



## **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 2020**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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 2020, together with the audited comparative figures for the year ended 31 December 2019 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	<b>65,285</b>	80,872
Other income	5	<b>5,989</b>	318
Staff costs		<b>(57,219)</b>	(63,499)
Other expenses and losses		<b>(14,893)</b>	(14,866)
Impairment losses under expected credit loss (“ECL”) model, net of reversal		<b>(176)</b>	(21)
Finance costs	6	<b>(143)</b>	(684)
(Loss) profit before taxation	7	<b>(1,157)</b>	2,120
Income tax expense	8	<b>(460)</b>	(371)
(Loss) profit for the year		<b><u>(1,617)</u></b>	<b><u>1,749</u></b>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		<b><u>165</u></b>	<b><u>(73)</u></b>
Total comprehensive (expense) income for the year		<b><u>(1,452)</u></b>	<b><u>1,676</u></b>
(Loss) earnings per share			
– basic and diluted ( <i>Hong Kong cent</i> )	10	<b><u>(0.20)</u></b>	<b><u>0.22</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>2,094</b>	3,243
Right-of-use asset		<b>1,443</b>	3,607
Rental deposit	11	<u>–</u>	<u>747</u>
		<b>3,537</b>	<b>7,597</b>
Current assets			
Accounts and other receivables	11	<b>11,174</b>	11,028
Tax recoverable		<b>1,205</b>	2,596
Bank balances and cash		<u><b>32,567</b></u>	<u>29,938</u>
		<b>44,946</b>	<b>43,562</b>
Current liabilities			
Other payables and accruals		<b>6,352</b>	6,087
Contract liability		<b>1,100</b>	–
Lease liability		<b>1,596</b>	2,297
Taxation payable		<u>–</u>	<u>412</u>
		<b>9,048</b>	<b>8,796</b>
Net current assets		<u><b>35,898</b></u>	<u>34,766</u>
Non-current liabilities			
Lease liability		–	1,596
Deferred tax liability		<u><b>120</b></u>	<u>–</u>
		<b>120</b>	<b>1,596</b>
Net assets		<u><b>39,315</b></u>	<u><b>40,767</b></u>
Capital and reserves			
Share capital		<b>8,000</b>	8,000
Reserves		<u><b>31,315</b></u>	<u>32,767</u>
Total equity		<u><b>39,315</b></u>	<u><b>40,767</b></u>

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 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

#### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Groups’ financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### ***Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The Group has applied an Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specify reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no material impact on the 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	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group's financial positions and performance and/or on disclosures to the Group in foreseeable future.

## 4. REVENUE AND SEGMENT INFORMATION

### Disaggregation of revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Recruitment services		
– Hong Kong	34,974	44,707
– The PRC	6,383	3,342
	<u>41,357</u>	<u>48,049</u>
Secondment and payroll services		
– Hong Kong	21,176	30,490
– Macau	2,752	2,333
	<u>23,928</u>	<u>32,823</u>
Total	<u><u>65,285</u></u>	<u><u>80,872</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 a major customer

For the year ended 31 December 2020, a customer contributed revenue of HK\$15,716,000 (2019: HK\$26,566,000) to the Group, who contributed over 10% of the total sales of the Group.

## 5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Government grants ( <i>note</i> )	5,916	–
Interest income	62	248
Sundry income	11	6
Exchange gain	–	64
	<u>5,989</u>	<u>318</u>

*Note:* During the current year, 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. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liability	143	254
Interest on bank borrowing	–	430
	<u>143</u>	<u>684</u>

## 7. (LOSS) PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	5,021	2,922
Salaries and allowance for staff excluding directors	50,281	58,501
Retirement benefit schemes contributions for staffs excluding directors	<u>1,917</u>	<u>2,076</u>
Total staff costs	<u>57,219</u>	<u>63,499</u>
Rental expenses in respect of short-term leases	675	628
Depreciation of property, plant and equipment	1,529	1,447
Depreciation of right-of-use asset	2,164	2,164
Auditor's remuneration	<u>750</u>	<u>1,000</u>

## 8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits tax		
– current tax	–	440
– underprovision (overprovision) in prior years	<u>340</u>	<u>(69)</u>
	340	371
Deferred tax	<u>120</u>	<u>–</u>
	<u>460</u>	<u>371</u>

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



On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. 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, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits for the qualifying group entity 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 profit 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 2020 and 2019. 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 years ended 31 December 2020 and 2019 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.

## 9. DIVIDENDS

No dividend has been proposed by the Directors for the year ended 31 December 2020 and 2019.

