



Knowledge Opportunity Synergy

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



2019
INTERIM REPORT



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

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

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

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*This report, for which the directors (the “**Directors**”) of KOS International Holdings Limited (the “**Company**”) 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 report 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 report misleading.*

RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding periods in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Note	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	4	20,688	15,992	39,242	32,864
Other income		102	21	167	24
Staff costs		(14,733)	(10,137)	(29,124)	(21,629)
Other expenses and losses		(3,656)	(1,396)	(7,170)	(2,858)
Finance costs	5	(266)	(110)	(403)	(271)
Listing expenses		—	(3,260)	—	(6,248)
Profit before tax		2,135	1,110	2,712	1,882
Income tax expense	6	(694)	(581)	(1,045)	(1,225)
Profit for the period		1,441	529	1,667	657
Other comprehensive income that may be reclassified subsequently to profit or loss:					
— Exchange differences on translation of financial statements of foreign operation		38	—	38	—
Total comprehensive income for the period		1,479	529	1,705	657
Earnings per share					
— basic (Hong Kong cent)	7	0.18	0.09	0.21	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Non-current assets			
Property, plant and equipment	9	3,815	4,311
Right-of-use assets		4,689	—
Rental deposits	10	747	766
		9,251	5,077
Current assets			
Accounts and other receivables	10	15,253	12,484
Tax recoverable		2,121	2,955
Pledged bank deposit		5,000	5,000
Bank balances and cash		24,693	27,800
		47,067	48,239
Current liabilities			
Other payables and accruals	11	4,912	6,017
Bank borrowing	12	5,000	7,500
Lease liabilities		2,241	—
Taxation payable		610	400
		12,763	13,917
Net current assets		34,304	34,322
Total assets less current liabilities		43,555	39,399
Capital and reserves			
Share capital		8,000	8,000
Reserves		32,796	31,399
Total equity		40,796	39,399
Non-current liabilities			
Lease liabilities		2,759	—
		43,555	39,399

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

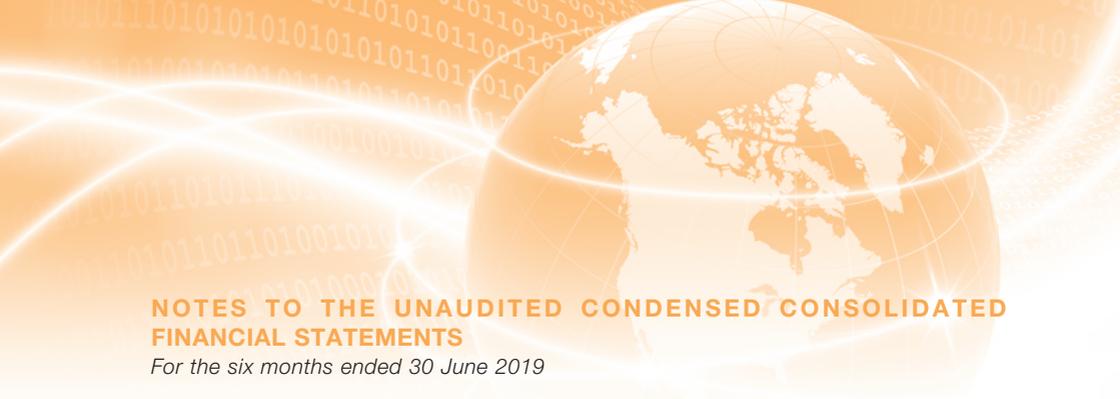
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	49	–	–	–	23,597	23,646
Effect of Reorganisation	(49)	–	49	–	–	–
Total comprehensive income for the period	–	–	–	–	657	657
Dividends paid	–	–	–	–	(5,081)	(5,081)
At 30 June 2018 (unaudited)	–*	–	49	–	19,173	19,222
At 31 December 2018 (audited)	8,000	39,738	49	–	(8,388)	39,399
Adjustments (Note 3)	–	–	–	–	(308)	(308)
At 1 January 2019 (restated)	8,000	39,738	49	–	(8,696)	39,091
Total comprehensive income for the period	–	–	–	38	1,667	1,705
At 30 June 2019 (unaudited)	8,000	39,738	49	38	(7,029)	40,796

* Less than HK\$1,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	839	861
Investing activities		
Purchase of property, plant and equipment	(220)	(124)
Interest received	146	22
Net cash used in investing activities	(74)	(102)
Financing activities		
Dividends paid	—	(5,081)
Repayment of bank borrowing	(2,500)	—
Repayment of lease liabilities	(1,079)	—
Interest paid	(293)	(683)
Net cash used in financing activities	(3,872)	(5,764)
Net decrease in cash and cash equivalents	(3,107)	(5,005)
Cash and cash equivalents at beginning of the period	27,800	20,679
Cash and cash equivalents at end of the period, represented by bank balances and cash	24,693	15,674



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 since 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 companies are KJE Limited and Caiden Holdings Limited, companies incorporated in the British Virgin Islands which 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**”) are the ultimate controlling parties.

