

KOS

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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



2022

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**”) 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 2022, together with the unaudited comparative figures for the corresponding periods in 2021 as follows:

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

For the three months and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	32,525	22,462	61,775	40,768
Other income		827	68	855	166
Staff costs		(19,656)	(14,967)	(37,499)	(30,053)
Other expenses and losses		(4,809)	(3,864)	(10,133)	(7,731)
Other gains and losses		(198)	495	(592)	471
Impairment losses under expected credit loss (“ECL”) model, net of reversal		31	18	(101)	(71)
Finance costs	4	(112)	(18)	(184)	(38)
Profit before taxation		8,608	4,194	14,121	3,512
Income tax expense	5	(1,172)	(644)	(1,743)	(715)
Profit for the period		7,436	3,550	12,378	2,797
Other comprehensive (expense) income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of a foreign operation		(405)	65	(362)	28
Total comprehensive income for the period		7,031	3,615	12,016	2,825
Earnings per share					
– basic and diluted (Hong Kong cent)	6	0.93	0.44	1.55	0.35



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited 30 June 2022	Audited 31 December 2021
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	8	3,810	2,543
Right-of-use assets	8	9,058	5,904
Rental deposits	9	1,171	674
Equity instrument at fair value through other comprehensive income ("FVTOCI")		1,556	1,556
		15,595	10,677
Current assets			
Accounts and other receivables	9	24,421	19,747
Financial assets at fair value through profit or loss ("FVTPL")	10	1,064	1,608
Pledged bank deposit		1,200	1,200
Bank balances and cash		44,551	42,767
		71,236	65,322
Current liabilities			
Other payables and accruals	11	3,253	9,748
Lease liabilities		3,712	1,971
Taxation payable		3,555	1,794
Bank overdraft	12	5,984	5,965
		16,504	19,478
Net current assets		54,732	45,844

	Unaudited	Audited
	30 June	31 December
	2022	2021
<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities		
Deferred tax liability	305	305
Lease liabilities	5,313	3,724
Provision for reinstatement cost	426	225
	6,044	4,254
Net assets	64,283	52,267
Capital and reserves		
Share capital	8,000	8,000
Reserves	56,283	44,267
Total equity	64,283	52,267



