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**KOS INTERNATIONAL HOLDINGS LIMITED**

**高奧士國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8042



**2020**  
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 2020, together with the unaudited comparative figures for the corresponding periods in 2019 as follows:

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

For the three months and six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	16,335	20,688	32,691	39,242
Other income		2,908	102	2,950	167
Staff costs		(12,877)	(14,733)	(26,931)	(29,124)
Other expenses and losses		(3,416)	(3,596)	(7,199)	(7,075)
Impairment losses under expected credit loss (“ECL”) model, net of reversal		51	(60)	(6)	(95)
Finance costs	4	(39)	(266)	(85)	(403)
<b>Profit before taxation</b>		<b>2,962</b>	<b>2,135</b>	<b>1,420</b>	<b>2,712</b>
Income tax credit (expense)	5	16	(694)	(91)	(1,045)
Profit for the period		<b>2,978</b>	<b>1,441</b>	<b>1,329</b>	<b>1,667</b>
Other comprehensive (expense) income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of a foreign operation		(2)	38	(18)	38
<b>Total comprehensive income for the period</b>		<b>2,976</b>	<b>1,479</b>	<b>1,311</b>	<b>1,705</b>
<b>Earnings per share</b>					
– basic (Hong Kong cent)	6	0.37	0.18	0.17	0.21

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited 30 June 2020	Audited 31 December 2019
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	2,671	3,243
Right-of-use asset		2,525	3,607
Rental deposit	9	747	747
		5,943	7,597
<b>Current assets</b>			
Accounts and other receivables	9	11,201	11,028
Tax recoverable		1,430	2,596
Bank balances and cash		30,430	29,938
		43,061	43,562
<b>Current liabilities</b>			
Other payables and accruals	10	4,167	6,087
Lease liability		2,355	2,297
Taxation payable		—	412
		6,522	8,796
<b>Net current assets</b>		<b>36,539</b>	<b>34,766</b>
<b>Non-current liability</b>			
Lease liability		404	1,596
<b>Net assets</b>		<b>42,078</b>	<b>40,767</b>
<b>Capital and reserves</b>			
Share capital		8,000	8,000
Reserves		34,078	32,767
<b>Total equity</b>		<b>42,078</b>	<b>40,767</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	8,000	39,738	49	–	(8,696)	39,091
Profit for the period	–	–	–	–	1,667	1,667
Other comprehensive income for the period	–	–	–	38	–	38
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
<b>At 1 January 2020 (audited)</b>	<b>8,000</b>	<b>39,738</b>	<b>49</b>	<b>(73)</b>	<b>(6,947)</b>	<b>40,767</b>
<b>Profit for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,329</b>	<b>1,329</b>
<b>Other comprehensive expense for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(18)</b>	<b>–</b>	<b>(18)</b>
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(18)</b>	<b>1,329</b>	<b>1,311</b>
<b>At 30 June 2020 (unaudited)</b>	<b>8,000</b>	<b>39,738</b>	<b>49</b>	<b>(91)</b>	<b>(5,618)</b>	<b>42,078</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Net cash generated from operating activities	1,840	839
Investing activities		
Purchase of property, plant and equipment	(171)	(220)
Interest received	42	146
Net cash used in investing activities	(129)	(74)
Financing activities		
Repayment of bank borrowing	—	(2,500)
Repayment of lease liabilities	(1,134)	(1,079)
Interest paid	(85)	(293)
Net cash used in financing activities	(1,219)	(3,872)
Net increase (decrease) in cash and cash equivalents	492	(3,107)
Cash and cash equivalents at beginning of the period	29,938	27,800
Cash and cash equivalents at end of the period, represented by bank balances and cash	30,430	24,693

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### 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 Cayman Islands. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited on 12 October 2018 (the "**Listing**"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Suite 610, 6th Floor, Ocean Centre, No. 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

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

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

The unaudited 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. 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 unaudited 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 2019 as set out in the latest annual report.

