



Knowledge Opportunity Synergy

KOS INTERNATIONAL HOLDINGS LIMITED

高奧士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8042

SHARE OFFER

Sole Sponsor



長雄證券有限公司
EVER-LONG SECURITIES COMPANY LIMITED

Sole Bookrunner



Pacific
Foundation

PACIFIC FOUNDATION SECURITIES LIMITED

Joint Lead Managers



Pacific
Foundation

PACIFIC FOUNDATION SECURITIES LIMITED



SANG WOO (KIRIN) SECURITIES LIMITED

IMPORTANT

If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.



KOS International Holdings Limited 高奧士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	: 200,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.4 per Offer Share and expected to be not less than HK\$0.3 per Offer Share plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, (payable in full on application and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 8042

Sole Sponsor



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EVER-LONG SECURITIES COMPANY LIMITED

Sole Bookrunner



Pacific Foundation Securities Limited

Joint Lead Managers



Pacific Foundation Securities Limited



Sang Woo (Kirin) Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified under the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is currently expected to be fixed by an agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Thursday, 4 October 2018, or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. The Offer Price is currently expected to be not more than HK\$0.4 per Offer Share and not less than HK\$0.3 per Offer Share. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.kos-intl.com. If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Offer Shares should note that the Sole Bookrunner (for itself and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreements by notice in writing to our Company given by the Sole Bookrunner (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out under the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Bookrunner (for itself and on behalf of the Underwriters) terminate the obligations of the Underwriters under the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. persons.

28 September 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.kos-intl.com.

2018^(Note 1)

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on Friday, 28 September

Latest time for completing electronic applications under

HK eIPO White Form service through the designated website at www.hkeipo.hk^(Notes 2, 4) 11:30 a.m. on Thursday, 4 October

Application lists for Public Offer open^(Note 2) 11:45 a.m. on Thursday, 4 October

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving **electronic application instructions** to HKSCC^(Notes 2, 3) 12:00 noon on Thursday, 4 October

Latest time for completing payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or PPS payment transfer(s)^(Notes 2, 4) 12:00 noon on Thursday, 4 October

Application lists for Public Offer close^(Note 2) 12:00 noon on Thursday, 4 October

Expected Price Determination Date^(Note 5) on or around Thursday, 4 October

Announcement of (i) the Offer Price;

(ii) the level of indication of interest in the Placing;

(iii) the level of applications of the Public Offer;

(iv) the basis of allotment and the results of applications

in the Public Offer; and (v) the number of Offer Shares

reallocated, if any, between the Public Offer and the Placing

to be published on the Stock Exchange's website at

www.hkexnews.hk and on our Company's website at

www.kos-intl.com on or before Thursday, 11 October

Announcement of results of allocations in the Public Offer

(with successful applicants' identification document numbers,

where applicable) to be available through a variety of

channels as described in the section headed

"How to apply for the Public Offer Shares –

11. Publication of results" in this prospectus from Thursday, 11 October

EXPECTED TIMETABLE

Results of allocations in the Public Offer will be available
at www.tricor.com.hk/ipo/result with a “search by
ID” function fromThursday, 11 October

Despatch/collection of Share certificates or deposit of
the Share certificates into CCASS in respect of wholly or
partially successful applications pursuant to
the Public Offer on or before^(Notes 6, 7)Thursday, 11 October

Despatch/collection of refund cheques or
HK eIPO White Form e-Auto Refund payment instructions
in respect of wholly or partially successful applications
if the final Offer Price is less than the price payable per
Offer Share on application (if applicable) or wholly or
partially unsuccessful applications pursuant to the Public Offer
on or before^(Note 6)Thursday, 11 October

Dealings in the Shares on GEM expected to
commence at 9:00 a.m. onFriday, 12 October

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Thursday, 4 October 2018, the application lists will not open or close on that day. Further information is set out in the section headed “How to apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. The Price Determination Date is expected to be on or around Thursday, 4 October 2018, or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. If, for any reason, the final Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company by the Price Determination Date, the Share Offer will not proceed and will lapse.
6. Refund cheques or e-Auto Refund payment instructions will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

EXPECTED TIMETABLE

Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 October 2018. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to apply for the Public Offer Shares – 14. Despatch/collection of Share certificates and refund monies" in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to their application payment bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant Application Forms.

Further information is set out in the sections headed "How to apply for the Public Offer Shares – 13. Refund of application monies" and "How to apply for the Public Offer Shares – 14. Despatch/collection of Shares certificates and refund monies" in this prospectus.

7. All Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

In the event of any change to the above expected timetable after the date of this prospectus, an announcement will be made on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.kos-intl.com accordingly. Further details of the structure of the Share Offer, including its conditions and grounds for termination thereto, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer in Hong Kong and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction other than Hong Kong or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriters, and any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer.

The contents on the website at www.kos-intl.com which is the official website of our Company do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a reputable HR services provider in Hong Kong providing high quality recruitment services and secondment and payroll services to our clients from diversified industries with market share of approximately 0.6% in the HR services industry in Hong Kong in 2017. Our clients comprise mainly well-established multinational and local companies which are engaged in a wide variety of industries ranging from fashion, property, cosmetics and beauty, IT&T and e-commerce to material sourcing and medical and healthcare. We have nurtured stable business relationships with our major clients. During the Track Record Period, we have been serving the majority of our major clients for periods ranging from approximately one to nine years.

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

We have more than nine years of experience in the HR services market in Hong Kong. Leveraging on our local industry experience and our established relationship with our largest client during the Track Record Period, we started providing HR services to such client's operation in Macau since 2013, focusing on secondment and payroll services. During the Track Record Period, our revenue derived from Hong Kong accounted for approximately 90.7%, 93.6% and 94.5% of our revenue, respectively.

Our sales approach focuses on functional specialisation under which our consultants are divided into different teams focusing on a wide range of designated job functions, primarily including sales and marketing, merchandising and retail operation, HR and administration, IT, finance and accounting, property and engineering. Such approach enables our consultants to possess in-depth knowledge of the markets they specialise in and accumulate a pool of potential candidates in the designated job functions. This places our Group in a favourable position to be responsive to our clients' business needs by identifying and sourcing candidates matching our clients' requirements in an effective manner. The adoption of functional specialisation also enables our Group to reduce the risk of over concentration on any particular industry which prevents us from being vulnerable to material impact from seasonality, economic cycles and fluctuations in a particular industry.

SUMMARY

OUR PRINCIPAL BUSINESS

As an HR services provider, we provide recruitment services and secondment and payroll services to our clients from diversified industries. The table below sets out our clients, sources of revenue, geographical locations of the candidates placed or seconded to work and service fees charged by our Group under each business segment during the Track Record Period:

Business segments	Clients	Sources of revenue	Geographical locations of candidates placed/seconded	Service fees
<i>Recruitment services</i>	Multinational and local companies from diversified industries.	The scope of our recruitment services covers the entire employment cycle, including conducting screening and interviews of candidates, introducing shortlisted candidates for clients' further selection, assisting in offer negotiations, following up with clients on work performance of selected candidates and assisting in locating replacements upon clients' requests.	Selected candidates are primarily placed to work in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, a minority of them were also placed to work in the PRC, Cambodia and Canada.	<p>We charge one-off service fees for successful placements in general. Such fees can be either (i) calculated based on an agreed percentage of the successfully placed candidate's annual remuneration package in the first year of his/her employment, subject to negotiations with clients; or (ii) an agreed fixed amount per successful placement or an agreed percentage of the successful candidates monthly basic salary for certain placement of frontline staff, such as telemarketing officers and security guards.</p> <p>Payments are generally settled by clients within the credit periods of not more than 60 days offered by our Group after the successfully placed candidate's date of reporting duty.</p>
<i>Secondment and payroll services</i>	Multinational and local companies from diversified industries.	The scope of our secondment and payroll services covers the following: (i) sourcing staff, employing them by our Group and seconding them to our clients; (ii) employing staff sourced by our clients and seconding them to our clients; and (iii) providing payroll and other administration services to our clients upon their requests.	Our staff are seconded to work in Hong Kong and Macau.	<p>Secondment and payroll services are charged on a monthly basis during the service period based on either (i) an agreed percentage of the seconded staff's monthly remuneration package; or (ii) an agreed fixed amount of service fees per staff per month.</p> <p>Payments are generally settled by clients within the credit periods of not more than 60 days from the date of our invoices which are issued once or twice a month to our respective clients.</p> <p>Our Group recognises revenue in gross amount of consideration to which it expects to be entitled in exchange for the secondment and payroll services transferred.</p>

OUR COMPETITIVE STRENGTHS

We believe the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors:

- we are a reputable HR services provider in Hong Kong delivering high quality services to our clients;

SUMMARY

- we have well-established business relationships with our clients from diversified industries;
- possession of a sizeable pool of candidates registered within our candidate database; and
- we have an experienced and strong management team with proven track record supported by our experienced execution team.

For further details of our competitive strengths, please refer to the section headed “Business – Competitive strengths” in this prospectus.

OUR BUSINESS STRATEGIES

We intend to strengthen our market position in Hong Kong and to establish our presence in the PRC recruitment services market by implementing the following strategies:

- strengthen our market position in Hong Kong through expanding our recruitment services and secondment and payroll services;
- establish our presence in the PRC through introducing our recruitment services;
- develop marketing capability and conduct more marketing activities to promote our brand; and
- enhance our IT system to support our business operation.

For further details of our strategies, please refer to the section headed “Business – Business strategies” in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), 56.25% and 18.75% of our Company’s issued share capital will be owned by KJE Ltd and Caiden Holdings respectively. As at the Latest Practicable Date, KJE Ltd was owned as to approximately 33.33% by Mr. Kevin Chan, 33.33% by Mr. Eddie Chan and 33.33% by Mr. Jackson Chan, while Caiden Holdings is wholly owned by Mr. Raymond Chow. 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. For further details, please refer to the section headed “History, reorganisation and corporate structure – Concert parties arrangement” in this prospectus. For the purpose of the GEM Listing Rules, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan, Mr. Raymond Chow, KJE Ltd and Caiden Holdings are a group of controlling shareholders. For further details, please refer to the section headed “Relationship with our Controlling Shareholders – Controlling Shareholders” in this prospectus.

SUMMARY OF COMBINED FINANCIAL INFORMATION

The following tables represent selected historical financial information and key operational data of our Group during the Track Record Period. The financial information of our Group for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 should be read in conjunction with our combined financial information, including the accompanying notes, included in the Accountants’ Report in Appendix I to this prospectus.

Highlight of combined statements of profit or loss and other comprehensive income

	Year ended 31 December		Five months ended 31 May	
	2016 HK\$’000	2017 HK\$’000	2017 HK\$’000 (unaudited)	2018 HK\$’000
Revenue	46,670	65,426	23,142	28,758
Other income	1	587	–	4
Staff costs	(35,524)	(37,871)	(15,188)	(18,365)
Other expenses and losses	(4,290)	(4,351)	(1,893)	(2,089)
Finance costs	–	(16)	–	(241)
Listing expenses	–	(3,766)	–	(5,514)
	<u>6,857</u>	<u>20,009</u>	<u>6,061</u>	<u>2,553</u>
Profit before taxation				
Income tax expense	(1,033)	(3,864)	(972)	(1,357)
	<u>5,824</u>	<u>16,145</u>	<u>5,089</u>	<u>1,196</u>
Profit and total comprehensive income for the year/period	<u>5,824</u>	<u>16,145</u>	<u>5,089</u>	<u>1,196</u>

SUMMARY

Our recruitment services

The following table sets out the breakdown of our revenue derived from our recruitment services and the respective number of our successful placements by job functions during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2017		2018		2017		2018	
	HK\$'000	% of segment revenue	Number of successful placements	HK\$'000	% of segment revenue	Number of successful placements	HK\$'000	% of segment revenue	Number of successful placements	HK\$'000	% of segment revenue	Number of successful placements
Sales and marketing	8,085	44.3	119	12,276	34.6	199	4,177	39.4	53	6,901	44.8	121
Merchandising and retail operation	2,489	13.6	23	1,913	5.4	18	945	8.9	6	3,906	25.3	23
HR and administration	2,295	12.6	25	3,877	11.0	27	2,147	20.3	11	2,243	14.5	12
IT	2,090	11.5	21	1,233	3.5	15	484	4.6	6	329	2.1	5
Finance and accounting	1,614	8.9	16	7,835	22.1	69	1,375	13.0	12	2,058	13.3	12
Property	1,199	6.6	3	4,895	13.8	10	839	7.9	2	-	-	-
Engineering	-	-	-	696	2.0	3	46	0.4	1	-	-	-
Others ^(Note)	458	2.5	6	2,686	7.6	11	582	5.5	2	-	-	-
Revenue derived from recruitment services/number of successful placements	18,230	100.0	213	35,411	100.0	352	10,595	100.0	93	15,437	100.0	173

Note: Other successful placements by job functions during the Track Record Period mainly comprised hospitality, legal and quality assurance.

During the Track Record Period, we mainly offered recruitment services to multinational and local companies from diversified industries. The table below sets out the breakdown of our revenue derived from our recruitment services by our clients' industries during the Track Record Period:

Industry	Year ended 31 December				Five months ended 31 May			
	2016		2017		2017		2018	
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue
Fashion	5,425	29.8	6,379	18.0	2,596	24.5	3,270	21.2
Property	2,933	16.1	8,678	24.5	1,483	14.0	6,655	43.1
Cosmetics and beauty	1,770	9.7	2,192	6.2	635	6.0	404	2.6
IT&T and e-commerce	1,623	8.9	1,060	3.0	41	0.4	512	3.3
Material sourcing	1,142	6.3	632	1.8	249	2.4	1,100	7.1
Medical and healthcare	1,031	5.7	1,216	3.4	495	4.7	323	2.1
Catering and hospitality	955	5.2	3,640	10.2	2,477	23.4	349	2.3
Banking, finance and accounting	618	3.4	5,441	15.3	1,094	10.3	1,027	6.7
Media, publishing and printing	587	3.2	876	2.5	243	2.3	-	-
Manufacturing and industrial	354	1.9	2,167	6.1	499	4.7	442	2.9
Others ^(Note)	1,792	9.8	3,130	9.0	783	7.3	1,355	8.7
Revenue derived from recruitment services	18,230	100.0	35,411	100.0	10,595	100.0	15,437	100.0

Note: Other industries our clients engaged in during the Track Record Period primarily include advertising and marketing, public utilities, fast moving consumer products (dairy products) and non-governmental organisations.

SUMMARY

Under our recruitment services segment, we assist our clients in placing candidates for requested positions at all levels. For details of breakdown of our revenue by types of services fees charged by our Group and the basis for such service fees charged, please refer to the sections headed “Business – Recruitment services” and “Business – Recruitment services – Service fees of our recruitment services” in this prospectus.

Revenue recognition policy for our recruitment services

Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to our clients. For recruitment services, control of services is transferred at a point in time, and revenue is recognised when our clients obtain the control of the completed services and our Group has the right to payment and collection of the consideration. For details of the revenue recognition policy, please refer to note 4 to the Accountants’ Report in Appendix I to this prospectus.

Our secondment and payroll services

The table below sets forth the breakdown of revenue derived from our secondment and payroll services with and without staff secondment arrangement, and the number of our seconded staff by job functions, during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2017		2018		2018			
	HK\$’000	% of segment revenue	Number of seconded staff	HK\$’000	% of segment revenue	Number of seconded staff	HK\$’000 (unaudited)	% of segment revenue	Number of seconded staff	HK\$’000	% of segment revenue	Number of seconded staff
With staff secondment arrangement; by functional specialisation												
Sales and marketing	16,572	58.3	91	20,382	67.9	97	7,867	62.7	62	8,090	60.7	85
Back end operation support	8,822	31.0	80	7,555	25.2	74	3,688	29.4	55	4,197	31.5	55
Others	2,819	9.9	2	1,928	6.4	1	866	6.9	1	922	6.9	16
	<u>28,213</u>	<u>99.2</u>	<u>173</u>	<u>29,865</u>	<u>99.5</u>	<u>172</u>	<u>12,421</u>	<u>99.0</u>	<u>118</u>	<u>13,209</u>	<u>99.1</u>	<u>156</u>
Without staff secondment arrangement												
Provision of payroll and other administration services	227	0.8	N/A	150	0.5	N/A	126	1.0	N/A	112	0.9	N/A
	<u>28,440</u>	<u>100.0</u>	<u>173</u>	<u>30,015</u>	<u>100.0</u>	<u>172</u>	<u>12,547</u>	<u>100.0</u>	<u>118</u>	<u>13,321</u>	<u>100.0</u>	<u>156</u>

The table below sets forth the breakdown of our revenue derived from our secondment and payroll services by our clients’ industries during the Track Record Period:

Industry	Year ended 31 December				Five months ended 31 May			
	2016		2017		2017		2018	
	HK\$’000	% of segment revenue	HK\$’000	% of segment revenue	HK\$’000 (unaudited)	% of segment revenue	HK\$’000	% of segment revenue
Banking and finance	24,672	86.8	26,760	89.2	11,072	88.2	11,983	90.0
Food and beverages	3,140	11.0	2,320	7.7	1,043	8.3	891	6.6
Fashion	371	1.3	894	3.0	391	3.1	447	3.4
Others	257	0.9	41	0.1	41	0.4	–	–
Total	<u>28,440</u>	<u>100.0</u>	<u>30,015</u>	<u>100.0</u>	<u>12,547</u>	<u>100.0</u>	<u>13,321</u>	<u>100.0</u>

For details of our services fees, please refer to the section headed “Business – Secondment and payroll services – Service fees of our secondment and payroll services” in this prospectus.

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Revenue recognition policy for our secondment and payroll services

For secondment and payroll services, control of the service is transferred when our Group has assigned the seconded staff to our clients over the secondment period, and revenue is recognised when our clients simultaneously receive secondment and payroll services and consume the benefits provided by our Group's performance. For details of the revenue recognition policy, please refer to note 4 to the Accountants' Report in Appendix I to this prospectus.

Client A

Client A, our largest client during the Track Record Period, is a private company and a member of a commercial banking group in Hong Kong which provides credit card services with an issued capital of HK\$480 million as of 30 June 2018. The holding company of Client A is a company listed on the Main Board of the Stock Exchange.

For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, Client A contributed revenue of approximately HK\$0.4 million, HK\$0.6 million, HK\$0.2 million and HK\$0.6 million for our recruitment services, representing approximately 1.4%, 2.4%, 2.0% and 4.8% of our revenue generated from Client A, respectively, and contributed revenue of approximately HK\$24.7 million, HK\$25.2 million, HK\$11.0 million and HK\$11.6 million for our secondment and payroll services, representing approximately 98.6%, 97.6%, 98.0% and 95.2% of our revenue generated from Client A respectively. Overall, Client A contributed approximately 53.6%, 39.4%, 48.5% and 42.2% of our revenue for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018 respectively. Such high proportion of revenue received from Client A during the Track Record Period was due to the fact that a majority of Client A's revenue was derived from its secondment and payroll services, which comprises income relating to the remuneration of our seconded staff and service fees. In particular, such income relating to the remuneration of our seconded staff, which accounted for most of Client A's revenue from our secondment and payroll services, was subsequently paid to the seconded staff as staff costs. After excluding the effect of income relating to remuneration of seconded staff recognised by us, the adjusted revenue contribution (the approximate percentages of our adjusted revenue are calculated by dividing (a) the revenue contributed by our respective clients during the Track Record Period excluding the income relating to remuneration of seconded staff incurred in relation to such clients under the secondment and payroll services, by (b) our Group's revenue excluding the income relating to remuneration of our seconded staff, being approximately HK\$7.7 million, HK\$16.4 million and HK\$9.8 million respectively during the Track Record Period) (the "**Adjusted Revenue**") by Client A was approximately 13.7%, 8.6% and 10.8% for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018. Please refer to the section headed "Business – Clients – Adjusted client concentration analysis" in this prospectus for further details of client concentration analysis.

