



KOS International Holdings Limited

高奧士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8042)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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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.

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RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021, together with the audited comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	108,948	65,285
Other income	5	272	5,989
Other gains and losses	6	37	–
Staff costs		(77,698)	(57,219)
Other expenses and losses		(16,226)	(14,893)
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(327)	(176)
Finance costs	7	(170)	(143)
Profit (loss) before taxation	8	14,836	(1,157)
Income tax expense	9	(2,032)	(460)
Profit (loss) for the year		<u>12,804</u>	<u>(1,617)</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		<u>148</u>	<u>165</u>
Total comprehensive income (expense) for the year		<u>12,952</u>	<u>(1,452)</u>
Earnings (loss) per share			
– basic and diluted (<i>Hong Kong cent</i>)	11	<u>1.60</u>	<u>(0.20)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,543	2,094
Right-of-use asset		5,904	1,443
Rental deposit	12	674	–
Equity instrument at fair value through other comprehensive income ("FVTOCI")		<u>1,556</u>	<u>–</u>
		<u>10,677</u>	<u>3,537</u>
Current assets			
Accounts and other receivables	12	19,747	11,174
Tax recoverable		–	1,205
Financial assets at fair value through profit or loss ("FVTPL")		1,608	–
Pledged bank deposit		1,200	–
Bank balances and cash		<u>42,767</u>	<u>32,567</u>
		<u>65,322</u>	<u>44,946</u>
Current liabilities			
Other payables and accruals		9,748	6,352
Contract liability		–	1,100
Lease liability		1,971	1,596
Taxation payable		1,794	–
Bank overdraft		<u>5,965</u>	<u>–</u>
		<u>19,478</u>	<u>9,048</u>
Net current assets		<u>45,844</u>	<u>35,898</u>
Non-current liabilities			
Lease liability		3,724	–
Deferred tax liability		305	120
Provision for reinstatement cost		<u>225</u>	<u>–</u>
		<u>4,254</u>	<u>120</u>
Net assets		<u><u>52,267</u></u>	<u><u>39,315</u></u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital and reserves		
Share capital	8,000	8,000
Reserves	44,267	31,315
	<hr/>	<hr/>
Total equity	52,267	39,315
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. GENERAL

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

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

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

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

2. BASIS OF PREPARATION

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

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" for the first time and early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" beyond 30 June 2021 in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" ("**HKFRS 16**") if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group's financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of HKFRS 16 to account for rent concessions provided by certain lessors.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost.

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	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Recruitment services		
– Hong Kong	61,767	34,974
– The PRC	17,355	6,383
	<u>79,122</u>	<u>41,357</u>
Secondment and payroll services		
– Hong Kong	26,786	21,176
– Macau	3,040	2,752
	<u>29,826</u>	<u>23,928</u>
Total	<u><u>108,948</u></u>	<u><u>65,285</u></u>

Segment information

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

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

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

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	17,210	15,716
Customer B	11,467	N/A*

* Revenue from Customer B does not contribute over 10% of the total revenue of the Group for the year ended 31 December 2020.

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend income from investments in listed securities	9	–
Interest income	22	62
Sundry income	241	11
Government grants (<i>Note</i>)	–	5,916
	<u>272</u>	<u>5,989</u>

Note: For the year ended 31 December 2020, the Group recognised government grants HK\$5,916,000 in respect of COVID-19 related subsidies of which HK\$5,705,000 relates to Employment Support Scheme, HK\$90,000 relates to Anti-Epidemic Funds provided by the Hong Kong Government and the remaining relates to 10-billion-pataca fund granted by the Macau Government.

6. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net realised gain on financial assets at FVTPL	207	–
Net unrealised loss on financial assets at FVTPL	(170)	–
	<u>37</u>	<u>–</u>

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liability	111	143
Interest on bank overdraft	57	–
Others	2	–
	<u>170</u>	<u>143</u>

8. PROFIT (LOSS) BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration	6,682	5,021
Salaries and allowance for staff excluding directors	67,158	50,003
Staff welfare	677	278
Retirement benefit schemes contributions for staff excluding directors	3,181	1,917
	<u>77,698</u>	<u>57,219</u>
Total staff costs		
Rental expenses in respect of short-term leases	1,254	675
Depreciation of property, plant and equipment	1,532	1,529
Depreciation of right-of-use asset	2,181	2,164
Write-off of property, plant and equipment	3	–
Auditor's remuneration	800	750
	<u>800</u>	<u>750</u>

9. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	1,732	–
– The PRC Enterprise Income Tax (the "EIT")	121	–
	<u>1,853</u>	<u>–</u>
(Overprovision) underprovision in prior years	(6)	340
	<u>1,847</u>	<u>340</u>
Deferred tax expense	185	120
	<u>2,032</u>	<u>460</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the year.

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.

No provision for Hong Kong Profits Tax is made for the year ended 31 December 2020 as the Group has no assessable profits arising in Hong Kong.

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 2021 and 2020. 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. No provision for EIT is made for the year ended 31 December 2020 as the Group has no assessable profit arising in the PRC or the assessable profits are wholly absorbed by tax losses brought forward from prior years.

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

10. DIVIDENDS

No dividend has been proposed by the directors of the Company for the year ended 31 December 2021 (2020: Nil).

11. EARNINGS (LOSS) PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
Profit (loss) for the year	<u>12,804</u>	<u>(1,617)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings (loss) per share	<u>800,000,000</u>	<u>800,000,000</u>

No diluted earnings (loss) per share for years ended 31 December 2021 and 2020 were presented as there were no potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

12. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivables	17,830	9,032
<i>Less: Allowance for ECL</i>	<u>(653)</u>	<u>(424)</u>
	17,177	8,608
Other receivables		
– Prepayments	1,414	1,285
– Rental and utility deposits	1,430	1,121
– Others	<u>400</u>	<u>160</u>
Total accounts and other receivables	20,421	11,174
<i>Less: Receivables within twelve months shown under current assets</i>	<u>(19,747)</u>	<u>(11,174)</u>
Rental deposit shown under non-current assets	<u><u>674</u></u>	<u><u>–</u></u>

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	12,074	4,593
31 to 60 days	3,071	2,111
61 to 90 days	907	865
91 to 180 days	1,057	167
Over 180 days	<u>68</u>	<u>872</u>
	<u><u>17,177</u></u>	<u><u>8,608</u></u>

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, our mission is to 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 with the vision of becoming the leading HR service provider in Hong Kong and Mainland China, we will continue to grow and expand our team. In addition to the Greater Bay Area (“**GBA**”), which has significantly contributed to our growth in 2021, we aim to expand our footprint in other regions of China in the near future.

COVID-19 has certainly made the last two years challenging for a vast number of corporations; however, it has also changed how the world operates and sped up the transformation of digital and virtual business operations, especially in Hong Kong. Throughout 2021, the world adapted to the new norm and began to deal with the pandemic, all while keeping business going as usual. Both Hong Kong’s economic recovery from the adverse impact of COVID-19 and our business expansion in Mainland China have offered favourable conditions for our Group’s performance in 2021.

Leveraging these positive factors, the revenue generated from the recruitment services of the Group has recorded significant growth for the year ended 31 December 2021, as compared to the same period in 2020. Thanks to the great efforts of management and all of our employees, we were able to seize the market opportunities, leading to a strong performance in 2021.

The Group’s revenue recorded an increase of approximately HK\$43,663,000 or 66.9% from approximately HK\$65,285,000 for the year ended 31 December 2020 to approximately HK\$108,948,000 for the year ended 31 December 2021. Furthermore, the Group reported a net profit of approximately HK\$12,804,000 for the year ended 31 December 2021, as compared to a net loss of approximately HK\$1,617,000 for the year ended 31 December 2020.