The accounting policies adopted are consistent with those of the Group’s annual financial statements for the year ended 31 December 2019, except for the adoption of new and amended standards as set out below.

The Group has applied the following new and amendments to Hong Kong Financial Reporting Standard (“HKFRSs”) that have been issued and effective for the annual periods beginning on 1 January 2020.

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

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*, have been effective for annual periods beginning on 1 January 2020.

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2020.

### 3. REVENUE AND SEGMENT INFORMATION

#### Disaggregation of revenue

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Recruitment services				
– Hong Kong	10,559	11,444	19,880	21,782
– The PRC	481	560	1,730	560
	11,040	12,004	21,610	22,342
Secondment and payroll services				
– Hong Kong	4,567	8,151	9,761	15,591
– Macau	728	533	1,320	1,309
	5,295	8,684	11,081	16,900
Total	16,335	20,688	32,691	39,242

#### Segment information

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

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

The majority of 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	
	2020 HK\$'000	2019 HK\$'000
Customer A	7,747	12,846

#### 4. FINANCE COSTS

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowing	–	125	–	262
Interest on lease liability	39	141	85	141
	39	266	85	403

## 5. INCOME TAX (CREDIT) EXPENSE

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax – current tax	(16)	694	91	1,045

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% of the estimated assessable profits exceeding Macao Pataca (“MOP”) 600,000 for each of the six months ended 30 June 2020 and 2019. No provision of Macau Complementary Tax was made as the subsidiary in Macau has no assessable profit exceeding MOP600,000 in both periods.

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%. No provision of EIT was made as the subsidiary in the PRC has no assessable profit during the periods.

## 6. 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	
	2020	2019	2020	2019
Profit for the period (HK\$'000)	2,978	1,441	1,329	1,667
Number of shares: Weighted average number of ordinary shares for the purpose of the basic earnings per share (in '000)	800,000	800,000	800,000	800,000

No diluted earnings per share for the three months and six months ended 30 June 2020 and 2019 were presented as there were no potential ordinary shares in issue during the three months and six months ended 30 June 2020 and 2019.

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$171,000 (six months ended 30 June 2019: approximately HK\$220,000).

The Group had no significant commitments for the purchase of property, plant and equipment as at 30 June 2020 and 31 December 2019.

## 9. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSIT

	Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Accounts receivables	10,286	10,195
Less: Allowance for ECL	(254)	(248)
	10,032	9,947
Other receivables		
– Prepayments	908	764
– Rental and utility deposits	985	1,049
– Others	23	15
Total accounts and other receivables	11,948	11,775
Less: Receivables within twelve months shown under current assets	(11,201)	(11,028)
Rental deposit shown under non-current assets	747	747

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 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Within 30 days	5,867	5,462
31 to 60 days	2,501	1,300
61 to 90 days	1,000	1,217
91 to 180 days	586	1,836
Over 180 days	78	132
	10,032	9,947

**10. OTHER PAYABLES AND ACCRUALS**

	<b>Unaudited 30 June 2020</b>	Audited 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	874	450
Accrued expenses	1,975	1,590
Accrued payroll expenses	1,318	4,047
	<b>4,167</b>	<b>6,087</b>

**11. CONTINGENT LIABILITIES**

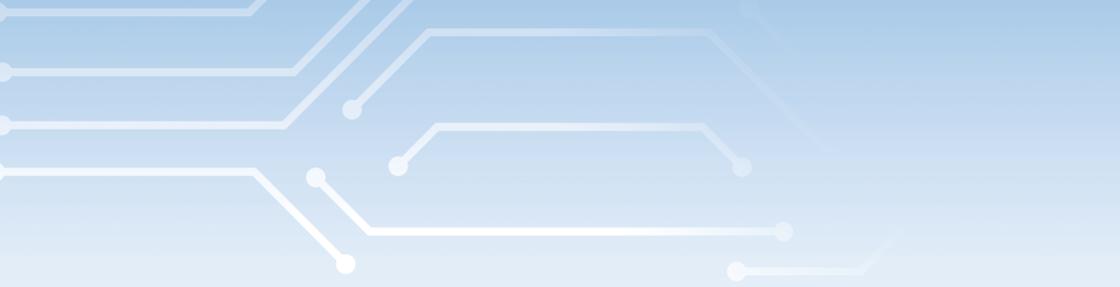
As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

