



## **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 2019**

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

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

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

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

## RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019, together with the audited comparative figures for the year ended 31 December 2018 as follows:

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

*For the year ended 31 December 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	<b>80,872</b>	66,291
Other income		<b>318</b>	114
Staff costs		<b>(63,499)</b>	(47,714)
Other expenses and losses		<b>(14,866)</b>	(8,434)
Impairment losses under expected credit loss (“ <b>ECL</b> ”) model, net of reversal		<b>(21)</b>	65
Finance costs	5	<b>(684)</b>	(663)
Listing expenses		<b>–</b>	(12,987)
Profit (loss) before taxation	6	<b>2,120</b>	(3,328)
Income tax expense	7	<b>(371)</b>	(1,576)
Profit (loss) for the year		<b>1,749</b>	(4,904)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		<b>(73)</b>	–
Total comprehensive income (expense) for the year		<b>1,676</b>	(4,904)
Earnings (loss) per share			
– basic (Hong Kong cent)	9	<b>0.22</b>	(0.76)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Note</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>3,243</b>	4,311
Right-of-use asset		<b>3,607</b>	–
Rental deposit		<b>747</b>	766
		<b>7,597</b>	5,077
Current assets			
Accounts and other receivables	10	<b>11,028</b>	12,484
Tax recoverable		<b>2,596</b>	2,955
Pledged bank deposit		–	5,000
Bank balances and cash		<b>29,938</b>	27,800
		<b>43,562</b>	48,239
Current liabilities			
Other payables and accruals		<b>6,087</b>	6,017
Taxation payable		<b>412</b>	400
Lease liability		<b>2,297</b>	–
Bank borrowing		–	7,500
		<b>8,796</b>	13,917
Net current assets		<b>34,766</b>	34,322
Non-current liability			
Lease liability		<b>1,596</b>	–
Net assets		<b>40,767</b>	39,399
Capital and reserves			
Share capital		<b>8,000</b>	8,000
Reserves		<b>32,767</b>	31,399
Total equity		<b>40,767</b>	39,399

Notes:

## 1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law, 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 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. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

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.

Pursuant to the reorganisation stated in the Company’s prospectus issued on 28 September 2018 in connection with the Listing (the “**Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 15 June 2018. The companies now comprising the Group were under the common control of Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow before and after the Reorganisation. As a result, the Group resulting from the Reorganisation is regarded as a continuing entity. Therefore, the Reorganisation is considered as a business combination under common control and accounted for under merger accounting as mentioned below.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2018 include the results and changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2018, or since their dates of incorporation, where there is a shorter period.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

The Group has applied the following new and amendments to HKFRSs for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and 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.

#### **HKFRS 16 “Leases”**

The Group has applied HKFRS 16 “Leases” (“**HKFRS 16**”) for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

#### ***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

#### ***As a lessee***

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liability and measured right-of-use asset at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated loss and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- I. elected not to recognise right-of-use asset and lease liability for leases with lease term ends within 12 months of the date of initial application;
- II. excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- III. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liability for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

	<b>At 1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	6,918
Recognition exemption – short-term leases	(412)
Effect from discounting at the incremental borrowing rate as of 1 January 2019	<u>(427)</u>
Lease liability as at 1 January 2019	<u><u>6,079</u></u>
Analysed as	
Current	2,186
Non-current	<u>3,893</u>
	<u><u>6,079</u></u>

The carrying amount of right-of-use asset for own use as at 1 January 2019 comprises the following:

	<b>At 1 January 2019</b> <i>HK\$'000</i>
Right-of-use asset relating to operating lease recognised upon application of HKFRS 16	<u><u>5,771</u></u>
By class:	
Leased office	<u><u>5,771</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2018 HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000</b>
Non-current assets			
Right-of-use asset	–	5,771	5,771
Current liabilities			
Lease liability	–	2,186	2,186
Non-current liability			
Lease liability	–	3,893	3,893
Capital and reserves			
Reserves	31,399	(308)	31,091

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

#### **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 <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</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 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

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

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<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 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors 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.