Revenue from Hong Kong operations

In light of the stable local COVID-19 situation in Hong Kong during most of 2021, the economy was able to recover with an improved business outlook and better labour market conditions. Both private consumption expenditure and total employment resumed growth over the course of 2021, alongside local economic recovery. For 2021 as a whole, the gross domestic product (“GDP”) of Hong Kong expanded by 6.4%, while private consumption expenditure increased by 5.6% in real terms. With the improved economic situation, Hong Kong corporations tended to be more optimistic about economic recovery and resumed their hiring for future plans. This is reflected by the active recruitment activities and constant demand for hiring quality talent, especially in the financial services (“FS”) and information technology (“IT”) sectors, which have contributed approximately 32.2% and 13.2% to our recruitment service revenue in Hong Kong, respectively.

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 Greater Bay Area wealth management, we have seen a growth in demand for finance talent across a wide range of different areas in 2021, including retail banking. Being their 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.

The pandemic has also accelerated corporations’ transformation in various industries through technology. The trend of moving operations online, together with the shortage of IT talent in an already wide range of fields, including artificial intelligence, big data, blockchain, and fintech, etc., have created a strong demand for IT candidates in 2021. There are numerous IT job openings that needed candidates with specific skills. Our experienced IT team 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 whole 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.

Overall, 2021 has been a good year for the Hong Kong job market. Better economic performance, government schemes, and the resumption of customer confidence levels have all contributed to the higher demand for quality hiring. The revenue generated from recruitment services in Hong Kong recorded an increase of approximately HK\$26,793,000 or 76.6% from approximately HK\$34,974,000 for the year ended 31 December 2020 to approximately HK\$61,767,000 for the year ended 31 December 2021.

For secondment and payroll outsourcing services, the team has successfully promoted our services to a wider range of new clients. By expanding our client base, the revenue generated from secondment and payroll outsourcing services in Hong Kong recorded an increase of approximately HK\$5,610,000 or 26.5% from approximately HK\$21,176,000 for the year ended 31 December 2020 to approximately HK\$26,786,000 for the year ended 31 December 2021. With the Group's dedicated staff and established processes, the Group fulfilled the needs and expectations of our clients and considerably reduced their time and costs for communication and administrative tasks with regards to payroll.

Revenue from Mainland China operations

Throughout the year, Mainland China's economy continued to recover from the impact of the pandemic. Although their economic growth slowed in the second half, with our Mainland China team's devotion to high standards and professional services, the Group demonstrated strong growth momentum and managed to grow the revenue from approximately HK\$6,383,000 for the year ended 31 December 2020 to approximately HK\$17,355,000 for the year ended 31 December 2021, indicating a significant increase of approximately HK\$10,972,000 or 171.9%.

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.

The Group's business development strategy in Mainland China has proven to be effective. With additional clients and closer connections with existing ones, the Group has driven our Mainland China revenue up in 2021 – particularly in the technology, internet, and property sectors. The Group's expertise and specialisation across a wide range of industries have allowed us to attract new prospects, develop customer engagement strategies, and turn them into clients.

The Group's Mainland China team will leverage the improving economic condition to further penetrate the market and expand our business. It is placing a strong focus on the Mainland China business and its performance plays a key role in achieving the Group's strategic goals and vision.

Looking ahead

With the recent outbreak of the Omicron variant of COVID-19 in 2022, we are fully aware that Hong Kong's pandemic situation may put pressure on the recovering economy and are ready to take on the challenge. Our past performance has proven ourselves to be resilient under tough situations and we will stay that way. Nevertheless, China has shown a strong growth in GDP of 8.1% in 2021 and based on its more stabilised pandemic situation, we foresee our trend of growth in China to continue in 2022, which will provide strong support to our Group's revenue. We see great potential for business in China and will consider expanding into other cities at the right time and under the right conditions.

The Group strongly believes that our agility and adaptability will serve us well during the economic rebound. We are cautiously optimistic about the Group's overall performance in 2022 and will continue to strive for excellence.

In 2022, the Group will:

- Gather the Group's existing resources and put a strong focus on industries with recovery potential, such as e-commerce, logistics and supply chain, education, and real estate;
- Invest in the Group's team serving the financial services and information technology sectors in Hong Kong, as well as businesses in Mainland China, 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 and Mainland China 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 negative impact of the pandemic, 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 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 overall business development. The Group's business strategy shall always be in line with our vision and core values, and from there, we will press on towards our goals.