**12. RELATED PARTY TRANSACTIONS**

**Compensation of key management personnel**

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

	<b>Unaudited</b>			
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	1,656	1,278	3,298	2,589
Post-employment benefits	24	27	50	54
	<b>1,680</b>	<b>1,305</b>	<b>3,348</b>	<b>2,643</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### **Business review**

KOS is a leading HR solutions service provider in Hong Kong with a strong commitment and focus on the Greater Bay Area.

The six months ended 30 June 2020 marked a period of uncertainty and volatility for Hong Kong's business environment. Already having experienced a worldwide economic downturn in the first quarter of the year, the global spread of the novel coronavirus ("COVID-19") epidemic and the resulting counter measures restricted a great many business and commercial activities. The situation further intensified during second quarter, resulting in a wide range of industry sectors (e.g., retail, food and beverage, hospitality, leisure and entertainment, and transportation) being heavily affected.

Subsequently, recruitment services revenue generated from commercial clients has reported a decline of approximately HK\$1,422,000 or 8.8% from approximately HK\$16,099,000 for the six months ended 30 June 2019 to approximately HK\$14,677,000 for the six months ended 30 June 2020. Many clients have slowed their recruitment activities; while those who continue to hire are either simply replacing talent that has left or have a strong business re-engineering focus.

The Group has responded to the unprecedented circumstances by mobilising existing manpower to expand our industry coverage. For example, in the second quarter, we began tapping into other industries, such as logistics and supply chain, education, media, and manufacturing.

On a positive note, despite the overall downturn, we have experienced a surge in demand for technology-based positions; which is in line with the trend of organisations steering towards crowdsourcing and digitalisation. The Group expanded the technology recruitment side of the business and transferred an experienced member of the team who took charge at the beginning of the year. This resulted in a 113.1% increment in revenue from approximately HK\$502,000 for the six months ended 30 June 2019 to approximately HK\$1,070,000 for the six months ended 30 June 2020.

Despite the challenging market conditions in the commercial industries, the Group has continued investing in the financial services sector and the mainland China market.



Revenue generated from financial services sector has increased by approximately HK\$1,585,000 with a growth of 31.6% compared to the corresponding period in 2019. In light of this, the financial services team will continue to focus on front, mid, and back-office roles in the financial services sector; targeting local and Asian-based clients. They will also start diversifying their remit into the insurance industry.

In terms of the Group's mainland China operations, as a result of the complete lockdown at the beginning of the year and the subsequent success in controlling the virus, normal economic activities slowly began to resume in March 2020 and continued until the end of the second quarter. With most businesses in mainland China focusing on B2C and B2B sales within the country, we have witnessed an increase in demand for roles in business development, sales and marketing executives, and candidates who can utilise highly sought-after new technologies.

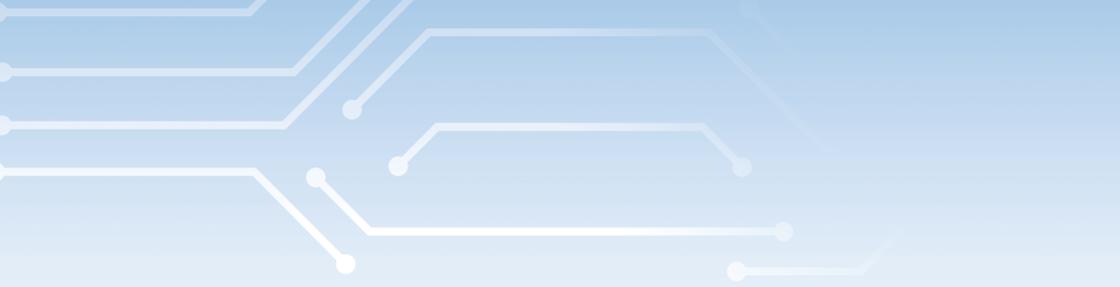
For the six months ended 30 June 2020, the mainland China team generated revenue of approximately HK\$1,730,000; representing 208.9% growth compared to the corresponding period in 2019. For the period from 1 July 2019 to 30 June 2020, internal staff numbers have doubled from 6 to 13.