Highlight of revenue by business segment and geographical location

	Year ended 31 December 2016		Year ended 31 December 2017		Five months ended 31 May 2017		Five months ended 31 May 2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (unaudited)	% of revenue	HK\$'000	% of revenue
Recruitment services – Hong Kong ^(Note)	18,230	39.1	35,411	54.1	10,595	45.8	15,437	53.7
Secondment and payroll services								
– Hong Kong	24,112	51.6	25,858	39.5	10,632	45.9	11,746	40.8
– Macau	4,328	9.3	4,157	6.4	1,915	8.3	1,575	5.5
	28,440	60.9	30,015	45.9	12,547	54.2	13,321	46.3
Total	46,670	100.0	65,426	100.0	23,142	100.0	28,758	100.0

Note: During the Track Record Period, our Group did not provide any recruitment services in Macau. All of our revenue generated from the business operation in Macau during the Track Record Period was attributable to our secondment and payroll services.

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Our revenue increased by approximately HK\$18.7 million or 40.2% from approximately HK\$46.7 million for the year ended 31 December 2016 to approximately HK\$65.4 million for the year ended 31 December 2017 primarily due to the increase in revenue derived from both our recruitment services and secondment and payroll services. In particular, revenue derived from our recruitment services increased by approximately HK\$17.2 million or 94.2% to approximately HK\$35.4 million for the year ended 31 December 2017, which was mainly attributable to (i) the increased number of successful placements achieved by our Group from 213 for the year ended 31 December 2016 to 352 for the year ended 31 December 2017 as we further strengthened our market position in Hong Kong through (a) expansion of our business team of full-time internal staff from 29 as at 31 December 2016 to 34 as at 31 December 2017 to capture business opportunities more effectively; (b) further diversification of our client base from various industries under our recruitment services with the number of active clients from 92 for the year ended 31 December 2016 to 118 for the year ended 31 December 2017 alongside the increased number of successful placements per active client from approximately 2.3 for the year ended 31 December 2016 to approximately 3.0 for the year ended 31 December 2017 as a result of the enhanced efficiency from our consultants as illustrated below; (c) strengthening business relationships with our existing clients evidenced by the increased revenue from our repeated clients (for whom we successfully placed more than one placement for our recruitment services and/or charged service fees for more than once for our secondment and payroll services during the Track Record Period) (“**Repeated Clients**”) under our recruitment services from approximately HK\$14.4 million for the year ended 31 December 2016 to approximately HK\$30.6 million for the year ended 31 December 2017; and (d) enhancing the efficiency of our consultants through implementation of various performance indicating measures (such as formulating revenue targets and minimum job orders for our consultants, setting up weekly meetings with consultants to closely monitor progress of candidate placements and revenue status, and providing trainings to consultants for improving their productivity and skills) in monitoring and boosting the sales performance of our consultants; (ii) the general increase in the number of our successful placements across different tiers of annual remuneration, in particular the increased number of placements of candidates with annual remuneration above HK\$0.8 million (being the highest tier of candidates’ remuneration), which enabled us to receive higher services fee per successful placement as compared with other tiers of successful placements; (iii) our ability to continuously provide recruitment services for our existing clients which increased our revenue from Repeated Clients in the year ended 31 December 2017; (iv) our ability to effectively expand our active client base for the year ended 31 December 2017; and (v) the increase in demand for recruitment services in the market as evidenced by the higher employment turnover rate resulting from reducing job loyalty of the employees in Hong Kong and the rising popularity of online recruitment platforms fostering the job hopping activities of younger generations according to the F&S Report, with the support of the better performed team led by our strengthened management team as a whole. For further details, please refer to the section headed “Financial information” in this prospectus.

Our revenue increased by approximately HK\$5.7 million or 24.3% from approximately HK\$23.1 million for the five months ended 31 May 2017 to approximately HK\$28.8 million for the five months ended 31 May 2018, which was principally attributable to the revenue derived from both our recruitment services and secondment and payroll services. Among which, we recorded a significant increase in revenue under our recruitment services segment of approximately HK\$4.8 million or 45.7%, primarily as a result of increased number of successful placements achieved by our Group from 93 for the five months ended 31 May 2017 to 173 for the five months ended 31 May 2018 as we further strengthened our market position in Hong Kong through (a) expansion of our business team of full-time internal staff from 26 as at 31 May 2017 to 34 as at 31 May 2018 to capture business opportunities more effectively; (b) further diversification of our client base from various industries under our recruitment services with the number of active clients from 49 for the five months ended 31 May 2017 to 67 for the five months ended 31 May 2018 alongside the increased number of successful placements per active client from approximately 1.9 for the five months ended 31 May 2017 to approximately 2.6 for the five months ended 31 May 2018 as a result of the enhanced efficiency from our consultants as illustrated below; (c) strengthening business relationships with our existing clients evidenced by the increased revenue from our Repeated Clients under our recruitment services from approximately HK\$10.1 million for the five months ended 31 May 2017 to approximately HK\$13.3 million for the five months ended 31 May 2018; and (d) enhancing the efficiency of our consultants through implementation of various performance indicating measures (such as formulating revenue targets and minimum job orders for our consultants, setting up weekly meetings with consultants to closely monitor progress of candidate placements and revenue status, and providing trainings to consultants for improving

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their productivity and skills) in monitoring and boosting the sales performance of our consultants. Such successful placements were mostly the placements for the highest candidates' annual remuneration level (i.e. above HK\$0.8 million). In terms of functional specialisation under our recruitment services business, we also recorded an increased revenue mainly driven by the growth of revenue from our two largest job functions during the period, being sales and marketing and merchandising and retail operation. Such job functions, in aggregate, contributed approximately 70.1% of revenue under our recruitment services, recorded an increase of revenue by approximately HK\$5.7 million and an increase of number of successful placements from 59 to 144 from such job functions aggregately. Our Group as a whole recorded an increased revenue from Repeated Clients from approximately HK\$22.6 million for the five months ended 31 May 2017 to approximately HK\$26.6 million for the five months ended 31 May 2018. The better sales performance of our Group for the five months ended 31 May 2018 was mainly attributable to stable business relationship with our existing clients and the increasing efforts in achieving more placements, maintaining stable client relationship and expanding our client base, with the support of the better performed team led by our strengthened management team. For further details, please refer to the section headed "Financial information" in this prospectus.

Gross profit and gross profit margins by business segment

	Years ended 31 December		2017		Five months ended 31 May		2018	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000 (unaudited)	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Recruitment services	9,056	49.7	25,942	73.3	7,018	66.2	10,503	68.0
Secondment and payroll services	2,090	7.3	2,212	7.4	1,040	8.3	1,024	7.7
Total	11,146	23.9	28,154	43.0	8,058	34.8	11,527	40.1

Our gross profit and gross profit margin are presented herein to demonstrate the profitability under our recruitment services segment and secondment and payroll services segment. According to note 6A of the Accountants' Report in Appendix I to this prospectus, our gross profit increased by approximately HK\$17.0 million from approximately HK\$11.1 million for the year ended 31 December 2016 to approximately HK\$28.2 million for the year ended 31 December 2017 principally driven by the increased gross profit under our recruitment services segment. Such increased segment gross profit was generally in line with the increased revenue under the same segment alongside the relatively stable segment direct expenses incurred.

Our gross profit margin increased from approximately 23.9% for the year ended 31 December 2016 to approximately 43.0% for the year ended 31 December 2017 mainly due to (i) higher revenue contribution from recruitment services which recorded relatively higher gross profit margin than our secondment and payroll services; and (ii) improved gross profit margin of our recruitment services from approximately 49.7% for the year ended 31 December 2016 to approximately 73.3% for the year ended 31 December 2017. Such increase in gross profit margin of our recruitment services was mainly attributable to (i) the overall enhanced performance of our consultants relating to our recruitment services, as evidenced by the decrease in salary-to-revenue ratio (calculated by dividing the total salary payout of our consultants by the recruitment services revenue derived from such consultants in the same period, and such ratio serves as an indicator in evaluating the sales performance of our consultants, with the smaller ratio indicating the better performance) from approximately 49.5% for the year ended 31 December 2016 to approximately 36.8% for the year ended 31 December 2017; (ii) an increased number of successful placements involving candidates with annual remuneration above HK\$0.8 million in the year ended 31 December 2017 under our recruitment services, which in turn enabling us to receive higher services fee per successful placement and charging our services fee at a higher rate; and (iii) the implementation of performance indicating measures by revising our commission scheme primarily from quarterly to yearly basis of our mid-to-senior consultants for the year ended 31 December 2017, which balanced the interests of our Group and the consultants by reducing the chances of paying out substantial commissions to the consultants, who simply rely on a significant increase in sales

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performance in a particular quarter. Our gross profit under the secondment and payroll services remained relatively stable at approximately HK\$2.1 million and HK\$2.2 million for the years ended 31 December 2016 and 2017, respectively, with a relatively stable segment gross profit margin of approximately 7.3% and 7.4% during the same period.

Our gross profit increased by approximately HK\$3.4 million from approximately HK\$8.1 million for the five months ended 31 May 2017 to approximately HK\$11.5 million for the five months ended 31 May 2018 principally driven by the increased gross profit under our recruitment services. Such increased segment gross profit was generally in line with the increased revenue from our recruitment services. Our gross profit margin increased from approximately 34.8% for the five months ended 31 May 2017 to approximately 40.1% for the five months ended 31 May 2018 mainly due to (i) higher revenue contribution from recruitment services which recorded relatively higher gross profit margin than our secondment and payroll services; and (ii) relatively stable segment gross profit margins for our recruitment services and secondment and payroll services.

For further details, please refer to the paragraph headed “Financial information – Description of selected components of our results of operations – Selected financial ratios” in this prospectus.

Highlights of combined statements of financial positions

	As at 31 December		As at
	2016	2017	31 May
	HK\$'000	HK\$'000	2018
			HK\$'000
Non-current assets	868	5,359	6,124
Current assets	11,440	34,023	31,895
Current liabilities	3,319	15,444	18,258
Net current assets	8,121	18,579	13,637
Total equity	8,989	23,938	19,761

Highlights of combined statements of cash flows

	Year ended		Five months ended	
	31 December	2017	31 May	2018
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Net cash generated from operating activities ^(Note)	6,132	13,036	3,633	1,086
Net cash used in investing activities	(218)	(5,034)	(3,233)	(75)
Net cash (used in)/generated from financing activities	(6,450)	7,820	(30)	(6,821)
Net (decrease)/increase in cash and cash equivalents	(536)	15,822	370	(5,810)
Cash and cash equivalents at the beginning of the year/period	5,393	4,857	4,857	20,679
Cash and cash equivalents at the end of the year/period, represented by bank balance and cash	4,857	20,679	5,227	14,869

Note: Our Group's operating cash flows before movements in working capital and excluding the effect from listing expenses incurred by us amounted to approximately HK\$7.1 million, HK\$24.0 million and HK\$8.3 million for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively.

Highlights of key financial ratios

The following table sets forth certain major financial ratios of our Group during the Track Record Period/as at the dates indicated:

	As at 31 December		As at
	2016	2017	31 May
			2018
Current ratio ^(Note 1)	3.4 times	2.2 times	1.7 times
Quick ratio ^(Note 2)	3.4 times	2.2 times	1.7 times
Gearing ratio ^(Note 3)	0.5%	41.8%	50.6%
Debt to equity ratio ^(Note 4)	N/A	N/A	N/A

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	Year ended 31 December		Five months ended 31 May
	2016	2017	2018
Gross profit margin <i>(Note 5)</i>	23.9%	43.0%	40.1%
Net profit margin <i>(Note 6)</i>	12.5%	24.7%	4.2%
Return on total assets <i>(Note 7)</i>	47.3%	41.0%	3.1%
Return on equity <i>(Note 8)</i>	64.8%	67.4%	6.1%
Interest coverage <i>(Note 9)</i>	N/A	1,252 times	11.6 times

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year/period end date.
- (2) Quick ratio is calculated by dividing current assets net of inventories by current liabilities as at the respective year/period end date.
- (3) Gearing ratio is calculated by dividing total debt (of which debt represents the sum of bank borrowing and amount due to a shareholder) by total equity multiplied by 100% as at the respective year/period end date.
- (4) Debt to equity ratio is calculated by dividing total borrowings net of bank balances and cash by total equity multiplied by 100% as at the respective year/period end date.
- (5) Gross profit margin is calculated by dividing gross profit for the year/period by revenue for the year/period.
- (6) Net profit margin is calculated by dividing profit for the year/period by revenue during the respective year/period.
- (7) Return on total assets is calculated by dividing profit for the year/period by the total assets multiplied by 100% as at the respective year/period end date.
- (8) Return on equity is calculated by dividing profit for the year/period by the total equity multiplied by 100% as at the respective year/period end date.
- (9) Interest coverage is calculated by dividing profit before interest and tax for the year/period by interest expenses for the year/period.

Our gearing ratio increased significantly from approximately 0.5% as at 31 December 2016 to approximately 41.8% as at 31 December 2017, which was mainly due to the increase in total debt resulted from the newly obtained bank borrowing with the amount of HK\$10.0 million as at 31 December 2017, partially offset by increase in total equity as a result of our increased retained profits resulted from the increase in our net profit. Such bank borrowing was obtained with the purpose to pay the non-recurring listing expenses in relation to the preparation of the Listing. As a result, such loan had freed up our financial resources, which facilitated our Group's growth and business development. With our better financial position, we managed to outpace the growth rate of the overall HR services market in Hong Kong of approximately 5.4% in 2017 according to the F&S Report by approximately 34.8% for the year ended 31 December 2017. For more details of our competitive strengths, please refer to the section headed "Business – Competitive strengths" in this prospectus. As at 31 May 2018, we recorded gearing ratio of approximately 50.6%, principally as a result of the combined effect of (i) the presence of the bank borrowing of HK\$10.0 million; and (ii) the decrease in retained profits resulted from dividends paid of approximately HK\$5.1 million during the period.

Please refer to the sections headed "Financial information – Period to period comparison of results of operations – Profit for the period and net profit margin", "Financial information – Year to year comparison of results of operations – Profit for the year and net profit margin" and "Financial information – Analysis of other key financial ratios" in this prospectus for detailed analysis of our Group's financial ratios during the Track Record Period.

DIVIDENDS

During the Track Record Period, no dividend was paid or declared by our Company. On 12 September 2018 and 21 September 2018, we declared dividends of HK\$18.0 million and HK\$4.0 million, respectively, which will be settled by cash by internal resources before the Listing. On 13 April 2018, KOS International declared dividends in the amount of approximately HK\$5.1 million, which has been paid to its shareholders on the same date. The dividends declared and paid by the companies now comprising our Group to its then shareholders were approximately HK\$5.4 million, HK\$1.2 million and HK\$5.1 million for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively. Currently, our Group does not have any dividend policy. Future declaration of dividends will be subject to the discretion of our Board and will depend on, amongst other things, our earnings, financial conditions, business development and prospects, capital requirements and availability, and any other factors our Board may consider relevant. For further details, please refer to the section headed "Financial information – Dividends" in this prospectus.

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SHARE OFFER STATISTICS

	Based on the Offer Price of HK\$0.3 per Offer Share	Based on the Offer Price of HK\$0.4 per Offer Share
Market capitalisation of the Shares ⁽¹⁾	HK\$240,000,000	HK\$320,000,000
Unaudited pro forma adjusted combined net tangible assets of our Group per Share ⁽²⁾	HK\$0.081	HK\$0.105

Notes:

- (1) The calculation of the market capitalisation of the Shares is based on 800,000,000 Shares expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).
- (2) For calculation of the unaudited pro forma adjusted combined net tangible assets per Share, please refer to the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share does not take into account of dividends of HK\$18,000,000 and HK\$4,000,000 declared by the Company on 12 September 2018 and 21 September 2018, respectively. Assuming that the dividends had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group as at 31 May 2018 would have been HK\$43,141,000 and HK\$61,941,000 at the Offer Price of HK\$0.3 and HK\$0.4, respectively, and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share would have been HK\$0.054 and HK\$0.077 at the Offer Price of HK\$0.3 and HK\$0.4, respectively, on the basis that 800,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer had been completed on 31 May 2018.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Prior to the Listing, funding of our business activities was primarily from internally generated cash and debt financing. The gearing ratio of our Group was approximately 0.5%, 41.8% and 50.6% as at 31 December 2016 and 2017 and 31 May 2018. Our Directors believe that the Listing is strategically significant to the long-term growth of our Group’s business as it provides the financial resources for our Group to strengthen our market position in the HR services market in Hong Kong, establishing our presence in the PRC recruitment services market, developing marketing capability and conducting more marketing activities to promote our brand and enhancing our IT system to support our business operation, which lay a solid foundation for our Group’s long-term development and growth. Our Directors believe that our development plans in Hong Kong and the PRC are the key drivers for our future growth, and the implementation plan of our business strategies involves significant capital outlay which will require considerable additional financial resources. For details, please refer to the sections headed “Business – Business strategies” and “Statement of business objectives and use of proceeds – Implementation plans” in this prospectus.

Our Directors believe that a listing status could help enhance our Group’s creditworthiness to banks to facilitate its future financing needs when necessary. Moreover, the Listing will provide a platform to our Group for fund raising activities in the future through equity financing and enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares when they are privately held before the Listing. Our Directors also believe that the net proceeds from the Listing can finance our current business operation and future expansion plans. This is beneficial to the overall business development and financial performance of our Group, which in turn will maximise Shareholders’ return.

Our Directors also believe that a listing status could (i) enhance our Group’s corporate profile, credibility and brand awareness; (ii) enhance our market status amongst our clients and employees; (iii) provide ease of raising funds in capital market for our future business development; (iv) diversify our shareholder base and have more liquidity in trading Shares; and (v) incentivise our management personnel and other employees. For further details, please refer to the section headed “Statement of business objectives and use of proceeds – Reasons for the Share Offer – Commercial rationale for the Listing” in this prospectus.

The net proceeds from the issue of the Offer Shares under the Share Offer based on the Offer Price of HK\$0.35 per Share, being the mid-point of the indicative Offer Price range, are estimated to be approximately HK\$45.5 million, after deducting the estimated underwriting

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commission and total expenses in the aggregate amount of approximately HK\$24.5 million paid and payable by our Company in connection with the Listing from the gross proceeds of the Share Offer and assuming the Offer Size Adjustment Option and any options granted under the Share Option Scheme are not exercised. We intend to apply the net proceeds of approximately HK\$45.5 million from the Share Offer in the following manner:

- (a) approximately 45.9% of the total estimated net proceeds, or approximately HK\$20.9 million, will be used to expand our recruitment services and secondment and payroll services in Hong Kong;
- (b) approximately 25.8% of the total estimated net proceeds, or approximately HK\$11.7 million, will be used to establish our presence in the PRC recruitment services market;
- (c) approximately 11.0% of the total estimated net proceeds, or approximately HK\$5.0 million, will be used to develop marketing capability and conduct more marketing activities to promote our brand;
- (d) approximately 9.9% of the total estimated net proceeds, or approximately HK\$4.5 million, will be used to enhance our IT system to support our business operation; and
- (e) approximately 7.4% of the total estimated net proceeds, or approximately HK\$3.4 million, will be used for general working capital purposes.

LISTING EXPENSES

Our listing expenses consist of fees we paid to professionals in relation to the preparation of the Listing. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, we recorded listing expenses of nil, approximately HK\$3.8 million and HK\$5.5 million, respectively. For the year ending 31 December 2018, a total amount of approximately HK\$11.8 million is expected to be recognised in our combined statements of profit or loss and other comprehensive income, and approximately HK\$8.9 million is directly attributable to the Share Offer and is expected to be capitalised and recognised as a deduction of equity.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. Prospective investors are specifically warned that our Group is expected to record a decrease in net profit for the year ending 31 December 2018 as compared to that of the year ended 31 December 2017. Such decrease is expected to be primarily due to (i) the non-recurring listing expenses in relation to the preparation of the Listing of approximately HK\$11.8 million anticipated to be incurred during the year; (ii) the anticipated increase in our staff costs and other expenses and losses as a matter of our business expansion and remuneration for our Directors to be incurred after the Listing; and (iii) the anticipated decrease in our revenue derived from the secondment and payroll services primarily due to the cessation of our related party transactions in January 2018. For further details of the related party transactions, please refer to the section headed “Financial information – Related party transactions” in this prospectus.