## 10. (LOSS) EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the year	<u>(1,617)</u>	<u>1,749</u>
	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic (loss) earnings per share	<u>800,000,000</u>	<u>800,000,000</u>

No diluted (loss) earnings per share for years ended 31 December 2020 and 2019 were presented as there were no potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

## 11. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivables	9,032	10,195
<i>Less: Allowance for ECL</i>	<u>(424)</u>	<u>(248)</u>
	<b>8,608</b>	9,947
Other receivables		
– Prepayments	1,285	764
– Rental and utility deposits	1,121	1,049
– Others	<u>160</u>	<u>15</u>
Total accounts and other receivables	<b>11,174</b>	11,775
<i>Less: Receivables within twelve months shown under current assets</i>	<u>(11,174)</u>	<u>(11,028)</u>
Rental deposit shown under non-current assets	<u>–</u>	<u>747</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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	4,593	5,462
31 to 60 days	2,111	1,300
61 to 90 days	865	1,217
91 to 180 days	167	1,836
Over 180 days	<u>872</u>	<u>132</u>
	<b><u>8,608</u></b>	<b><u>9,947</u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND PROSPECTS**

#### **Business Review**

Established in 2009, we are one of the best known and most respected Hong Kong-based human resources solutions providers. We deliver high quality recruitment, secondment and payroll services to clients through our offices in Hong Kong, Shenzhen, and Guangzhou. Our vision is to continue expanding by organically growing new teams, offices, and markets in the Greater Bay Area.

The last 12 months have been challenging for both Hong Kong and the world. After events of social unrest in 2019, followed by the spread of COVID-19 in 2020, trading conditions have become more complex and problematic. Social distancing, lockdowns, and changing quarantine requirements have created immense challenges for both ourselves and our customers. Understandably, most people have been required to change their mode of operations and activities in response to the pandemic. Consequently, nearly 90% of recruitment activities have adopted a virtual format, and offers have been presented and accepted without any face-to-face interviews or meetings.

Our primary focus throughout the year has been the protection and wellbeing of our employees, candidates, and clients. Unlike other competitors, none of our staff have suffered from four-day working weeks or salary cuts. Through three important traits – flexibility, resilience, and agility, our highly engaged and committed employees have delivered some respectable results for the year under review. We have also seen an increasing level of interest to join the Group, which has allowed us to selectively hire fee earners and build a stronger team.

The Group reported a total comprehensive expense of approximately HK\$1,452,000 for the year ended 31 December 2020, as compared to a total comprehensive income of approximately HK\$1,676,000 for the year ended 31 December 2019.

The revenue generated from recruitment services has declined by approximately HK\$6,692,000 or 13.9% from approximately HK\$48,049,000 for the year ended 31 December 2019 to approximately HK\$41,357,000 for the year ended 31 December 2020.

## **Revenue from our Hong Kong operations**

Recruitment service income generated from our commercial clients in Hong Kong dropped by approximately HK\$11,382,000 or 33.3% from approximately HK\$34,208,000 for the year ended 31 December 2019 to approximately HK\$22,826,000 for the year ended 31 December 2020.

The decline was mainly due to the slowdown in commercial clients' business activities caused by the global spread of COVID-19.

Having said that, our technology team still managed to deliver approximately 108.5% (2020: approximately HK\$2,419,000, 2019: approximately HK\$1,160,000) growth in their top line. Companies are focusing on their IT improvement plans to either streamline operations or adapt to their business continuity plans in case of future disruptions. There is a constant demand for quality talent to deliver new solutions or upgrade IT infrastructures. As such, we are planning to invest more in this area by expanding our team's capacity and putting a stronger focus in the new economy and technology sector.

In addition, we have also experienced a continuous demand for hiring quality talent in the financial services and insurance ("FS") sector. Recruitment service income generated from FS clients improved by approximately HK\$1,650,000 or 15.7% from approximately HK\$10,498,000 for the year ended 31 December 2019 to approximately HK\$12,148,000 for the year ended 31 December 2020.

Despite the pandemic, FS sector has continued with its manpower resource planning; in particular, clients in retail banking and wealth management. Banks have seen rapid growth and expansion plans in their private banking sector, whilst insurance firms continue with their expansion plans after a round of acquisition and consolidation in the second quarter of 2020. Our team have put a strong focus on recruiting front-office positions, while hiring plans in mid-back office positions were a lot more conservative. Relatively speaking, there were more recruitment activities in the areas of risk, digital, as well as finance and accounting. Most of these positions were mainly of a replacement or re-engineering nature, with a longer recruitment cycle. Local or Asian-based FS clients remained our core focus. We will continue to invest our resources in the FS sector and have great confidence in our performance over the coming years.