We are confident that the team is well positioned to create sustainable medium to long-term revenue growth for the Group.

That said, external market conditions have presented a lot of challenges towards our expansion plans in terms of payroll and HR outsourcing. Clients have decided to reduce the numbers of their seconded staff and a lot of HR outsourcing projects have been put on hold. The number of seconded staff has decreased significantly from 146 as at 30 June 2019 to 110 as at 30 June 2020. This decline has contributed to a significant drop in secondment and payroll service revenue.

As this trend looks to continue, the Group has decided to refocus on high-margin recruitment services business. As always, we will continue to serve our existing clients and be reactive to new clients' requests in this area through the KOS Staffing and KOS Solutions brands.

The Group has implemented efficient and timely debt collection practices, which are vital during this period of economic downturn. This is evident from the fact that accounts receivables of more than 60 days have dropped from approximately HK\$3,185,000 or 32.0% as at 30 June 2019 to approximately HK\$1,664,000 or 16.6% as at 30 June 2020.



Our balance sheet remains strong, even as we continue to invest in the financial services, technology recruitment, and mainland China businesses. Investment comes in a range of forms, such as new headcount, new offices and infrastructure (presence in Guangzhou), and marketing spending throughout the economic cycle.

### **Prospects**

As the economic environment remains both volatile and uncertain in light of macroeconomic factors and the impact of COVID-19, the Group is cautious towards the growth of recruitment revenue from the commercial sectors and secondment and payroll businesses.

For the remainder of 2020, the Group will:

- Closely monitor the performance of new service streams and optimise investment in key priorities;
- Implement stringent measures in terms of productivity, team, discipline, and geography;
- Maintain sound liquidity and cashflow management practices, and remain focused on customers who are likely to thrive during these difficult times;
- Rely heavily on digital and social media platforms to enhance brand awareness in Hong Kong and mainland China;
- Continue to recruit, train, develop, and retain quality recruitment talent who are fundamental to the Group's ability to achieve long-term sustainable organic growth.

Our management team has solid experience of economic cycles, thereby reducing our learning curve and allowing us to confront the current challenges head-on with better agility. We will closely monitor the latest developments and quickly respond to any opportunities or threats that might arise. All of the above are critical to the success of managing the businesses efficiently during these difficult times.

We are confident in the future and by staying focused, we will create a work environment in which our people can flourish, thereby driving performance in 2020 and beyond.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK\$6,551,000 or 16.7% from approximately HK\$39,242,000 for the six months ended 30 June 2019 to approximately HK\$32,691,000 for the six months ended 30 June 2020. Such decrease was primarily due to the decrease in revenue derived from the secondment and payrolls services.

The revenue derived from recruitment services decreased by approximately HK\$732,000 or 3.3% from approximately HK\$22,342,000 for the six months ended 30 June 2019 to approximately HK\$21,610,000 for the six months ended 30 June 2020, primarily as a result of decreased number of successful placements under the overall unpropitious recruitment environment.

There was a significant decrease in secondment and payroll services, which had been decreased by approximately HK\$5,819,000 or 34.4% from approximately HK\$16,900,000 for the six months ended 30 June 2019 to approximately HK\$11,081,000 for the six months ended 30 June 2020. The decrease was mainly attributable to the on-going of the COVID-19 epidemic, resulting in the delay and/or cancellation of the client's recruitment schedule and hiring plan under the poor business condition and overall unpropitious recruitment environment.