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 PRC.

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

The condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company.

2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the reorganisation 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 unaudited condensed consolidated statement of profit or loss and other comprehensive income, the unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 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 six months ended 30 June 2018, or since their dates of incorporation, where there is a shorter period.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, and in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018 as set out in the latest annual report.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018, except for the application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are relevant to the Group as at 1 January 2019, the most significant of which is HKFRS 16 *Leases* as described below.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 supersedes HKAS 17 *Leases* and the related interpretations.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.



HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Transition and summary of effects arising from initial application of HKFRS 16

The Group applied HKFRS 16 for the first time in the current interim period using the modified retrospective approach without restating comparative information. For the purpose of applying the modified retrospective approach to all leases, the Group elected to measure the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments, at the date of initial application.

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(FRIC)-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 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. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients of excluding initial direct costs from measuring the right-of-use assets at the date of initial application.

In addition, the Group applied the recognition exemption to leases of low value assets and leases that have a lease term of 12 months or less from the commencement date. Lease payments on these leases are recognised as expense on a straight-line basis over the lease term.

The Group has assessed the non-cancellable operating lease commitments as at 31 December 2018 and has recognised lease liabilities in respect of these lease arrangements that meet the definition of a lease unless they qualify for treatment as low value or short-term leases. On transition, the Group recognised lease liabilities of HK\$6,079,000 and right-of-use assets of HK\$5,771,000 at 1 January 2019. When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The incremental borrowing rate applied is 5.0%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	Unaudited HK\$'000
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	(427)
Lease liabilities as at 1 January 2019	6,079
Analysis as	
Current	2,186
Non-current	3,893
	6,079

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

	Unaudited At 1 January 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	5,771
By class:	
Buildings	5,771

For the other amendments to HKFRSs that are effective for the current period, there are no material impacts on these condensed consolidated financial statements.

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

Condensed consolidated interim statement of financial position (extract)	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current assets			
Right-of-use assets	—	5,771	5,771
Current liabilities			
Lease liabilities	—	2,186	2,186
Non-current liabilities			
Lease liabilities	—	3,893	3,893
Capital and reserve			
Reserve	31,399	(308)	31,091

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Recruitment services				
— Hong Kong	11,444	8,734	21,782	17,256
— The PRC	560	—	560	—
	12,004	8,734	22,342	17,256
Secondment and payroll services				
— Hong Kong	8,151	6,238	15,591	13,757
— Macau	533	1,020	1,309	1,851
	8,684	7,258	16,900	15,608
Total	20,688	15,992	39,242	32,864

The Group's operating segment is determined based on information reported to the chief operating decision maker of the Group (the directors of the Company) for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based in 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 the 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 period is as follows:

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Customer A	12,846	14,195
Customer B	—	6,682

5. FINANCE COSTS

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Interest on bank borrowing	125	110	262	271
Interest on leases	141	—	141	—
	266	110	403	271

6. INCOME TAX EXPENSE

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong Profits Tax — current tax	694	581	1,045	1,225

Hong Kong Profits Tax has been provided for at the two-tiered rate of 8.25% on the first HK\$2 million of the estimated assessable profits for the qualifying group entity and 16.5% on the remaining estimated assessable profits for the period.

Macau Complementary Tax is calculated at 12% on the estimated assessable profits exceeding Macao Pataca (“MOP”) 600,000 for the period.

7. EARNINGS PER SHARE

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

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Profit for the period (HK\$'000)	1,441	529	1,667	657
Number of shares:				
Weighted average number of ordinary shares for the purpose of the basic earnings per share (in '000)	800,000	600,000	800,000	600,000

The weight average number of ordinary shares for the three months and six months ended 30 June 2018 for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue had been effective on 1 January 2018.