For secondment and payroll outsourcing services, the team has continued with their efforts in winning more secondment projects. The number of seconded employee headcounts has been increasing on a month-on-month basis. As of 31 December 2020, the total number of secondees was 222, as compared to 99 in 2019. If this trend continues, the Group will consider putting more resources and investment back into this line of services. We will monitor the progress and be extremely cautious over the course of 2021. After making a decisive decision to refocus on high-margin business in mid-2020, any further investment decision will be subjected to scrutiny.

## **Revenue from our China operations**

China emerged in June 2020 as the first major country to announce a return to economic growth since the outbreak of the pandemic. Trading conditions have continued to improve since July 2020 and have lasted until the end of 2020.

While still relatively young (established in 2019) and small, our mainland China team have performed extremely well. In fact, they generated a revenue growth of approximately HK\$3,041,000 or 91.0% from approximately HK\$3,342,000 for the year ended 31 December 2019 to approximately HK\$6,383,000 for the year ended 31 December 2020.

The number of fee earners has increased from 10 to 17 as compared to the year in 2019, and we target to have at least 50% headcount growth in 2021.

We will adopt the following strategies and continue the expansion plans in our Shenzhen and Guangzhou offices and to capture business opportunities in the PRC.

- Follow the ‘Outline Development Plan for GBA’ (粵港澳大灣區發展規劃綱要) to increase our presence in technology, consumer, and property sectors mainly in Shenzhen and Guangzhou cities;
- Build teams to focus on domestic Chinese technology, e-commerce, and healthcare companies that have thrived during the pandemic;
- Enhance the quality of our current teams through holding more structured internal and external training; and
- Improve public visibility and brand awareness by building an in-house marketing team.

The China team will take full advantage of the positive market condition to further grow and expand the business. Their performance will play a key role for the Group to drive progressly towards our strategic goals and visions.

## **Cash position**

Given the Group’s strong cash flow management and prudent risk control policies and procedures, we have been able to maintain a stable turnover days of trade receivable of 52.0 days (2019: 46.9 days), which is in line with industry standards, despite the inevitable impact of cash flow issues for certain clients as a result of the pandemic.

## **Prospects**

After the significant deterioration of economic conditions in the first half of 2020 due to social unrest in Hong Kong and the pandemic, there have been signs of improvement since July 2020, especially in mainland China.

In the fourth quarter, there was gradual improvement in trading conditions, leading to a good start to 2021. By staying focused on what we can control, in addition to remaining agile and adaptive, we are cautiously optimistic about our performance for the year ahead.

In 2021, the Group will:

- Gather our existing resources and put a strong focus on industries with recovery potential such as, e-commerce, logistics and supply chain, education, and real estate sectors;
- Continue to invest in Hong Kong's FS sector and businesses in mainland China, and closely monitor the performance and return on investment;
- Continue to drive activities, productivity, and profitability with stringent measures in terms of team composition, discipline, and geography;
- Recruit selectively from our competition, 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; and
- Strengthen the inhouse marketing teams in both Hong Kong and China to raise brand awareness using digital and social media platforms.

The Group is confident about the many opportunities ahead, and it is important that we better position ourselves to capture them and take advantage of the market recovery. We will also focus on our long-term vision and drive progress towards our strategic 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\$65,285,000 for the year ended 31 December 2020, decreased by approximately HK\$15,587,000 or 19.3% as compared to approximately HK\$80,872,000 for the year ended 31 December 2019.

Set forth below is a breakdown of the total revenue during the years ended 31 December 2020 and 2019:

	<b>For the year ended 31 December</b>			
	<b>2020</b>		<b>2019</b>	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Recruitment services				
– Hong Kong	<b>34,974</b>	<b>53.6</b>	44,707	55.3
– The PRC	<b>6,383</b>	<b>9.8</b>	3,342	4.1
	<b>41,357</b>	<b>63.4</b>	48,049	59.4
Secondment and payroll services				
– Hong Kong	<b>21,176</b>	<b>32.4</b>	30,490	37.7
– Macau	<b>2,752</b>	<b>4.2</b>	2,333	2.9
	<b>23,928</b>	<b>36.6</b>	32,823	40.6
Total revenue	<b>65,285</b>	<b>100.0</b>	80,872	100.0

(i) *Revenue from recruitment services*

We provide recruitment services primarily in Hong Kong and the PRC. Revenue from recruitment services amounted to approximately HK\$41,357,000 for the year ended 31 December 2020 and approximately HK\$48,049,000 for the year ended 31 December 2019, representing approximately 63.4% and 59.4% of the total revenue, respectively.