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

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

### **Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards**

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.



#### 4. REVENUE AND SEGMENT INFORMATION

##### Disaggregation of revenue

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Recruitment services		
– Hong Kong	44,707	36,001
– The PRC	3,342	–
	<u>48,049</u>	<u>36,001</u>
Secondment and payroll services		
– Hong Kong	30,490	26,951
– Macau	2,333	3,339
	<u>32,823</u>	<u>30,290</u>
Total	<u><u>80,872</u></u>	<u><u>66,291</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) 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	26,566	26,610
Customer B	N/A*	9,492

\* Revenue from Customer B doesn't contribute over 10% of the total revenue of the Group for the year.

## 5. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank borrowing	430	663
Interest on lease liability	254	–
	<u>684</u>	<u>663</u>

## 6. PROFIT (LOSS) BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging (crediting):		
Directors' remuneration	2,922	438
Salaries and allowance for staff excluding Directors	58,501	45,920
Retirement benefit schemes contributions for staffs excluding Directors	2,076	1,356
	<u>63,499</u>	<u>47,714</u>
Total staff costs		
Minimum lease payment in respect of rental premises	–	1,638
Rental expenses in respect of short-term leases	628	–
Depreciation of right-of-use asset	2,164	–
Depreciation of property, plant and equipment	1,447	398
Auditor's remuneration	1,000	900
Interest income from bank deposits	(248)	(79)
	<u>(248)</u>	<u>(79)</u>

## 7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits tax		
– current tax	440	1,609
– overprovision in prior years	(69)	(33)
	<u>371</u>	<u>1,576</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.

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 2019 and 2018. 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 of EIT was made as the subsidiary in PRC has no assessable profit during the year.

## 8. DIVIDENDS

On 13 April 2018, KOS International Limited, incorporated in Hong Kong, a wholly-owned subsidiary of the Company, paid dividends for the amount of HK\$5,081,000 to its shareholders and the Company paid special dividends for the amounts of HK\$18,000,000 and HK\$4,000,000 to its then shareholders on 12 September 2018 and 21 September 2018, respectively.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of the consolidated financial statements.

No dividend has been proposed by the Directors for the year ended 31 December 2019 up to date of this announcement.

## 9. 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:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit (loss) for the year	<u><b>1,749</b></u>	<u>(4,904)</u>
	<b>2019</b>	2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings (loss) per share	<u><b>800,000,000</b></u>	<u>644,383,562</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined on the assumption that the capitalisation issue in respect of the Listing had been effective on 1 January 2018.

No diluted earnings (loss) per share for year ended 31 December 2019 and 2018 were presented as there were no potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

## 10. ACCOUNTS AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accounts receivables	10,195	11,053
<i>Less: Allowance for ECL</i>	<u>(248)</u>	<u>(227)</u>
	9,947	10,826
Other receivables		
– Prepayments	764	1,180
– Rental and utility deposits	1,049	1,244
– Others	<u>15</u>	<u>–</u>
Total accounts and other receivables	11,775	13,250
<i>Less: Receivables within twelve months shown under current assets</i>	<u>(11,028)</u>	<u>(12,484)</u>
Rental deposit shown under non-current assets	<u><u>747</u></u>	<u><u>766</u></u>

As at 1 January 2018, accounts receivables from contracts with customers amounted HK\$11,279,000.

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.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	5,462	4,258
31 to 60 days	1,300	1,026
61 to 90 days	1,217	666
91 to 180 days	1,836	3,499
Over 180 days	<u>132</u>	<u>1,377</u>
	<u><u>9,947</u></u>	<u><u>10,826</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND PROSPECTS**

#### **Business Review**

We are a reputable Hong Kong-based human resources solutions provider, principally engaged in high quality recruitment services, and secondment and payroll services since 2009.