For the six months ended 30 June 2020, the revenue derived from Hong Kong accounted for approximately 90.7% (2019: approximately 95.2%).

### Other income

Other income increased by approximately HK\$2,783,000 from approximately HK\$167,000 for the six months ended 30 June 2019 to approximately HK\$2,950,000 for the six months ended 30 June 2020, which was primarily due to the government subsidies of approximately HK\$2,904,000 recognised in the six months ended 30 June 2020 under the Employment Support Scheme and other subsidies under the Government's Anti-epidemic Fund in Hong Kong and Macau.

## **Staff costs**

Staff costs comprise (i) 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. Internal 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 2020, the staff costs were approximately HK\$26,931,000 (2019: approximately HK\$29,124,000), which accounted for approximately 82.4% (2019: approximately 74.2%) of the revenue. Seconded staff costs for the six months ended 30 June 2020 was approximately HK\$9,982,000 (2019: approximately HK\$15,405,000), representing approximately 37.1% of the total staff costs (2019: approximately 52.9%). Internal staff costs amounted to approximately HK\$16,949,000 for the six months ended 30 June 2020 (2019: approximately HK\$13,719,000), representing approximately 62.9% of the total staff costs (2019: approximately 47.1%).

The seconded staff costs decreased by approximately HK\$5,423,000 or 35.2% which were in line with the decrease in revenue derived from the secondment and payroll services. The internal staff costs increased by approximately HK\$3,230,000 or 23.5%. Such increase was primarily due to the expansion of business scale in Hong Kong and the PRC.

## **Other expenses and losses**

Other expenses and losses increased by approximately HK\$124,000 from approximately HK\$7,075,000 for the six months ended 30 June 2019 to approximately HK\$7,199,000 for the six months ended 30 June 2020, which was primarily due to the increase in office supply expenses arising from the outbreak of the COVID-19 epidemic; marketing and advertising expenses and software maintenance expenses attributed by the business expansion.

## **Finance costs**

Finance costs represented the interest on lease liability (2019: lease liability and a bank loan). The decrease in finance costs was mainly due to the fully repayment of the bank loan in August 2019.

## **Income tax expense**

Income tax expense decreased by approximately HK\$954,000 or 91.3%, from approximately HK\$1,045,000 for the six months ended 30 June 2019 to approximately HK\$91,000 for the six months ended 30 June 2020. The decrease was primarily attributable to the decrease in estimated assessable profits from operating subsidiaries.

## **Profit and total comprehensive income for the period**

As a result of the foregoing, profit and total comprehensive income for the period decreased by approximately HK\$394,000 or 23.1%, from approximately HK\$1,705,000 for the six months ended 30 June 2019 to approximately HK\$1,311,000 for the six months ended 30 June 2020. If the government subsidies under the Government's Anti-epidemic Fund in Hong Kong and Macau are excluded, the Group would have recorded a net loss for the six months ended 30 June 2020 of approximately HK\$1,593,000 as compared to a net profit of approximately HK\$1,705,000 for six months ended 30 June 2019, representing a decrease of approximately HK\$3,298,000.

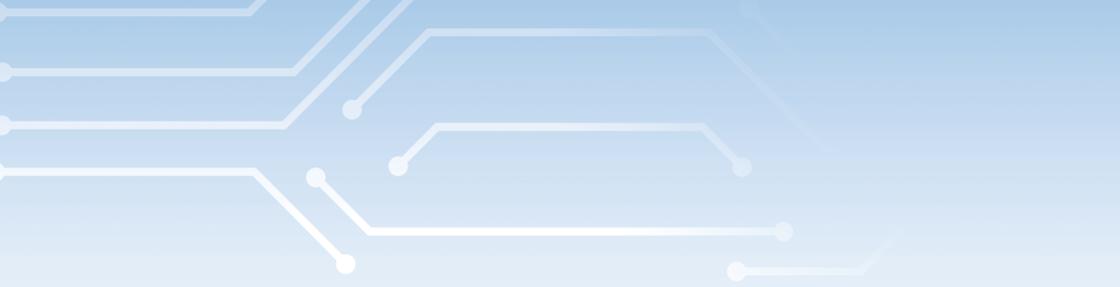
## **Dividend**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020.