The drop in the recruitment service revenue of the Group was mainly attributable to the on-going of the COVID-19 epidemic in Hong Kong, resulting in the suppressed demand and a sharp decline in the number of successful placements from commercial and frontline clients during the year, delay and/or cancellation of the client's hiring plan under the poor business condition and overall unpropitious recruitment environment. The recruitment service revenue in Hong Kong dropped by approximately HK\$9,733,000 or 21.8% from approximately HK\$44,707,000 for the year ended 31 December 2019 to approximately HK\$34,974,000 for the year ended 31 December 2020.

**(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\$23,928,000 for the year ended 31 December 2020 and approximately HK\$32,823,000 for the year ended 31 December 2019, representing approximately 36.6% and 40.6% of the total revenue, respectively. The significant decrease was mainly due to the decrease in demand for the service from major customer in banking sector in Hong Kong.

**(iii) Revenue by geographical location**

During the years ended 31 December 2020 and 2019, Hong Kong remained as our major market, which contributed approximately 86.0% and 93.0% of the total revenue, respectively. The revenue generated from Hong Kong decreased from approximately HK\$75,197,000 for the year ended 31 December 2019 to approximately HK\$56,150,000 for the year ended 31 December 2020. Such decrease was primarily due to the decrease in revenue derived from both the recruitment services and secondment and payroll services in Hong Kong affected by the on-going impact of the COVID-19. Although we recorded growth of our secondment and payroll services business in Macau and recruitment services in the PRC for the year ended 31 December 2020 as compared to 2019, the scale of the operation were still relatively small and could not offset the drop of revenue recorded from Hong Kong.

**Other income**

Other income increased by approximately HK\$5,671,000 from approximately HK\$318,000 for the year ended 31 December 2019 to approximately HK\$5,989,000 for the year ended 31 December 2020, which was primarily due to the government subsidies of approximately HK\$5,916,000 recognised in the year ended 31 December 2020 (2019: Nil) under the Employment Support Scheme and other subsidies under the Government's Anti-epidemic Fund in Hong Kong and Macau.

**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 2020, the staff costs were approximately HK\$57,219,000 (2019: approximately HK\$63,499,000), which accounted for approximately 87.6% (2019: approximately 78.5%) of the revenue. Seconded staff costs for the year ended 31 December 2020 was approximately HK\$21,927,000 (2019: approximately HK\$29,996,000), representing approximately 38.3% of the total staff costs (2019: approximately 47.2%). The internal staff costs amounted to approximately HK\$35,292,000 for the year ended 31 December 2020 (2019: approximately HK\$33,503,000), representing approximately 61.7% of the total staff costs (2019: approximately 52.8%).

The staff costs decreased by approximately HK\$6,280,000 or 9.9%. The decrease was mainly due to the decrease in the seconded staff costs by approximately HK\$8,069,000 or 26.9% despite the increase in head count from 99 to 222 as at 31 December 2019 and 2020 as they were employed on a contract or part time basis which were in line with the decrease in revenue derived from the secondment and payroll services. The internal staff costs increased by approximately HK\$1,789,000 or 5.3%. Such increase was mainly due to the expansion of business scale in Hong Kong and the PRC.

### **Other expenses and losses**

Other expenses and losses increased by approximately HK\$27,000 from approximately HK\$14,866,000 for the year ended 31 December 2019 to approximately HK\$14,893,000 for the year ended 31 December 2020. Other expenses and losses mainly consist of rent and rates, depreciation, advertising expenses incurred for third party recruitment websites for the provision of recruitment services.

### **Finance costs**

Finance costs represented the interest on lease liability (2019: lease liability and a bank loan) which decreased by approximately HK\$541,000 from approximately HK\$684,000 for the year ended 31 December 2019 to approximately HK\$143,000 for the year ended 31 December 2020. The decrease in finance costs was mainly due to the full repayment of the bank loan in August 2019.

### **Income tax expense**

For the year ended 31 December 2020, income tax expense increased by approximately HK\$89,000 or 24.0%, from approximately HK\$371,000 for the year ended 31 December 2019 to approximately HK\$460,000 for the year ended 31 December 2020. The increase were mainly due to the underprovision of Hong Kong Profits Tax in the prior year which is amounting to approximately HK\$340,000 and deferred tax liability recognition approximately HK\$120,000.

## **(Loss) profit and total comprehensive (expense) income for the year**

As a result of the foregoing, (loss) profit and total comprehensive (expense) income for the year decreased by approximately HK\$3,128,000, from the net profit position of approximately HK\$1,676,000 for the year ended 31 December 2019 to the net loss position of approximately HK\$1,452,000 for the year ended 31 December 2020. 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\$1,676,000 for the year ended 31 December 2019, representing a significant decrease of approximately HK\$9,044,000.