FINANCIAL REVIEW

Revenue

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

The Group's revenue amounted to approximately HK\$108,948,000 for the year ended 31 December 2021, increased by approximately HK\$43,663,000 or 66.9% as compared to approximately HK\$65,285,000 for the year ended 31 December 2020.

Set forth below is a breakdown of the total revenue during the years ended 31 December 2021 and 2020:

	For the year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Recruitment services				
– Hong Kong	61,767	56.7	34,974	53.6
– Mainland China	17,355	15.9	6,383	9.8
	79,122	72.6	41,357	63.4
Secondment and payroll services				
– Hong Kong	26,786	24.6	21,176	32.4
– Macau	3,040	2.8	2,752	4.2
	29,826	27.4	23,928	36.6
Total revenue	108,948	100.0	65,285	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\$79,122,000 for the year ended 31 December 2021 and approximately HK\$41,357,000 for the year ended 31 December 2020, representing approximately 72.6% and 63.4% of the total revenue, respectively.

The increase in the recruitment service revenue of the Group was mainly attributable to the recovery of the Hong Kong recruitment market from the pandemic as a result of the increased demand from the clients and a sharp increase in the number of successful placements during the year. Benefiting mainly from the economic recovery from the adverse impact brought by the COVID-19 and continuous and effective control of COVID-19 in the Mainland China and Hong Kong together with the Group's business expansion in Mainland China, the revenue generated from the recruitment services of the Group has recorded a significant growth for the year ended 31 December 2021.

The recruitment service revenue in Hong Kong increased by approximately HK\$26,793,000 or 76.6% from approximately HK\$34,974,000 for the year ended 31 December 2020 to approximately HK\$61,767,000 for the year ended 31 December 2021. The recruitment service revenue in Mainland China increased by approximately HK\$10,972,000 or 171.9% from approximately HK\$6,383,000 for the year ended 31 December 2020 to approximately HK\$17,355,000 for the year ended 31 December 2021.

(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\$29,826,000 for the year ended 31 December 2021 and approximately HK\$23,928,000 for the year ended 31 December 2020, representing approximately 27.4% and 36.6% of the total revenue, respectively. The revenue from secondment and payroll service increased approximately HK\$5,898,000 or 24.6%. Such increase was mainly attributable to the market comeback of the client's recruitment schedule and hiring plan under the recovering recruitment environment.

(iii) Revenue by geographical location

During the years ended 31 December 2021 and 2020, Hong Kong remained as our major market, which contributed approximately 81.3% and 86.0% of the total revenue, respectively. The revenue generated from Hong Kong increased from approximately HK\$56,150,000 for the year ended 31 December 2020 to approximately HK\$88,553,000 for the year ended 31 December 2021. Such increase was primarily due to the recovery of the Hong Kong recruitment and secondment market from the pandemic during the year ended 31 December 2021. The revenue generated from Mainland China increased from approximately HK\$6,383,000 for the year ended 31 December 2020 to approximately HK\$17,355,000 for the year ended 31 December 2021. Such increase was mainly due to our business expansion in Mainland China. Although we recorded a significant growth from our recruitment services in Mainland China for the year ended 31 December 2021 as compared to 2020, the scale of the operation was still small.

Other income

Other income decreased by approximately HK\$5,717,000 from approximately HK\$5,989,000 for the year ended 31 December 2020 to approximately HK\$272,000 for the year ended 31 December 2021. The drop was primarily due to the Group had recognised government subsidies of approximately HK\$5,916,000 during the year ended 31 December 2020 under the Employment Support Scheme and other subsidies under the Government's Anti-epidemic Fund in Hong Kong and Macau and no subsidies were granted during the year ended 31 December 2021.

Staff costs

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

For the year ended 31 December 2021, the staff costs were approximately HK\$77,698,000 (2020: approximately HK\$57,219,000), which accounted for approximately 71.3% and approximately 87.6% of the revenue. Seconded staff costs for the year ended 31 December 2021 was approximately HK\$27,644,000 (2020: approximately HK\$21,927,000), representing approximately 35.6% of the total staff costs (2020: approximately 38.3%). The internal staff costs amounted to approximately HK\$50,054,000 for the year ended 31 December 2021 (2020: approximately HK\$35,292,000), representing approximately 64.4% of the total staff costs (2020: approximately 61.7%).

