and information technology systems.

During the Reporting Period, the Group organised in-house training workshops as well as appropriate on-the-job training to the staff to improve their performance effectiveness, covering topics such as anti-discrimination, back-office training, recruiting, and client networking.

During the Reporting Period, 89 employees, or 24.52% of all employees, received training as arranged by the Group, and the average training hours that each employee received (inclusive of those who did not receive training) was 0.54 hours. The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

Training Figures as of 31 December	**2022**		2021	
	Average Training Hours	***Percentage***	*Average Training Hours*	*Percentage*
By Gender				
Male	**0.48 hrs**	**23.14%**	0.62 hrs	31.91%
Female	**0.56 hrs**	**25.21%**	0.62 hrs	29.53%
By Employee Category				
Senior Management	**1.56 hrs**	**100.00%**	1.73 hrs	93.33%
Middle Management	**0.78 hrs**	**76.00%**	1.73 hrs	93.33%
Frontline and Other Employees	**0.49 hrs**	**18.54%**	0.54 hrs	22.96%
Overall	**0.54 hrs**	**24.52%**	0.67 hrs	30.31%

B4. *Labour Standards*

The Group believes in nurturing and developing top talents regardless of race, gender, age, religious belief, pregnancy, marital status, family status or disability.

The recruitment of the Group also complies strictly with the local laws and conduct. Personal data collected during the process will be used to assist in the selection of suitable candidates and to conduct interviews and verification of personal data. The Group ensures that identity documents and relevant certificates are carefully checked before interview and employment. Applicants are required to sign a declaration for provision of true and correct information. Employees can be dismissed for any frauds.

The Group has strictly abided by all labour standard laws and regulations to protect children and prevent child labouring. See below for a list of labour standard related laws and regulations of the respective regions the Group operate in.

Mainland China	Hong Kong	Macau
• PRC Law on Protection of Minors	• The Employment of Children Regulations under the Employment Ordinance (Cap. 57)	• Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour

There was no child nor forced labour in the Group's operation during the Reporting Period. In addition, the Group conducts regular checking to ensure that there is no child labour nor forced labour in its operations. If any case of non-compliance is discovered, the Group will immediately terminate employment and further investigate to avoid recurrence.

2. Operating Practices

B5. Supply Chain Management

Due to the nature of business, the Group had had not engaged with any long-term key suppliers during the Reporting Period. Furthermore, the Group had not engaged any subcontractors to provide human resources services to any of its clients. The Group procures equipment and IT system support and maintenance services from vendors for its business operation, however there are no specific procedures implemented to minimise environmental or social risks, nor any internal policies on selecting suppliers with better environmental and social performance.

B6. Product Responsibility

In terms of regulating product promotion and responsible sales, the Group strictly abides by the relevant laws and regulations. See below for a list of relevant laws and regulations of the respective regions the Group operate in.

Mainland China	Hong Kong	Macau
• Criminal Law • Advertising Law • Cyber Security Law • Provisions on Protecting the Personal Information of Telecommunications and Internet Users	• Personal Data (Privacy) Ordinance (Cap. 486) • Office of the Privacy Commission for Personal Data, Hong Kong • Trade Marks Ordinance (Cap. 559) • Patents Ordinance (Cap. 514) • Copyright Ordinance (Cap. 528)	• Trade Secrets Act • Legal Regime of Industrial Property • Trademark Act • Patent Act • Republication of the Regime of Copyright and Related Rights • Personal Data Protection Act

In terms of the health and safety, advertising, labelling and privacy matters and remedies of the products and services provided, there was no material non-compliance with relevant laws and regulations that would have a significant impact on the Group during the Reporting Period. In addition, there had been no products sold or shipped subject to recalls for safety and health reasons during the Reporting Period.

B6.1. *Intellectual Property Rights*

Any assets of the Group, including materials and information for official purposes, shall not be taken or copied for personal purposes without authorisation. Such violation is an offence under the laws of Hong Kong and Macau, and offenders will be subject to disciplinary action or prosecution. The Group does not allow any infringement of its assets and intellectual property rights, and will take appropriate disciplinary actions against offenders.

As of 31 December 2022, the Group holds 19 officially registered trademarks. During the Reporting Period, the Group was not aware of any dispute or infringement by (i) the Group of any intellectual property rights owned by third parties; or (ii) any third parties of any intellectual property rights owned or being applied by the Group.

B6.2. *Quality Assurance*

As a human resources services provider, the key service responsibilities of the Group are on providing high quality human resources services and privacy matters of our clients and candidates. Emphasis is therefore placed on recruiting and retaining skillful, knowledgeable, and experienced consultants, monitoring service quality and staff training.

During the recruitment process of our consultants, the Group looks for personnel who have good communication skills as it is important to effectively connect with its clients and candidates and to maintain long-term business relationships. When the Group is recruiting Seconded Staff, it will look into the skills and/or professional qualifications required for the positions which clients are looking for.

The Group provides after-sales services for both recruitment services and secondment, and payroll services. The Group generally provides replacement for the placed candidates under certain circumstances for recruitment services and may terminate the relevant Seconded Staff if their performance is below the required standard. The Group will also meet with clients and candidates on a regular basis to build up good relationships and to collect feedbacks on services provided. The Group believes that this will allow it to maintain its high quality of services provided and gain market intelligence to keep its staff abreast to the latest developments in the human resources services industry.

During the Reporting Period, there were no material complaints made against us and our internal and Seconded Staff by our clients. The Group has complied with relevant laws and regulations in relation to product and service liabilities.

B6.3. Confidential Information, Data Protection, and Privacy

As a human resources services provider, the Group has in its possession a substantial amount of personal data related to individual candidates. The Group's software system also stores information relating to performance assessment of such candidates by the Group and its clients. Pursuant to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Group is obliged to keep all such data confidential. Therefore, the Group has implemented internal control measures to safeguard the security and confidentiality of our candidate database as follows:

(a) Access to documents: Access to the information and candidate database is restricted on a stringent need-to-know basis by maintaining policies specifying the level and extent of documentation required in our key business activities and for general use. Approval from the Group's management team shall be obtained before any external requests to review the documents and any release of the documents are executed. There are also security measures in place to monitor the use of information internally by staff, including:

   i. implementing security policy to limit certain staff from accessing company information away from office and/or out of working hours;

   ii. keeping detailed records of staff's online activities and behaviours (including the time and date of each login, browser used for each session, number of page hits, actions the staff performed, candidates and/or clients the staff viewed, notes taken, messages sent and received) which enables the Group to closely and continuously monitor our staff's activities and behaviours to see if there are any abnormal activities such as excessive client and/or candidate view, access of candidate and/or client that falls outside of the staff's area of focus or scope of work; and

   iii. configuring the IT and email systems so that mass data export is only available to system administrators (i.e. executive Directors of the Group).