Under our recruitment services, we identify, screen, assess, and procure qualified candidates for our clients for positions at all levels, including administrative, executive, managerial, and professional. For our secondment and payroll services, we take on board candidates that are either sourced by our Group or our clients themselves and second them to our clients. We also assist in providing other administration services at clients' requests.

The Group's revenue increased by approximately HK\$14,581,000 or 22%, from approximately HK\$66,291,000 for the year ended 31 December 2018 to approximately HK\$80,872,000 for the year ended 31 December 2019. This increase was mainly attributable to the increase in revenue from recruitment and secondment and payroll services.

Comparing the revenue for the years ended 31 December 2018 and 2019, our recruitment services segment delivered a year-to-year growth of 33% and we have successfully diversified the Group's client portfolio, which now includes commercial organisations, as well as local and Asian-based financial services clients. A new team has been formed to focus on the recruitment services of front, mid, and back-office roles for the financial services sector, targeting local and Asian-based clients.

We have also successfully expanded our business into the PRC, opening our first office in Shenzhen at the beginning of 2019. The performance of our PRC operation is progressing well, and further expansion in the PRC will take place in 2020.

The total revenue from recruitment services increased by approximately HK\$12,048,000 from approximately HK\$36,001,000 for the year ended 31 December 2018 to approximately HK\$48,049,000 for the year ended 31 December 2019.

Comparing the revenue for the years ended 31 December 2018 and 2019, our secondment and payroll services segment delivered a year-to-year growth of 8%. In fact, the total revenue from secondment and payroll services increased by approximately HK\$2,533,000 from approximately HK\$30,290,000 for the year ended 31 December 2018 to approximately HK\$32,823,000 for the year ended 31 December 2019.

With a high calibre professional with over 20 years' HR solutions experience – gained from an international listed services provider – joining us and together with the strengthening and broadening of the team, these had led to the growth in our secondment and payroll services. Together with the newly established KOS solutions brand, we are well-positioned to support businesses that require large scale manpower flexibility and tailor-made HR outsourcing solutions. Our services cover sizeable recruitment projects, payroll and HR outsourcing, as well as outplacement and career transformation. By offering a comprehensive range of workforce solutions and services, KOS Staffing and KOS solutions assist our clients at various stages in their evolution, resulting in cost reductions across their workforce and improved productivity, quality, and efficiency.

For the year ended 31 December 2019, the Group's turnover increased by 22% compared to a year ago. Despite the challenging conditions encountered, such growth was attributable to the expansion and diversification of business operations in both Hong Kong and the Greater Bay Area. Meanwhile, Hong Kong's economic environment became increasingly difficult due to social unrest in the second half of 2019, which resulted in lower than expected turnover growth.

The Group has been investing heavily in building up its talent pool and employer branding throughout 2019. Significant staff costs and other expenses were incurred in launching new brands and businesses, re-branding and strengthening existing services offerings, recruiting seasoned operators and experienced recruiters to work in both Hong Kong and the PRC, and expanding our business presence outside Hong Kong. These cost increments have had a direct impact on the profit and loss account.

As a result, the Group recorded a decrease in total comprehensive income to approximately HK\$1,676,000 for the year ended 31 December 2019 as compared to total comprehensive income of approximately HK\$8,083,000 (if excluding the effect of the non-recurring listing expenses) for the year ended 31 December 2018.

By diversifying our services offerings and expanding business beyond Hong Kong, the Group is well positioned to becoming a total HR solutions provider. We are confident that, with the costs incurred in 2019, the Group is poised to generate higher and better returns in future years, and that we will be more resilient to market volatility.

## **Prospects**

The end of the 2019 financial year marked the beginning of the second year since KOS was listed on GEM of The Stock Exchange of Hong Kong Limited. Based on the unpredictable global market climate, social unrest in Hong Kong, and the coronavirus (COVID-19) outbreak, we expect 2020 will yet continue to be a challenging year.

To continue the Group's revenue growth in 2020 continues to be a top priority. We will also leverage our strong client base and brand awareness in Hong Kong to expand our services throughout the region.