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

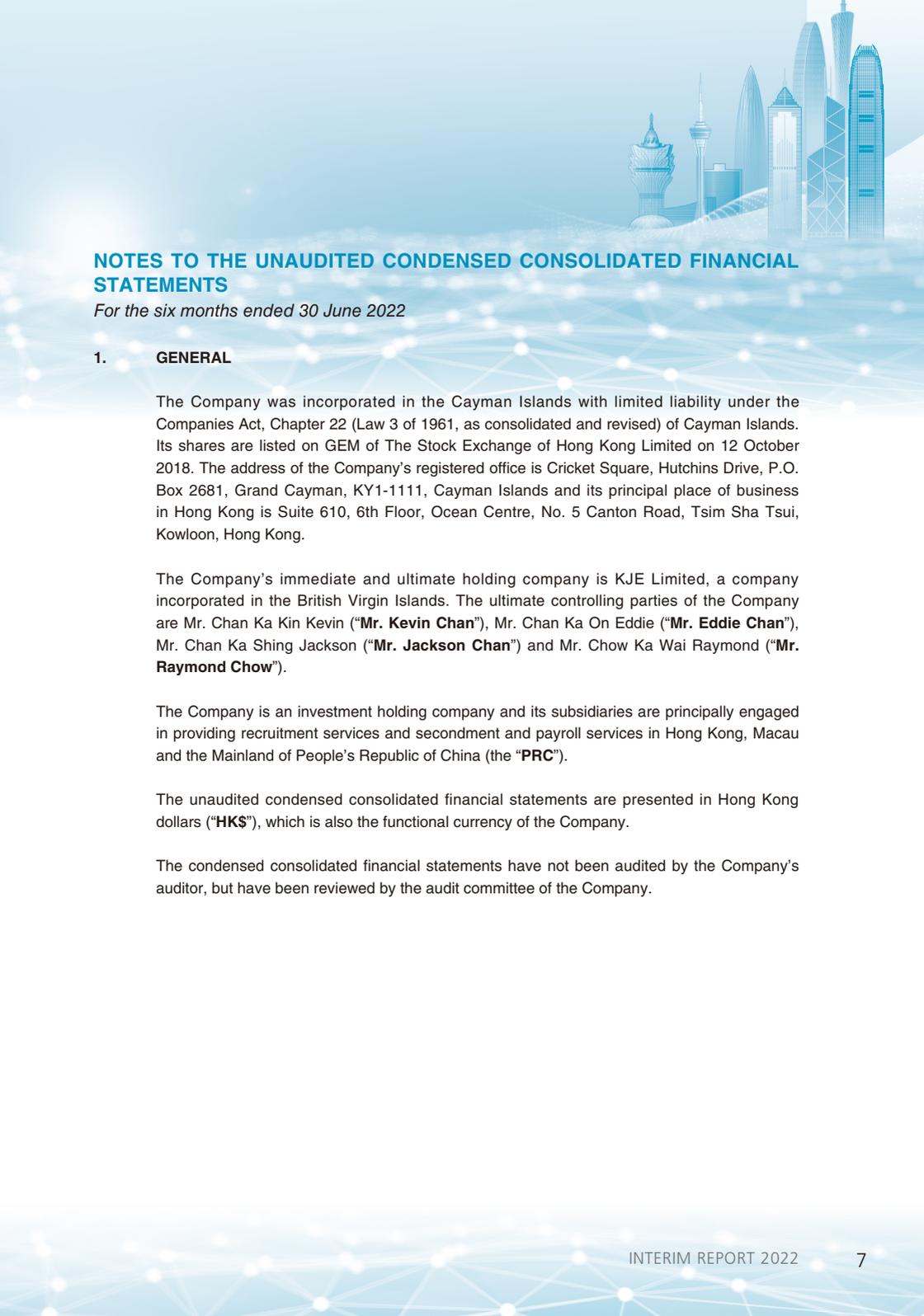
For the six months ended 30 June 2022

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2021 (audited)	8,000	39,738	49	–	92	(8,564)	39,315
Profit for the period	–	–	–	–	–	2,797	2,797
Other comprehensive income for the period	–	–	–	–	28	–	28
Total comprehensive income for the period	–	–	–	–	28	2,797	2,825
At 30 June 2021 (unaudited)	8,000	39,738	49	–	120	(5,767)	42,140
At 1 January 2022 (audited)	8,000	39,738	49	10	240	4,230	52,267
Profit for the period	–	–	–	–	–	12,378	12,378
Transfer to statutory reserve	–	–	–	131	–	(131)	–
Other comprehensive expenses for the period	–	–	–	–	(362)	–	(362)
Total comprehensive income for the period	–	–	–	131	(362)	12,247	12,016
At 30 June 2022 (unaudited)	8,000	39,738	49	141	(122)	16,477	64,283

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Net cash (used in) generated from operating activities	5,424	(3,388)
Investing activities		
Purchase of property, plant and equipment	(1,666)	(475)
Payment for rental deposits	(504)	–
Interest received	21	3
Net cash used in investing activities	(2,149)	(472)
Financing activities		
Placement of pledged bank deposit	–	(3,000)
Interest paid on bank borrowing	(18)	(10)
Repayment of lease liabilities	(1,336)	(1,192)
Interest paid on lease liabilities	(161)	(28)
Interest paid	(5)	–
Net cash used in financing activities	(1,520)	(4,230)
Net increase (decrease) in cash and cash equivalents	1,755	(8,090)
Cash and cash equivalents at beginning of the period	36,802	32,567
Effect of foreign exchange rates changes	10	25
Cash and cash equivalents at end of the period	38,567	24,502
Analysis of balances of cash and cash equivalents		
Bank balances and cash	44,551	25,508
Bank overdraft	(5,984)	(1,006)
	38,567	24,502