(b) Storage of electronic data: The majority of personal data collected are uploaded and stored in a server operated by a contracted software service provider. They have implemented backup policies to safeguard the information in any unexpected situation.

(c) System security: Directors of the Group consider that there are robust security measures in place to ensure security in every process of operation to prevent security system breaches. These measures include adopting the latest technologies to store and control data collected centrally in the cloud to prevent data from being stored locally on staff workstations or local file server which may lead to information leakage, requiring confidential data accessed by authorised staff through designated user's accounts and passwords, disabling the alteration and/or reviewing of data by general staff, and encrypting backup data. Hackers are prevented from attacking the candidate database by, among others, utilising certified recruitment software with functions of user authentication, data back up and segregation, operating system and database security to enhance protection against cyber-attacks, implementing firewall protecting the internal network from intrusion, installing anti-virus software on servers and workstations as well as applying security patches and updates of operating systems. During the Reporting Period, the Group had not experienced any incidents relating to hackers attacking its candidate database.

(d) Compliance with the relevant laws and regulations: Employees are required to adhere to the obligations and responsibilities set out in the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and all relevant laws and regulations in relation to the data privacy protection.

The Group complies with all applicable laws regarding confidential information and data protection. During the Reporting Period, the Group received no complaints or litigations relating to data protection and privacy protection, and there were no incidents and complaints concerning breaches of customer privacy or losses of customer data for the Group.

B7. Anti-corruption

Conflict of interest exists when personal interest is in contrary or in contradiction with the Group's interest. It includes the use of a person's official position to benefit himself, his family, relatives or friends or any person to whom he owes a favour or is obliged in any way. The Group is committed to ensuring its business does not involve in any conflict of interest. Its code of conduct requires staff to avoid unapproved conflict of interest situations. Approval shall be obtained from the Board.

Any bribery and corruption activities are also prohibited pursuant to the Prevention of Bribery Ordinance of the Laws of Hong Kong, and as stated in the Group's code of conduct. Whistleblowing policy is established to provide clear guidelines on reporting misconduct and malpractice, with channels for all shareholders, customers, suppliers and Internal Staff to raise concerns under the policy. When a suspicious case is received, the Group undergoes investigation procedures with secured protection on complainant's confidentiality. If complainant's identity is exposed, whoever retaliates against the complainant will be subject to disciplinary actions. All concerns will be handled impartially and effectively, and will be reported to relevant enforcement authorities when necessary.

In order to enhance anti-corruption awareness and levels, an annual anti-corruption training has been provided to staff during the Reporting Period, which covered topics such as whistle-blowing, business ethics, avoiding conflict-of-interest, and anti-bribery.

During the Reporting Period, the Group did not have any lawsuits related to corruption, nor violated relevant laws and regulations that have a significant impact on the operations of the Group. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

B8. Community Investment

The awareness of corporate social responsibility has been increasing in the market. The Group realises the importance of different stakeholders' expectations. In achieving long term, stable and healthy business prosperity and growth, the Group strives to balance the interests between stakeholders and is committed to improve the community's wellbeing.

In addition, the Group attaches great importance to social public welfare activities, and has contributed to activities and organisations that are beneficial to the community. During the Reporting Period, the Group has participated in and sponsored various communal activities. See below for a list of significant activities by the Group during the Reporting Period:

Date	Beneficiary	Details
21 March 2022	Share For Good, Hong Kong's first large-scale crowd-donation platform	HK$100,000 donation for the purpose of purchasing supplies and rendering support to NGOs during the pandemic
June – August 2022	Inspiring HK Sports Foundation	Sponsorship of local basketball team in WELL DUNK! Public Estate Basketball League
2 November 2022	WEMP Foundation	Attendance of WEMP Foundation Gala to promote mental health for children and to create a more harmonious society

Furthermore, the Group has also engaged in professional knowledge sharing through participating in conferences, webinars, and other activities during the Reporting Period, which allowed the Group to connect and share industrial trends and knowledge with other parties. These included:

- Webinars on topics such as tech hiring in the Greater Bay Area, experience sharing, job and talent market outlook, workplace skills, and entrepreneur skills sharing throughout 2022, either organised solo or in collaboration with organisations such as DISC Flow Hong Kong, CPA Australia, Sun Life, Shenzhen Equity Investment Research Association, and Young Entrepreneur Network Study Group;

- Knowledge sharing sessions on topics such as women in technology, Amazon Web Services, recruiting skills, office environment sharing, start-up experience sharing, and technology in human resources throughout 2022, organised in collaboration with organisations such as Kornerstone, City University of Hong Kong, Chinese University of Hong Kong, HKAPA, HKBN, and St. James' Settlement;

- Participated in the "Hong Kong Institute of Human Resource Management Annual Conference and Exhibition" to share insight into industry trends on 3 September 2022; and

- Participated in Hong Kong Baptist University's "Future Skills Workshop" to share professional skills on 11 November 2022.

The Group will continue to fulfil its corporate responsibilities and serve the community to the best of its abilities. The Group will also strive to achieve better allocation of resources in the perspective of providing assistance to the community in need and pursuing environmental protection, as well as contributing to the sustainable development of society.

Independent Auditor's Report

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF KOS INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KOS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 141, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS – *continued*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of accounts receivables	
We identified the impairment assessment of accounts receivables as a key audit matter due to the significance of accounts receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's accounts receivables at the end of the reporting period. As disclosed in note 17 to the consolidated financial statements, as at 31 December 2022, the Group's net accounts receivables amounting to HK$24,355,000 (2021: HK$17,177,000) and out of these accounts receivables of HK$12,012,000 (2021: HK$5,520,000) and HK$5,147,000 (2021: HK$728,000) were past due and past due over 90 days, respectively. As disclosed in note 4 and note 17 to the consolidated financial statements, accounts receivables are assessed for ECL individually. The Group assessed credit risk of its individual customers with reference to external credit rating, the Group's observed default rates and supportable forward-looking information that is available to the directors of the Company without undue cost or effort, and are updated if considered to be required.	Our procedures in relation to the impairment assessment of accounts receivables included: • Obtaining an understanding on the key controls over credit risk assessment and how management estimates the loss allowance for accounts receivables; • Assessing the appropriateness of the loss allowance calculation methodology used by the management; • Testing the integrity of information used by management in assessing the credit risk of individual customers, on a sample basis, by checking the external credit rating of the customers to independence source if available, and comparing historical default rates to the actual losses recorded during the current financial year; and • Challenging management's basis and judgement in concluding accounts receivables which were past due over 90 days or more, and were not considered as in default, on a sample basis, with reference to the external credit rating, historical default rates and forward-looking information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lau, Ming Tak Simeon.