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

The Group financed its operations primarily with the cash generated from its operations. As at 30 June 2020, the Group had bank balances and cash of approximately HK\$30,430,000 (31 December 2019: approximately HK\$29,938,000). Most of the bank balances and cash were placed with banks in Hong Kong. 91.2% (31 December 2019: 92.3%) of the Group's bank balances and cash was denominated in Hong Kong dollars, whereas 8.8% (31 December 2019: 7.7%) was denominated in Renminbi, MOP and US dollars.

The gearing ratio as at 30 June 2020 was 6.6% (31 December 2019: 9.5%). The gearing ratio was calculated by dividing the 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.

## SHARE STRUCTURE

There has been no change in the Company's capital structure during the six months ended 30 June 2020. The capital of the Company comprises only ordinary shares.

As at 30 June 2020, the total number of issued ordinary shares of the Company was 800,000,000 of HK\$0.01 each.

## TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

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

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 2020.

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the Group did not have any charges on the Group's assets.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 67 internal staff (31 December 2019: 67). The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$16,949,000 for the six months ended 30 June 2020 (30 June 2019: approximately HK\$13,719,000).

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

<b>Business strategies as stated in the Prospectus</b>	<b>Implementation plans as stated in the Prospectus</b>	<b>Actual business progress up to 30 June 2020</b>
Expansion of our recruitment services and secondment and payroll services in Hong Kong	Expand our business team in Hong Kong by recruiting additional experienced consultants specialised in diversified functional specialisation	We have completed the expansion of our business team in Hong Kong accordingly
	Expand our office space by leasing and renovating new office premises in Hong Kong	We have maintained our office premises in Hong Kong
Establishment of our presence in the PRC recruitment services market	Establish our business team specialised in recruitment services in the PRC by recruiting additional consultants	We have completed the expansion of our business team in the PRC accordingly
	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

<b>Business strategies as stated in the Prospectus</b>	<b>Implementation plans as stated in the Prospectus</b>	<b>Actual business progress up to 30 June 2020</b>
Development of marketing capability and conducting more marketing activities to promote our brand	Recruit experienced marketing personnel	We have recruited the experienced marketing personnel
	Engage in advertising activities to promote our brand	We have carried out the advertising activities accordingly
	Participate in events and roadshows to connect with potential candidates and clients	We have participated accordingly
Enhancement of our IT system	Develop additional workflows for our different services segments	We have started such development and it is yet to complete as at 30 June 2020
	Upgrade the website of our Group	We have started such upgrade and it is yet to complete as at 30 June 2020
	Procure a new business intelligence system to facilitate decision-making process of our management	We have completed the set phases as at 30 June 2020
	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 2020

## USE OF PROCEEDS FROM SHARE OFFER

The net proceeds from the Share Offer were approximately HK\$31.0 million, which was based on the placing price of HK\$0.3 per share and after deducting the underwriting commission and other related expenses. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus. The Group had utilised approximately HK\$26,871,000 of the net proceeds as at 30 June 2020. The unutilised portion of approximately HK\$4,114,000 is deposited in a licensed bank in Hong Kong.