Key development areas include:

- a. for recruitment services, the Group will further expand into the PRC in 2020
- b. for secondment, payroll, and outplacement services, the Group – under the leadership of the industry expert – will tap into a new client base. This will require a one-stop-shop human resources solution during this challenging and uncertain business landscape.

In order to mitigate potential business risks, the management team will remain agile and:

- (i) continue to diversify the Group's lines of services and expand our client base to broaden revenue streams
- (ii) closely monitor the performance of new services streams
- (iii) put more focus on expansion in the Greater Bay Area
- (iv) create a strong corporate brand in both Hong Kong and the PRC markets by raising overall brand awareness
- (v) upgrade our software, computers, and network systems to ensure top quality performance

Looking ahead, the Group will remain distinctive and alert about the changes of the human resources services landscape. With the Group's reputation and experience, we will continue to look for opportunities to expand our business operations, sustain our market position, and strengthen our competitive edge to enhance our business performance and provide better returns to our shareholders.

## **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\$80,872,000 for the year ended 31 December 2019, increased by approximately HK\$14,581,000 or 22% as compared with approximately HK\$66,291,000 for the year ended 31 December 2018.

Set forth below is a breakdown of the total revenue during the years ended 31 December 2019 and 2018:

	<b>For the year ended 31 December</b>			
	<b>2019</b>		<b>2018</b>	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Recruitment services				
– Hong Kong	<b>44,707</b>	<b>55.3</b>	36,001	54.3
– The PRC	<b>3,342</b>	<b>4.1</b>	–	–
	<b>48,049</b>	<b>59.4</b>	36,001	54.3
Secondment and payroll services				
– Hong Kong	<b>30,490</b>	<b>37.7</b>	26,951	40.7
– Macau	<b>2,333</b>	<b>2.9</b>	3,339	5.0
	<b>32,823</b>	<b>40.6</b>	30,290	45.7
Total revenue	<b>80,872</b>	<b>100.0</b>	66,291	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\$48,049,000 for the year ended 31 December 2019 and approximately HK\$36,001,000 for the year ended 31 December 2018, representing approximately 59.4% and 54.3% of the total revenue, respectively.

Although the Group recorded an increased revenue from recruitment services, a slower than expected turnover growth hampered by poorer performances in the second half of 2019 when the Group's recruitment business was overshadowed by the social unrest in Hong Kong which affected our clients' willingness and timetable of their recruitment process.

**(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\$32,823,000 for the year ended 31 December 2019 and approximately HK\$30,290,000 for the year ended 31 December 2018, representing approximately 40.6% and 45.7% of the total revenue, respectively.



**(iii) Revenue by geographical location**

During the year ended 31 December 2019 and 2018, Hong Kong remained as our major market, which contributed approximately 93.0% and 95.0% of the total revenue, respectively. The revenue generated from Hong Kong increased from approximately HK\$62,952,000 for the year ended 31 December 2018 to approximately HK\$75,197,000 for the year ended 31 December 2019. Such increase was primarily due to an increase in revenue derived from both the recruitment services and secondment and payroll services in Hong Kong. The scale of our secondment and payroll services business in Macau and recruitment services in the PRC were still relatively small.

**Staff costs**

Staff costs comprise (i) the labour cost associated with deployment of seconded staff for the secondment and payroll services and (ii) the salaries and other staff benefits the Group paid to its internal staff for carrying on and in support of its business operation. 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 2019, the staff costs were approximately HK\$63,499,000 (2018: approximately HK\$47,714,000), which accounted for approximately 78.5% (2018: approximately 72.0%) of the revenue. Seconded staff costs for the year ended 31 December 2019 was approximately HK\$29,996,000 (2018: approximately HK\$27,724,000), representing approximately 47.2% of the total staff costs (2018: approximately 58.1%). The internal staff costs amounted to approximately HK\$33,503,000 for the year ended 31 December 2019 (2018: approximately HK\$19,990,000), representing approximately 52.8% of the total staff costs (2018: approximately 41.9%).