D & PARTNERS CPA LIMITED
Certified Public Accountants
Lau, Ming Tak Simeon
Practising Certificate Number: P07579

Hong Kong, 24 March 2023

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	5	**125,965**	108,948
Other income	6	**2,419**	272
Other gains and losses	7	**(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	8	**(377)**	(170)
Profit before taxation	9	**16,555**	14,836
Income tax expense	10	**(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)*	13	**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	14	**5,322**	2,543
Right-of-use assets	15	**7,002**	5,904
Other intangible asset	16	**980**	–
Rental deposits	17	**1,185**	674
Equity instrument at fair value through other comprehensive income ("FVTOCI")	18	**1,556**	1,556
		16,045	10,677
Current assets			
Accounts and other receivables	17	**28,300**	19,747
Tax recoverable		**44**	–
Financial assets at fair value through profit or loss ("FVTPL")	19	**949**	1,608
Pledged bank deposits	20	**3,600**	1,200
Bank balances and cash	20	**42,734**	42,767
		75,627	65,322
Current liabilities			
Other payables and accruals	21	**10,742**	9,748
Contract liability	21	**258**	–
Lease liabilities	22	**3,819**	1,971
Taxation payable		**1,035**	1,794
Bank overdraft	20	**5,996**	5,965
		21,850	19,478
Net current assets		**53,777**	45,844
Non-current liabilities			
Lease liabilities	22	**3,285**	3,724
Deferred tax liability	23	**299**	305
Provision for reinstatement costs	24	**431**	225
		4,015	4,254
Net assets		**65,807**	52,267
Capital and reserves			
Share capital	25	**8,000**	8,000
Reserves		**57,807**	44,267
Total equity		**65,807**	52,267

The consolidated financial statements on pages 78 to 141 were approved and authorised for issue by the Board of Directors on 24 March 2023 and are signed on its behalf by:

Chan Ka On Eddie
DIRECTOR

Chan Ka Shing Jackson
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Statutory reserve HK$'000 (Note)	Translation reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000
At 1 January 2021	8,000	39,738	49	–	92	(8,564)	39,315
Profit for the year	–	–	–	–	–	12,804	12,804
Transfer to statutory reserve	–	–	–	10	–	(10)	–
Exchange differences arising on translation of foreign operations	–	–	–	–	148	–	148
Total comprehensive income for the year	–	–	–	10	148	12,794	12,952
At 31 December 2021	8,000	39,738	49	10	240	4,230	52,267
Profit for the year	–	–	–	–	–	14,047	14,047
Transfer to statutory reserve	–	–	–	4	–	(4)	–
Exchange differences arising on translation of foreign operations	–	–	–	–	(507)	–	(507)
Total comprehensive income for the year	–	–	–	4	(507)	14,043	13,540
At 31 December 2022	8,000	39,738	49	14	(267)	18,273	65,807

Note: The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the Mainland of People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Operating activities		
Profit before taxation	**16,555**	14,836
Adjustments for:		
Depreciation of property, plant and equipment	**1,582**	1,532
Depreciation of right-of-use assets	**3,565**	2,181
Written-off of property, plant and equipment	**–**	3
Change in fair value of financial assets at FVTPL	**707**	170
Net realised gain in fair value of financial assets at FVTPL	**–**	(207)
Interest income	**(168)**	(22)
Finance costs	**377**	170
Impairment losses under ECL model, net of reversal	**286**	327
Operating cash flows before movements in working capital	**22,904**	18,990
Increase in accounts and other receivables	**(9,701)**	(9,579)
Increase in other payables and accruals	**1,069**	3,381
Increase (decrease) in contract liability	**258**	(1,100)
Cash generated from operations	**14,530**	11,692
Hong Kong Profits Tax (paid) refunded	**(3,319)**	1,212
Taxation in other jurisdictions refunded (paid)	**3**	(60)
Net cash generated from operating activities	**11,214**	12,844
Investing activities		
Purchase of financial assets at FVTPL	**(48)**	(2,987)
Purchase of property, plant and equipment	**(4,423)**	(1,977)
Purchase of equity instrument at FVTOCI	**–**	(1,556)
Purchase of other intangible asset	**(980)**	–
Payment for rental deposits	**–**	(3)
Interest received	**126**	22
Proceeds from disposal of financial assets at FVTPL	**–**	1,416
Net cash used in investing activities	**(5,325)**	(5,085)
Financing activities		
Repayment of lease liabilities	**(2,914)**	(2,236)
Placement of pledged bank deposits	**(2,400)**	(1,200)
Interest paid	**(362)**	(170)
Cash used in financing activities	**(5,676)**	(3,606)
Net increase in cash and cash equivalents	**213**	4,153
Cash and cash equivalents at beginning of the year	**36,802**	32,567
Effect of foreign exchange rates changes	**(277)**	82
Cash and cash equivalents at end of the year, represented by	**36,738**	36,802
Bank balances and cash	**42,734**	42,767
Bank overdraft	**(5,996)**	(5,965)
	36,738	36,802

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL

KOS International Holdings Limited (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 Cayman Islands. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 October 2018 (the "Listing"). The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

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 Company and its subsidiaries are hereinafter collectively referred to as the "Group".

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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 Hong Kong Institute of Certified Public Accountants ("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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

Amendments to HKFRSs that are mandatorily effective for the current year – *continued*

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

Amendments to HKFRSs that are mandatorily effective for the current year – *continued*

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

Amendments to HKFRSs that are mandatorily effective for the current year – *continued*

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments which is transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration in due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, Secondment and payroll services are charged on a monthly basis during the service period based on either (i) an agreed percentage of the seconded staff's monthly recruitment package; or (ii) an agreed fixed amount of service fee), the Group recognises revenue in the amount to which the Group has the right to invoice.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases – *continued*

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases – *continued*

The Group as a lessee – *continued*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are is adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases – *continued*

The Group as a lessee – *continued*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “Other income”.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Retirement benefit costs and termination benefits

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong, the Social Security Fund Contribution in Macau and the state-managed retirement benefit scheme managed by the PRC government are recognised as an expense when employees have rendered service entitling them to the contributions. A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRSs requires or permits their inclusion in the cost of an asset.