The staff costs increased by approximately HK\$20,479,000 or 35.8%. The increase was due to (i) the increase in the internal staff cost by approximately HK\$14,762,000 or 41.8% which was mainly due to the expansion of business scale both in the Mainland China and Hong Kong; and (ii) the increase in the seconded staff costs by approximately HK\$5,717,000 or 26.1% which was in line with the increase in revenue derived from the secondment and payroll services.

Other expenses and losses

Other expenses and losses increased by approximately HK\$1,333,000 from approximately HK\$14,893,000 for the year ended 31 December 2020 to approximately HK\$16,226,000 for the year ended 31 December 2021. 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 liability and a bank overdraft facility. The interest on the lease liability amounted to approximately HK\$111,000 and the interest on a bank overdraft facility amounted to approximately HK\$57,000 for the year ended 31 December 2021. For the year ended 31 December 2020, the interest on lease liability amounted to approximately HK\$143,000.

Income tax expense

For the year ended 31 December 2021, income tax expense increased by approximately HK\$1,572,000, from approximately HK\$460,000 for the year ended 31 December 2020 to approximately HK\$2,032,000 for the year ended 31 December 2021. The increase was primarily attributable to the increase in estimated assessable profits from the operating subsidiaries of the Group.

Total comprehensive income (expense) for the year

As a result of the foregoing, the Group has recovered from the net loss position of approximately HK\$1,452,000 for the year ended 31 December 2020 to the net profit position of approximately HK\$12,952,000 for the year ended 31 December 2021. If the government subsidies under the Government's Anti-epidemic Fund in Hong Kong and Macau are excluded, the Group would have recorded a net loss for the year ended 31 December 2020 of approximately HK\$7,368,000 as compared to a net profit of approximately HK\$12,952,000 for year ended 31 December 2021.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group financed its operations primarily with the cash generated from its operations. As at 31 December 2021, the Group had pledged bank deposit of HK\$1,200,000 (2020: Nil) and bank balances and cash of approximately HK\$42,767,000 (2020: approximately HK\$32,567,000). The pledged bank deposit and most of the bank balances and cash were placed with banks in Hong Kong and the Mainland China. The pledged bank deposit was denominated in Hong Kong dollars. 84.0% (2020: 91.6%) of the Group's bank balances and cash was denominated in Hong Kong dollars, whereas 16.0% (2020: 8.4%) was denominated in Renminbi, MOP and US dollars. The current ratio, calculated by dividing current assets by current liabilities, as at 31 December 2021 was approximately 3.4 times (2020: approximately 5.0 times).

As at 31 December 2021, the Group had bank overdraft of approximately HK\$5,965,000 (2020: Nil) and lease liability of approximately HK\$5,695,000 (2020: approximately HK\$1,596,000). 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 and the effective annual interest rate on the bank overdraft is 4.25%. Interest rate for the lease is fixed on the contract date.

The gearing ratio as at 31 December 2021 was 22.3% (2020: 4.1%). The gearing ratio was calculated by dividing the sum of bank overdraft and lease liability by total equity multiplied by 100%. The increase in gearing ratio was mainly attributable to the drawdown of bank overdraft facility during the year ended 31 December 2021. 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 2021 and 2020.

SHARE STRUCTURE

There has been no change in the Company's capital structure during the year ended 31 December 2021. The capital of the Company comprises only ordinary shares.

As at 31 December 2021, the total number of issued ordinary shares of the Company was 800,000,000 of HK\$0.01 each.