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares during the three months and six months ended 30 June 2019 and 2018.

8. DIVIDENDS

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

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$220,000 (six months ended 30 June 2018: approximately HK\$124,000).

The Group had no significant commitments for the purchase of property, plant and equipment as at 30 June 2019 and 31 December 2018.

10. ACCOUNTS AND OTHER RECEIVABLES

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Accounts receivables	14,519	11,053
Less: Allowance for doubtful debts	(322)	(227)
	14,197	10,826
Other receivables		
— Other receivables	4	—
— Prepayments	888	1,180
— Rental and utility deposits	911	1,244
Total accounts and other receivables	16,000	13,250
Less: Receivables within twelve months shown under current assets	(15,253)	(12,484)
Rental deposit shown under non-current assets	747	766

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.

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Within 30 days	8,225	4,258
31 to 60 days	2,256	1,026
61 to 90 days	989	666
91 to 180 days	1,657	3,499
Over 180 days	1,070	1,377
	14,197	10,826

11. OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Other payables	352	276
Accrued expenses	2,055	1,808
Accrued payroll expenses	2,505	3,909
Accrued listing expenses/share issue costs	—	24
	4,912	6,017

12. BANK BORROWING

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Secured bank borrowing	5,000	7,500
The carrying amount of bank borrowing that contains a repayment on demand clause but repayable:		
Within one year	5,000	7,500
Within a period of more than one year but not exceeding two years	—	—
<i>Less: Amount shown under current liabilities</i>	<i>5,000</i>	<i>7,500</i>
	<i>5,000</i>	<i>(7,500)</i>
Amount shown under non-current liabilities	—	—

The Group's borrowing carries variable interest rate at 2.5% above Hong Kong Interbank Offered Rate ("HIBOUR"). The effective interest rate on the Group's borrowing is 4.90% (31 December 2018: 4.91%).

13. CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of Directors and other member of key management is as follows:

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Short-term benefits	1,278	630	2,589	1,261
Post-employment benefits	27	14	54	27
	1,305	644	2,643	1,288



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business review

We are a reputable Hong Kong-based human resources services 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 to be employed by our clients generally for positions at all levels, including administrative, executive, managerial and professional. For our secondment and payroll services, we employ suitable candidates that are either sourced by our Group or our clients themselves and second them to our clients. We also assist in providing payroll and other administration services at our clients' requests.

The Group's competitive strengths include:

- (i) we are a reputable human resources services provider in Hong Kong delivering high quality services;
- (ii) we have successfully established our recruitment services in the People's Republic of China (the "PRC") to enhance and extend our recruitment coverage outside of Hong Kong and Macau;
- (iii) we have well established business relationships with our clients from diversified industries;
- (iv) possession of a sizeable pool of candidates registered within our candidate database; and
- (v) stable and experienced management team.

The Group's revenue increased by approximately HK\$6,378,000 or approximately 19.4%, from approximately HK\$32,864,000 for the six months ended 30 June 2018 to approximately HK\$39,242,000 for the six months ended 30 June 2019. The increase was mainly attributable to the increase in revenue from recruitment services and the successful establishment of our recruitment services in the PRC.



During the six months ended 30 June 2019, the Group incurred higher staff costs as we had employed new recruiters and other expenses and losses for building our Group's reputation and setting up of our PRC's operations. Despite of such, we are pleased to see these resources being deployed have turned into better performances in both our topline and bottom line. The Group recorded a profit and total comprehensive income of approximately HK\$1,705,000 for the six months ended 30 June 2019 as compared to a profit and total comprehensive income of approximately HK\$657,000 for the six months ended 30 June 2018.

Though we expect that the second half of the year should remain to be challenging because of the Sino-US trade war, the Group remains distinctive and alert about the changes of the human resources services industry in Hong Kong, and with the Group's experienced management team and reputation in the market, the Group will continue to sustain our market position and strengthen our competitive edges so that we would be striving for more successes.

In order to mitigate the potential business risks, the management team will continue to focus on:

- (i) diversifying our lines of services;
- (ii) expanding our clients base to widen our revenue stream; and
- (iii) upgrading our software, computer and network systems to ensure top quality performance.

The Group expects to retain a substantial amount of market share and continues to capture market opportunities so as to achieve sustainable business growth.

Prospects

Looking forward, with our expansion into the PRC, we will continue to ride on the strong clients base and brand awareness in Hong Kong and expand our services to the region.