Borrowing costs

All borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Impairment on property, plant and equipment, right-of-use assets and other intangible asset

At the end of the reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets and other intangible asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of property, plant and equipment, right-of-use assets and other intangible asset, are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment on property, plant and equipment, right-of-use assets and other intangible asset – *continued*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, plant and equipment

Property, plant and equipment held for use in the production of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Other intangible asset

Other intangible asset is measured on initial recognition at cost and its useful life is assessed to be indefinite.

Other intangible asset is tested for impairment annually and not amortised. Its useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of financial assets or financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or financial liabilities, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

Financial instruments *– continued*

Financial assets

Classification and measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and measurement of financial assets – continued

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other gains and losses" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") on financial assets which are subject to impairment assessment under HKFRS 9 "Financial Instruments" (including accounts and other receivables, rental deposits, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivables. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Significant increase in credit risk – continued

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event; or

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including other payables and bank overdraft are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

Provision of ECL for accounts receivables

The Group uses individual assessment to calculate ECL for the accounts receivables. The provision rates are based on external credit ratings considering the individual debtor's historical default rate, adjusted after considering forward-looking information that is reasonable and supportable available without undue costs or effort that are specific to each debtor. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivables are disclosed in note 17.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *– continued*

Fair value measurement of financial instruments

As at 31 December 2022, certain of the Group's financial assets, unquoted equity instrument, amounting to HK$1,556,000 (2021: 1,556,000) is measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers the valuation is the best estimates has resulted in greater market volatility and may affect the investees' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current and prior year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of the instruments. See note 18 for further disclosures.

5. REVENUE AND SEGMENT INFORMATION

Recruitment services

The Group's recruitment services are to assist its customers in placing appropriate candidates for requested positions. Generally, the Group charges one-off service fees calculated based on an agreed percentage of the successfully placed candidate's monthly basic salary or annual remuneration package in the first year of his/her employment (the "Agreed Percentage"). For certain customers, the Group charges the service fees based on the fee calculated by the Agreed Percentage or an agreed minimum fee, whichever is higher. For certain placement of frontline staff, the Group generally charges a one-off fixed fee per successful placement. The performance obligations of recruitment services are to find appropriate candidates for the requested position. Pursuant to the terms of the recruitment services contracts, the Group is obliged to find the appropriate candidates for the requested position. In case the candidate resigns or the customer terminates employment in one to three months from the date of reporting duty by the candidate, the Group is obliged to find a one-off replacement within one to three months from the date when the Group is notified of such termination (the "Replacement Period"). In rare circumstances where the Group is unable to find replacement within the Replacement Period, the recruitment service fee will be refunded or credited to customer for future recruitment services. For the year ended 31 December 2022 and 2021, such reduction of recruitment service fees and refund to customers accounted for an immaterial portion of the recruitment services revenue. Payments are generally settled by customers within the credit periods of not more than 60 days offered by the Group after the successfully placed candidate's date of reporting duty.

For recruitment services for which the control of services is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed services and the Group has present right to payment and the collection of the consideration is probable.

5. REVENUE AND SEGMENT INFORMATION *– continued*

Secondment and payroll services

The Group's secondment and payroll services are to second the suitable staff of the Group to its customers (the "Seconded Staff"). The performance obligations of secondment and payroll services are to second suitable Seconded Staff to its customers.

The Group satisfies the performance obligation by finding suitable Seconded Staff to work at the customer's workplace. Revenue is recognised over time where the customer received and consumed the benefits of the secondment and payroll services simultaneously, i.e. find a Seconded Staff, as the management of the Group considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recorded evenly throughout the service period. The Group generally charges the service fee either on a fixed amount per staff on a monthly bases or on a cost plus basis. The Group elected to apply the practical expedient by recognising the secondment and payroll services revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to unsatisfied contract is not disclosed. Payments are generally settled by clients within the credit periods of not more than 60 days from the date of invoices which are issued once or twice a month to respective clients.

For secondment and payroll services for which the control of the service is transferred when the Group had assigned the seconded staff to the customer over the secondment period, revenue is recognised when the customer simultaneously received secondment and payroll services and consumed the benefits provided by the Group's performance. The management of the Group considered the Group as a principal given (i) the Group is primarily responsible for fulfilling the required human resources services for its customers, that is, it has the discretion in selecting and assigning a particular staff to be seconded to its customer's workplace pursuant to the customer's requirements, directing the staff to satisfy the specific performance obligation under the secondment arrangement, and also the discretion in selecting replacement if necessary; (ii) the Group has inventory risk as the seconded staff remains employee of the Group before and after the relevant secondment; and (iii) it has the discretion in establishing the price for the relevant services; and as such the management of the Group recognises revenue in gross amount of consideration to which it expects to be entitled in exchange for the secondment and payroll services transferred.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

5. REVENUE AND SEGMENT INFORMATION *– continued*

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.

5. REVENUE AND SEGMENT INFORMATION – *continued*

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

6. 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.

7. 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

8. FINANCE COSTS

	2022 **HK$'000**	2021 *HK$'000*
Interest on lease liabilities	**323**	111
Interest on bank overdraft	**39**	57
Interest on provision for reinstatement costs *(note 24)*	**15**	2
	377	170

9. PROFIT BEFORE TAXATION

	2022 **HK$'000**	2021 *HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 11)*	**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

10. 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 *(note 23)*	**(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.