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL

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

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

The Company is an investment holding company and its subsidiaries are principally engaged in providing recruitment services and secondment and payroll services in Hong Kong, Macau and the Mainland of 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 except for certain financial instruments that are measured at fair values, and in accordance with Hong Kong Accounting Standard 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 2021 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 2021, the application of the new and amendments to Hong Kong Financial Reporting Standards 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 2022 and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Recruitment services				
– Hong Kong	19,155	13,150	35,624	23,013
– The PRC	7,175	3,190	14,641	5,267
	26,330	16,340	50,265	28,280
Secondment and payroll services				
– Hong Kong	5,547	5,236	10,309	10,866
– Macau	648	886	1,201	1,622
	6,195	6,122	11,510	12,488
Total	32,525	22,462	61,775	40,768

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	
	2022 HK\$'000	2021 HK\$'000
Customer A	N/A*	7,245

* Revenue from Customer A does not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2022.

4. FINANCE COSTS

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Interest on bank overdraft	3	7	18	10
Interest on lease liabilities	106	11	161	28
Other	3	–	5	–
	112	18	184	38

5. INCOME TAX EXPENSE

	Unaudited			
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Hong Kong Profits Tax	1,280	644	1,823	715
– The PRC Enterprise Income Tax (the “EIT”)	(12)	–	16	–
Overprovision – EIT in prior year	(96)	–	(96)	–
Total	1,172	644	1,743	715

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

Under the two-tiered profits rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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 2022 and 2021. 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 Mainland China subsidiary is 25% for the year. No provision for EIT is made for the six months ended 30 June 2021 as the Group has no assessable profit arising in the Mainland China or the assessable profits are wholly absorbed by tax losses brought forward from prior years.

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	
	2022	2021	2022	2021
Profit for the period (HK\$'000)	7,436	3,550	12,378	2,797
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 2022 and 2021 were presented as there were no potential ordinary shares in issue during the three months and six months ended 30 June 2022 and 2021.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$1,666,000 (six months ended 30 June 2021: approximately HK\$475,000).

The Group had no significant commitments for the purchase of property, plant and equipment as at 30 June 2022 and 31 December 2021.



Right-of-use assets

On 17 December 2021, the Group entered into a new lease agreement for the use of office premises located in Shenzhen, Mainland China for a term of three years, commencing from 1 March 2022 to 28 February 2025 (both days inclusive). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised approximately HK\$2,668,000 of right-of-use asset and approximately HK\$2,722,000 lease liability. For details, please refer to the announcement of the Company dated 17 December 2021.

On 29 April 2022, the Group entered into a new lease agreement for the use of office premises located in Hong Kong for a term commencing from 14 April 2022 to 31 August 2024 (both days inclusive). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised approximately HK\$1,751,000 of right-of-use asset and approximately HK\$1,638,000 lease liability.

9. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSITS

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
Accounts receivables	19,477	17,830
Less: Allowance for ECL	(754)	(653)
	18,723	17,177
Other receivables		
– Prepayments	2,830	1,414
– Rental and utility deposits	1,813	1,430
– Others	2,226	400
Total accounts and other receivables	25,592	20,421
Less: Receivables within twelve months shown under current assets	(24,421)	(19,747)
Rental deposits shown under non-current assets	1,171	674

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 2022	Audited 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	9,724	12,074
31 to 60 days	3,052	3,071
61 to 90 days	1,485	907
91 to 180 days	1,245	1,057
Over 180 days	3,217	68
	18,723	17,177

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2022	Audited 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong listed equity securities held for trading	1,064	1,608

The fair values of listed securities are based on the bid prices quoted in active markets in Hong Kong.



11. OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Other payables	1,461	1,235
Accrued expenses	598	1,063
Accrued payroll expenses	1,194	7,450
	3,253	9,748

12. BANK OVERDRAFT

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Bank overdraft, secured	5,984	5,965

The secured bank overdraft is interest-bearing at Hong Kong Dollar Prime Rate minus 0.5% per annum.

13. CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For the instrument with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at			Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable input(s)
	Unaudited	Audited	Fair value		
	30 June	31 December			
	2022	2021	hierarchy		
	HK\$'000	HK\$'000			
1. Listed equity securities classified as equity instruments at FVTPL	1,064	1,608	Level 1	The fair value of the equity securities is estimated by the price quotation available on the Hong Kong Stock Exchange	N/A
2. Unlisted equity investment classified as equity instrument at FVTOCI	1,556	1,556	Level 3	Market comparison approach. Use of the most reasonable and available multiples	Price to sales ratio of comparable multiple in range of 2.65 times to 3.15 times and risk adjustments for lack of marketability (Note)

Note: The higher the multiples, the higher the fair value of unlisted equity securities. The higher the risk adjustments, the lower the fair value of unlisted equity securities. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.



There were no transfers between Level 1 and Level 2 and no transfer into or out of Level 3 for value measurements for the six months ended 30 June 2022 and year ended 31 December 2021.

Reconciliation of Level 3 fair value measurement of financial asset

	Unlisted equity investment classified as equity instrument at FVTOCI HK\$'000
At 1 January 2021 and 30 June 2021 (unaudited)	–
At 1 January 2022 and 30 June 2022 (unaudited)	1,556

Except for the financial assets that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

15. 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Short-term benefits	2,206	1,788	3,388	3,330
Post-employment benefits	18	22	36	46
	2,224	1,810	3,424	3,376

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business review

KOS International is a leading human resources (“HR”) service provider that is based in Hong Kong. We believe that hiring the right people is key to the success of every company. As such, our mission is to provide impeccable recruitment services to our clients by placing high-calibre candidates that are most suitable for our clients’ vacancies. Together with our secondment and payroll services, we extend beyond job placements by providing a complete HR solution for our clients. We have already established offices in Hong Kong, Shenzhen, and Guangzhou, and with the vision of becoming the leading HR service provider in Hong Kong and Mainland China, we will continue to grow and expand our team. In addition to the Greater Bay Area (“GBA”), which has significantly contributed to our growth in the first six months of 2022, we aim to expand our footprint in other regions of China in the near future.

COVID-19 has certainly made the last two years challenging for a vast number of corporations; however, it has also changed how the world operates and sped up the transformation of digital and virtual business operations, especially in Hong Kong. The world adapted to the new norm and learnt to deal with the pandemic, all while keeping business going as usual. With businesses in Hong Kong looking for ways to rebound in 2022 and our business expansion in Mainland China, we saw favourable conditions for our Group’s performance in the six months period ended 30 June 2022.

Leveraging these positive factors, the revenue generated from the recruitment services of the Group has recorded significant growth for the six months ended 30 June 2022, as compared to the same period in 2021. Thanks to the great efforts of management and all of our employees, we were able to seize the market opportunities, leading to a strong performance for the six months ended 30 June 2022.

The Group’s revenue recorded a significant increase of approximately HK\$21,007,000 or 51.5% from approximately HK\$40,768,000 for the six months ended 30 June 2021 to approximately HK\$61,775,000 for the six months ended 30 June 2022.



Furthermore, the Group reported an increase in net profit of approximately HK\$9,581,000 or 342.5%, being HK\$12,378,000 for the six months ended 30 June 2022, as compared to a net profit of approximately HK\$2,797,000 for the six months ended 30 June 2021.

Revenue from Hong Kong Operations

Even though the Hong Kong economy faced pressure in the first six months of 2022 due to the fifth wave of local epidemic, Hong Kong corporations were anticipating economic recovery to take place in the near future and continued with their hiring plan to capture the market. This is reflected by the active recruitment activities and constant demand for hiring quality talent, especially in the financial services (“FS”) and information technology sectors (“IT”).

As one of the core pillars supporting Hong Kong’s economy, the demand for talent in the FS sector has always been high. As banks in Hong Kong allocate more resources to developing finance technologies, green finance, and Greater Bay Area wealth management, we have seen great demand for finance talent across a wide range of different areas in the six months ended 30 June 2022, including retail banking. Being their revenue generator, front office hiring has been highly active and with our dedicated FS team and sufficient candidate pool, we satisfied the talent needs of our FS clients effectively.