No remuneration was paid to our Directors during the Track Record Period. Our Group estimates that the aggregate remuneration paid or payable to, and benefits in kind receivable by (including discretionary bonus) our Directors (including the independent non-executive Directors) for the years ending 31 December 2018, 2019 and 2020 to be approximately HK\$0.5 million, HK\$1.9 million and HK\$1.9 million respectively. For further details of our Directors’ remuneration, please refer to the section headed “Directors and senior management – Remuneration and compensation of Directors and senior management” in this prospectus. We do not expect simply the above anticipated remuneration to our Directors will have material adverse impact to our financial results in the relevant periods.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save as disclosed above and in the section headed “Financial information – Listing expenses” in this prospectus, we did not have any significant non-recurrent items in our combined financial statements.

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Save as disclosed above, our Directors confirm that, since 31 May 2018, being the date to which the latest audited combined financial statements of our Group were made up as set out in the Accountants' Report in Appendix I of this prospectus and up to the date of this prospectus, there had been no material adverse change in the financial or trading positions of our Group, and there had been no event which would materially affect the information shown in our financial information included in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

COMPETITIVE LANDSCAPE IN THE HR SERVICES INDUSTRY IN HONG KONG, MACAU AND THE PRC

According to the F&S Report, the market size of the HR services industry in Hong Kong has grown from approximately HK\$8.7 billion in 2012 to HK\$11.7 billion in 2017, representing a CAGR of approximately 6.1%. It is expected that the market size will reach HK\$15.0 billion by 2022. The HR services industry in Hong Kong is fragmented. There were more than 800 recruitment agencies in Hong Kong as at 31 December 2017. The entry barriers for the HR services industry are relatively low with no significant deterrent to new entrants. Please refer to the section headed "Industry Overview – Competitive landscape of HR services industry in Hong Kong" in this prospectus for further information about the HR services industry in Hong Kong.

There were less than 200 HR services providers in Macau in 2017. The market is highly fragmented and shared by international, Hong Kong and Macau based players. Supported by the strong growth of economy in recent years, the demand for HR services increased accordingly, which in turn introduced the influx of international and Hong Kong based players. It is observed that the recruitment services for executive level is dominated by international players who have strong networks and proven expertise while the secondment and payroll services market is led by smaller local players. In the PRC, the sizeable labour population and well-stipulated market environment in the last decade have been driving the continuous expansion of the HR services market in the PRC. Major cities such as Beijing, Shanghai and Shenzhen have been flushing in talents to meet the strong demand for skilled and experienced labour, especially in the expanding service sectors. It is expected that the market size of the HR services industry in the PRC will reach RMB2,830.3 billion in 2022, representing a CAGR of 15.6% from 2018.

For further details of the HR services industry in Hong Kong, Macau and the PRC, please refer to the section headed "Industry overview" in this prospectus.

RISK FACTORS

There are risks associated with any investment. Some of the relatively material risks relating to our Group include:

- our success depends on key management personnel and experienced consultants;
- our nature of business is labour intensive. If we experience any shortage of labour or material increase in staff costs, our business operation and financial results would be adversely affected;
- a significant portion of our revenue was generated from our largest client during the Track Record Period and any significant decrease in the demand from such client for our services may materially and adversely affect our financial conditions and operating results;
- our software, computer and network systems may not perform as anticipated and are vulnerable to damage and interruption, which may lead to leakage of personal data of individual candidates;
- we may not be able to implement all or any of our business plans successfully; and
- our plan to explore the PRC market may present risks.

A detailed discussion of the risk factors is set forth in the section headed "Risk factors" in this prospectus, and investors should read the entire section before deciding to invest in the Offer Shares.

SUMMARY

LEGAL COMPLIANCE

Set out below is a summary of the non-compliance incidents in relation to our Group's operation during the Track Record Period:

- (i) KOS International failed to file IR56E forms with the Commissioner of IRD within the statutorily prescribed timeframe of three months after the commencement of our employment of a total of 531 individuals under section 52(4) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”). According to section 80(1) of the IRO, a maximum fine of HK\$10,000 for each individual missed filing may be imposed. If the court imposes the maximum penalty, we will be subject to an aggregate fine of approximately HK\$5.3 million for the non-compliance; and
- (ii) KOS Macau failed to comply with Articles 39(2), 40, 54, 220(1), 252(1), 254 and 255 of Decree-Law no. 40/99/M of Macau in relation to, among others, requirements on statutory filing and convening annual general assembly.

For more details, please refer to the section headed “Business – Legal proceedings – Legal compliance – Non-compliance matters” in this prospectus.

Save as disclosed in this prospectus, during the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had complied with the relevant laws and regulations in Hong Kong and Macau in relation to our business in all material respects and there were no material breaches or violations of the laws and regulations applicable to our Group that would have a material adverse effect on our business or financial condition.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Accountants’ Report”	the accountants’ report on our Group for the Track Record Period set out in Appendix I to this prospectus
“affiliates”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 13 September 2018 which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licenced banks in Hong Kong are generally open to the public for normal banking business
“BVI”	the British Virgin Islands
“Caiden Holdings”	Caiden Holdings Limited, a limited liability company incorporated in the BVI on 24 October 2017 and one of our Controlling Shareholders

DEFINITIONS

“Capitalisation Issue”	the allotment and issue of 599,950,000 Shares upon capitalisation of an amount of HK\$5,999,500 standing to the credit of the share premium account of our Company as referred to under the paragraph headed “A. Further information about our Company – 4. Written resolutions of our Shareholders passed on 13 September 2018” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) as consolidated and revised from time to time of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian or a CCASS Investor Participant
“CEPA”	The Mainland and Hong Kong Closer Economic Partnership Arrangement
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China” or “PRC” do not include Hong Kong, Macau and Republic of Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company” or “our Company”	KOS International Holdings Limited (高奧士國際控股有限公司), an exempted company incorporated in the Cayman Islands on 19 December 2017 with limited liability
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules, and, in the context of our Company, means KJE Ltd, Caiden Holdings, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow who are a group of controlling shareholders
“core connected person(s)”	has the meaning to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 19 September 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries stated therein), further details of which are set out in “F. Other information – 1. Tax and other indemnity” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 19 September 2018 entered into by our Controlling Shareholders in favour of our Company, further details of which are set out in “Relationship with Our Controlling Shareholders – Deed of Non-competition” in this prospectus
“Director(s)”	the director(s) of our Company
“EO”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, modified and supplemented from time to time

DEFINITIONS

“Ever-Long” or “Sole Sponsor”	Ever-Long Securities Company Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sole sponsor to our Company in relation to the Listing
“F&S Report”	the independent industry report commissioned by our Company and prepared by Frost & Sullivan
“Frontpage Capital” or “Co-Manager”	Frontpage Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the co-manager to our Company in relation to the Listing
“Frost & Sullivan”	Frost & Sullivan Limited, the industry consultant of our Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GREEN Application Forms”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by them or their predecessors (as the case may be)
“HK\$” or “HK dollar(s)” or “HKD” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong

DEFINITIONS

“ HK eIPO White Form ”	the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“ HKFRS ”	Hong Kong Financial Reporting Standards
“ HKSCC ”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“ HKSCC Nominees ”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“ Hong Kong ” or “ HK ”	Hong Kong Special Administrative Region of the PRC
“ Hong Kong Branch Share Registrar ”	Tricor Investor Services Limited
“ Independent Third Party(ies) ”	individual(s) or company(ies) who is(are) not (a) connected person(s) of our Company within the meaning ascribed under the GEM Listing Rules
“ Internal Control Consultant ”	Lau & Au Yeung C.P.A. Limited, the internal control consultant of our Group
“ IRD ”	the Inland Revenue Department of Hong Kong
“ Joint Lead Managers ”	Pacific Foundation Securities and Sang Woo (Kirin) Securities being the joint lead managers of the Share Offer
“ KJE Ltd ”	KJE Limited, a limited liability company incorporated in the BVI on 18 December 2017 and one of our Controlling Shareholders
“ KOS International ”	KOS International Limited (高盛國際人事顧問有限公司), a limited liability company incorporated in Hong Kong on 21 January 2009

DEFINITIONS

“KOS International (BVI)”	KOS International (BVI) Limited, a limited liability company incorporated in the BVI on 27 December 2017
“KOS Macau”	KOS Internacional Limitada (KOS International Limited/高奧士國際有限公司), a limited liability company incorporated in Macau on 27 December 2012
“KOS Macau (BVI)”	KOS Macau (BVI) Limited, a limited liability company incorporated in the BVI on 27 December 2017
“KOS Staffing”	KOS Staffing Limited, a limited liability company incorporated in Hong Kong on 6 September 2017
“Latest Practicable Date”	18 September 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Legal Counsel”	Mr. Jon K.H. Wong, Barrister-at-law, Hong Kong
“Listing”	listing of the Shares on GEM
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commences on GEM, which is expected to be on or about 12 October 2018
“Listing Department”	the listing department of the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Macau Legal Advisers”	Rato, Ling, Lei & Cortés – Advogados, legal advisers to the Company as to Macau law
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 13 September 2018 and which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“MOFCOM”	The Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“MOHRSS”	The Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“MOLSS”	The Ministry of Labour and Social Security of the PRC (中華人民共和國勞動和社會保障部), which has been dissolved and integrated into the MOHRSS together with the Ministry of Personnel of the PRC (中華人民共和國人事部)
“MOP”	Macau pataca, the lawful currency of Macau
“MPF”	Mandatory Provident Fund
“MPFSO”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Mr. Eddie Chan”	Chan Ka On Eddie (陳家安), our executive Director, one of our Controlling Shareholders and the brother of Mr. Kevin Chan and Mr. Jackson Chan
“Mr. Jackson Chan”	Chan Ka Shing Jackson (陳家成), our executive Director, one of our Controlling Shareholders and the brother of Mr. Kevin Chan and Mr. Eddie Chan
“Mr. Kevin Chan”	Chan Ka Kin Kevin (陳家健), our executive Director, one of our Controlling Shareholders and the brother of Mr. Eddie Chan and Mr. Jackson Chan
“Mr. Raymond Chow”	Chow Ka Wai Raymond (周家偉), one of our Controlling Shareholders
“MWO”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“NDRC”	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“NPC”	National People’s Congress (全國人民代表大會)

DEFINITIONS

“Offer Price”	the final offer price for each Offer Share in Hong Kong dollars (exclusive of any brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), which is currently expected to be not more than HK\$0.4 per Offer Share and not less than HK\$0.3 per Offer Share, such price to be determined on or before the Price Determination Date
“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Sole Bookrunner (for itself and on behalf of the Placing Underwriter(s)) under the Placing Underwriting Agreement, pursuant to which the Sole Bookrunner may require our Company to allot and issue up to an aggregate of 20,000,000 additional new Shares (representing 10.0% of the total number of the Offer Shares initially available under the Share Offer), if any, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Pacific Foundation Securities”	Pacific Foundation Securities Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO, the Sole Bookrunner and one of the Joint Lead Managers
“PDPO”	the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Placing”	the conditional placing by the Placing Underwriter(s) on behalf of our Company of the Placing Shares to professional, institutional and other investors at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” of this prospectus

DEFINITIONS

“Placing Shares”	the 180,000,000 Shares being initially offered by our Company for subscription at the Offer Price under the Placing, representing 90.0% of the initial number of Offer Shares (subject to reallocation and the Offer Size Adjustment Option, as described under the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Placing Underwriter(s)”	the underwriter(s) that is/are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company and the Placing Underwriter(s) relating to the Placing
“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or around 4 October 2018 or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree, on which the Offer Price is fixed for the purpose of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (subject to reallocation as described under the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms)
“Public Offer Shares”	the 20,000,000 Shares being initially offered by our Company for subscription at the Offer Price under the Public Offer, representing 10.0% of the initial number of Offer Shares (subject to reallocation as described under the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer, whose name is set out under the section headed “Underwriting – Public Offer Underwriters” in this prospectus

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 27 September 2018 entered into among, inter alia, our Company and the Public Offer Underwriters relating to the Public Offer
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	The State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has been dissolved and integrated into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) in March 2018
“Sang Woo (Kirin) Securities”	Sang Woo (Kirin) Securities Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, one of the Joint Lead Managers
“SAT”	The State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 13 September 2018, a summary of the principal terms of which is set out in the paragraph headed “E. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Sole Bookrunner”	Pacific Foundation Securities
“Standing Committee”	The Standing Committee of NPC (全國人民代表大會常務委員會)
“State Council”	The State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, under the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Track Record Period”	the period comprising the financial years ended 31 December 2016 and 2017 and the five months ended 31 May 2018
“Underwriters”	the Public Offer Underwriters and the Placing Underwriter(s)
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

DEFINITIONS

“%”

per cent

Unless otherwise specified, for the purpose of this prospectus, amounts denominated in MOP are translated into HK\$ at the rate of MOP1.03 to HK\$1.

The exchange rate is for the purpose of illustration only and no representation is made that any amounts in MOP have been, would have been or may be converted, at the above rate or any other rates or at all.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“CAGR”	compound annual growth rate
“candidate database”	a third party IT software used by our Group to support our business operation, which stores information relating to, among others, personal information of the candidates, our clients’ requirements of job functions, interview status of candidates and reviews of the candidates prepared by our consultants
“email”	electronic mail, a term used to refer to text, files and/or graphical messages transmitted by one user to others over the Internet
“HR”	human resources
“internal staff”	internal staff are employees employed by us with main roles and responsibilities for the business operation and business development of our Group
“Internet”	a global network of intercommunication, separately administered public and private computers networks
“IT”	information technology
“IT&T”	information technology and telecommunications
“seconded staff”	seconded staff are candidates employed by us according to clients’ requirements and seconded to clients under our secondment and payroll services segment. Such staff may be sourced by our Group, or by our clients themselves
“SMEs”	small and medium-sized enterprises

FORWARD-LOOKING STATEMENTS

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed “Summary”, “Risk factors”, “Industry overview”, “Business”, and “Financial information”, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would”, “consider”, “estimate”, “going forward” and similar expressions or statements and the negative of these words to identify forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our business strategies, plans of operation and our operation and business prospect;
- our capital expenditure and funding plans;
- projects under planning;
- general economic conditions;
- capital market development;
- the future developments, trends and competitive environment in our industry;
- our financial condition;
- certain statements in the section headed “Financial information” in this prospectus with respect to trends in prices, volumes and operation;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for our industry in general; and
- other statements in this prospectus that are not historical fact.

Our Directors confirm that these forward-looking statements are made after due and careful consideration. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed “Risk factors” and elsewhere in this prospectus. These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our Group’s control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, the risks and uncertainties described below, before making any investment decision in relation to our Company. If any of the possible events described below occur, our business operation, financial condition or results of operations could be materially and adversely affected and the market price of the Shares could fall significantly, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our success depends on key management personnel and experienced consultants

Our success is largely attributable to the continued commitment and contribution of our executive Directors, members of our senior management team and experienced consultants. Their extensive knowledge and experience in the HR services industry, as well as their established relationships with our clients have played a major role in our attainments. Our executive Directors, Mr. Eddie Chan and Mr. Jackson Chan, have more than 14 years of experience in the HR services industry in Hong Kong. Prior to founding or joining our Group, they had previously worked in different reputable international and local recruitment firms. Mr. Kevin Chan, who is also one of our executive Directors, is responsible for the overall strategic planning and business development of our Group. In addition to the leadership of our executive Directors, our members of the senior management team, in particular, Ms. Yeung Shek Shek Louisa and Mrs. Williams Au Chui Man Connie, who possess extensive experience in the HR services industry also play an important role in the daily operation of our Group including overseeing the daily operation of our Group, formulating the overall strategies and planning of our Group and providing training and development for our staff.

There is no assurance that we will be able to retain these key personnel, and the loss of any of them without suitable and timely replacements, or the inability to attract and retain qualified personnel may adversely affect our business, results of operations, financial positions and prospects.

In addition, we have to hire and retain internal staff, particularly consultants, with the necessary level of competence, experience and knowledge of the HR services industry so as to maintain and develop our business. In the future, we may encounter shortages of appropriately skilled personnel, which may hamper our ability to implement our strategies on the expansion of our operation and materially and adversely affect our business and results of operations.

Our nature of business is labour intensive. If we experience any shortage of labour or material increase in staff costs, our business operation and financial results would be adversely affected

We rely on a stable labour force to provide our HR services. In particular, we require a large number of seconded staff with different skill sets and expertise to meet our clients' requests. According to the F&S Report, it is expected that there will be a decrease in number

RISK FACTORS

of labour in Hong Kong from approximately 3.96 million in 2018 to 3.67 million in 2022, representing a negative CAGR of approximately 1.9%. In view of the current situation in the labour market, we cannot assure you that we will not experience labour shortage in the future, and as a result, we would have to offer better remuneration packages and other benefits to attract and/or retain skilled labour.

The major cost of our business in rendering HR services is labour costs for hiring staff for secondment to our clients as well as our internal staff costs. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 31 May 2018, we incurred labour costs of approximately HK\$35.5 million, HK\$37.9 million, HK\$15.2 million and HK\$18.4 million, respectively, representing approximately 76.1%, 57.9%, 65.6% and 63.9% of our revenue for the corresponding periods. In light of the overall labour shortage in the HR services market in Hong Kong and Macau, implementation of government policy with respect to increase of minimum wage, the increase in medium monthly wage in Hong Kong at a CAGR of approximately 4.9% from approximately HK\$13,400 in 2012 to approximately HK\$17,010 in 2017 and the expected continuous growth of such wage to approximately HK\$21,460 in 2022 at a CAGR of approximately 4.8% from 2017 to 2022, according to the F&S Report, our staff costs may continue to increase, which will adversely affect our business operation and financial results.

If we cannot attract and/or retain sufficient number of seconded staff to meet the demand of our clients in a timely manner or internal staff for our business operation, we may experience delay in delivery of our services and our reputation and financial positions will be significantly affected.

A significant portion of our revenue was generated from our largest client during the Track Record Period and any significant decrease in the demand from such client for our services may materially and adversely affect our financial conditions and operating results

A significant portion of our revenue was derived from our largest client during the Track Record Period. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, our revenue generated from such client amounted to approximately HK\$25.0 million, HK\$25.8 million, HK\$11.2 million and HK\$12.2 million, representing approximately 53.6%, 39.4%, 48.5% and 42.4% of our revenue for the same periods, respectively. Since 2009 when our largest client first procured our services, we have been providing secondment and payroll services in Hong Kong and Macau and recruitment services in Hong Kong to such client. During the Track Record Period, a majority proportion of our revenue generated under our secondment and payroll services were derived from the client.

Apart from utilising our HR services, our largest client also engaged other recruitment agencies to fill the same vacancies and there is no assurance that our largest client will continue to engage us for the provision of our recruitment services and secondment and payroll services and/or increase their demand for our seconded staff in the future. If there is any significant decrease in the number of engagements awarded by such client and we are unable to secure engagements of a comparable size and quantity as replacements from and/or second our staff to other existing clients or new clients in an effective manner, our financial condition and operating results would be materially and adversely affected.

RISK FACTORS

In addition, in the event that our largest client experiences any liquidity problem or any other circumstances that may affect its business operation and/or financial positions, it may materially delay payments to us or even default in payments. In such case, we may not have sufficient cash flow to maintain our daily operation and our business, financial positions and results of operations could be materially and adversely affected. Further, as we enter into employment contracts with our seconded staff who are deployed to the client, we are obligated to pay the wages and other employee benefits, such as overtime allowances, to our seconded staff as soon as practicable in accordance with the applicable laws and regulations of Hong Kong and Macau. If we early terminate the employment contracts with the seconded staff as instructed by our clients, the seconded staff dismissed by us may be entitled to long service payments or severance payments, subject to their term of employment. We are also required under the relevant laws and regulations in Hong Kong to settle such payments within a prescribed timeframe. For details, please refer to the section headed “Business – Secondment and payroll services – After-sales services” in this prospectus.

Any failure by us to pay the wages and other employee benefits of our seconded staff within the prescribed time limit due to cash flow shortfalls or other liquidity problems of us may expose us to civil actions and/or criminal prosecutions and in such event, our reputation, business and results of operations could be adversely affected.

Our software, computer and network systems may not perform as anticipated and are vulnerable to damage and interruption, which may lead to leakage of personal data of individual candidates

The efficient operation of our business is dependent on our software, computer and network systems, which are directly related to the stability and performance of our HR services and assist us in managing our candidate database.