10. INCOME TAX EXPENSE – *continued*

According to Guangdong Provincial Tax Service, State Taxation Administration《財政部税務總局關於實施小微企業和個體工商戶所得税優惠政策的公告》(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.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Profit before taxation	**16,555**	14,836
Tax at Hong Kong Profits Tax rate of 16.5%	**2,732**	2,448
Tax effect of income not taxable for tax purposes	**(419)**	(8)
Tax effect of expenses not deductible for tax purposes	**245**	476
Tax effect of tax loss not recognised	**405**	–
Tax effect of deductible temporary difference not recognised	**139**	148
Tax effect of different tax rate of subsidiaries operating in other jurisdiction	**(201)**	(33)
Tax effect of tax exemption under Macau Complimentary Tax	**(29)**	(35)
Overprovision in respect of prior years	**(108)**	(6)
Utilisation of tax losses previously not recognised	**(91)**	(793)
Tax concession	**(165)**	(165)
Income tax expense for the year	**2,508**	2,032

11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES

Directors and Chief Executive

Directors' and chief executive's remuneration paid or payable by the entities comprising the Group during the year, disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance is as follows:

For the year ended 31 December 2022

	Executive directors			Independent non-executive directors				Chief executive	
	Mr. Kevin Chan	Mr. Eddie Chan	Mr. Jackson Chan	Mr. Poon Kai Kin	Mr. Cheung Wang Kei Wayne	Dr. Lau Kin Shing Charles	Subtotal	Ms. Yeung Shek Shek Louisa	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fee	-	-	-	120	120	120	360	-	360
Other emoluments									
– Salaries and other benefits	1,248	1,248	1,642	-	-	-	4,138	1,320	5,458
– Performance related bonus *(Note 1)*	784	784	784	-	-	-	2,352	370	2,722
– Retirement benefit scheme contributions	18	18	18	-	-	-	54	18	72
	2,050	2,050	2,444	120	120	120	6,904	1,708	8,612

Note 1: The performance related bonus are determined by reference to the Group's operating results, individual performance and prevailing market conditions.

11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES – *continued*

Directors and Chief Executive – *continued*

For the year ended 31 December 2021

	Executive directors			Independent non-executive directors						Chief executive	
	Mr. Kevin Chan	Mr. Eddie Chan	Mr. Jackson Chan	Mr. Tong Kam Piu *(Note 1)*	Mr. Poon Kai Kin	Mr. Wang Ho Pang *(Note 2)*	Mr. Cheung Wang Kei Wayne *(Note 3)*	Dr. Lau Kin Shing Charles *(Note 4)*	Subtotal	Ms. Yeung Shek Shek Louisa	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fee	–	–	–	94	120	10	26	110	360	–	360
Other emoluments											
– Salaries and other benefits	1,144	1,144	1,538	–	–	–	–	–	3,826	1,200	5,026
– Performance related bonus *(Note 5)*	726	726	990	–	–	–	–	–	2,442	300	2,742
– Retirement benefit scheme contributions	18	18	18	–	–	–	–	–	54	18	72
	1,888	1,888	2,546	94	120	10	26	110	6,682	1,518	8,200

Note 1: Mr. Tong Kam Piu resigned as independent non-executive director of the Company with effect from 12 October 2021.

Note 2: Mr. Wang Ho Pang resigned as independent non-executive director of the Company with effect from 1 February 2021.

Note 3: Mr. Cheung Wang Kei Wayne appointed as independent non-executive director of the Company with effect from 12 October 2021.

Note 4: Dr. Lau Kin Shing Charles appointed as independent non-executive director of the Company with effect from 1 February 2021.

Note 5: The performance related bonus are determined by reference to the Group's operating results, individual performance and prevailing market conditions.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs as directors of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The chief executive's emoluments shown above were for her services in connection with the management of the affairs as chief executive officer of the Company and the Group.

11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES *– continued*

Employees

The five highest paid individuals of the Group do not include any directors or chief executive of the Company for each of the reporting period. Details of the remuneration for the year of the five highest paid employees who are not directors or chief executive of the Company are as follows:

	2022 *HK$'000*	2021 *HK$'000*
Salaries, allowances and benefits in kind	**11,266**	9,302
Retirement benefit scheme contributions	**107**	106
	11,373	9,408

The number of the highest paid individuals who are not the directors or chief executive of the Company whose remuneration fell within the following bands is as follows:

	2022 *No. of employees*	2021 *No. of employees*
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**4**	3
HK$2,000,001 to HK$2,500,000	**–**	2
Over HK$2,500,000	**1**	–
	5	5

No emoluments were paid by the Group to the directors or chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors waived or agreed to waive any emoluments during the year.

12. DIVIDENDS

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

13. 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 January 2021	3,642	614	1,104	–	5,360
Additions	–	9	236	1,732	1,977
Written off	–	(5)	(2)	–	(7)
Exchange realignment	–	–	3	6	9
At 31 December 2021	3,642	618	1,341	1,738	7,339
Additions	3,298	627	281	217	4,423
Exchange realignment	(25)	(6)	(16)	(33)	(80)
At 31 December 2022	6,915	1,239	1,606	1,922	11,682
DEPRECIATION					
At 1 January 2021	2,572	277	417	–	3,266
Provided for the year	1,070	113	246	103	1,532
Eliminated on written off	–	(3)	(1)	–	(4)
Exchange realignment	–	–	1	1	2
At 31 December 2021	3,642	387	663	104	4,796
Provided for the year	698	195	313	376	1,582
Exchange realignment	(5)	(1)	(6)	(6)	(18)
At 31 December 2022	4,335	581	970	474	6,360
CARRYING VALUES					
At 31 December 2022	2,580	658	636	1,448	5,322
At 31 December 2021	–	231	678	1,634	2,543

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold improvements	Over the term of the lease
Furniture and equipment	20%
Office equipment	20%
Motor vehicles	25%

15. RIGHT-OF-USE ASSETS

	Leased offices *HK$'000*
As at 31 December 2022	
Carrying amount	7,002
As at 31 December 2021	
Carrying amount	5,904
For the year ended 31 December 2022	
Depreciation charge	3,565
For the year ended 31 December 2021	
Depreciation charge	2,181

	Year ended 31 December 2022 ***HK$'000***	Year ended 31 December 2021 *HK$'000*
Expenses related to short-term leases	**1,088**	1,254
Total cash outflow for leases	**4,325**	3,601
Addition to right-of-use assets	**4,723**	6,642

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The right-of-use assets are depreciated on a straight-line basis over the short of its estimated useful life and the lease term.

The Group regularly entered into short-term leases for offices. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short term lease expense disclosed above.

16. OTHER INTANGIBLE ASSET

	Club Membership
	HK$'000
COST	
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Addition	980
At 31 December 2022	980
IMPAIRMENT	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	–
CARRYING VALUES	
At 31 December 2022	980
At 31 December 2021	–

The Group acquired the club membership from Hong Kong Golf & Tennis Academy Town Club in 2022. Membership is considered as having an indefinite useful life as there is no time limit for which the Group can use the membership, and therefore it will not be amortised until its useful life is determined to be finite upon reassessment annually. Accordingly, the intangible asset is tested for impairment annually and whenever there is an indication that it may be impaired.