The pandemic has also accelerated corporations’ transformation in various industries through technology. The trend of moving operations online, together with the shortage of IT talent in an already wide range of fields, including artificial intelligence, big data, blockchain, and fintech, etc., have created a strong demand for IT candidates in the six months ended 30 June 2022. There are numerous IT job openings that needed candidates with specific skills. Our experienced IT team was able to address the needs of each position and make timely placements. We see great business potential in not only the two aforementioned sectors but also across the whole labour market in Hong Kong. We will continue to invest resources to enhance our team in order to deliver the best services to our clients.

The revenue generated from recruitment services in Hong Kong recorded a significant increase of approximately HK\$12,611,000 or 54.8% from approximately HK\$23,013,000 for the six months ended 30 June 2021 to approximately HK\$35,624,000 for the six months ended 30 June 2022.

Revenue from Mainland China Operations

Throughout the first six months of 2022, Mainland China's economy continued to recover from the impact of the pandemic and the operation of the economy was generally stable. Despite the new outbreak of the COVID-19, with the strictly implemented decisions and arrangements in place, Mainland China's economy was able to pursue progress while ensuring stability. With our Mainland China team's devotion to high standards and professional services, the Group demonstrated strong growth momentum and managed to grow the revenue from approximately HK\$5,267,000 for the six months ended 30 June 2021 to approximately HK\$14,641,000 for the six months ended 30 June 2022, indicating a significant increase of approximately HK\$9,374,000 or 178.0%.

The following strategies and expansion plans continue to be in place in our Shenzhen and Guangzhou offices:

- Follow the 'Outline Development Plan for GBA' (粵港澳大灣區發展規劃綱要) to increase the Group's presence in the technology, consumer, and property sectors, mainly in Shenzhen and Guangzhou;
- Build teams to focus on domestic Chinese technology, e-commerce, and healthcare companies which thrived throughout the pandemic;
- Enhance the quality of the current teams through more structured internal and external training; and
- Improve public visibility and brand awareness with the existing in-house marketing team.

The Group's business development strategy in Mainland China has proven to be effective. With additional clients and closer connections with existing ones, the Group has driven our Mainland China revenue up in the first six months of 2022. The Group's expertise and specialisation across a wide range of industries have allowed us to attract new prospects, develop customer engagement strategies, and turn them into clients.

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



Looking ahead

With the recent outbreak of the Omicron variant of COVID-19 in 2022, we are fully aware that Hong Kong's pandemic situation may continue to put pressure on the recovering economy and are ready to take on the challenge. Our past performance has proven ourselves to be resilient under tough situations and we will stay that way. Nevertheless, Mainland China has shown a year-on-year growth in GDP of 2.5% for the first half of 2022 and based on its more stabilised pandemic situation, Mainland China will remain to be our core business focus besides Hong Kong. We see great potential for business in China and will consider expanding into other cities at the right time and under the right conditions. The Group strongly believes that our agility and adaptability will serve us well during the economic rebound. We are cautiously optimistic about the Group's overall performance in 2022 and will continue to strive for excellence.

In 2022, the Group will:

- Gather the Group's existing resources and put a strong focus on industries with recovery potential, such as e-commerce, logistics and supply chain, education, and real estate;
- Invest in the Group's team serving the financial services and information technology sectors in Hong Kong, as well as businesses in Mainland China, while at the same time closely monitor the performance and return on investment;
- Drive activity, productivity, and profitability with stringent measures in terms of team composition, discipline, and geography;
- Recruit selectively from our competition, as well as train, develop, and retain quality recruitment talent who are vital to the Group's long-term organic growth strategy;
- Maintain sound liquidity and cashflow management practices;
- Strengthen our in-house marketing teams in both Hong Kong and Mainland China to raise brand awareness using digital and social media platforms;
- Stay ahead of the market and pay close attention to potential investment opportunities that provide good returns and/or have synergy with our core business; and
- Create more corporate social value as both a public company and HR service company.