We, as an HR services provider, have in our possession a substantial amount of personal data related to individual candidates. Our software system also stores information relating to performance assessment of such candidates by our Group and our clients. Pursuant to the PDPO, we are obliged to keep all such data confidential. If our software experiences any functional problems or there is any failure of our software, computer and network systems due to power outages, hacker attacks, computer viruses, security breaches and errors in usage by our internal staff causing any breach of confidentiality by us or any failure to comply with the protection, collection, use and disclosure of personal data as prescribed under the PDPO, resulting in personal data related to individual candidates being leaked to or obtained by third parties, our reputation will be in jeopardy which could lead to loss of our major clients. Individual candidates may also take legal actions against us for damages and/or compensation for the loss that may have arisen or been incurred therefrom, in addition and being subject to the penalties prescribed under the PDPO. For details of the regulatory framework and penalties in relation to the PDPO, please refer to the section headed “Regulatory overview – Laws and regulations relating to our business in Hong Kong – Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)” in this prospectus.

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The internal control procedures we have implemented to safeguard the security and confidentiality of our candidate database may not effectively prevent leakage of personal data or unauthorised access to our candidate database under all circumstances. If such incident happened, we may be subject to investigation, litigation, arbitration and other forms of legal proceedings and/or dispute for breach of personal data privacy laws and regulations in Hong Kong and Macau and our management team will have to divert substantial time, effort and resources to handle the legal procedures. Details of our internal control measures are set out in the section headed “Business – Risk management” in this prospectus. If in the event that such breach has occurred, our business operation, financial results and reputation would be adversely affected.

We may not be able to implement all or any of our business plans successfully

We have set out our future plans to achieve business objectives under the section headed “Statement of business objectives and use of proceeds” in this prospectus. Our plans include, among other things, (i) strengthening our market position in Hong Kong through expanding our recruitment services and secondment and payroll services; and (ii) establishing our presence in the PRC through introducing our recruitment services. The future plans are drawn up based on a number of assumptions, forecasts and commitments of our Group.

In particular, our Group does not have previous experience in the operation of the HR services market in the PRC. Significant efforts and resources may have to be incurred in establishing our presence in the new geographical market and the implementation of our development plan in the PRC may not be as effective and profitable. We may also encounter a number of risks, such as difference in legal and tax systems as compared to our existing operation, fluctuations in currency exchange rates and political uncertainty. There is no assurance that our Group can overcome such risks. We may also have to devote substantial human and financial resources to coping with such risks, which may adversely affect our future results and profitability. Our operation will also be regulated by the applicable PRC laws and regulations and considerable costs and effort may have to be incurred in ensuring compliance with such laws and regulations. Due to circumstances beyond our control, including other risks as set out in this section, or for reasons that may render the assumptions and forecasts inoperable, there is no assurance that all or any of the future plans may be successfully implemented.

Our plan to explore the PRC market may present risks

We plan to establish our presence in the PRC recruitment services market. The details of our development plan are set out in the section headed “Statement of business objectives and use of proceeds” in this prospectus.

The recruitment services market in the PRC which we target is where we have no operating experience, as such, we may fail or experience significant difficulties to adapt to the different business environments, competitive conditions and consumer preferences in the PRC from our existing market. As a result, any services to be provided by us in the PRC market may attract less market demand than we originally expected. Clients in the PRC may not be familiar with our brand and we may need to build brand awareness in such market through greater investments in advertising and promotional activities than we originally planned. We may find

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it more difficult and costly in the new market to hire, train and retain qualified employees. There is no assurance that we can replicate our position in Hong Kong to the PRC. Any inability to replicate or successfully adapt our business model to local conditions may affect the profitability of our services. Any inability to execute our development plans in the PRC market could adversely affect our business, growth, financial condition and results of operations.

In addition, our continual development depends on our ability to successfully implement our business strategies and future plans, which in turn is subject to uncertainties and changing market conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialise. There is no guarantee that any of our business strategies will yield the benefits or achieve the level of profitability as our anticipation. Furthermore, our Group may not be able to manage the growth of our business effectively in a controlled manner. Over-expansion may strain our limited managerial, operational and financial resources, which may have a material adverse impact on the stability of our operational and financial conditions.

The long-term framework agreements we entered into with our clients do not provide any obligation on our clients to use our HR services and the significant reduction in job orders from clients could have a material adverse effect on our business, financial condition and results of operations

We entered into long-term framework agreements with most of our major clients for the provision of our recruitment services and secondment and payroll services. Such agreements do not impose any guaranteed and/or minimum number of job openings for the candidates on our clients, or the provision of minimum number of staff to be seconded by us. In general, the agreements may be terminated by the relevant clients forthwith upon serving a written notice of not less than one month on us without cause. In the event that, among others, (i) our Group commits a material or persistent breach of any terms or obligations of the long-term agreements; or (ii) our Group becomes the subject of a winding up petition or has passed a resolution to wind up; or (iii) any receiver or court officer has been appointed to take control of any substantial part of our Group's assets, properties and/or affairs and obligations, the agreements may be terminated without the need of any notice. As such, our clients may terminate their long-term framework agreements with immediate effect which affect the number of candidates placed to the clients and/or staff seconded to the clients, we may consequently experience unexpected fluctuation of our revenue and our business and results of operations may be materially and adversely affected.

We are exposed to credit risks under our business operation, and any material payment delays or defaults by our clients may negatively affect our business, financial positions and results of operations

We are subject to credit risks associated with our clients and our profitability and cash flow may be affected if our clients fail to make timely payments for our provision of HR services to them. During the Track Record Period, we generally granted a credit term of not more than 60 days to our clients. As at 31 December 2016 and 2017, our accounts receivables which were past due but not impaired amounted to approximately HK\$2.6 million and HK\$6.5 million, respectively. For further details, please refer to note 13 of the Accountants' Report in Appendix I to this prospectus.

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If a client delays payment in part or at all, our cash flow and working capital may be adversely affected. The payment recovery process is usually time-consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to manage past due debts effectively could have a material and adverse effect on our business, financial position and results of operations.

There can be no assurance that any future payment from our clients will be made on time and any failure by our clients to make payment to us on a timely manner may have an adverse effect on our future operating results and financial conditions.

The trend of our historical financial information may not be indicative of our financial performance in the future

Our revenue increased by approximately 40.2% from HK\$46.7 million for the year ended 31 December 2016 to approximately HK\$65.4 million for the year ended 31 December 2017. Our revenue increased from approximately HK\$23.1 million for the five months ended 31 May 2017 to approximately HK\$28.8 million for the five months ended 31 May 2018. Our net profit also grew substantially from approximately HK\$5.8 million to HK\$16.1 million during the same period. For the five months ended 31 May 2018, our net profit was approximately HK\$1.2 million as compared with the net profit of approximately HK\$5.1 million for the five months ended 31 May 2017. There is no assurance that we are able to maintain such growth rates in the future.

During the Track Record Period, each of our executive Directors, namely, Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan did not receive any remuneration for their provision of services to our Group. We intend to enter into a remuneration and compensation package with each of them upon Listing and monthly remuneration will be payable to each of the aforementioned executive Directors. Please refer to the section headed “Directors and senior management – Remuneration and compensation of Directors and senior management” for further details of the remuneration arrangement of our executive Directors during the Track Record Period and upon Listing. It is expected that the payment of the Directors’ remuneration will increase our Group’s staff costs as a whole which will have an impact on our Group’s financial performance for the year ending 31 December 2018.

In addition, our revenue may decline for an array of reasons, including failure to retain our existing clients and/or attract new clients, intensified market competition, slowdown in the growth of the overall HR services market and any unfavourable changes in government policies with respect to the HR services market or the general economic conditions in Hong Kong and Macau. Therefore, historical figures for our financial performance are reflective of our past performance only and may not necessarily be indicative of our financial performance in the future. We cannot assure you that there is a positive trend for our business prospects. We may not achieve comparable or higher level of financial performance in the future as we achieved during the Track Record Period.

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Our revenue and profit sustainability depend on our ability to maintain our competitiveness through providing high quality services

We have been conducting business in the HR services industry for more than nine years. Although we recorded revenue of approximately HK\$46.7 million, HK\$65.4 million and HK\$28.8 million and net profit of approximately HK\$5.8 million, HK\$16.1 million and HK\$1.2 million for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively, the sustainability of our revenue and net profit will depend on the ability to maintain our competitiveness in the HR services industry through providing high quality services.

The competition within the HR services industry is intense. According to the F&S Report, there were more than 800 recruitment agencies in Hong Kong as at 31 December 2017. The number of companies in Hong Kong providing HR services, including our competitors and new market entrants, may increase in the future resulting in intensified price competition, which could in turn adversely affect our bargaining power in terms of fees charged and consequently our results of operations and prospects. Our market position may be hampered by intensified competition in the form of better services and/or price reductions by our competitors. The failure of us to maintain our high quality services at competitive pricing could have a material adverse effect on our business, operating results and financial conditions.

The working capital mismatch in our operation may result in insufficient cash flow if there is a fall in our internally generated funds and banking facility

In general, we do not receive any upfront payments or deposits from our clients prior to the commencement of our HR services. Throughout the provision of our services, we issue invoices and receive payments after the performance of our services, for which we would have incurred costs, particularly labour costs associated with deployment of seconded staff. However, due to the time taken for checking of the invoices, calculation of payroll and processing of the payments, some of our clients may have to settle their invoices beyond the credit period granted by us. As a result, in our business operation cycle, the time taken to receive payments from our clients is generally longer than the time to pay the salaries to our seconded staff. Therefore, we have a working capital mismatch in our operation.

In December 2017, we had drawn down a new bank loan in the amount of HK\$10.0 million. We generally finance our business operation through our internally generated funds and bank loan. However, there is no guarantee that the amount of our internally generated funds will be sufficient to cover the working capital mismatch in our operation in the future. Any economic downturn in Hong Kong and/or Macau will affect the demand for our HR services and may result in a decline in revenue and therefore internally generated funds of our Group. The working capital mismatch in our operation may result in insufficient cash flow of our Group and hence may adversely affect our business operation.

We may be vicariously liable for the acts or omissions of our seconded staff

For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, we had employed an aggregate of 173, 172 and 156 seconded staff in Hong Kong and Macau, respectively. These seconded staff worked for and were under the supervision of our clients

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during the secondment period but they remain as our employees. As such, we may be vicariously liable for their acts or omissions while they carry out or purport to carry out the respective responsibilities entrusted to them by our clients. For instance, if our clients suffer any losses arising from their reliance on false or misleading information provided by our seconded staff or any wrongdoings on the part of such staff during the provision of services, we could be exposed to claims or legal actions brought by our clients. In such event, we may need to incur additional costs to settle or defend these claims or legal actions and our business, results of operations and financial conditions may be adversely affected. Our reputation may be substantially affected and the above events may also affect our relationship with our existing and potential clients.

Our HR services are subject to seasonal fluctuations

During the Track Record Period, demand for our recruitment services and secondment and payroll services generally fluctuated in the first quarter of each year during which we generate relatively lower revenue. This was mainly due to the general lower intention of candidates to pursue new job opportunities in the first quarter of the year during which bonuses are usually distributed, resulting in the lower supply of candidates generally in the market. As such, our results of operations may fluctuate from period to period and a comparison of different periods may not be meaningful. In addition, our results for a given financial period are not necessarily indicative of results to be expected for any other financial periods.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a highly competitive market

According to the F&S Report, the HR services industry in Hong Kong and Macau are both fragmented and there are a large number of market players in the industry. As at 31 December 2017, there were more than 800 recruitment agencies in Hong Kong. Some of our competitors may have advantages over our Group, such as possession of industry specific HR services information, more diverse client base and candidate connections. Further, according to the F&S Report, the HR services industry has a relatively lower entry barrier than other industries which may invite substantial number of new entrants to the HR services market and consequently dilute our market share.

There is no assurance that our competitors will not develop the expertise, experience and resources necessary to provide services that are better in quality and/or more competitive in pricing compared to our services. Failure to maintain or enhance our competitiveness within the industry or maintain our client base may adversely affect our financial performance and profitability.

There may be changes in the regulatory environment

For the provision of recruitment services in Hong Kong, we are required to obtain a licence from the Labour Department of Hong Kong. Please refer to the section headed “Regulatory overview – Laws and regulations relating to our business in Hong Kong – Employment Ordinance (Chapter 57 of the Laws of Hong Kong)” in this prospectus for the licensing requirements and regulatory frameworks of employment agencies in Hong Kong. No

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such licences are required by us in Macau according to the Macau Legal Advisers. If the Hong Kong government and/or Macau government imposes any new or further licensing requirements of employment agencies in Hong Kong and Macau, respectively, we may incur extra costs and human resources in complying with such requirements, laws and/or regulations and our business may be materially affected and we cannot guarantee that we will be able to obtain any additional licences, if required. We cannot assure that there will not be any changes in the regulatory environment in respect of the HR services industry in Hong Kong and Macau which may be unfavourable to our Group.

We have to keep up with rapid changes in the HR services industry

We operate in the HR services industry and such industry is subject to rapid changes in both the labour market and the relevant regulations. There is no assurance that we can offer, or develop the expertise, experience and resources to offer HR services to our clients on a timely and competitive basis. We may incur significant costs in developing our business, adapting to the changes in the labour market and providing training to our staff in order to maintain our competitiveness.

If we fail to keep up with the rapid changes in HR services industry and outperform our competitors, the demand for our HR services may reduce, resulting in adverse effect to our business and results of operations.

RISKS RELATING TO HONG KONG AND MACAU

Risks relating to the economic, political, legal and social conditions in Hong Kong and Macau

During the Track Record Period, we operated our business in Hong Kong and Macau. Any adverse changes in the economic, political, legal and social conditions of Hong Kong and Macau may lead to an adverse impact to the demand for our services and/or supply of labour force and may result in deteriorating financial performance of our Group.

Furthermore, we cannot assure you that there will not be any political movements or large scale political unrest in Hong Kong or Macau which may in turn adversely impact the market or lead to disruption of the general economic, political and social conditions in Hong Kong or Macau. If such unrest or movement persists for a substantial period of time, it may lead to such disruption, and our overall business, results of operations and financial condition may be adversely affected.

Hong Kong and Macau became the special administrative regions of the PRC when the sovereignties of both regions were returned to the PRC. We cannot assure you that the economic, political and legal developments in Hong Kong and Macau will not be adversely affected as a result of the exercise of sovereignties by the PRC over Hong Kong and Macau. If there is any material adverse change in the general economic, political and legal developments in Hong Kong or Macau, our operations and financial position may be adversely affected.

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Risks of acts of God, acts of war and terrorism, natural disasters, riots, epidemics and other disasters

The economy, infrastructure and livelihood of the people of Hong Kong or such other jurisdictions may be materially and adversely affected by acts of God, acts of war and terrorism, natural disasters, riots, epidemics and other disasters which are beyond our control. Our business, financial condition and results of operations may be adversely affected if these events occur.

For example, epidemics threaten people's lives and may adversely affect their livelihood as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and we cannot assure you that the outbreak of severe acute respiratory syndrome, the H5N1 strain of avian influenza, the H1N1 strain of swine flu, the Zika virus or any other epidemics or pandemics will not happen. Any epidemic or pandemic occurring in Hong Kong, or even in areas outside of Hong Kong, may adversely affect our business, financial condition and results of operations. Acts of war and terrorism may cause damage or disruption to us or our employees, facilities, markets, suppliers or clients, any of which may adversely impact our revenue, cost of sales, financial condition and results of operations or the trading price of our Share. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

RISKS RELATING TO THE PRC

Unfavourable changes in the regulatory regime for the HR services industry in the PRC may adversely affect our business environment

The PRC government may amend the current regulations and policies or enact new regulations and policies unfavourably to our business operation in the future. Any change of practice or any imposition of obligations on us to comply with new regulatory requirements may increase our costs of operation and in turn adversely affect our profitability, alternatively, our failure of or delay in timely compliance with any such new obligation or regulations would expose us to unfavourable legal consequences. We cannot give any assurance that we will be able to meet all the new requirements in a timely manner or at all to continue our business in the future and we may be penalised for failure or delay to do so and/or have to suspend our business operation. Any of the above matters could cause material and adverse effect to our business, reputation and financial condition.

Our operational stability and financial performance may be adversely affected by the state of economic and political conditions in the PRC

As we plan to establish our presence in the PRC recruitment services market, economic developments in the PRC are expected to have a substantial effect on our financial condition, results of operations and growth prospects. The global financial crisis that unfolded in 2008 and continued in the past few years has led to a marked slowdown in the economic growth of the PRC. Any significant slowdown in the PRC economy may have an adverse effect on our business and operations.

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Furthermore, we cannot predict whether changes in the PRC economic, political or social conditions and in the PRC laws, regulations and policies will have a material adverse effect on our business, results of operations, financial condition and prospects. In particular, our ability to successfully establish our business operations in the PRC depends on a number of factors, some of which may be beyond our control, including:

- political instability or changes in social conditions of the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation; and
- changes in the rate or method of taxation.

Any significant changes in relation to any of these factors may materially and adversely affect our business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us

Our future business operations in the PRC will be governed by the PRC laws. The PRC legal system is based on written statutes, and prior court decisions have limited precedential value and can only be cited as reference. Additionally, Chinese written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since the late 1970s, the PRC government has promulgated laws and regulations in relation to economic matters such as trading of securities, shareholders right, foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited number of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be definitive and as consistent and predictable as in other jurisdictions.

In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that may have a retroactive effect. We may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention. Furthermore, the PRC is geographically large and divided into various provinces and municipalities and as such, different rules, regulations and policies apply in different provinces. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations.

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Furthermore, we may enter into agreements from time to time under the PRC laws in the course of our business operations. Agreements that are governed by the PRC laws may be more difficult to enforce by litigation or arbitral proceedings in the PRC than in countries with more mature legal systems. It may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in another jurisdiction.

Government control over currency conversion and fluctuations in exchange rates may affect the value of your investment and limit our ability to utilise our cash effectively

RMB is not currently a freely convertible currency. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. In such event, we may not be able to pay dividends in foreign currencies to our Shareholders. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a portion of our future cash flow from operations is likely to be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rate of RMB against the Hong Kong dollar, US dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC and international political and economic conditions. In July 2005, the Chinese government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Between May 2007 and March 2014, the PRC government further widened the daily band to as high as 2% in order to further improve the managed floating RMB exchange rate regime based on market supply and demand. In addition, the People's Bank of China has introduced a series of measures to facilitate the reform of the RMB exchange rate regime, including the introduction of financial derivative products such as currency swaps, and the relaxation on RMB trading by non-financial institutions. Fluctuations in the exchange rates of the RMB may have a material adverse impact on our results of operation, financial condition and profitability.

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RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure you that our Shares will be traded in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of Shares could be materially and adversely affected.

The trading prices and volume of our Shares may be volatile, which could result in substantial losses to you

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares; changes in securities analysts' (if any) estimates of our financial performance; investors' perceptions of our Group and the general investment environment; changes in laws, regulations and taxation systems which affect our operation; general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors which securities are listed on the Stock Exchange may affect trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies; involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Shareholders' equity interests may be diluted

We may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to our existing operation or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced and the Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

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Future sales of Shares by our Controlling Shareholders could materially and adversely affect the prevailing market price of the Shares

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods. There are no assurances that our Controlling Shareholders will not dispose of the Shares held by them following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict the effect, if any, of any future sales of the Shares by our Controlling Shareholders on the market price of the Shares. Sales of a substantial amount of Shares by any of them or the issue of a substantial amount of new Shares, or the market perception that such sale or issue may occur, could materially and adversely affect the prevailing market price of the Shares.

The exercise of options granted under the Share Option Scheme would result in the reduction in the percentage of ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share

Our Company has conditionally adopted the Share Option Scheme although no options had been granted hereunder as at the Latest Practicable Date. Issue of Shares pursuant to the exercise of the options to be granted under the Share Option Scheme in the future would result in the reduction in the percentage of ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue. Under the HKFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our profit or loss over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

The interests of one of our Controlling Shareholders may differ from those of other Shareholders

One of our Controlling Shareholders, Mr. Raymond Chow, is not a Director and does not owe fiduciary duties to our Shareholders. As such, he has no obligation to consider the interests of our Company or the interests of other Shareholders, and his interests may differ from those of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, you could be disadvantaged by the actions that any of our Controlling Shareholders choose to cause us to pursue. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to the Shareholders for approval, such as mergers, acquisitions and disposal of all of our assets, election of directors, and other significant corporate actions.