During the year ended 31 December 2022, no impairment loss for the membership was recognised.

17. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSITS

	2022 **HK$'000**	2021 *HK$'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 **HK$'000**	2021 *HK$'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

The management of the Group closely monitors the credit quality of accounts receivables and considers the debts that are neither past due nor impaired to be of a good credit quality. Receivables that are neither past due nor impaired related to a wide range of customers for whom there is no history of default.

17. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSITS

– continued

In determining the recoverability of the accounts receivables, the Group monitors any changes in the credit quality of the accounts receivables since the credit was granted and up to the end of the reporting period. The directors consider that the Group has no significant concentration of credit risk on its accounts receivables, with exposure spread over a number of counterparties and customers.

As at 31 December 2022, included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK$12,012,000 (2021: HK$5,520,000) which are past due as at the reporting date. Out of the past due balances, HK$5,147,000 (2021: HK$728,000) has been past due over 90 days or more and is not considered as in default. The directors of the Company are in the view that there have been no significant increase in credit risk nor default because of good repayment records for those customers and continuous business with the Group.

Impairment assessment on accounts receivables subject to ECL model

As part of the Group's credit risk management, the Group takes reference to external credit rating of its customers and the Group's historical observed default rates and are adjusted for forward-looking information that is available without undue cost or effort. The following tables provide information about the exposure to credit risk and ECL for accounts receivables which are assessed individually.

2022

	Gross carrying amount *HK$'000*	**Weighted average loss rate**	**Allowance for ECL** *HK$'000*
Low risk	**24,173**	**1.02%**	**246**
High risk – 1	**461**	**7.16%**	**33**
High risk – 2	**660**	**100.00%**	**660**
	25,294		**939**

2021

	Gross carrying amount *HK$'000*	Weighted average loss rate	Allowance for ECL *HK$'000*
Low risk	15,642	3.10%	485
High risk – 1	2,188	7.67%	168
	17,830		653

17. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSITS

– continued

Impairment assessment on accounts receivables subject to ECL model – *continued*

Quality classification definitions:

Internal credit rating	Description	Accounts receivables
"Low risk":	The counterparty has a low risk of default and does not have any past-due amounts; or the counterparty has amounts past-due but is continuously settling after due date and with continuous business transactions with the Group	Lifetime ECL – not credit-impaired
"High risk – 1":	There have been significant increases in credit risk since initial recognition through information developed internally or external resources while the counterparty is with continuous business transactions with the Group	Lifetime ECL – not credit-impaired
"High risk – 2":	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired

The estimated loss rates are estimated based on the external credit rating, the Group's observed default rates and supportable forward-looking information that is available to the directors of the Company without undue cost or effort.

The movement in the allowance for impairment in respect of accounts receivables for the year ended 31 December 2022 and 2021 is as follows:

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 January 2021	326	98	424
Impairment loss recognised	653	–	653
Impairment loss reversed	(326)	–	(326)
Write off	–	(98)	(98)
Balance at 31 December 2021	**653**	**–**	**653**
Transferred to credit-impaired	**(58)**	**58**	**–**
Impairment loss recognised	**279**	**602**	**881**
Impairment loss reversed	**(595)**	**–**	**(595)**
Balance at 31 December 2022	**279**	**660**	**939**

17. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSITS – *continued*

Impairment assessment on accounts receivables subject to ECL model – *continued*

During the year ended 31 December 2022, approximately HK$286,000 (2021: HK$327,000) net impairment loss allowance related to accounts receivables and approximately HK$595,000 (2021: HK$326,000) reversal of impairment loss allowance related to accounts receivables that are not credit-impaired was recognised in profit or loss, respectively.

18. EQUITY INSTRUMENT AT FVTOCI

	2022 ***HK$'000***	2021 *HK$'000*
Unlisted equity investment *(Note)*	**1,556**	1,556

Note: The unlisted equity investment represented the Group's investment in a private company established in British Virgin Islands, which is a venture capital Company.

The above unlisted investment is not held for trading. Instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate the investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in the investment fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising their performance potential in the long run.

19. FINANCIAL ASSETS AT FVTPL

	2022 ***HK$'000***	2021 *HK$'000*
Hong Kong listed equity securities held for trading *(Note)*	**949**	1,608

Note: The fair values of listed securities are based on the bid prices quoted in active markets in Hong Kong.

20. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFT

Bank balances and pledged bank deposits

Bank balances carried interest at prevailing market interest rates based on daily bank deposits rates for the year.

Pledged bank deposits carry fixed interest rate in a range of 0.28% to 3.80% (2021: 0.28%) per annum and represent deposit pledged to banks to secure banking facilities granted to the Group. Bank deposits amounting to HK$3,600,000 (2021: HK$1,200,000) have been pledged to secure bank overdraft and revolving loan are therefore classified as current assets.

For the year ended 31 December 2022 and 2021, the Group performed impairment assessment on bank balances and pledged bank deposits and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for ECL is provided.

Bank overdraft

Bank overdraft carried interest at market rate at 5.13% (2021: 4.25%) per annum, was secured by pledged bank deposits and personal guarantees given by certain directors of the Group.

21. OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITY

	2022 ***HK$'000***	2021 *HK$'000*
Other payables	**943**	1,235
Accrued expenses	**1,414**	1,063
Accrued payroll expenses	**8,385**	7,450
	10,742	9,748

	2022 ***HK$'000***	2021 *HK$'000*
Contract liability		
Secondment and payroll services	**258**	–

As at 1 January 2021, contract liability amount to HK$1,100,000.

For secondment and payroll services, the management expects that the unsatisfied performance obligations will be recognised as revenue within one year according to the contract period.

22. LEASE LIABILITIES

	2022 ***HK$'000***	2021 *HK$'000*
Lease liabilities payable:		
Within one year	**3,819**	1,971
Within a period of more than one year but not more than two years	**3,113**	2,121
Within a period of more than two years but not exceeding five years	**172**	1,603
	7,104	5,695
Less: Amount due from settlement with 12 months shown under current liabilities	**(3,819)**	(1,971)
Amount due from settlement after 12 months shown under non-current liabilities	**3,285**	3,724

The Company does not expose to a significant liquidity risk with regard to its lease liabilities. Lease liabilities is monitored by the Company's treasury function. The weighted average lessee's incremental borrowing rate is 4.07% per annum for the year ended 31 December 2022 (2021: 4.06%).