## **Dividends**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO**

The Group financed its operations primarily with the cash generated from its operations. As at 31 December 2020, the Group had bank balances and cash of approximately HK\$32,567,000 (2019: approximately HK\$29,938,000). Most of the bank balances and cash were placed with banks in Hong Kong. 91.6% (2019: 92.3%) of the Group's bank balances and cash was denominated in Hong Kong dollars, whereas 8.4% (2019: 7.7%) was denominated in Renminbi, MOP and US dollars. The current ratio, calculated by dividing current assets by current liabilities, as at 31 December 2020 was approximately 5 times (2019: approximately 5 times).

The gearing ratio as at 31 December 2020 was 4.1% (2019: 9.5%). The gearing ratio was calculated by dividing the lease liability 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 2020 and 2019.

## **SHARE STRUCTURE**

There has been no change in the Company's capital structure during the year ended 31 December 2020. The capital of the Company comprises only ordinary shares.

As at 31 December 2020, 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 2020, the Group did not have any significant investments. There was no plan for any material investments or other additions of capital assets as at 31 December 2020.

## **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 2020.

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2020, the Group did not have any charges on the Group's assets.

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had a total of 75 (2019: 67) internal staff and 222 (2019: 99) seconded staff. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$57,219,000 for the year ended 31 December 2020 (2019: approximately HK\$63,499,000).

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 2020.

<b>Business strategies as stated in the Prospectus</b>	<b>Implementation plans as stated in the Prospectus</b>	<b>Actual business progress up to 31 December 2020</b>
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

<b>Business strategies as stated in the Prospectus</b>	<b>Implementation plans as stated in the Prospectus</b>	<b>Actual business progress up to 31 December 2020</b>
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 started such development and it is yet to complete as at 31 December 2020
	Upgrade the website of our Group	We have started such upgrade and it is yet to complete as at 31 December 2020
	Procure a new business intelligence system to facilitate decision-making process of our management	We have completed the set phases as at 31 December 2020
	Automate our work process to support our business operation	We have started such automation process and it is yet to complete as at 31 December 2020

## 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, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus. The Group had utilised approximately HK\$29,755,000 of the net proceeds as at 31 December 2020. The unutilised portion of approximately HK\$1,230,000 is deposited in a licensed bank in Hong Kong.

During the period from the date of Listing till 31 December 2020, the net proceeds had been utilised as follows:

	Net proceeds <i>HK\$'000</i>	Utilised amount <i>HK\$'000</i>	Unutilised amount <i>HK\$'000</i>	Expected timeline of application of unutilised net proceeds
Expansion of our recruitment services and secondment and payroll services in Hong Kong	14,222	14,222	–	
Establishment of our presence in the PRC recruitment services market	7,994	7,994	–	
Development of marketing capability and conducting more marketing activities to promote our brand	3,408	2,838	570	By 31 December 2021
Enhancement of our IT system	3,068	2,408	660	By 31 December 2021
General working capital	2,293	2,293	–	
	<u>30,985</u>	<u>29,755</u>	<u>1,230</u>	

As disclosed in the Prospectus, the net proceeds in respect of (i) the development of marketing capability and conducting more marketing activities to promote our brand; and (ii) enhancement of our IT system were to be fully utilised by 31 December 2020. The delay in the use of the net proceeds arose mainly because the COVID-19 pandemic had delayed our plans in holding certain marketing activities and the original timeline in completing the automation of our work process for supporting the business operations. It is expected that the unutilised net proceeds will be fully utilised by 31 December 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 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 2020.

## **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 2020.

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.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As at 31 December 2020, as notified by the Company's compliance adviser, HeungKong Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associated had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **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 2020.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting (“**AGM**”) of the Company will be held on Wednesday, 12 May 2021. The transfer books and register of members of the Company will be closed from Friday, 7 May 2021 to Wednesday, 12 May 2021, 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, 6 May 2021.

## **CORPORATE GOVERNANCE PRACTICES**

Throughout the year ended 31 December 2020, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules.

## **SCOPE OF WORK OF 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 2020 as set out in this preliminary announcement have been agreed by the Group’s auditor, D & PARTNERS CPA LIMITED, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by 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 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 and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. It currently comprises three independent non-executive Directors, namely Mr. Tong Kam Piu, Mr. Poon Kai Kin and Dr. Lau Kin Shing Charles. 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 2020 and this annual results announcement.

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

Hong Kong, 23 March 2021

*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. Tong Kam Piu, Mr. Poon Kai Kin and Dr. Lau Kin Shing Charles.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.kos-intl.com).*