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Shareholders and investors could face difficulties in protecting their interest because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong

Our corporate affairs are governed by the Memorandum and the Articles, the Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Certain statistics and facts in this prospectus are derived from various sources and may not be reliable

This prospectus includes certain statistics and facts extracted in whole or in part from various government official sources and publications, the F&S Report or other sources. These statistics and facts have not yet been independently verified by our Company, the Sole Sponsor, the Underwriters, any of their respective directors or any other party involved in the Share Offer. In addition, the information contained in the F&S Report was derived by means of, inter alia, desk research, client consultation and interviewing with key stakeholders and industry experts, which includes information that is not publicly available. Therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminologies such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operation, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking statements” in this prospectus for further details.

RISK FACTORS

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our Controlling Shareholders, our industry or the Share Offer

There may be press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our Controlling Shareholders, our industry, our Directors and employees or the Share Offer, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the relevant publications and we do not accept any responsibility for any such press articles, media coverage or research analyst reports or the accuracy or completeness or reliability of any such information or publications. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 in this prospectus or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants in the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Bookrunner, the Joint Lead Managers and the Co-Manager. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by Placing Underwriter(s) pursuant to Placing Underwriting Agreement and is subject to our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 4 October 2018, or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. The Offer Price is currently expected to be not more than HK\$0.4 per Offer Share and not less than HK\$0.3 per Offer Share. The Sole Bookrunner (for itself and on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.kos-intl.com.

If the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not proceed and will lapse.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

Each person acquiring the Offer Shares will be required to confirm or be deemed by his acquisition of Offer Shares to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms. Accordingly, this prospectus and/or the Application Forms may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction other than Hong Kong or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriters, any of their respective directors, officers, agents, employees affiliates and/or any representatives or any other persons involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Department for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and any Shares to be issued under the Capitalisation Issue).

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal in is being or is proposed to be sought in the near future.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the application lists or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public.

Accordingly, a total of 200,000,000 Offer Shares representing 25% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

OFFER SIZE ADJUSTMENT OPTION

Details of the arrangements relating to the Offer Size Adjustment Option are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriters and their respective directors, advisers, officers, agents, employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTRATION AND STAMP DUTY

All issued Shares upon completion of the Share Offer are freely transferable and will be registered on the principal share register or the branch share register of our Company.

The principal share register of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited, and a branch share register of our Company will be maintained in Hong Kong. Unless our Directors otherwise agreed, all transfer and other documents of title of Shares must be lodged for registration with, and registered by Tricor Investor Services Limited, our Company's Hong Kong Branch Share Registrar.

All the Offer Shares will be registered on the branch register of members of the Company in Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Friday, 12 October 2018 under the GEM stock code 8042. Shares will be traded in board lots of 10,000 Shares each.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE CONVERSION

Unless otherwise specified and for the purpose of this prospectus, amounts denominated in MOP are translated into HK\$ at the rate of MOP1.03 to HK\$1. No representation is made that any amounts in MOP have been, would have been or may be converted at the above rate or any other rates or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Chan Ka Kin Kevin (陳家健)	Flat A, 20th Floor Block 3A, Laurel Court World-wide Gardens Shatin New Territories Hong Kong	Chinese
Chan Ka On Eddie (陳家安)	7th Floor, Prince Apartments 228A Prince Edward Road West Prince Edward Kowloon Hong Kong	Chinese
Chan Ka Shing Jackson (陳家成)	Flat C, 15th Floor, Block 3 Royal Ascot 1 Tsun King Road Shatin New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Tong Kam Piu (唐錦彪)	Flat B, 13th Floor, Block 1 Clovelly Court 12 May Road Hong Kong	British
Poon Kai Kin (潘啟健)	No. 16, 4th Street, Section B Fairview Park Yuen Long New Territories Hong Kong	Chinese
Wang Ho Pang (王昊鵬)	Apartment 19B Eight Kwai Fong 8 Kwai Fong Street Happy Valley Hong Kong	Chinese

For further information regarding our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Ever-Long Securities Company Limited

18th Floor, Dah Sing Life Building

99-105 Des Voeux Road Central

Hong Kong

(A corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)

Sole Bookrunner

Pacific Foundation Securities Limited

11th Floor, New World Tower II

16-18 Queen's Road Central

Hong Kong

(A corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO)

Joint Lead Managers and Underwriters

Pacific Foundation Securities Limited

11th Floor, New World Tower II

16-18 Queen's Road Central

Hong Kong

Sang Woo (Kirin) Securities Limited

12/F, OTB Building

160 Gloucester Road

Wan Chai

Hong Kong

(A corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)

Co-Manager and Underwriter

Frontpage Capital Limited

26th Floor, Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

(A corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law:

Stephenson Harwood

18th Floor, United Centre
95 Queensway
Hong Kong

As to Hong Kong law:

Mr. Jon K.H. Wong

Barrister-at-law, Hong Kong
Suites 902-905, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

As to Macau law:

Rato, Ling, Lei & Cortés – Advogados

Avenida da Amizade n.º 555
Macau Landmark
Office Tower 23º
Macau SAR

As to PRC law:

GFE Law Office

Units 3409-3412
Guangzhou CTF Finance Centre
6 Zhujiang Road East
Zhujiang New Town
Guangzhou
PRC

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Legal advisers to the Sole Sponsor,
the Sole Bookrunner, the Joint Lead
Managers, the Co-Manager and the
Underwriters**

As to Hong Kong law:

Deacons
5th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:

AllBright Law Offices
Room 02-07, 33rd Floor
Guangzhou International
Finance Centre
5 Zhujiang West Road
Tianhe District
Guangzhou 510623
PRC

Auditor and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Industry consultant

Frost & Sullivan Limited
1706, One Exchange Square
Hong Kong

Internal control consultant

Lau & Au Yeung C.P.A. Limited
21st Floor, Tai Yau Building
181 Johnston Road
Wan Chai
Hong Kong

Receiving bank

**Standard Chartered Bank
(Hong Kong) Limited**
15/F, Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

CORPORATE INFORMATION

Registered office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Suites 808-809 & 809A, Ocean Centre No. 5 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Company's website	<u>www.kos-intl.com</u> <i>(The contents of this website do not form part of this prospectus)</i>
Company secretary	Chang Kam Lai (張錦麗) (HKICPA) (ACCA) Suites 808-809 & 809A, Ocean Centre No. 5 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Chan Ka On Eddie (陳家安) 7th Floor, Prince Apartments 228A Prince Edward Road West Prince Edward Kowloon Hong Kong Chan Ka Shing Jackson (陳家成) Flat C, 15th Floor, Block 3 Royal Ascot 1 Tsun King Road Shatin New Territories Hong Kong
Compliance officer	Chan Ka Shing Jackson (陳家成)
Audit Committee	Poon Kai Kin (潘啟健) (Chairman) Tong Kam Piu (唐錦彪) Wang Ho Pang (王昊鵬)
Remuneration Committee	Tong Kam Piu (唐錦彪) (Chairman) Poon Kai Kin (潘啟健) Wang Ho Pang (王昊鵬)

CORPORATE INFORMATION

Nomination Committee	Wang Ho Pang (王昊鵬) (<i>Chairman</i>) Poon Kai Kin (潘啟健) Tong Kam Piu (唐錦彪)
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	HeungKong Capital Limited Suite 622 Ocean Centre Harbour City Tsim Sha Tsui Kowloon Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Shop 2, Telford House 16 Wang Hoi Road Kowloon Bay Kowloon Hong Kong O-Bank Co., Ltd., Hong Kong Branch Rooms 10-14, Tower 6, 32nd Floor The Gateway Harbour City Tsim Sha Tsui Kowloon Hong Kong

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise specified, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriter, or any of our or their respective directors, officers, employees, advisers, agents or representatives or any other persons involved in the Listing nor is any representation given as to its accuracy or completeness. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on HR services industry in Hong Kong, Macau and the PRC. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the F&S Report. We paid Frost & Sullivan a fee of HK\$348,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the F&S Report in this prospectus because we believe this information facilitates an understanding of the HR services industry in Hong Kong, Macau and the PRC as well as other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the HR services industry in Hong Kong, Macau and the PRC. Primary research involves in-depth interviews with leading industry participants and industry experts. Secondary research involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data are obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise specified, all of the data and forecasts contained in this section are derived from the F&S Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumes that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the HR services industry in Hong Kong, Macau and the PRC.

The following parameters have been taken into account in the market sizing and forecast model in the F&S Report:

- expert opinion forecasting methodology;
- integration of market drivers and restraints;
- integration with the market challenges
- integration of the market engineering measurement trends; and
- integration of economic variables

NO ADVERSE CHANGE IN MARKET INFORMATION

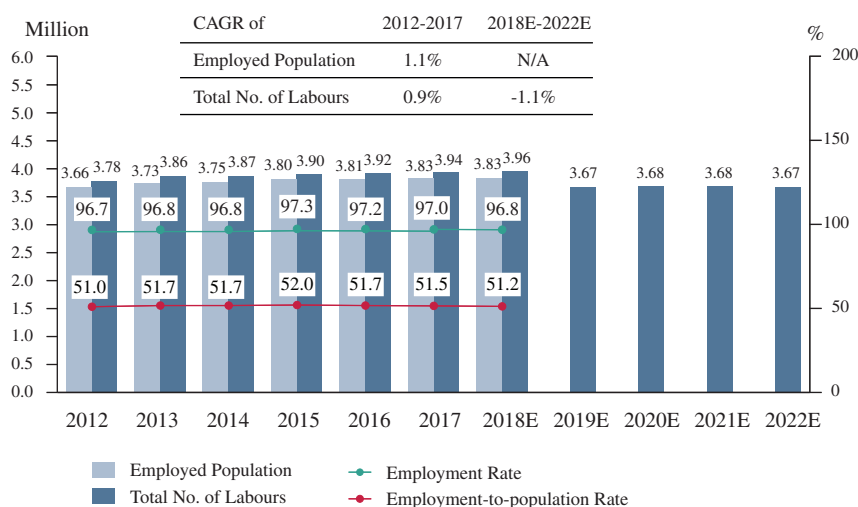
Our Directors confirmed that, after making enquiries, as at the Latest Practicable Date, there was no material adverse change in the market information since the date of the F&S Report, which may qualify, contract or have an impact on the information in this section.

INDUSTRY OVERVIEW

OVERVIEW OF MACRO ECONOMY IN HONG KONG

The total number of labour and employed population reached approximately 3.94 million and 3.83 million in 2017, respectively. For the employed population and the total number of labour, they grew at a CAGR of approximately 1.1% and 0.9%, respectively from 2012 to 2017 due to the steady growth of the Hong Kong economy. The total number of labour is estimated to reach a plateau of approximately 3.96 million in 2018 but decrease to approximately 3.67 million in 2022 at a negative CAGR of approximately 1.9%. More women and elderlies are projected to enter into the labour market in the future which helps slowdown the decline in the labour force. The employed population had increased from approximately 3.81 million in 2016 to approximately 3.83 million in 2018. The employment rate increased steadily from 2012 to 2017 from approximately 96.7% to 97.0%. The employment-to-population rate also slightly increased from approximately 51.0% in 2012 to 51.7% in 2016 and then slightly decreased to approximately 51.5% in 2017 due to ageing population.

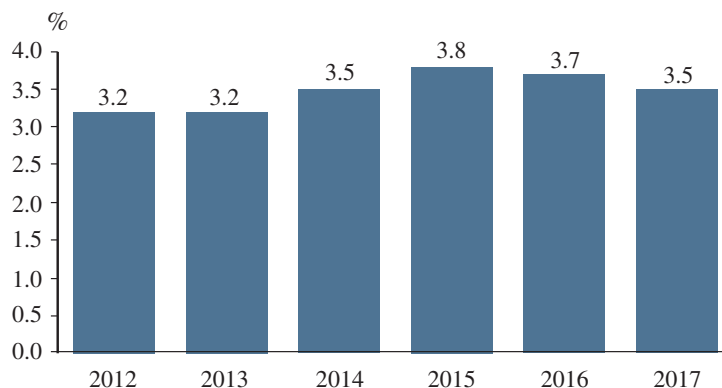
Employment Statistics in Hong Kong, 2012-2022E



Source: International Monetary Fund, HKSAR Census and Statistics Department, Frost & Sullivan

Vacancy rate is one of the key parameters in assessing the HR services market which refers to the unfilled job openings immediately available. The average vacancy rate has been increasing over the years from approximately 3.2% in 2012 to 3.5% in 2017. The high vacancy rate is caused by various factors, such as high turnover rate, seasonal factors, retention rate, culture differences of firms and/or roles that may require niche and specialised skills etc. These factors may add difficulties in hiring suitable candidates by internal HR teams resulting in an increase in the demand for services provided by external HR services providers.

Average vacancy rate in Hong Kong, 2012-2017

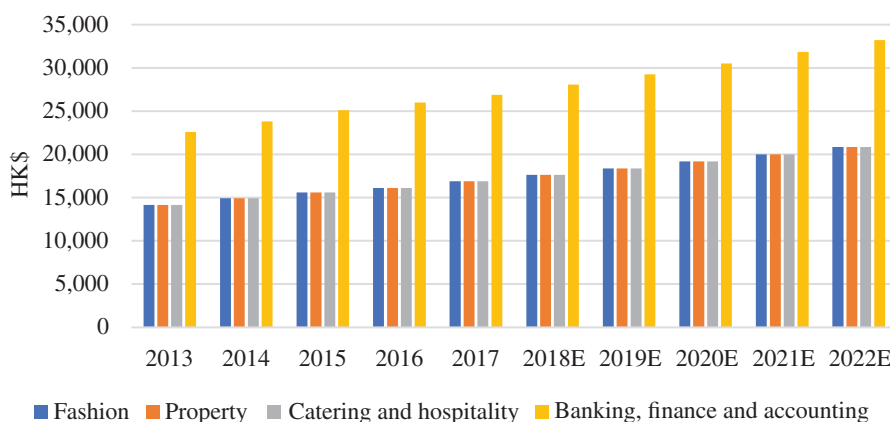


Source: Frost & Sullivan

INDUSTRY OVERVIEW

The average monthly salary trend of key industries of our clients has been underpinned by the stable economic development in Hong Kong. The average monthly salary of fashion, property, catering and hospitality and banking, finance and accounting industries have recorded steady growth, with CAGR of approximately 4.5%, 4.5%, 4.4% and 4.5% from 2013 to 2017 respectively. Looking forward, the said key industries are expected to continue to grow steadily at comparable CAGR of approximately 4.3%, 4.3%, 4.2% and 4.3% from 2018 to 2022 respectively.

Average monthly salary trend in Hong Kong, 2013-2022E



Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

OVERVIEW OF HR SERVICES INDUSTRY IN HONG KONG

Introduction of HR services industry

In general, HR services industry can be categorised into three major segments, namely recruitment services, secondment and payroll services and other HR services. Our Group provides recruitment services and secondment and payroll services.

Recruitment services generally refer to services whereby HR services providers assist the clients, who are looking to fill vacancies in a permanent nature in identifying, skill matching, shortlisting and communicating with candidates. Such HR services providers, sometimes known as “headhunters”, typically receive a fee which is calculated based on a percentage of the annual salary of successful candidates.

Secondment and payroll services generally refer to services whereby HR services providers provide ancillary HR services to the clients. These include but not limited to a range of HR services such as administration of payroll, health benefits plans, retirement plans, employment taxes and workers’ compensation insurance etc.

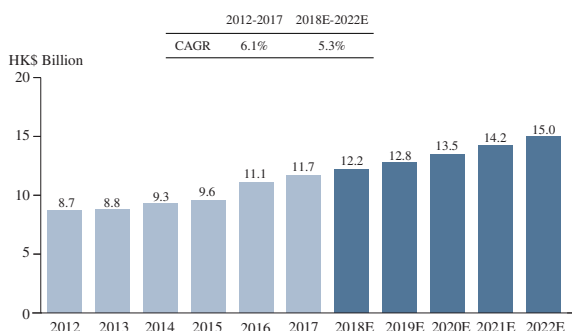
Others HR services mainly refer to the provision of services whereby HR services providers assist the client in meeting temporary needs for specialised professionals. It also includes other HR ancillary services, such as online recruiting and HR consulting services.

Market Size of HR Services Industry in Hong Kong

The market size of the overall HR services industry has grown from approximately HK\$8.7 billion in 2012 to HK\$11.1 billion in 2016, representing a CAGR of approximately 6.3% which is mainly driven by the strong growth in secondment and payroll services and other HR services. With the positive outlook of future economy in Hong Kong and related HR activities, the market size is projected to reach approximately HK\$15.0 billion by 2022, at a CAGR of approximately 5.3%.

INDUSTRY OVERVIEW

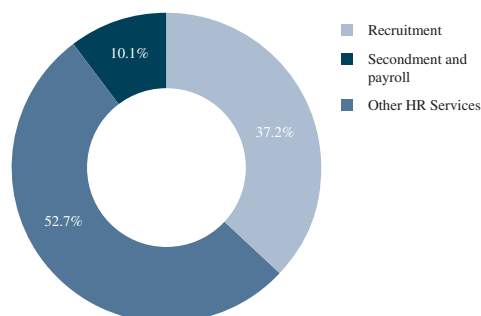
Market Size of the HR Services Market in Hong Kong, 2012-2022E



Source: Frost & Sullivan

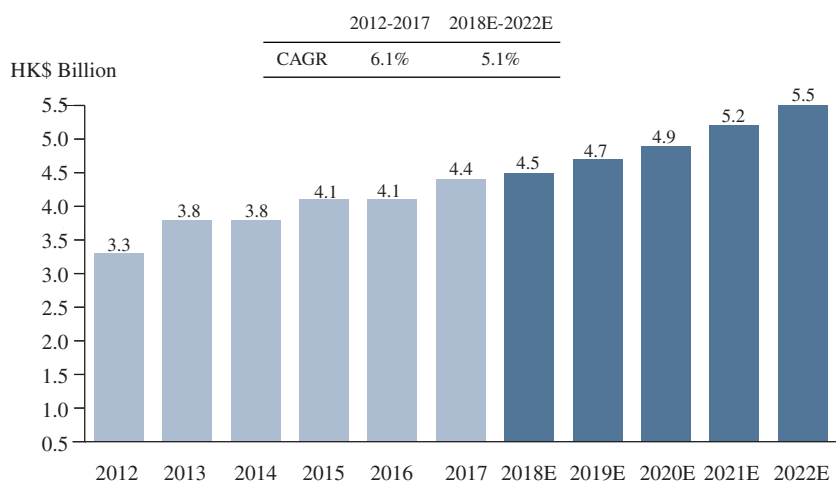
Market Size of HR services industry by business segments in Hong Kong, 2017

Market size in 2017: HK\$11.7 billion



The market size of the recruitment services market has been rising from HK\$3.3 billion in 2012 to HK\$4.4 billion in 2017, at a CAGR of 6.1%. This is mainly due to the positive economic growth in Hong Kong and constant rising demand for manpower across industries, which had vacancy rates of approximately 2% to 3.5% during the periods from 2012 to 2017. The revenue of the recruitment services market is projected to further increase at a CAGR of approximately 5.1% from 2018 to 2022, reaching approximately HK\$5.5 billion by 2022. Such increase is mainly driven by the continuous rise in turnover rate and growing demand for labour force across various job functions, in particular frontline sales, IT, finance and accounting etc. in Hong Kong in the coming years.