Despite the impact of the pandemic, we will continue to seek opportunities out of adversity. The Group is excited about the possibilities that lie ahead along the path of economic recovery. We are also well prepared to fine tune our plans and direction, wherever and whenever needed, to seize those opportunities. We will actively explore all possible approaches to extend the Group's business horizons and will work hard in strengthening overall business development. The Group's business strategy shall always be in line with our vision and core values, and from there, we will press on towards our goals.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$21,007,000 or 51.5% from approximately HK\$40,768,000 for the six months ended 30 June 2021 to approximately HK\$61,775,000 for the six months ended 30 June 2022. Such increase was primarily due to the increase in revenue derived from the recruitment services.

The revenue derived from recruitment services increased by approximately HK\$21,985,000 or 77.7% from approximately HK\$28,280,000 for the six months ended 30 June 2021 to approximately HK\$50,265,000 for the six months ended 30 June 2022. For the six months ended 30 June 2022, the recruitment service revenue generated in Hong Kong increased by approximately HK\$12,611,000 from approximately HK\$23,013,000 for the six months ended 30 June 2021 to approximately HK\$35,624,000 for the six months ended 30 June 2022. The recruitment service revenue generated in the Mainland China increased by approximately HK\$9,374,000 from approximately HK\$5,267,000 for the six months ended 30 June 2021 to approximately HK\$14,641,000 for the six months ended 30 June 2022. The increase in the recruitment service revenue of the Group was mainly attributable to the recovery of the Hong Kong recruitment market from the pandemic and the expansion of the Mainland China Market, resulting in the increased demand from the Group's clients from both Hong Kong and Mainland China operations. After several years of fluctuation brought by the impact of COVID-19, the Group's customers had adapted to the new norm and adjusted their recruitment procedure and taken appropriate steps and measures accordingly.



There was a decrease in secondment and payroll services, which had decreased by approximately HK\$978,000 or 7.8% from approximately HK\$12,488,000 for the six months ended 30 June 2021 to approximately HK\$11,510,000 for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in demand for the secondment service from our customers in both Hong Kong and Macau.

For the six months ended 30 June 2022, the revenue derived from Hong Kong accounted for approximately 74.4% of the total revenue of the Group (2021: approximately 83.1%).

Other income

Other income increased by approximately HK\$689,000 from approximately HK\$166,000 for the six months ended 30 June 2021 to approximately HK\$855,000 for the six months ended 30 June 2022. The Group had received government subsidies of approximately HK\$794,000 during the six months ended 30 June 2022 under the Employment Support Scheme and other subsidies under the Government's Anti-epidemic Fund in Hong Kong and no subsidies were granted during the six months ended 30 June 2021.

Staff costs

Staff costs comprise (i) salaries and other staff benefits the Group paid to its internal staff for carrying on and in support of its business operation and (ii) labour cost associated with deployment of seconded staff for the secondment and payroll services. 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 2022, the staff costs were approximately HK\$37,499,000 (2021: approximately HK\$30,053,000), which accounted for approximately 60.7% (2021: approximately 73.7%) of the revenue. Seconded staff costs for the six months ended 30 June 2022 was approximately HK\$10,389,000 (2021: approximately HK\$11,271,000), representing approximately 27.7% of the total staff costs (2021: approximately 37.5%). Internal staff costs amounted to approximately HK\$27,110,000 for the six months ended 30 June 2022 (2021: approximately HK\$18,782,000), representing approximately 72.3% of the total staff costs (2021: approximately 62.5%).

The internal staff costs increased by approximately HK\$8,328,000 or 44.3%. Such increase was primarily due to the expansion of business scale of the Group in both Hong Kong and Mainland China. The seconded staff costs decreased by approximately HK\$882,000 or 7.8% which were in line with the decrease in revenue derived from the secondment and payroll services.

Other expenses and losses

Other expenses and losses increased by approximately HK\$2,402,000 from approximately HK\$7,731,000 for the six months ended 30 June 2021 to approximately HK\$10,133,000 for the six months ended 30 June 2022, which mainly consist of rent and rates and depreciation on leases, marketing and advertising expenses and business expenses related to the business expansion in both Hong Kong and Mainland China operations.