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 2021, there were no significant investments held by the Group. On 23 June 2021, the Group had entered into an investment management agreement with VBG Asset Management Limited for discretionary management services with investment amount of up to HK\$8,000,000, details of which are set out on the Company's announcements dated 23 June 2021 and 30 June 2021. Save as disclosed herein, the Group did not have other plans for material investments or 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 2021.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, bank deposit of HK\$1,200,000 was pledged to secure the bank overdraft of the Group. Save as disclosed, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 97 (2020: 75) internal staff and 190 (2020: 222) seconded staff. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$77,698,000 for the year ended 31 December 2021 (2020: approximately HK\$57,219,000).

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.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group’s business plan as set out in the prospectus of the Company dated 28 September 2018 (the “**Prospectus**”) with actual business progress up to 31 December 2021.

Business strategies as stated in the Prospectus	Implementation plans as stated in the Prospectus	Actual business progress up to 31 December 2021
Expansion of our recruitment services and secondment and payroll services in Hong Kong	Expand our business team in Hong Kong by recruiting additional experienced consultants specialised in diversified functional specialisation	We have completed the expansion of our business team in Hong Kong accordingly
	Expand our office space by leasing and renovating new office premises in Hong Kong	We have maintained our office premises in Hong Kong
Establishment of our presence in the PRC recruitment services market	Establish our business team specialised in recruitment services in the PRC by recruiting additional consultants	We have completed the expansion of our business team in the PRC accordingly
	Lease a new office space in the PRC	We have maintained our office in the PRC
	Promote our brand awareness in the PRC through networks of our consultants	We have carried out the promotion accordingly

Business strategies as stated in the Prospectus	Implementation plans as stated in the Prospectus	Actual business progress up to 31 December 2021
Development of marketing capability and conducting more marketing activities to promote our brand	Recruit experienced marketing personnel	We have recruited the experienced marketing personnel
	Engage in advertising activities to promote our brand	We have carried out the advertising activities accordingly
	Participate in events and roadshows to connect with potential candidates and clients	We have participated accordingly
Enhancement of our IT system	Develop additional workflows for our different services segments	We have completed the development on additional workflows
	Upgrade the website of our Group	We have completed the website upgrade
	Procure a new business intelligence system to facilitate decision-making process of our management	We have completed the set phases
	Automate our work process to support our business operation	We have completed such automation process

USE OF PROCEEDS FROM SHARE OFFER

The net proceeds from the Share Offer were approximately HK\$31.0 million, which was based on the placing price of HK\$0.3 per share and after deducting the underwriting commission and other related expenses. After the Listing, the proceeds were used for the purposes in accordance with the future plans as set out in the Prospectus. The Group had utilised all of the net proceeds as at 31 December 2021.

During the period from the date of Listing till 31 December 2021, the net proceeds had been utilised as follows:

	Net proceeds from the Listing HK\$'000	Net proceeds remaining as at 1 January 2021 HK\$'000	Net proceeds utilised during the year ended 31 December 2021 HK\$'000	Unutilised amount as at 31 December 2021 HK\$'000
Expansion of our recruitment services and secondment and payroll services in Hong Kong	14,222	–	–	–
Establishment of our presence in the PRC recruitment services market	7,994	–	–	–
Development of marketing capability and conducting more marketing activities to promote our brand	3,408	570	570	–
Enhancement of our IT system	3,068	660	660	–
General working capital	2,293	–	–	–
	<u>30,985</u>	<u>1,230</u>	<u>1,230</u>	<u>–</u>

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2021 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

COMPETING INTERESTS

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

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2021.

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

SHARE OPTION SCHEME

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

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("**AGM**") of the Company will be held on Thursday, 12 May 2022. The transfer books and register of members of the Company will be closed from Friday, 6 May 2022 to Thursday, 12 May 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 5 May 2022.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2021, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules except for the deviation as stated below.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the shareholders. Dr. Lau Kin Shing Charles, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 12 May 2021 due to his other business engagements.

SCOPE OF WORK OF MESSERS. D & PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Messers. D & PARTNERS CPA LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messers. D & PARTNERS CPA LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messers. D & PARTNERS CPA LIMITED on this preliminary announcement.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the consolidated financial statements for the year ended 31 December 2021 and this annual results announcement.

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

Hong Kong, 23 March 2022

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

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its publication and on the Company’s website at www.kos-intl.com.