Market Size of the Recruitment Services Market in Hong Kong, 2012-2022E

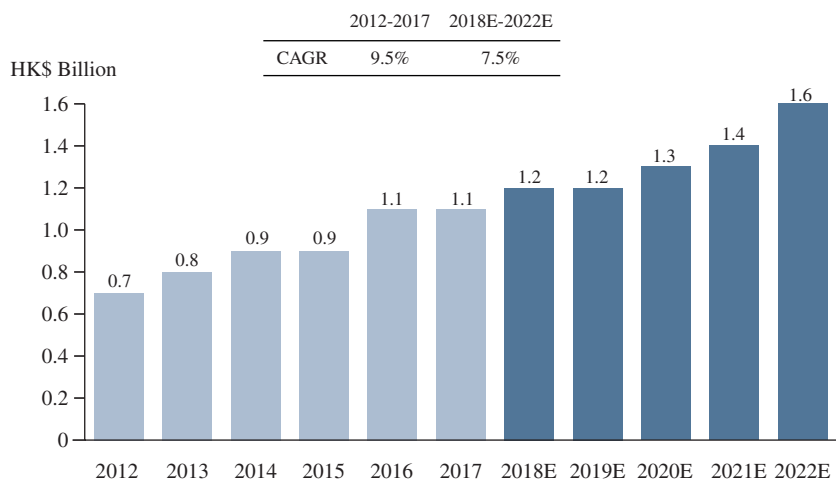


Source: Frost & Sullivan

The market size of the secondment and payroll services market has significantly increased over the past five years, from HK\$0.7 billion in 2012 to HK\$1.1 billion in 2017, with a CAGR of approximately 9.5%. The growing number of medium sized companies underpinned by the positive growth in Hong Kong economy is forecast to drive the secondment and payroll services to reach approximately HK\$1.6 billion by 2022, which represents a CAGR of approximately 8.0%.

INDUSTRY OVERVIEW

Market Size of the Secondment and Payroll Services Market in Hong Kong, 2012-2022E



Source: Frost & Sullivan

Market drivers of HR services industry in Hong Kong

Growing investment opportunities from the PRC

The strong economic development in the PRC, especially the Guangdong-Hong Kong-Macau Bay Area, in recent years has been offering a myriad of investment opportunities for businesses across various industries in Hong Kong. The growing investment opportunities from the PRC have led to rising number of business start-ups and external and internal expansion of SMEs and large enterprises in Hong Kong which is stimulating the demand for skilled labour in Hong Kong. This in turn provides a strong growth momentum for the overall HR services market to satisfy the growing demand for recruitment and related HR services in Hong Kong.

High employment turnover rate

The employment turnover rate has been rising from approximately 3.3% in 2012 to 4.8% in 2016 in Hong Kong, at a CAGR of approximately 9.8%. In 2017, the employment turnover rate reached approximately 5.3%. The historical growing trend is mainly attributable to the reducing job loyalty of the employees in Hong Kong and the rising popularity of online recruitment platforms which foster the job hopping activities of younger generations. The increasing employment turnover rate in Hong Kong stimulates the demand for HR services from companies which are eager to fill up the headcounts. Also, companies are now more willing to engage HR services providers for their extensive networks and ability to locate ideal candidates. Thus, the rising employment turnover rate is driving the entire HR services industry, in particular recruitment services, in Hong Kong.

Growing consumption of HR services from SMEs

Due to the relatively strong economic growth in Hong Kong in the past few years, there is a significant growth in the number of businesses of relatively small scale. These companies would often streamline their business operation, place resources on core businesses to drive growth and outsource their HR and related services to HR services providers, aiding them on HR matters, such as payroll, health insurance, MPF etc.. As the secondment and payroll services provided by HR services providers significantly reduce the operation cost and enhance the work efficiency of their clients, there is an increasing trend of SMEs adopting outsourced HR services in Hong Kong. With the expected robust economic growth in Hong Kong, the demand for outsourced HR services is anticipated to grow underpinned by the overall positive business outlook from SMEs in Hong Kong and thus provide strong growth momentum for the Hong Kong HR services market.

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Market trends in the HR services industry

Data driven recruiting market

With the growing ease of data collection, it is expected that big data, analytics and predictive models will be utilised in candidate sourcing in the HR services industry with an aim to optimising and matching clients' requirements in a more efficient manner. The use of such technology will significantly reduce the HR services providers' workload and enhance the accuracy in placing candidates to their clients as such data-driven approach will enable the HR services providers to easily identify candidates with suitable profiles.

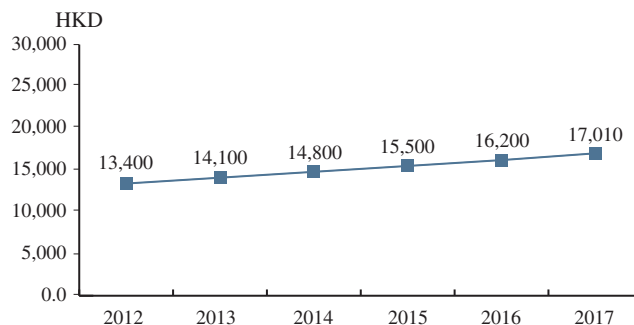
Functional specialisation of HR professionals

Due to the increasing demand for professional talents, HR services providers are starting to set up specialised teams for different job functions such as technology, healthcare, engineering, banking and finance, secretarial and business support etc., serving a wide range of clients in various industries such as retail, banking and engineering. This will greatly shorten the recruitment time span and enhances the success rate in placing candidates to clients. HR services providers will also own a more specialised portfolio of candidates across various job functions that will lessen the burden of networking and relationship building.

Labour costs

The major costs incurred in the operation of HR services providers is mainly labour costs. Set forth below is a graph showing the change in medium monthly wage in Hong Kong from 2012 to 2017.

Medium Monthly Wage in Hong Kong, 2012 to 2017



Source: Frost & Sullivan

The medium monthly wage in Hong Kong has increased at a CAGR of 4.9% from HK\$13,400 in 2012 to HK\$17,010 in 2017. With the expected strong economic performance in Hong Kong, the medium monthly wage in Hong Kong is expected to reach approximately HK\$21,460 in 2022 at a CAGR of 4.8% from 2017 to 2022.

COMPETITIVE LANDSCAPE OF HR SERVICES INDUSTRY IN HONG KONG

Overview of competitive landscape of HR services industry

The HR services market in Hong Kong is highly fragmented and competitive with more than 800 recruitment agencies in Hong Kong as at 31 December 2017. Among the recruitment agencies, a number of them do not adopt any functional specialisation, whereas a majority of them are specialised in one or a few job functions including HR and administration, financial services, IT and housekeeping. Thus, in terms of the number of job functions, a large number of the recruitment agencies would not be in direct competition with our Group as we have different teams focusing on a wide range of job functions. In 2017, our Group recorded revenue of approximately HK\$65.4 million, which represent approximately 0.6% of the market share in terms of revenue in Hong Kong. The major HR services providers are mostly international players that have entered the HR services market in Hong Kong since late 1980s. These international players have already established a strong brand name and developed a global business network together with a broad industry expertise which can provide integrated HR services, for clients of various operation size across different industries. Though the local market players are usually smaller in terms of company size, they tend to have more extensive local business networks and better relationship management with the local clients which is going to gain them a competitive edge in capturing market shares from international players.

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According to the F&S Report, the top five market players of the HR services industry in Hong Kong in 2017 accounted for, in aggregate, approximately 24.1% of market share of the HR services market in Hong Kong. Company A ranked the first with a market share of approximately 6.7%, followed by Company B and Company C with market shares of approximately 6.1% and 5.6% respectively. Our Group captured approximately 0.6% of the overall HR services market in Hong Kong in 2017. The following table sets forth, among others, the ranking and market shares of such top five market players in the HR services industry in Hong Kong in 2017.

Ranking	Market players	Place of listing	Estimated revenue generated in Hong Kong (Note 1) (HK\$ million) (approximately)	Major HR services in Hong Kong	Estimated market share (Note 2) (approximately)
1	Company A	New York Stock Exchange	780	– Recruitment – Secondment and payroll	6.7%
2	Company B	SIX Swiss Exchange	700	– Recruitment – Secondment and payroll	6.1%
3	Company C	AEX of Euronext Amsterdam	650	– Recruitment – Secondment and payroll	5.6%
4	Company D	London Stock Exchange	350	– Recruitment – Secondment and payroll	3.0%
5	Company E	London Stock Exchange	320	– Recruitment	2.7%

Notes:

- (1) The estimated revenue generated by the market players is derived from respective companies' actual total revenue or regional revenue (when available) for the financial year of 2017, and adjusted with the ratios of their number of office(s) and staff in Hong Kong to the total number of offices and staff respectively of each market player, for illustration purpose. Such estimated figures are cross-checked by Frost & Sullivan through expert interviews and other secondary sources.
- (2) The estimated market share of the market players is derived from their respective estimated revenue generated in Hong Kong for the financial year of 2017 divided by the revenue of the overall HR services industry in Hong Kong in 2017, for illustration purpose. Similarly, the market share of our Group of approximately 0.6% aforementioned is derived from the revenue generated by our Group for the financial year of 2017 divided by the revenue of the overall HR services industry in Hong Kong in 2017.

Source: Frost & Sullivan

Competition

Industry expertise

Strong industry expertise and high level of professionalism are the indistinguishable assets among the HR services providers. Locating right candidates could be time-consuming, costly, and complex. Functional specialisation in various industries, namely banking and finance, IT&T and e-commerce and medical healthcare industries, coupled with the possession of in-depth knowledge in the designated functions markets by the consultants, enable the HR services providers to source candidates with the right skills, qualifications, and values for the positions required by their clients.

Candidate networks

Having extensive candidate networks is one of the key success factors in the HR services industry. Comprehensive candidate database allows HR services providers to reach a wider and more engaged network of potential candidates. Extensive candidate pool and client base minimise the time and cost in sourcing the suitable candidates thereby enhancing their operational efficiency. In addition, maintaining good and long-term relationship with clients assures stable source of revenue.

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Branding and reputation

Branding and reputation of HR services providers are the key selection criteria for the clients. Sound reputation gives the HR services providers an edge in engaging better quality consultants, which ensures the quality of services delivered to clients. In addition, a successful branding strategy provides the clients with clear market positioning and the services scope that matches their needs.

Entry Barriers to the HR services industry

Requirement on service quality

The entry into the HR services market does not involve a high start-up cost as compared to other industries nor require formal training or qualifications. Therefore, it attracts a lot of entrants trying to tap into this market. However, as there are a large number of market players providing similar services, it is hard to differentiate among competitors and succeed in a long-term basis. It is therefore essential to constantly provide high-quality work with structured business and marketing strategies in order to satisfy and retain clients. This may involve investments in technologies that will enable HR services providers to increase its success rate in placement through gathering data on the candidates' preferences, skill sets, past work experience etc. With the help of technology, HR services providers will be able to shorten the recruitment time span and distinguish itself from their competitors.

Brand reputation

The HR services industry requires heavy client relationship building and management. The business greatly relies on effective relationship management through connecting with both candidates and clients. HR services providers that have been established for a longer time usually will have a larger and more extensive database of portfolio and loyal client base which may act as a high entry barrier for new entrants.

Highly diversified market

The HR service industry is highly fragmented in Hong Kong with a large number of market players providing similar services. In order to differentiate among other competitors, the HR service providers tend to have their own niche. For example, some companies only focus on the engineering sector. This is a barrier for new entrants as those companies which provide HR services on specific sectors would have already dominated their current market. It would be difficult to break into their long established market position. Market players possessing a comprehensive candidate database with experience in the HR services industry would also outplay the new entrants.

Well-established candidate database

The HR services providers generally possess a well-established candidate database of job seekers and clients. The conventional HR services providers may spend large amount of resources and time on placing and/or seconding the right candidates to the clients. Due to technological advancement, HR service providers have started to integrate or develop a new platform based on online interaction which can highly improve the efficiency on the matching process. The HR services providers can help the candidate locate the most suitable job for them in a shorter time frame. This will act as a barrier to the new entrants as the development of this system requires a large amount of resources.

Opportunities

Positive economic outlook

With the fast economic development in the PRC, a growing number of companies in the PRC are expanding their businesses through establishing their offices in Hong Kong. On the other hand, foreign multinational corporations will also set up branch offices in Hong Kong as a gateway to enter into the PRC market. The number of private companies incorporated in Hong Kong has seen an overall increase from 945,464 in 2011 to 1,369,614 in 2017 at a CAGR of approximately 5.8% which stimulates the demand for human resources; hence provide strong growth opportunities for the recruitment services market and secondment and payroll services market.

INDUSTRY OVERVIEW

Increased awareness of the importance of HR services

HR services are seen increasingly important in its capabilities of reaching out to job seekers and sourcing the best candidates for the clients. Also, with extensive market knowledge of the specialist market, HR services providers are gaining recognition from companies of various sizes. The HR services providers would vastly smoothen the recruitment process and provide cost-effective HR services to their clients.

Challenges

Competition from in-house HR department

Many mid to large size companies usually have their in-house HR departments which have better understanding in their company's culture and their own staffing needs as compared to external HR services providers. Well-performed internal HR team that are able to connect and attract talents through different channels may be able to replace external HR services providers. The competition from internal HR team may pose a threat to the HR services industry.

Low industry entry barrier

As the entry barrier of the HR services industry is relatively low as compared with other highly specialised industries and the market is highly fragmented with a growing number of potential HR services providers, it is inevitable for market players to build and polish their own brand to distinguish themselves from their competitors and earn recognitions to stay competitive in this industry.

OVERVIEW OF HR SERVICES INDUSTRY IN MACAU

Market overview of HR services industry in Macau

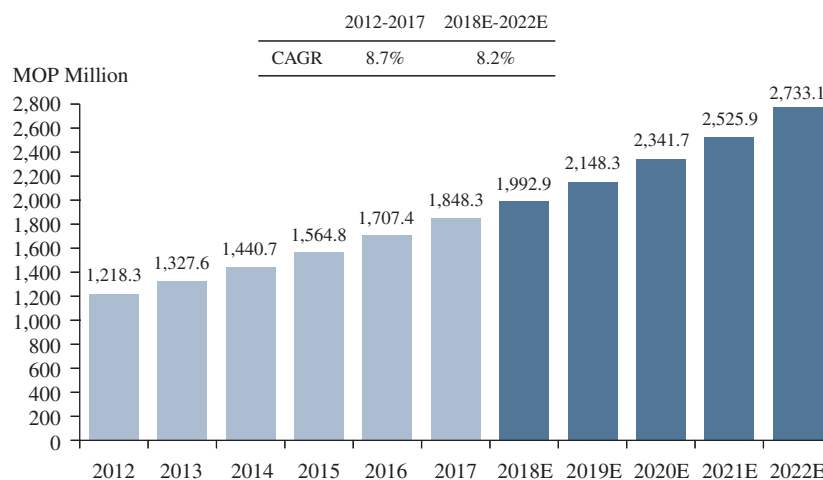
HR services providers in Macau received the impetus from rapid growth in the gaming, hospitality, retail and construction sectors, which in turn, attracted labour force from other cities. The size of the HR services market in Macau increased from approximately MOP1,218.3 million in 2012 to MOP1,848.3 million in 2017, representing a CAGR of approximately 8.7%.

Faced with increasing operational cost in HR services, HR services providers are seeking efficient HR solutions, including headcount budgeting, personnel administration, payroll and benefit calculation, and implementation of appraisal management system, staff training, leave management and attendance management. The booming economy and the rising number of staff will drive demand for the HR services in Macau because the increase in wages and continuous inflation will give enterprises an incentive to outsource their HR-related functions, including payroll administration and management, temporary or contract staffing, and hire contract staff to lower their operation costs.

A positive outlook for the HR services industry in Macau is its likelihood in increasing labour demand for high-calibre professionals across the city, acting as a driver to the labour market in the coming years. The market size of HR services in Macau is forecast to reach approximately MOP2,733.1 million in 2022 from MOP1,848.3 million in 2018, representing a CAGR of approximately 8.2%.

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Market Size of HR Services Market in Macau, 2012-2022E



Source: Frost & Sullivan

OVERVIEW OF HR SERVICES INDUSTRY IN THE PRC

Market overview of HR services industry in the PRC

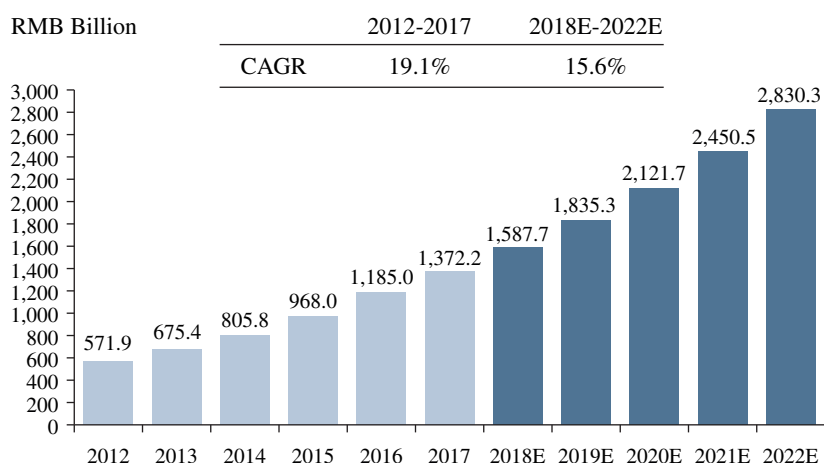
The total employed population in the PRC has expanded from approximately 767.0 million in 2012 to 776.0 million in 2016, representing a CAGR of approximately 0.3%. The PRC government has implemented a number of policies to improve the HR services industry, such as promoting employment assistance services and encouraging employment market for the aged population and overseas returnees in the PRC. These government initiatives are expected to expand the labour force and reduce the unemployment rate of the country. The employee turnover rate in the PRC increased from approximately 16.4% in 2012 to 18.2% in 2016. This was primarily driven by the rapidly expanding business sector in the PRC and the pursuit for better remuneration packages. Noticeably, turnover rates in first-tier cities in the PRC (Beijing, Shanghai and Shenzhen) were higher as compared to other cities, with a ratio of approximately 18.9% in 2016.

The PRC government is dedicated to develop a more sophisticated HR services market. The “Opinions on Accelerating the Integration of Human Resources Market” published by the MOHRSS points out that, by 2020, the number of persons working in the HR services industry in the PRC is expected to reach 500,000 with a market size exceeding RMB2 trillion.

The rapid development of the HR services industry is also propelled by the implementation of a series of favourable policies by the PRC government such as “The National Medium and Long-term Talent Development Programme (2010-2020)” which gives priority to the development of talents, and develop talents service industry, accelerating the development of HR services industry. The HR services market in the PRC has recorded an increase from approximately RMB571.9 billion in 2012 to RMB1,372.2 billion in 2017, at a CAGR of approximately 19.1%. It is expected that the PRC will experience a favourable growth in the HR service industry from approximately RMB1,587.7 billion in 2018 to RMB2,830.3 billion in 2022 at a CAGR of approximately 15.6% with high employee turnover rate in the first-tier cities supporting the expansion of HR services market and the continuous economic development driven by the anticipated strong growth of its pillar industries – high-tech, financial services, modern logistics and cultural sectors.

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Market Size of the HR Services Market in the PRC, 2012-2022E



Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF HR SERVICES MARKET IN MACAU AND THE PRC

There were less than 200 HR services providers in Macau in 2017. The market is highly fragmented and shared by international, Hong Kong and Macau based players. Supported by the strong growth of economy in recent years, the demand for HR services increased accordingly, which in turn introduced the influx of international and Hong Kong based players. It is observed that most of the HR services providers usually offer integrated HR solutions, including recruitment services, secondment and payroll services and other services to their clients. In particular, the recruitment services for executive level is dominated by international players who have strong networks and proven expertise while the secondment and payroll services market is led by smaller local players.

The sizeable labour population and well-stipulated market environment in the last decade in the PRC have been driving the continuous expansion of the HR services market in the PRC. Major cities such as Beijing, Shanghai and Shenzhen have been flushing in talents to meet the strong demand for skilled and experienced labour, especially in the expanding service sectors. The overall HR services market in the PRC is highly fragmented and competitive with over 275,000 market players. These market players include major international players, regional players and local players. Major international players have entered the market in the last decade as joint ventures to seize great market opportunities. These players have significant influences on the market as they are well-established brands and have abundant resources benefiting from their international footprint. Regional players are usually players who have successfully established their presence in the PRC nearby regions such as Hong Kong, Singapore etc., whereas local players are HR services providers which have businesses mainly in the PRC and are catered for local companies leveraging on their profound local market knowledge. Local players tend to be smaller in terms of market share comparing to international and regional players. A rising number of smaller international and local HR service providers have established their footprint in major economies in the PRC over the last few years.