The staff costs increased by approximately HK\$15,785,000 or 33.1%. Such increase was mainly due to the increase in the internal staff costs by approximately HK\$13,513,000 as a result of the increased number of the internal staff in Hong Kong and the new recruitment operations in the PRC.

**Other expenses and losses**

Other expenses and losses increased by approximately HK\$6,432,000 or 76.3% from approximately HK\$8,434,000 for the year ended 31 December 2018 to approximately HK\$14,866,000 for the year ended 31 December 2019, which was primarily due to the increase in depreciation; additional rent and rates arising from the leases of new offices in Hong Kong and the PRC; increase in corporate expenses with the listing status while such corporate expenses only incurred in the fourth quarter of 2018 as the shares of the Company were listed on GEM in October 2018; and increase in advertising expenses incurred for third party recruitment websites for the provision of recruitment services and also the software maintenance expenses attributable to the expansion of our business team in Hong Kong.

## **Finance costs**

Finance costs represented the interest on lease liability and a bank loan, which increased by approximately HK\$21,000 or 3.2% from approximately HK\$663,000 for the year ended 31 December 2018 to approximately HK\$684,000 for the year ended 31 December 2019. The increase was due to the recognition of an interest expense on lease liability of approximately HK\$254,000 under the new accounting standard for leases. The bank loan has been fully settled in August 2019 and the related finance cost amounted to approximately HK\$430,000 and approximately HK\$663,000 for the year ended 31 December 2019 and 2018 respectively.

## **Income tax expenses**

Income tax expense decreased by approximately HK\$1,205,000 or 76.5%, from approximately HK\$1,576,000 for the year ended 31 December 2018 to approximately HK\$371,000 for the year ended 31 December 2019. The decrease was primarily attributable to the decrease in profit before taxation (excluding the effect of non-recurring listing expenses).

## **Profit (loss) and total comprehensive income (expense) for the year**

Profit for the year ended 31 December 2019 and loss for the year ended 31 December 2018 amounted to approximately HK\$1,676,000 and HK\$4,904,000 respectively. If the non-recurring listing expenses are excluded, the Group would have recorded a profit for the year ended 31 December 2018 of approximately HK\$8,083,000 as compared to approximately HK\$1,676,000 for the year ended 31 December 2019, representing a decrease of approximately HK\$6,407,000 or 79.3%. It was mainly attributable to the increased number of the internal staff and the expenses incurred for the business expansion in Hong Kong and the PRC.

## **Dividends**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

On 12 September 2018 and 21 September 2018, the Company declared dividend for the amounts of HK\$18,000,000 and HK\$4,000,000 respectively to its then shareholders, which has been paid during the year ended 31 December 2018.

On 13 April 2018, KOS International Limited, an indirect wholly-owned subsidiary of the Company declared dividends in the amount of HK\$5,081,000, which has been paid to its shareholders on the same date.

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

The Group financed its operations primarily with the cash generated from its operations. As at 31 December 2019, the Group had bank balances and cash of approximately HK\$29,938,000 (2018: approximately HK\$27,800,000). Most of the bank balances and cash were placed with banks in Hong Kong. 92.3% (2018: 98.7%) of the Group's bank balances and cash was denominated in Hong Kong dollars, whereas 7.7% (2018: 1.3%) was denominated in Renminbi, MOP and US dollars. The current ratio, calculated by dividing current assets by current liabilities, as at 31 December 2019 was approximately 5 times (2018: approximately 3.5 times).

The gearing ratio as at 31 December 2019 was 9.5% (2018: 19.0%). The gearing ratio was calculated by dividing the bank borrowing and lease liabilities by total equity multiplied by 100%. With available bank balances and cash, the Directors are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

## **FOREIGN EXCHANGE EXPOSURE**

Most of the revenue-generating operations of the Group were denominated in Hong Kong dollars. There was no significant exposure to foreign exchange rate fluctuations. As such, no hedging or other arrangements was made by the Group during the year ended 31 December 2019 and 2018.