The Group believes our following distinctive competitive strengths will facilitate the expansion of its market share in the region:

- (i) solid track record of providing recruitment and staffing services to clients in Hong Kong;

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- (ii) vast pool of candidates registered within our database which has been built up since 2009;
 - (iii) long-term and stable relationship with our major clients, key account approach and strong emphasis on repeat businesses;
 - (iv) strong focus on investment and maintenance of the IT system in supporting business operation; and
 - (v) stable and experienced management team.

Moving ahead, the Group will adhere to our competitive strengths to further grow our business. We shall also strive to keep up the delivery of our quality services with a commitment to enhance our business performance and to bring better return to our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$6,378,000 or 19.4% from approximately HK\$32,864,000 for the six months ended 30 June 2018 to approximately HK\$39,242,000 for the six months ended 30 June 2019. Such increase was primarily due to the increase in revenue derived from both the recruitment services and secondment and payrolls services.

The revenue derived from recruitment services increased by approximately HK\$5,086,000 or 29.5% from approximately HK\$17,256,000 for the six months ended 30 June 2018 to approximately HK\$22,342,000 for the six months ended 30 June 2019, primarily as a result of increased number of successful placements achieved by the Group and such successful placements were among the placements for the higher candidates' annual remuneration level.

The revenue derived from secondment and payroll services increased slightly by approximately HK\$1,292,000 or 8.3%, from approximately HK\$15,608,000 for the six months ended 30 June 2018 to approximately HK\$16,900,000 for the six months ended 30 June 2019.

For the six months ended 30 June 2019, the revenue derived from Hong Kong accounted for approximately 95.2% (2018: approximately 94.4%).



Staff costs

Staff costs comprise (i) labour cost associated with deployment of seconded staff for the secondment and payroll services and (ii) salaries and other staff benefits the Group paid to its internal staff for carrying on and in support of its business operation. Seconded staff costs represent the major component of the staff costs. The majority of the internal staff costs are salaries and other staff benefits relating to the consultants for carrying on the recruitment services. For the six months ended 30 June 2019, the staff costs were approximately HK\$29,124,000 (2018: approximately HK\$21,629,000), which accounted for approximately 74.2% (2018: approximately 65.8%) of the revenue. Seconded staff costs for the six months ended 30 June 2019 was approximately HK\$15,405,000 (2018: approximately HK\$14,359,000), representing approximately 52.9% of the total staff costs (2018: approximately 66.4%). Internal staff costs amounted to approximately HK\$13,719,000 for the six months ended 30 June 2019 (2018: approximately HK\$7,270,000), representing approximately 47.1% of the total staff costs (2018: approximately 33.6%).

Staff costs increased by approximately HK\$7,495,000 or 34.7% from approximately HK\$21,629,000 for the six months ended 30 June 2018 to approximately HK\$29,124,000 for the six months ended 30 June 2019. Such increase was mainly due to the increase in internal staff costs by approximately HK\$6,449,000 as a result of the increased number of internal staff for business expansion.

Other expenses and losses

Other expenses and losses increased by approximately HK\$4,312,000 from approximately HK\$2,858,000 for the six months ended 30 June 2018 to approximately HK\$7,170,000 for the six months ended 30 June 2019, which was primarily due to the increase in depreciation, rent and rate arising from the lease of a new office since the fourth quarter 2018; legal and professional fees and listing related expense upon the Listing since October 2018; entertainment, marketing and advertising expenses and software maintenance expenses attributed by the business expansion.

Finance costs

Finance costs represented interest on bank borrowing and interest on lease liabilities. The interest on lease liabilities of HK\$141,000 for the six months ended 30 June 2019 was due to the adoption of HKFRS 16, where the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liabilities.



Listing expenses

During the six months ended 30 June 2019, no non-recurring listing expenses was recognised in profit or loss in connection with the Listing.

Income tax expense

Income tax expense decreased by approximately HK\$180,000 or 14.7%, from approximately HK\$1,225,000 for the six months ended 30 June 2018 to approximately HK\$1,045,000 for the six months ended 30 June 2019. The decrease was primarily attributable to the decrease in estimated assessable profits from operating subsidiaries and the adoption of the Two-tiered Profits Tax Rates Regime during the six months ended 30 June 2019.