REGULATORY OVERVIEW

This section sets out summaries of the relevant laws and regulations which are relevant to our business in Hong Kong and Macau, and future business development in the PRC.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN HONG KONG

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance (Chapter 57 of the Law of Hong Kong) regulates the conditions of employment in Hong Kong, and our Group is subject to the requirements under the EO relating to the operation and management of an employment agency.

Under the EO, no person shall operate, manage or assist in the management of an employment agency unless he is the holder of an employment agency licence issued by the Commissioner for Labour in respect of the employment agency. A person who operates, manages or assists in the management of an employment agency without holding an employment agency licence commits an offence and is liable on conviction to a fine at HK\$25,001 to HK\$50,000.

Section 52(2A) of the EO sets out that a licensee is required to cause its licence to be displayed in a conspicuous position at its place of business at all times. A licensee who contravenes this requirement commits an offence and is liable on conviction to a fine at HK\$5,001 to HK\$10,000.

Section 56 of the EO sets out that a licensee is required to:

- (i) operate the employment agency at one place of business;
- (ii) maintain a record of all job applicants registered with his employment agency and job applicants who were not residents of Hong Kong and placed in employment in Hong Kong by his employment agency at the time of registration;
- (iii) keep such records available for inspection by the Commissioner for Labour, or by any public officer authorised by him in that behalf, at all reasonable times at the place of business of the employment agency; and
- (iv) deliver to the Commissioner for Labour such returns in respect of the employment agency at such time and in such manner as may be prescribed.

A licensee who contravenes any of the requirements set out above commits an offence and is liable on conviction to a fine at HK\$5,001 to HK\$10,000.

Section 57 of the EO sets out that a licensee shall not, directly or indirectly:

- (i) receive from any person any form of reward, payment, advantage, except the prescribed commission, for having obtained, for obtaining or to obtain employment for that person;

REGULATORY OVERVIEW

- (ii) share with any person the prescribed commission which he is permitted to charge and receive, other than another licensee or shareholder in his employment agency; or
- (iii) enter into, except with the written permission of the Commissioner for Labour, an agreement, express or implied, with any employer whereby the employer undertakes to employ only persons who seek employment through the licensee's employment agency and the licensee agrees to pay or give to the employer some form of material benefit.

A licensee who contravenes any of the prohibitions set out above commits an offence and is liable on conviction to a fine at HK\$25,001 to HK\$50,000.

Section 6 of the Employment Agency Regulations (Chapter 57A of the Laws of Hong Kong) sets out that a licensee shall not lend, transfer or assign the employment agency licence to another person. Section 10(3) of the Employment Agency Regulations sets out that the licensee shall cause Part II of the Second Schedule of the Employment Agency Regulations to be displayed at all times in a conspicuous position at the place of business of his employment agency. Part II of the Second Schedule of the Employment Agency Regulations sets out the maximum fees and commission which may be received by an employment agency.

An employment agency who contravenes this prohibition commits an offence and is liable on conviction to a fine at HK\$5,001 to HK\$10,000.

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)

We collect, use, make use and retain the personal data of our clients and candidates in the normal course of our business and therefore, our business operation are regulated by the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and our Group falls within the definition of "data user" as defined under the PDPO.

We are required to follow the fair information practices as set out in the data protection principles under the PDPO regarding the collection, use, retention, accuracy and security of and access to personal data, which are:

- (i) *Principle 1: Purpose and manner of collection.* This principle provides for the lawful and fair collection of personal data and sets out the information a data user must give to a data subject when collecting personal data from that subject.
- (ii) *Principle 2: Accuracy and duration of retention.* This principle provides that personal data should be accurate, up-to-date and kept no longer than necessary.
- (iii) *Principle 3: Use of personal data.* This principle provides that unless the data subject consents, personal data should be used only for the purposes for which they were collected or a directly related purpose.

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- (iv) *Principle 4: Security of personal data.* This principle requires appropriate security measures to be applied to personal data (including data in a form in which access to or processing of the data is not practicable).
- (v) *Principle 5: Information to be generally available.* This principle provides for openness by data users about the kinds of personal data they hold and the main purposes for which personal data are used.
- (vi) *Principle 6: Access to personal data.* This principle provides for data subjects to have rights of access to and correction of their personal data.

Section 58 of the PDPO provides that if personal data are used for any of the purposes referred to in Section 58(1) of the PDPO (which includes but not limited to prevention or detection of crimes, prosecution or detention of offenders and prevention, preclusion or remedying of unlawful or seriously improper conduct or dishonesty or malpractice by persons etc.) (“**Exempted Matters**”) and the application of the personal data protection principle in relation to such use would be likely to prejudice any of the Exempted Matters, then

- (i) such personal data are exempted from the provisions of certain data protection principle; and
- (ii) in any proceedings against any person for a contravention of any of those provisions of the PDPO, it shall be a defence if that person shows that he has reasonable grounds for believing that failure to so use the data would likely prejudice any of the Exempted Matters.

Under Section 65 of the PDPO, any act done or conduct engaged by the employee shall be treated as an act done or conduct engaged by his employer as well as by the employee, whether or not it was done or engaged with the employer’s knowledge or approval. However, it is a defence if the employer can prove that he has taken practicable steps to prevent the employee from breaching the PDPO.

Part VIA of the PDPO regulates the use and provision of personal data in direct marketing by business entities. If the personal data of our client or candidates are intended to be used in direct marketing, our clients must be notified and their consent must be obtained before using or transferring any of their personal data to another person.

Furthermore, our clients and candidates must be notified of their opt-out right when using their personal data indirect marketing for the first time. Our clients and candidates are entitled to require us to cease using their personal data at any time.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides for the establishment of non-governmental mandatory provident fund (“**MPF**”) schemes. Our Group, as an employer, is required to enrol our regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a MPF scheme within the first 60 days of employment.

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For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

Our Group is subject to the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), which provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the EO.

Any provision in a contract of employment which purports to extinguish or reduce the right, benefit or protection conferred on an employee by the Minimum Wage Ordinance is void.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO") establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have been at fault or negligent when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to Section 40 of the ECO, all employers (including contractors and subcontractors) are required to take out policies of insurance to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the ECO to secure an insurance cover commits an offence and is liable on conviction to a fine of HK\$100,000 and imprisonment for 2 years.

According to Section 48 of the ECO, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the ECO) before occurrence of certain events. An employer who commits breach of this provision commits an offence and is liable on conviction to a maximum fine of HK\$100,000.

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Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) came into force on 14 December 2015 to (i) prohibit conduct that prevents, restricts or distorts competition in Hong Kong; (ii) prohibit mergers that substantially lessen competition in Hong Kong; and (iii) provide for incidental and connected matters. The Competition Ordinance prohibits restrictions on competition through three rules, namely, the First Conduct Rule, the Second Conduct Rule, and the Merger Rule.

The First Conduct Rule provides that an undertaking must not: (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) act as a member of an association of undertakings, or make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. The First Conduct Rule applies to an agreement, concerted practice or decision restricting or distorting competition in Hong Kong even if the agreement or decision is made outside of Hong Kong or if any party to the agreement or concerted practice is outside Hong Kong.

The Second Conduct Rule provides that an undertaking having a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Conducts under the Second Conduct Rule may constitute an abuse if it involves predatory behaviour towards competitors or limiting production, markets or technical development to the prejudice of consumers. When determining whether an undertaking has a substantial degree of market power in a market, factors which may be taken into account for such determination are the market share of the undertaking, the undertaking's power to make pricing and other decisions and any barriers to entry to competitors into the relevant market. As with the First Conduct Rule, the Second Conduct Rule also applies even if the undertaking engaging in the conduct is outside of Hong Kong or the conduct is engaged in outside of Hong Kong.

Where a person has contravened or been involved in contravention of a competition rule, the Competition Tribunal may impose a pecuniary penalty and make all or any of the orders specified in Schedule 3 of the Competition Ordinance which it considers appropriate, such as, awards of damages, interim injunctions, declare agreements to be void, etc. For conduct that constitutes a single contravention, the amount of pecuniary penalty imposed will be capped at 10% of the turnover of the undertaking concerned for each year in which the contravention occurred, up to a maximum of 3 years.

The Competition Tribunal may also make a disqualification order against the director of a company for a period not exceeding 5 years if it considers that the company of which the person is a director has contravened a competition rule and that the person's conduct as a director makes the person unfit for being involved in the management of the company.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN MACAU

Laws and regulations regarding provision of secondment services

In accordance with the provisions of Decree-Law no. 32/94/M, private entities engaged in recruitment, selection and placement of workers, acting as intermediaries between employers and employees are considered employment agencies and can only operate after the issuance of a licence obtained from the Labour Affairs Bureau (*Direcção dos Serviços para os Assuntos Laborais – DSAL*).

Employment agencies are categorised as non-compensated and compensated. The first carry out their activities without any charges to users, while the others do charge for their services. Agencies performing recruitment and placement of Macau non-resident workers, shall be of the compensated type and need prior authorisation from the same Bureau, in addition to the abovementioned licence.

Before issuing such licence, the Labour Affairs Bureau will evaluate the suitability of the person who is applying, or in case of the applicant being a legal person, the suitability of its management body or directors; compliance with tax obligations; and technical and organisational capacity of the applicant.

Once the licence is issued, it is valid for one year and must be renewed annually. Such renewal operates automatically with the payment of a pre-established fee, unless otherwise communicated by the Labour Affairs Bureau.

Any alteration of the information given when the licence application was made, shall be requested to the Labour Affairs Bureau and the licence's validity depends on the correspondent authorisation.

The licence lapses and/or is cancelled by the Labour Affairs Bureau if any of the abovementioned requirements are not fulfilled and the employment agency must terminate all its activities the next day.

Labour, Health and Safety

The Macau Labour Relations Law of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Labour Affairs Bureau, in general.

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Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Non-compliance with the rules included in Law no. 21/2009 may constitute administrative offences, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of 6 months to 2 years, and/or criminal offences related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorisations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the Social Security, the Law no. 4/2010 sets out the social security system in Macau which aims to provide a basic level of social protection to the residents of Macau, in particular to the elderly, in order to promote their quality of life. The contribution for social security is divided into two categories: mandatory contribution, for which are responsible both, the employer and the employee; and voluntary contribution, which is freely contributed by the residents who are not employed. Violations of the Law no. 4/2010 will incur in fine. The infringer shall be liable to a fine in an amount between MOP200.00 to MOP1,000.00 for the lack of registration of either the employer or an employee and to a fine in an amount equivalent to up to half the amount of the outstanding contributions, with a minimum of MOP500; and in case of recidivism, the fine may be increased by one-third.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non-compliance with the General Regulation of working safety and hygiene of office, service and commercial establishments).

Moreover, the Company must comply with the rules provided under Decree Law no. 34/93/M (Legal Regime of Noise at Work), in order to provide a safe, clean and environmentally friendly working conditions for the employees. Failure to comply with those rules may result in the application of fines, according to the provisions set out by Decree Law no. 48/94/M.

Pursuant to Decree Law no. 40/95/M (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), the Company must provide industrial accident insurance for its employees. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

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Taxation in Macau

Under Article 106 of the Basic Law of Macau, Macau practices an independent taxation system and enacts its own laws and regulations concerning types of taxes, tax rates, tax reductions and exemptions, allowances and expenditures, and other taxation matters. When applying tax laws and regulations, the relevant Macau authorities are subject to the principle of fiscal territoriality and therefore, unless a double taxation treaty exists and the taxpayer relies on such treaty, the relevant Macau tax authorities will independently levy taxes on income deemed to be Macau-sourced. No double taxation treaties or other equivalent arrangements have been entered into between Hong Kong and Macau.

Complementary Tax

One of the relevant taxes for our Group's activities in Macau is Complementary Tax. Complementary Tax is regulated by the Law no. 21/78/M dated 9 September 1978, which came into force on 1 January 1979, and corresponds to a profit tax on earnings from commercial or industrial activities.

Companies subject to Complementary Tax are classified into two groups, Group A and Group B. Group A taxpayers are (i) any limited liability company by shares (in Portuguese, "*sociedade anónima*"), limited partnership (in Portuguese, "*sociedades em comandita*") and cooperative; (ii) any company with registered capital exceeding MOP1 million or with an average annual taxable profits exceeding MOP500,000 in 3 consecutive years; (iii) other individuals or companies with complete and appropriate accounting records audited by a registered auditor or accountant in Macau that has applied for such status. Any other taxpayers (i.e. those not mentioned above) are considered as Group B taxpayers. Group B taxpayers are not required to have their accounting records audited by a registered auditor or accountant in Macau.

Taxpayers who in the preceding year have obtained profits (i.e. profits or gains from operation, the proceeds from any transactions or operation executed by the taxpayers as a result of normal or occasional, primary or secondary activities in Macau) are required to submit a Complementary Tax Form M/1 with the Macau Financial Services Bureau. The taxable profits of Group A taxpayers report to the balance revealed by the profit and loss accounts, drafted pursuant to acceptable accounting principles and shall consist in the difference between all profits or gains, irrespective of source, accrued in the financial year precedent to that in course, and the expenses or losses attributable to that same financial year. The taxable profits of Group B taxpayers are determined by calculating the difference between the income and the expenditure of the taxpayer incurred in the preceding year.

Complementary Tax is levied on a progressive scale from 3% to 9% for taxable profits below or equal to MOP300,000 and 12% for taxable profits over MOP300,000. Taxable profits below MOP32,000 are exempt from tax. However, the tax-free income threshold for Complementary Tax of MOP32,000 for each tax year is subject to change with reference to the respective Government Budgets approved by the Legislative Assembly for each of the financial years.

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LAWS AND REGULATIONS RELATING TO OUR FUTURE BUSINESS DEVELOPMENT IN THE PRC

Regulations as to Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (2017年修訂) (the “**Catalogue**”), which was promulgated and is amended from time to time by the MOFCOM and the NDRC. The latest amendment was made on 28 June 2017 and became effective on 28 July 2017. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Any industry not listed in the Catalogue is a permitted industry, and are generally open to foreign investment unless specifically prohibited or restricted by the PRC laws and regulations. On 28 June 2018, the NDRC and the MOFCOM jointly issued the Special Management Measures for Foreign Investment Access (negative list) (2018) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the “**Negative List**”) which became effective as from 28 July 2018. The special management measures for foreign investment access (the negative list for foreign investment access) in the Catalogue, including two categories in relation to foreign investment: the restricted foreign-invested industry and the prohibited foreign-invested industry, were concurrently repealed. The Negative List enumerates the special management measures for foreign investment access, such as the requirements of equity interest and senior executives. Industries which do not fall within the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. The businesses of labour dispatch and talent recruitment agency are not listed in the Negative List.

The establishment procedures, examination and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “**Wholly Foreign-owned Enterprise Law**”), which was promulgated on 12 April 1986 and amended respectively on 31 October 2000 and 3 September 2016, and the Implementation Regulations for the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 and amended respectively on 12 April 2001 and 19 February 2014.

According to the latest Wholly Foreign-owned Enterprise Law effective as of 1 October 2016, for wholly foreign-owned enterprises not involved in the implementation of special access administrative measures prescribed by the state, filing for a record in lieu of the competent authority’s approval is sufficient for purposes of establishment, change of operation duration, extension, separation, merger or other major changes. Pursuant to Announcement No. 22, 2016 issued by the NDRC and the MOFCOM (國家發展和改革委、商務部公告2016年第22號) on 8 October 2016, the special access administrative measures shall be implemented with reference to the relevant regulations as stipulated in the Catalogue in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholdings and qualifications of senior

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management. The Interim Administrative Measures for Filing of the Establishment and Change of Foreign-funded Enterprise (外商投資企業設立及變更備案管理暫行辦法) promulgated on 8 October 2016, amended on 29 June 2018 and became effective on 30 June 2018, specifies the authorities, procedures and legal responsibilities of the filing of the establishment and changes of wholly foreign-owned enterprises.

Human Resources Services and Labour Dispatch Licensing

Human Resources Services licensing

The establishment of a foreign-owned recruitment agency in the PRC is generally governed by the Supplementary Provisions of the Ministry of Personnel, the Ministry of Commerce, the State Administration for Industry and Commerce on Interim Provisions for the Administration of Sino-foreign Equity Joint-Venture Talent Recruitment Agencies (關於《中外合資人才中介機構管理暫行規定》的補充規定) (the “**Supplementary Provisions**”) which was promulgated on 16 November 2007 and effective as of 1 January 2008 and the Interim Provisions on Administration of Sino-foreign Equity Joint Venture Talent Recruitment Agencies (2015 Revision) (中外合資人才中介機構管理暫行規定(2015年修訂)) (the “**Interim Provisions**”) which was promulgated by the MOHRSS on 30 April 2015.

Pursuant to the Supplementary Provisions, a Hong Kong recruitment service provider is allowed to set up a wholly foreign-owned recruitment agency in the PRC if it falls within the definition of “service provider” and fulfil relevant requirements of the Supplementary Agreement IV to the CEPA promulgated by the MOFCOM. Hong Kong recruitment service provider shall apply for a Hong Kong Service Provider Certificate under CEPA with the Trade and Industry Department (“**TID**”) of the Hong Kong Government. The major requirements under CEPA include the relevant service provider (i) having obtained a valid business registration certificate for three years or more prior to the date of lodgement of the application; (ii) having obtained the licences or permits for providing services concerned under the relevant laws and regulations in Hong Kong; (iii) having engaged in substantive business operations in Hong Kong for three consecutive years or more prior to the date of lodgement of the application; during the period of substantive business operations in Hong Kong, and having paid profits tax in accordance with the relevant law; and (iv) more than 50% of the staff engaged in the substantive business operations in Hong Kong should be residents staying in Hong Kong without limit of stay. The application will be generally processed within 14 clear working days from the date of its receipt of the application.

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Once the Hong Kong recruitment service provider has obtained the Hong Kong Service Provider Certificate under CEPA, it can proceed to establish a wholly foreign-owned recruitment agency in the PRC. According to the Supplementary Provisions and the Interim Provisions, the proposed recruitment agency shall meet the following requirements:

- (i) the foreign investor of the proposed recruitment agency must be a foreign company, enterprise or other economic organisation which has been in the business of a recruitment agency for at least three years, and all investors must have good reputation;
- (ii) the foreign investor of the proposed recruitment agency must be considered as the Hong Kong recruitment service provider under CEPA;
- (iii) the proposed recruitment agency shall have a proper organisation structure, employ staff who are familiar with the management and business of human resources, and among them there shall be at least five full-time employees with tertiary education qualification or above and qualification certificate for recruitment agency service;
- (iv) the proposed recruitment agency shall have a permanent place of business in the PRC, funds and office facilities which correspond to the business it applies to do;
- (v) the proposed recruitment agency shall have proper and practical articles of association, management system, working rules and specific scope of business; and
- (vi) the proposed recruitment agency shall have the capacity of having civil rights and obligations.

According to the Employment Promotion Law of the PRC (中華人民共和國就業促進法) promulgated by the Standing Committee on 30 August 2007, amended on and effective as of 24 April 2015, and the Regulations on Employment Services and Employment (就業服務與就業管理規定) promulgated by the MOHRSS on 5 November 2007, amended on 23 December 2014 and 30 April 2015 respectively, and effective as of 30 April 2015, the administrative licensing system is applicable to the employment agency business. The establishment of an employment agency or any other institution engaging in job placement activities must be approved by the labour and social security administrative department and an employment agency licence (職業中介許可證) must be obtained. Institutions without being legally approved and registered may not engage in any activities as an employment agency, otherwise the labour and social security administrative department or other competent department shall shut it down, confiscate the illegal earning (if any) and impose a fine ranging from RMB10,000 to RMB50,000. Furthermore, according to the Notice on Further Improving the Supervision and Administration of the Human Resources Market (關於進一步加強人力資源市場監管有關工作的通知) issued by the MOHRSS and taken into effect on 29 January 2010, the old employment agency licence (職業中介許可證) was to be replaced by the human resources services licence (人力資源服務許可證), which was uniformly printed and distributed by the MOHRSS free of charge.