## **SHARE STRUCTURE**

There has been no change in the Company's capital structure during the year ended 31 December 2019. The capital of the Company comprises only ordinary shares.

As at 31 December 2019, the total number of issued ordinary shares of the Company was 800,000,000 of HK\$0.01 each.

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

As at 31 December 2019, 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 2019.

## **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 2019.

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

As at 31 December 2019, the Group did not have any charges on the Group's assets. As at 31 December 2018, bank deposit of HK\$5,000,000 was pledged to secure the bank borrowing of the Group, which has been fully settled in 2019.

## **CONTINGENT LIABILITIES**

As at 31 December 2019, the Group did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2019, the Group had a total of 67 (2018: 45) internal staff. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$63,499,000 for the year ended 31 December 2019 (2018: approximately HK\$47,714,000).

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.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

<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 2019</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
Development of marketing capability and conducting more marketing activities to promote our brand	Recruit experienced marketing personnel	We have carried out the recruitment accordingly
	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

<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 2019</b>
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 2019
	Upgrade the website of our Group	We have started such upgrade and it is yet to complete as at 31 December 2019
	Procure a new business intelligence system to facilitate decision-making process of our management	We have completed the set phases as at 31 December 2019
	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 2019

## **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\$20,179,000 of the net proceeds as at 31 December 2019. The unutilised portion of approximately HK\$10,806,000 is deposited in a licensed bank in Hong Kong.

During the period from the date of Listing till 31 December 2019, the net proceeds had been utilised as follows:

	<b>Net proceeds</b> <i>HK\$'000</i>	<b>Utilised amount</b> <i>HK\$'000</i>	<b>Unutilised amount</b> <i>HK\$'000</i>
Expansion of our recruitment services and secondment and payroll services in Hong Kong	14,222	12,615	1,607
Establishment of our presence in the PRC recruitment services market	7,994	4,929	3,065
Development of marketing capability and conducting more marketing activities to promote our brand	3,408	609	2,799
Enhancement of our IT system	3,068	1,226	1,842
General working capital	2,293	800	1,493
	<u>30,985</u>	<u>20,179</u>	<u>10,806</u>

#### **EVENTS AFTER THE REPORTING PERIOD**

An outbreak of respiratory illness caused by novel coronavirus (the “**COVID-19**”) has been expanded across the PRC and globally. Since then, major cities in the PRC have taken emergency public health measures and draconian measures including travel restrictions in an effort to contain the COVID-19 outbreak.

The PRC subsidiary of the Company has been directed by the local government to facilitate the prevention and control measures of the COVID-19 pneumonia epidemic (the “**Epidemic**”), including expanding the Chinese New Year holidays, and adopted safety reparations for resuming operation under the guidance and approval of the local government.

Further, the Group, including its PRC Subsidiary, has implemented prevention and control measures for the Epidemic, such as keep close track of the employees’ health situation and the development of the Epidemic, to ensure the Group’s continued capacity to operate its business.

The Directors will continue to assess the impact of the Epidemic on the Group’s operation and financial performance and closely monitor the Group’s exposure to the risks and uncertainties in connection with the Epidemic.

## **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 2019.

## **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 2019.

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 2019, 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 2019.



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

The annual general meeting (“AGM”) of the Company will be held on Tuesday, 12 May 2020. The transfer books and register of members of the Company will be closed from Thursday, 7 May 2020 to Tuesday, 12 May 2020, 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 Wednesday, 6 May 2020.

## **CORPORATE GOVERNANCE PRACTICES**

Throughout the year ended 31 December 2019, 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 DELOITTE TOUCHE TOHMATSU**

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 2019 as set out in this preliminary announcement have been agreed by the Group’s auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu 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 Mr. Wang Ho Pang. 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 2019 and this annual results announcement.

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

Hong Kong, 23 March 2020

*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 Mr. Wang Ho Pang.*

*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).*