During the period from the date of Listing till 30 June 2020, 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	14,222	–
Establishment of our presence in the PRC recruitment services market	7,994	7,505	489
Development of marketing capability and conducting more marketing activities to promote our brand	3,408	1,657	1,752
Enhancement of our IT system	3,068	1,887	1,180
General working capital	2,293	1,600	693
	<b>30,985</b>	<b>26,871</b>	<b>4,114</b>

## 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 2020, 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%

*Note:*

1. Among such 600,000,000 shares, 450,000,000 shares are registered in the name of KJE Limited and 150,000,000 shares are registered in the name of Caiden Holdings Limited. KJE Limited was owned as to approximately 33.33% by Mr. Kevin Chan, 33.33% by Mr. Eddie Chan and 33.33% by Mr. Jackson Chan and accordingly each of them is deemed to be interested in all the shares held by KJE Limited under the SFO. Caiden Holdings Limited is wholly owned by Mr. Raymond Chow and Mr. Raymond Chow is therefore deemed to be interested in all the shares held by Caiden Holdings Limited under the SFO. On 18 January 2018, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow executed a deed of concert parties arrangement and they have been and will be acting in concert pursuant to the deed. Therefore, 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 2020, 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

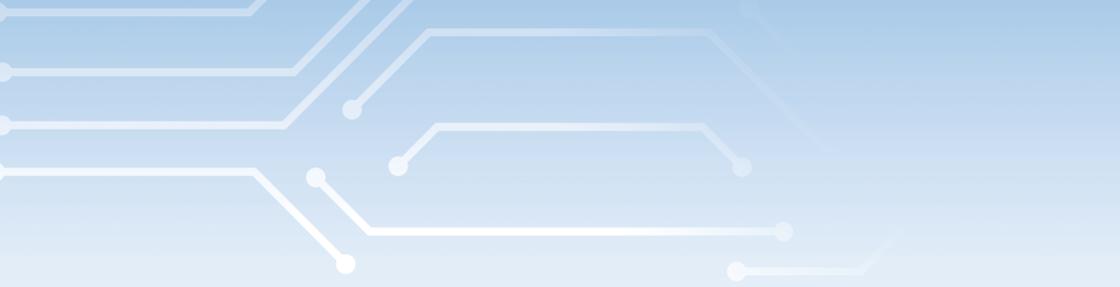
So far as the Directors are aware, as at 30 June 2020, the following person (other than the Directors or chief executive of the Company the interests of which were disclosed above) or corporation had interest or short position in the shares of the Company which were required to be entered in the register 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 ( <i>Note 1</i> )	600,000,000	75%
Caiden Holdings Limited	Beneficial owner and interest held jointly with another person ( <i>Note 1</i> )	600,000,000	75%
Mr. Raymond Chow	Interest in a controlled corporation and interest held jointly with another person ( <i>Note 1</i> )	600,000,000	75%

*Note:*

- 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 2020.

## 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 30 June 2020.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2020 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 2020.

## COMPETING INTERESTS

During the six months ended 30 June 2020, 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

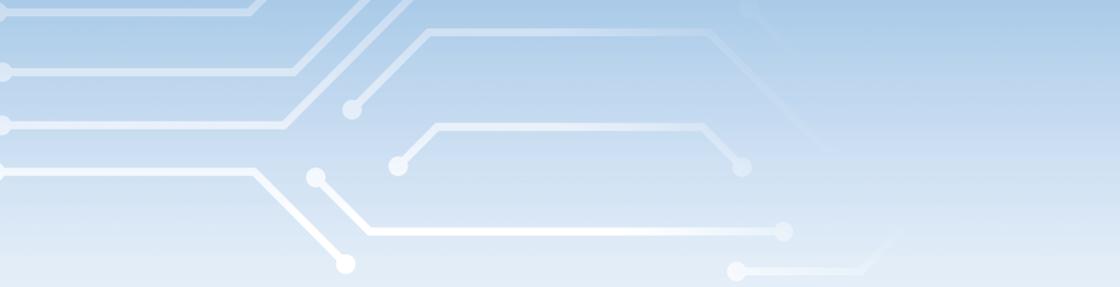
The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2020.

## 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 2020.

## 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 2020 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 2020

*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.*