Finance costs

Finance costs represented the interest on lease liabilities and a bank overdraft facility. The interest on the lease liabilities amounted to approximately HK\$161,000 and the interest on a bank overdraft facility amounted to approximately HK\$18,000 for the six months ended 30 June 2022. For the six months ended 30 June 2021, the interest on lease liabilities and a bank overdraft facility amounted to approximately HK\$28,000 and HK\$10,000, respectively.

Income tax expense

Income tax expense increased by approximately HK\$1,028,000, from approximately HK\$715,000 for the six months ended 30 June 2021 to approximately HK\$1,743,000 for the six months ended 30 June 2022. The increase was primarily attributable to the increase in estimated assessable profits from the operating subsidiaries of the Group.

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\$9,191,000 or 325.3%, from approximately HK\$2,825,000 for the six months ended 30 June 2021 to approximately HK\$12,016,000 for the six months ended 30 June 2022. If the government subsidies under the Government's Anti-epidemic Fund in Hong Kong is excluded, the Group would have recorded a total comprehensive income for the six months ended 30 June 2022 of approximately HK\$11,222,000 as compared to a total comprehensive income of approximately HK\$2,825,000 for six months ended 30 June 2021, representing an increase of approximately HK\$8,397,000 or 297.2%.



Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group financed its operations primarily with the cash generated from its operations. As at 30 June 2022, the Group had pledged bank deposit of HK\$1,200,000 (31 December 2021: HK\$1,200,000) and had bank balances and cash of approximately HK\$44,551,000 (31 December 2021: approximately HK\$42,767,000). Most of the bank balances and cash were placed with banks in Hong Kong. 79.1% (31 December 2021: 84.0%) of the Group's bank balances and cash was denominated in Hong Kong dollars, whereas 20.9% (31 December 2021: 16.0%) were denominated in Renminbi, MOP and US dollars.

As at 30 June 2022, the Group had bank overdraft of approximately HK\$5,984,000 (31 December 2021: approximately HK\$5,965,000) and lease liabilities of approximately HK\$9,025,000 (31 December 2021: approximately HK\$5,695,000). The bank overdraft was denominated in Hong Kong dollars and repayable within one year. The bank overdraft was secured by the pledged bank deposit of HK\$1,200,000 (31 December 2021: HK\$1,200,000) and the effective annual interest rate on the bank overdraft is 4.5% (31 December 2021: 4.25%).

The gearing ratio as at 30 June 2022 was 23.3% (31 December 2021: 22.3%). The gearing ratio was calculated by dividing the sum of bank overdraft and lease liabilities by total equity multiplied by 100%. With available bank balances and cash, the Directors are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

FOREIGN EXCHANGE EXPOSURE

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

SHARE STRUCTURE

There has been no change in the Company's capital structure during the six months ended 30 June 2022. The capital of the Company comprises only ordinary shares.

As at 30 June 2022, the total number of issued ordinary shares of the Company was 800,000,000 of HK\$0.01 each.

TREASURY POLICY

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2022, the Group did not have any significant investments. There was no plan for any material investments or other additions of capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, bank deposit of HK\$1,200,000 (31 December 2021: HK\$1,200,000) was pledged to secure the overdraft banking facility of the Group. Saved as disclosed, the Group did not have any charges on the Group's assets.



CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company and the Group after 30 June 2022 and up to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 118 internal staff and 74 seconded staff (31 December 2021: 97 internal staff and 190 seconded staff). The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$37,499,000 for the six months ended 30 June 2022 (30 June 2021: approximately HK\$30,053,000).

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.

USE OF PROCEEDS FROM SHARE OFFER

With reference to the prospectus of the Company dated 28 September 2018 (the "**Prospectus**") and the annual report of the Company for the year ended 31 December 2021, all of the net proceeds from the Company's share offer were fully utilized as at 31 December 2021.

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 2022, 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 2022, 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 2022, 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 2022.

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 2022.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2022 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 2022.

COMPETING INTERESTS

During the six months ended 30 June 2022, 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.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2022.

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 2022.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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 2022

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. Poon Kai Kin, Dr. Lau Kin Shing Charles and Mr. Cheung Wang Kei Wayne.