23. DEFERRED TAX LIABILITY

The following are the major deferred tax liability recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation *HK$'000*
At 1 January 2021	120
Charge to profit or loss	185
At 31 December 2021	305
Credit to profit or loss	(6)
At 31 December 2022	299

23. DEFERRED TAX LIABILITY – *continued*

At 31 December 2022, the Group has unused tax losses of approximately HK$4,400,000 (2021: HK$3,331,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$4,948,000 (2021: HK$3,835,000) due to the unpredictability of future profit streams. Include in unrecognised tax losses are losses of approximately HK$1,620,000 that can be carried forward for one to five years for the year ended 31 December 2022. Other unrecognised tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

At 31 December 2022, no deferred taxation has been provided for in the consolidated financial statements in respect of accumulated loss of PRC subsidiary.

At 31 December 2021, deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiary amounting to RMB75,000 (equivalent to HK$92,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24. PROVISION FOR REINSTATEMENT COSTS

The provision for reinstatement costs represents management's best estimate of the Group's liabilities of the costs of dismantling and removing the leasehold improvements and restoring the offices on which leased offices are located.

The movement is in the provision for reinstatement cost are as follows:

	2022 ***HK$'000***	2021 *HK$'000*
As at 1 January	**225**	–
Additional provision	**194**	223
Interest expenses	**15**	2
Exchange realignment	**(3)**	–
As at 31 December	**431**	225

25. SHARE CAPITAL

	Number of shares	Share capital *HK$*
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	4,000,000,000	40,000,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	800,000,000	8,000,000

26. PLEDGE OF ASSET

At the end of the reporting period, the following asset of the Group has been pledged to bank to secure general bank facilities granted to the Group:

	2022 ***HK$'000***	2021 *HK$'000*
Pledged bank deposits	**3,600**	1,200

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost and the risks associates with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 **HK$'000**	2021 HK$'000
Financial assets		
Amortised cost (including cash and cash equivalents)	**74,011**	62,930
Equity instrument at FVTOCI	**1,556**	1,556
Financial assets at FVTPL	**949**	1,608
Financial liabilities		
Amortised cost	**806**	966
Bank overdraft	**5,996**	5,965
Lease liabilities	**7,104**	5,695

Financial risk management objectives and policies

The Group's financial instruments include rental deposits, equity instrument at FVTOCI, accounts and other receivables, financial assets at FVTPL, pledged bank deposits, bank balances and cash, other payables, bank overdraft and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rate.

The Group is exposed to fair value interest rate risk which arise from lease liabilities (see note 22). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable rate bank overdraft and unlisted investment (see note 20 and 18, respectively) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

28. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Market risk – *continued*

Sensitivity analysis

No sensitivity analysis on interest rate risk on bank deposits is presented as the directors of the Company consider the sensitivity on interest rate risk on bank deposits is insignificant.

Equity price risk

The Group is mainly exposed to equity price risk through its investments in listed equity securities and unlisted equity investment. The Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the listed equity securities at FVTPL had been 10% (2021: 10%) higher/lower, the Group's profit after taxation would increase/decrease by HK$79,000 (2021: HK$134,000).

If the price of the unlisted equity investment at FVOCI had been 10% (2021: 10%) higher/lower, the investment revaluation reserve would increase/decrease by HK$130,000 (2021: HK$130,000).

28. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Credit risk

Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its accounts receivables. In order to minimise the credit risk, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items as disclosed in note 17.

As at 31 December 2022, the Group has concentration of credit risk as 34% (2021: 17%) of the total accounts receivables was due from the Group's largest debtor. The Group's concentration of credit risk on the top five largest debtors accounted for 54% (2021: 45%) of the total accounts receivables as at 31 December 2022. The management of the Group considered the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial position.

The Group considered the credit risk on the rental deposits and other receivables at the end of the reporting period using the past due information and concluded that there has been no significant increase in credit risk since initial recognition. No loss allowance is made for other receivables and rental deposits as the amount of ECL with respect to these balances is considered insignificant.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on pledged bank deposits and bank balances which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

28. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the year.

28. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Liquidity risk – *continued*

Liquidity tables

	Weighted average interest rate	On demand or less than 3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carry amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2022						
Lease liabilities	**4.07**	**991**	**3,043**	**3,347**	**7,381**	**7,104**
Other payables	**–**	**806**	**–**	**–**	**806**	**806**
Bank overdraft	**5.13**	**5,996**	**–**	**–**	**5,996**	**5,996**
		7,793	**3,043**	**3,347**	**14,183**	**13,906**

	Weighted average interest rate	On demand or less than 3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carry amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2021						
Lease liabilities	4.06	541	1,622	3,858	6,021	5,695
Other payables	–	966	–	–	966	966
Bank overdraft	4.25	5,965	–	–	5,965	5,965
		7,472	1,622	3,858	12,952	12,626

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each year.

28. FINANCIAL INSTRUMENTS – *continued*

Fair value measurement of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For the instrument with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 2022 HK$'000	Fair value as at 2021 HK$'000	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable input(s)
1. Listed equity securities classified as equity instruments at FVTPL	**949**	1,608	Level 1	The fair value of the equity securities is estimated by the price quotation available on the Hong Kong Stock Exchange.	N/A
2. Unlisted equity investment classified as equity instrument at FVTOCI	**1,556**	1,556	Level 3	Market comparison approach. Use of the most reasonable and available multiples	2022: Price to sales ratio of comparable multiple in range of 2.99 times to 3.50 times and risk adjustments for lack of marketability and lack of control. *(Note)* 2021: Price to sales ratio of comparable multiple in range of 2.65 times to 3.15 times and risk adjustments for lack of marketability and lack of control. *(Note)*

Note: The higher the multiples, the higher the fair value of unlisted equity securities. The higher the risk adjustments, the lower the fair value of unlisted equity securities. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.

There were no transfers between Level 1 and Level 2 and no transfer into or out of Level 3 for value measurements for the year ended 31 December 2022 and 2021.