Profit and total comprehensive income for the period

As a result of the foregoing, profit and total comprehensive income for the period increased by approximately HK\$1,048,000 or 159.5%, from approximately HK\$657,000 for the six months ended 30 June 2018 to approximately HK\$1,705,000 for the six months ended 30 June 2019.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group financed its operations primarily with the cash generated from its operations and bank borrowing. As at 30 June 2019, the Group had bank balances and cash of approximately HK\$24,693,000 (31 December 2018: approximately HK\$27,800,000). Most of the bank balances and cash were placed with banks in Hong Kong. 94.7% (31 December 2018: 98.7%) of the Group's bank balances and cash was denominated in Hong Kong dollars, whereas 5.3% (31 December 2018: 1.8%) was denominated in MOP and Renminbi.



As at 30 June 2019, the Group had bank borrowing of HK\$5,000,000 (31 December 2018: HK\$7,500,000) which was denominated in Hong Kong dollars and will be repayable in full in December 2019. The bank borrowing was secured by a pledged bank deposit of HK\$5,000,000 and the effective annual interest rate on the borrowing is 4.90% (31 December 2018: 4.91%). The gearing ratio as at 30 June 2019 was 12.3% (31 December 2018: 19.0%). The gearing ratio was calculated by dividing the bank borrowing 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.

SHARE STRUCTURE

There has been no change in the Company's capital structure during the six months ended 30 June 2019. The capital of the Company comprises only ordinary shares.

As at 30 June 2019, 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

There were no significant investments held and there was no plan authorised by the Board for any material investments or additions of capital assets at the date of this report.



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 six months ended 30 June 2019.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, bank deposit of HK\$5,000,000 was pledged to secure the bank borrowing of the Group. Saved as disclosed, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 65 internal staff (31 December 2018: 45). The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$13,719,000 for the six months ended 30 June 2019 (30 June 2018: approximately HK\$7,270,000).

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

Business strategies as stated in the Prospectus	Implementation plans as stated in the Prospectus	Actual business progress up to 30 June 2019
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
	Maintain the leased office premises in Hong Kong for our business operation by paying rental	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
	Maintain the leased office in the PRC for our business operation	We have maintained our office in the PRC
	Promote our brand awareness in the PRC through networks of our consultants	We have carried out the promotion accordingly

Business strategies as stated in the Prospectus	Implementation plans as stated in the Prospectus	Actual business progress up to 30 June 2019
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Development of marketing capability and conducting more marketing activities to promote our brand	Recruit experienced marketing personnel	We have carried out the recruitment 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 30 June 2019
	Upgrade the website of our Group	We have completed the planned project phase as at 30 June 2019
	Procure a new business intelligence system to facilitate decision-making process of our management	We have completed the set phases as at 30 June 2019
	Automate our work process to support our business operation	We have started such automation process and it is yet to complete as at 30 June 2019

USE OF PROCEEDS FROM SHARE OFFER

The net proceeds from the successful listing on GEM of the Stock Exchange of Hong Kong Limited on 12 October 2018 by way of public offer and placing (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\$12,375,000 of the net proceeds from the Share Offer as at 30 June 2019. The unutilised portion of approximately HK\$18,610,000 is deposited in a licensed bank in Hong Kong.

As at 30 June 2019, 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>
Expansion of our recruitment services and secondment and payroll services in Hong Kong	14,222	7,782	6,440
Establishment of our presence in the PRC recruitment services market	7,994	2,670	5,324
Development of marketing capability and conducting more marketing activities to promote our brand	3,408	509	2,899
Enhancement of our IT system	3,068	614	2,454
General working capital	2,293	800	1,493
	30,985	12,375	18,610



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

As at 30 June 2019, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Mr. Kevin Chan	Interest in a controlled corporation and interest held jointly with another person (<i>Note 1</i>)	600,000,000	75%
Mr. Eddie Chan	Interest in a controlled corporation and interest held jointly with another person (<i>Note 1</i>)	600,000,000	75%
Mr. Jackson Chan	Interest in a controlled corporation and interest held jointly with another person (<i>Note 1</i>)	600,000,000	75%



Notes:

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

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 30 June 2019, the following person (other than the Directors or chief executive of the Company the interests of which were disclosed above) or corporation had interest or short position in the shares of the Company which were required to be entered in the register of the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

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

Notes:

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

Save as disclosed above, the Directors were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 30 June 2019.



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 under the Share Option Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of the shares or underlying shares in or debentures of, the Company or any of its associated corporations. As at the date of this report, the Company has not granted any share options to the Directors.

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 six months ended 30 June 2019.

COMPETING INTERESTS

During the six months ended 30 June 2019, none of the Directors or the controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group.



INTERESTS OF THE COMPLIANCE ADVISER

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 Rules 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

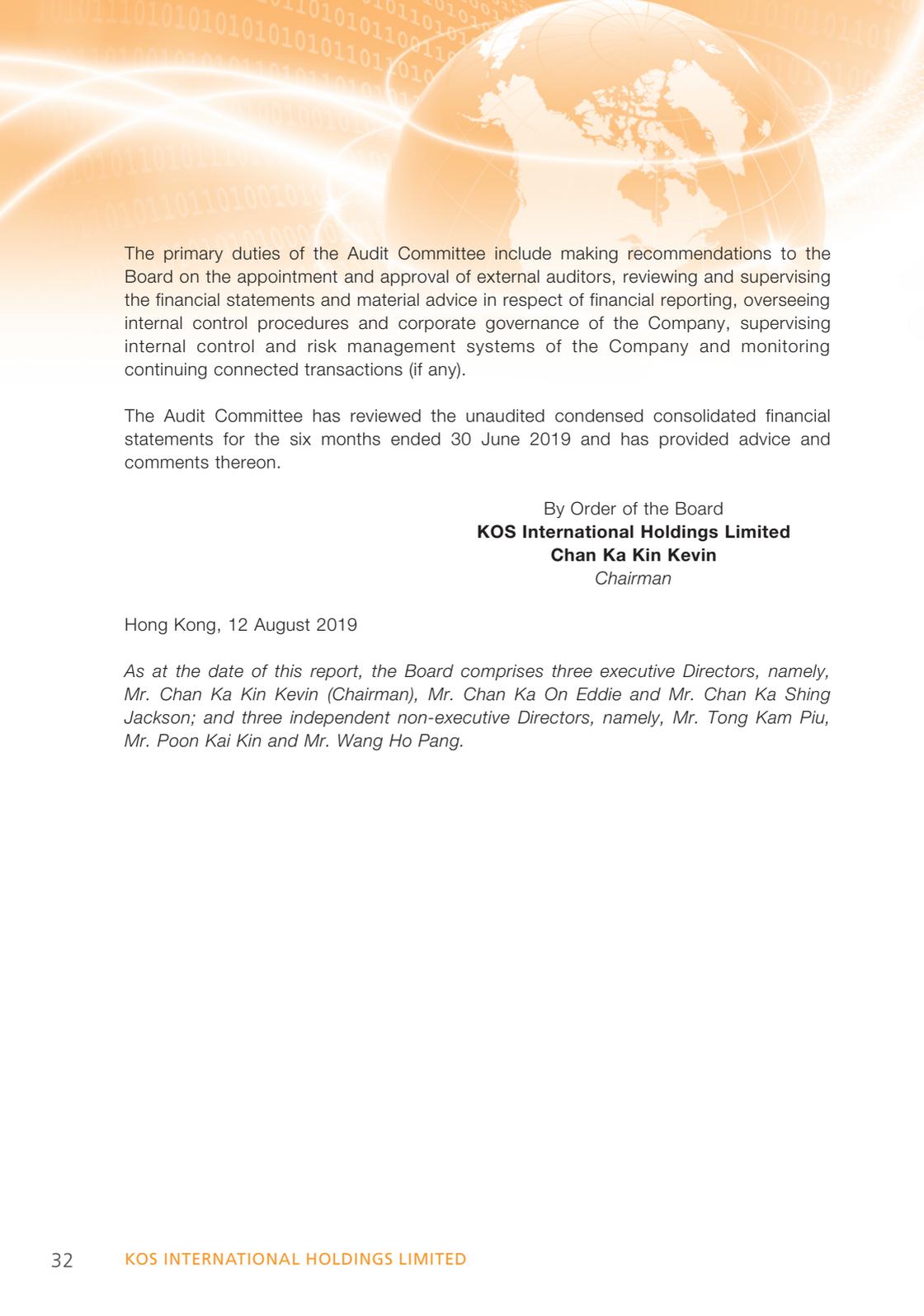
The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2019.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding Directors' transactions in securities of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2019.

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 unaudited condensed consolidated financial statements for the six months ended 30 June 2019 and has provided advice and comments thereon.

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

Hong Kong, 12 August 2019

As at the date of this report, 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.