28. FINANCIAL INSTRUMENTS – *continued*

Fair value measurement of financial instruments – *continued*

Reconciliation of Level 3 fair value measurement of financial asset

	2022 HK$'000	2021 HK$'000
Unlisted equity investment classified as equity instrument at FVTOCI		
At 1 January	**1,556**	–
Additions	**–**	1,556
At 31 December	**1,556**	1,556

Except for the financial assets that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

29. RELATED PARTY TRANSACTIONS

(i) The Group had entered into the following related party transactions:

Name of related party	Relationship	Nature of transaction	2021 HK$'000
Supreme-Pacific Confectionery Limited	Related company[1]	Marketing expenses	256
		Staff welfare	16

1 Mr. Kevin Chan is a shareholder/director/member of the key management personnel of this company in 2021. This company was no longer a related party of the Group as Mr. Kevin Chan was resigned on 20 August 2021.

Except as described above, the Group did not enter into transactions with related party in 2022 and 2021.

29. RELATED PARTY TRANSACTIONS – *continued*

(ii) Compensation of key management personnel

The remuneration of directors and other member of key management during the year was as follows:

	2022 **HK$'000**	2021 HK$'000
Short-term benefits	**8,540**	8,248
Post-employments benefits	**72**	78
	8,612	8,326

Further details of the directors' emoluments are included in note 11.

30. RETIREMENT BENEFITS PLANS

The Group participates in the MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The subsidiary in the PRC is required to make contributions to the state-managed retirement scheme in the PRC based on a specific percentage of the payroll costs of its current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

The total cost of HK$4,408,000 (2021: HK$3,181,000) charged to profit or loss represents contributions paid or payable to the above schemes by the Group for the year ended 31 December 2022.

31. SHARE OPTION SCHEME

Pursuant to the written resolutions of the then shareholders passed on 13 September 2018, a share option scheme was adopted for the primary purpose of providing incentives or rewards to selected participants. The share option scheme shall be valid and effective for a period of 10 years commencing on 13 September 2018.

Under the scheme, the board of directors of the Company may grant options to directors, employees, suppliers, clients, consultants, agents, advisers, franchisees, joint venture partners and related entities to the Company and its subsidiaries and entities in which the Group holds equity interest at the discretion of the board of directors pursuant to the terms of the scheme, to subscribe for shares of the Company at a price which shall not be less than the highest of (i) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option (which must be a business day); (ii) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day); and (iii) the nominal value of the shares.

The maximum number of shares in respect of which options shall be granted under the scheme and any other share option schemes of the Company is 10% of the total number of shares in issue at the date of approval of adoption of the scheme. No director, employee or eligible participant may be granted options under the scheme which will enable him or her if exercise in full to subscribe for more than 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board, save that it shall not be more than 10 years from the date of grant subject to the terms of the scheme. Nominal consideration of HK$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

No share option was granted or remained outstanding under the scheme during the years ended 31 December 2022 and 2021.

32. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			2022	2021	
Directly held:					
KOS International (BVI) Limited	BVI	US$1	**100%**	100%	Investment holding
KOS Macau (BVI) Limited	BVI	US$1	**100%**	100%	Investment holding
KOS Investment Limited	BVI	US$10,000	**100%**	100%	Investment holding
KOS SG PTE. LTD.#	Singapore	SGD100	**100%**	–	Provision of recruitment services
KOS Singapore (BVI) Limited#	BVI	US$1	**100%**	–	Investment holding
KOS China (BVI) Limited#	BVI	US$1	**100%**	–	Investment holding

32. PARTICULARS OF THE COMPANY'S SUBSIDIARIES – *continued*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company 2022	2021	Principal activities
Indirectly held:					
KOS International Limited	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Provision of recruitment and secondment and payroll services
KOS International Limited	Macau	Ordinary shares MOP30,000	**100%**	100%	Provision of secondment and payroll services
KOS Staffing Limited	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Provision of recruitment and secondment and payroll services
KOS Business Consulting (Shenzhen) Limited* 高奧士人力資源服務(深圳)有限公司	PRC	Registered capital US$300,000	**100%**	100%	Provision of recruitment services
KOS Solutions Limited	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Provision of secondment and payroll services
KOS China Limited#	Hong Kong	Ordinary shares HK$10,000	**100%**	–	Investment holding

* The English name of the wholly foreign owned enterprise registered in the PRC is for identification purpose only.

\# The Company is newly incorporated during the year.

None of the subsidiaries had issued any debt securities at the end of the year.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITY

The table below details changes in the Group's liabilities arising from financing activity, including both cash and non-cash changes. Liabilities arising from financing activity is that for which cash flows was, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activity.

	Lease liabilities *HK$'000*
At 1 January 2021	1,596
New lease entered	6,335
Financing cash flows	(2,347)
Interest expense	111
At 31 December 2021	**5,695**
New lease entered	**4,385**
Financing cash flows	**(3,237)**
Interest expense	**323**
Exchange realignment	**(62)**
At 31 December 2022	**7,104**

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022	2021
	HK$'000	*HK$'000*
Non-current asset		
Investments in subsidiaries	**78**	78
Current assets		
Other receivables and prepayments	**310**	353
Amounts due from subsidiaries	**36,072**	34,748
Bank balances	**1,540**	1,956
	37,922	37,057
Current liabilities		
Other payables and accruals	**346**	68
Amounts due to subsidiaries	**139**	139
	485	207
Net current assets	**37,437**	36,850
Total assets less current liabilities	**37,515**	36,928
Capital and reserves		
Share capital	**8,000**	8,000
Reserves	**29,515**	28,928
Total equity	**37,515**	36,928

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Movement of the reserves

	Share premium *HK$'000*	Other reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2021	39,738	26,601	(37,538)	28,801
Profit and total comprehensive income for the year	–	–	127	127
At 31 December 2021	**39,738**	**26,601**	**(37,411)**	**28,928**
Profit and total comprehensive income for the year	**–**	**–**	**587**	**587**
At 31 December 2022	**39,738**	**26,601**	**(36,824)**	**29,515**

Other reserve of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company pursuant to a group reorganisation in June 2018 and the nominal value of the Company's shares issued for the acquisition.

Five Years Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in the respective annual report.

RESULTS	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**125,965**	108,948	65,285	80,872	66,291
Profit (loss) before taxation	**16,555**	14,836	(1,157)	2,120	(3,328)
Income tax expense	**(2,508)**	(2,032)	(460)	(371)	(1,576)
Profit (loss) for the year	**14,047**	12,804	(1,617)	1,749	(4,904)

ASSETS AND LIABILITIES	At 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**91,672**	75,999	48,483	51,159	53,316
Total liabilities	**(25,865)**	(23,732)	(9,168)	(10,392)	(13,917)
	65,807	52,267	39,315	40,767	39,399
Equity attributable to owners of the Company	**65,807**	52,267	39,315	40,767	39,399