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According to the Regulations on Employment Services and Employment, the following acts of an employment agency are prohibited:

- (i) offering false employment information;
- (ii) providing employment advertisements containing discrimination information;
- (iii) providing recruitment service for the employment unit without valid licence;
- (iv) forging, altering or transferring the employment agency licence;
- (v) detaining the identity card and/or other certificate of the labourers or collecting a deposit from the labourers;
- (vi) providing job opportunities for teenagers under the age of 16;
- (vii) providing recruitment service for labourers without valid identity card;
- (viii) providing unlawful job opportunities for labour;
- (ix) using violence, intimidation or fraud in the course of recruitment activities;
- (x) operate beyond the scope of business; and
- (xi) other acts prohibited by laws and administrative regulations.

Any employment agency which does not abide by the provisions mentioned above shall be ordered to rectify, confiscate the illegal profits and impose a fine. The government authorities would also revoke the business licence and the employment agency licence of the employment agency if the consequence is serious. In addition, if the employment agency detain the identity card and other documents of the labourers or collecting a deposit from the labourers, it shall be ordered to return the identity documents and/or deposit to the labourers by the labour administration department within a proscribed period and shall be given penalties.

According to the Provisions on the Administration of Recruitment Activities for Overseas Employment (境外就業中介管理規定) which was promulgated on 14 May 2002 and effective as of 1 July 2002 by the MOLSS, Ministry of Public Security, the SAIC of the PRC, any unit or individual engaging in overseas employment for Chinese citizens, or providing service for overseas employers who recruit Chinese citizens within PRC for overseas employment shall be approved by relevant labour and social security departments and obtain the licence for overseas-employment recruitment agency. Without approval and registration, any unit or individual may not engage in the intermediary activities for overseas employment. The validity of the licence is 3 years from the date of issuance.

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The provision stipulates the following conditions for engaging in employment recruitment activities abroad:

- (i) qualified for the establishment of business entity;
- (ii) employing full-time staff members with the professional qualification for law, foreign language and accounting with proper and feasible work system and staff rules;
- (iii) having a reserve fund not less than RMB500,000; and
- (iv) other conditions stipulated by laws and administrative regulations.

Moreover, foreign agencies, individuals and foreign institutions in the PRC are not allowed to engage in recruitment activities for overseas employment within the PRC.

Any unit or individual, without the approval of the administrative department of labour and social security and registration with the administrative department for industry and commerce, engages in recruitment activities for overseas employment, the administrative department of labour and social security in conjunction with the administrative department for industry and commerce shall shut it down according to law and confiscate its illegal income and operating items. If the illegal recruitment activities cause damage to the involving parties, it shall take the responsibility for compensation.

According to the Regulations on the Talent Market of Shenzhen Special Economic Zone (2017 Revision) (深圳經濟特區人才市場條例<2017修正>) (the “**Regulations**”), which was promulgated on 29 July 2002 by the 6th Standing Committee of Shenzhen Municipality, amended and became effective on 16 May 2017, and the Regulations on the Job of Talents in the Shenzhen Special Economic Zone (深圳經濟特區人才工作條例) which was promulgated on 21 August 2017 and effective as of 1 November 2017, a talent recruitment agency shall be subject to the following regulations:

- (i) a talent recruitment agency that has been legally registered shall apply to the human resources administrative department in the PRC for registration and filing. The details of registration and filing include, among others, the agency’s name, type, legal representative, business address, total registered capital, investor’s name and amount of capital contribution, business scope;
- (ii) where a talent recruitment agency establishes a branch, it shall apply to the human resources administrative department for any amendment;
- (iii) where there is any change in the registration or filing content of the agency, it shall register with the original registration and filing authority within 30 days from the date of making the change decision;

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- (iv) the talent recruitment agency shall submit annual report to the human resources administrative department within the prescribed time, which includes the details of registration and filing, the actual paid registered capital, the situations of the operating activities and financial status;
- (v) the talent recruitment agency is not allowed to source and recruit for its clients the following personnel, who is:
 - (a) undertaking key projects and scientific research projects of the national, provincial or city level, without the consent of his/her subordinate units;
 - (b) engaging in the work that involves national security or important confidential information;
 - (c) being legally reviewed or investigated in any pending case; or
 - (d) under other conditions prescribed by laws and regulations;
- (vi) the talent recruitment agency engaging in the recruitment of senior talents should protect the trade secrets of the entrusted units, and keep the will of the senior talents confidential. The agency shall not damage the intellectual property rights, trade secrets and other lawful rights and interests of the units of senior talents; and
- (vii) if any agency carries out the talent recruitment business without registration and record filing, the human resources administrative department shall order the agency to register within a time limit. If the agency fails to rectify in prescribed time, the department shall impose fines ranging from RMB10,000 to RMB30,000. If the agency violates any provisions of the Regulations on the Talent Market of Shenzhen Special Economic Zone (2017 Revision), depending on different illegal conditions, the department may order rectification from the agency, confiscate its illegal earnings (if any) and impose a certain amount of fines. If the violation is serious, the department may even suspend the agency for rectification.

Labour Dispatch Licensing

According to the Labour Contract Law of the PRC (中華人民共和國勞動合同法) promulgated by the Standing Committee on 29 June 2007, amended on 28 December 2012, and effective as of 1 July 2013, engaging in labour dispatch business shall satisfy the following requirements:

- (i) the registered capital of the labour dispatch enterprise shall be no less than RMB2 million;
- (ii) the fixed operation premises and facilities correspond to the business;
- (iii) the labour dispatch management system complies with the laws and administrative regulations; and
- (iv) other requirements as provided by laws or administrative regulations.

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According to the Measures for the Implementation of Administrative Licence for Labour Dispatch (勞務派遣行政許可實施辦法) promulgated by the MOHRSS on 20 June 2013 and taken into effect on 1 July 2013, labour dispatch business operators must apply for the administrative licence from the human resources and social security administrative authorities with jurisdiction for licensing at their locality (hereinafter referred to as the “**licensing authorities**”) pursuant to the law for administrative licensing. The licensing authorities shall issue written notice on approving the administrative licensing to any applicant that satisfies the relevant legal requirements and notify the applicant to fetch the labour dispatch business permit (勞務派遣經營許可證) within 5 business days upon the date of the decision. The validity period of the labour dispatch business permit is 3 years. No entity or person may, in violation of the Labour Contract Law of the PRC, engage in the labour dispatch business without licensing, otherwise the competent administrative departments of the MOHRSS will order such entity or person to stop the illegal behaviour, confiscate the illegal earning, and impose a fine ranging from 1 to 5 times the amount of the illegal earning. For those who have no illegal earning, a fine of no more than RMB50,000 may be imposed.

Pursuant to the Interim Provisions on Labour Dispatch (勞務派遣暫行規定) promulgated by the MOHRSS on 24 January 2014 and taken into effect on 1 March 2014, the labour dispatch unit shall enter into written labour contracts with the dispatched employee for a fixed term of 2 years or more. Also, the labour dispatch unit shall, in accordance with the provisions of the PRC regulations and the labour dispatch contract, pay the remuneration, other benefits and make social insurance contribution for the dispatched employee. Monthly remuneration of no less than the minimum wage standard set by the local government must be paid by the labour dispatch unit during the period that the dispatched employee is unemployed. Any labour dispatch unit fails to comply with the provisions of Labour Contract Law of the PRC relating to labour dispatch shall be ordered to rectify within a stipulated period by the labour administrative department and if the unit fails to rectify, a fine ranging from RMB5,000 to RMB10,000 for each person shall be imposed and the labour dispatch business permit would be revoked. Furthermore, the labour dispatch unit and the employer shall bear joint and several liabilities for compensation in the case that the employer caused damage to the dispatched employee.

Labour Protection in the PRC

Labour protection

The Labour Law of the PRC (中華人民共和國勞動法), which was passed by the Standing Committee on 5 July 1994, came into effect on 1 January 1995, and was amended on 27 August 2009 and effective as of 27 August 2009, provides that employees are entitled to gain equal opportunities in employment, choose occupations, receive labour remuneration, have rest days and holidays, acquire protection of occupational safety and healthcare, social insurance and welfare, etc. Employers must establish and improve the system for occupational safety and healthcare, provide training on occupational safety and healthcare to employees, comply with national and/or local regulations on occupational safety and healthcare, and provide necessary labour protective supplies to employees.

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The Labour Contract Law and the Implementation Regulations on the Labour Contract Law (勞動合同法實施條例), which was promulgated by the State Council on 18 September 2008, and came into effect on the same day, provide that the labour contracts must be executed in order to establish the labour relationship between employers and employees. The Labour Contract Law stipulates that an employer shall inform the employees truthfully the scope of work, working conditions, workplace, occupational hazards, production safety conditions, labour remuneration and other information requested by the employees. The Labour Contract Law also stipulates that employer and employee shall fully perform their respective obligations in accordance with the terms set forth in the labour contract. In addition, employer shall pay employees the labour remuneration timely and in full amount in accordance with terms in the labour contract. The Labour Contract Law also provides for the scenarios of rescission and termination of a labour contract. Except the situation explicitly stipulated in the Labour Contract Law which will not subject to economic compensation, the economic compensation shall be paid to the employee whose labour contract has been revoked or terminated by the employer.

Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which was promulgated by the State Council on 14 December 2007 and became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day.

Pursuant to the Regulations on Administration of Employment of Foreigners in the PRC (外國人在中國就業管理規定) which was promulgated by the MOHRSS on 22 January 1996, last amended on 13 March 2017 and became effective on the same day, the employer shall apply for the employment licence for its foreign employee who meets the relevant requirements, and may only employ that foreigner after being approved by the labour administration department and obtaining the “Licence to Employ Foreigner in the People’s Republic of China” (“**Employment Licence**”). The employer shall, within 15 days after the entry of the employed foreigner, take to original licence-issuing department the Employment Licence, the labour contract with the said foreigner and his/her passport or other travel documents to apply for his/her employment permit and fill out the foreigner employment registration form. The employment permit shall be effective only within the area specified by the licence-issuing department.

The employer and its foreign employee shall, in accordance with law, enter into a labour contract, the term of which shall not exceed five years. Such contract may be renewed upon expiration after the completion of approval process.

Pursuant to the Rules for the Administration of the Employment in the Taiwan, Hong Kong and Macau Residents in Mainland China (台灣香港澳門居民在內地就業管理規定), which was promulgated by the MOLSS on 14 June 2005 and taken into effect on 1 October 2005, the employment of the persons from Taiwan, Hong Kong and Macau in the Mainland shall be subject to the employment permit system and record filling system. In case an employer plans to hire the persons from Taiwan, Hong Kong and Macau or accept the dispatched persons from these areas, it shall apply for Taiwan, Hong Kong and Macau

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Residents Employment Permits (“**Employment Permits**”). After obtaining the Employment Permits, the employer shall go through the formalities for record filing at the administrative department of labour security that issued the employment permits.

Any employer fails to apply for the employment permit or complete record filing procedures before hiring or accepting the dispatched persons from Taiwan, Hong Kong and Macau, shall be ordered to rectify within a time limit by the administrative department of labour security, and a fine of RMB1,000 may be imposed.

Social Insurance and Housing Provident Funds

Under the Social Insurance Law of the PRC (中華人民共和國社會保險法) which was promulgated by the Standing Committee on 28 October 2010 and effective as of 1 July 2011, the Regulations on Work-Related Injury Insurance (工傷保險條例) which was promulgated by the State Council on 27 April 2003, amended on 20 December 2010 and effective since 1 January 2011, the Regulations on Unemployment Insurance (失業保險條例) which was promulgated by the State Council on 22 January 1999 and effective on the same day, the Provisional Measures on Maternity Insurance of Employees (企業職工生育保險試行辦法) which was promulgated by the MOLSS on 14 December 1994 and came into force on 1 January 1995, and the Interim Regulation on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) which was promulgated by the State Council on 22 January 1999 and effective as of the same day, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance premium within a specified period together with a 0.05% surcharge of the unpaid social insurance premium from the date on which the payment is due. If the employer fails to settle the overdue payment within such time limit, the relevant regulatory authorities may impose a fine from one to three times the amount of overdue payment on such employer.

Under the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), which were promulgated by the State Council on 3 April 1999, amended on 24 March 2002 and effective as of the same day, employers are required to make contribution to housing provident funds for their on-the-job employees. A newly established entity shall go to the housing provident fund management centre to undertake housing provident fund payment and deposit registration within 30 days from the date of its establishment, and go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its staff and workers within 20 days from the date of the registration with the verified documents of the housing provident fund management centre. If an entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff and workers, the housing provident fund management centre shall order it to go through the formalities within a stipulated period; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 and no more than RMB50,000 shall be imposed. Where an employer fails to pay up housing provident funds within the prescribed time limit, the housing fund

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administration centre shall order it to make payment within a certain period of time. If the employer still fails to do so, the housing fund administration centre may apply to the court for compulsory enforcement of the unpaid amount.

According to the Interim Measures for the Participation in Social Insurance of Foreigners Employed in the PRC (在中國境內就業的外國人參加社會保險暫行辦法), which was promulgated by the MOHRSS on 6 September 2011 and effective as of 15 October 2011, foreigners employed by the enterprises, public institutions, social organisations, private non-enterprise entities, foundations, law firms, accounting firms and other organisations which are duly incorporated or registered in the PRC shall participate in the basic pension insurance for employees, basic medical insurance for employees, work-related injury insurance, unemployment insurance and maternity insurance in accordance with the laws. The insurance premiums shall be paid by the employer and the foreigner pursuant to the applicable regulations. The employer shall, within 30 days from the date the employment certificate is processing, complete the social insurance registration for the foreigner it employed.

Pursuant to the Rules for the Administration of the Employment in the Mainland of the Taiwan, Hong Kong and Macau Residents (台灣香港澳門居民在內地就業管理規定), the employer shall sign labour contract with the residents from Taiwan, Hong Kong or Macau as hired or accepted thereby, and make social insurance contributions.

Taxation in the PRC

Income tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”) promulgated by the NPC on 16 March 2007, subsequently amended on 24 February 2017 and effective as of 24 February 2017, a uniform enterprise income tax rate of 25% applies to both domestic and foreign-invested enterprises.

Withholding tax on dividend distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends, rental, interest, royalty and other PRC-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other PRC-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the implementation rules of the EIT Law reduce the rate from 20% to 10%, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions

According to the Arrangement Between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) executed on 21 August 2006 and effective as of 8 December 2006, the withholding tax rate for dividends paid by a PRC-resident enterprise to a Hong Kong-resident

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enterprise is no more than 5%, if the Hong Kong-resident enterprise directly owns at least 25% equity interest of the PRC-resident enterprise. If the beneficiary is a Hong Kong-resident enterprise which directly holds less than 25% equity interests of the PRC-resident enterprise, the tax levied shall be no more than 10% of the distributed dividends. According to the Notice of the State Administration of Taxation on the Issues relating to the Implementation of Dividend Clauses in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20 February 2009, the tax residents of the other party as corporate recipients of dividends distributed by the PRC-resident enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt.

Value added tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) which was promulgated by the State Council on 13 December 1993 and last amended on 19 November 2017, and its implementation regulations, all entities or individuals in the PRC engaged in the sale of goods, the supply of processing services, repairs and replacement services, the sale of services, intangible property, real estate and the importation of goods are required to pay value-added tax (the “VAT”). VAT payable is calculated as “output VAT” minus “input VAT”. The VAT rate for the sale of service and intangible properties is normally 6%, save as otherwise provided.

Regulations as to Foreign Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, having become effective as of 1 April 1996 and as amended respectively on 14 January 1997 and 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理暫行規定) promulgated by The People’s Bank of China on 20 June 1996 and became effective on 1 July 1996. Pursuant to these regulations and other relevant PRC rules and regulations on currency conversion, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC unless prior approval of SAFE or its local branch is obtained. According to Notice Regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by SAFE on 13 February 2015, and effective from 1 June 2015, overseas direct investment or domestic direct investment will no longer be subject to approval by SAFE. Instead, certain qualified local banks will take charge of relevant registration procedures, and SAFE and its local branches will execute indirect supervision on the procedures aforesaid.

According to Notice on Reforming and Regulating the Administration Policy regarding the Settlement of Foreign Exchange Capital of Capital Accounts (關於改革和規範資本項目結匯管理政策的通知) which was promulgated by SAFE on 9 June 2016 and came into effect on

REGULATORY OVERVIEW

the same date, the use of capital of a foreign-invested enterprise shall follow the truth and self-use principle within the business scope of the business. Capital of a foreign-invested enterprise and its settled RMB funds are forbidden to be used for the following purposes: (i) to be used directly or indirectly outside the business scope of the enterprise or as expenditures that are forbidden by PRC laws and regulations; (ii) to be used directly or indirectly in securities investments or other financial products other than bank's principal-secured products unless otherwise set forth in laws and regulations; (iii) to be used for granting loans to non-affiliated enterprises unless expressly permitted in the business licence; and (iv) to be used to build or purchase non-self-use real estate unless the enterprise is a foreign-invested real estate enterprise.

Anti-Unfair Competition

In accordance to the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法(2017修訂)), as revised and adopted by the Standing Committee on 4 November 2017, and came into force on 1 January 2018, individuals, legal persons, and unincorporated organisations engaged in the business of commodity production, operation or services provision shall not: (i) infringe trade secrets; (ii) damage the goodwill or product reputation of a competitor; (iii) conduct any false or misleading commercial publicity, or helping other business operator conduct any false or misleading commercial publicity by organising false transactions or any other means; (iv) other behaviours of unfair competition provided by law. If the enterprise engages in any activities that violate the said provisions, the supervisory inspection departments would order the enterprise to stop the illegal act, and impose a certain amount of fines. If the violation is serious, the competent authority shall also revoke the business licence of the enterprise. If it causes damage to others, the enterprise should bear corresponding civil liability in accordance to the law.

Personal Information Protection

In accordance with the General Provisions of the Civil Law (民法總則), as promulgated by the NPC on 15 March 2017, and came into force on 1 October 2017, the personal information of a natural person is protected by law. Any organisation or individual needs to obtain someone else's personal information shall obtain it in accordance with law and ensure information security and they must not unlawfully collect, use, process, buy, sell, disclose, provide, or transfer such personal information. Where civil rights and interests are encroached upon, the victim has the right to request that the infringer bear liability for the infringement.

The General Provisions of the Civil Law of the PRC stipulates that the period of limitation for legal proceedings is three years.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY

Our history can be traced back to 2009 when Mr. Eddie Chan, one of our Controlling Shareholders and executive Directors, founded KOS International. The principal business of our Group is the provision of recruitment services and secondment and payroll services in Hong Kong and Macau.

At the beginning of our business, the focus of our services was on recruitment for executive and mid-level positions in multinational and local companies based primarily in Hong Kong. We extended our services to a broader range of clients including listed companies in Hong Kong since 2010. In the same year, we began providing secondment and payroll services to several international luxury chain retailers and distributors and also a member of a leading commercial banking group in Hong Kong.

In 2012, Mr. Kevin Chan, Mr. Jackson Chan and Mr. Raymond Chow invested in KOS International by acquiring the shares from Mr. Eddie Chan. Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan are brothers. In the same year, at the request of one of the member of the leading commercial banking groups, we established KOS Macau for the purpose of providing secondment and payroll services in Macau.

In 2017, KOS Staffing was incorporated to carry on the provision of recruitment services and secondment and payroll services to our clients in Hong Kong, with the objective of offering HR services to clients from a wider spectrum of industries in Hong Kong.

OUR KEY BUSINESS MILESTONES

The following events are the key business and corporate development milestones of our Group.

Year	Event
2009	Establishment of KOS International
2010	Started to offer recruitment services to several listed companies in Hong Kong, and secondment and payroll services to several international luxury chain retailers and distributors and a member of a leading commercial banking group in Hong Kong
2013	Expanded our business to Macau and started to provide secondment and payroll services in Macau to a member of a leading commercial banking group
2017	Establishment of KOS Staffing to provide recruitment services and secondment and payroll services

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR CORPORATE DEVELOPMENTS

We set out below our corporate history and the major changes in the shareholding of the members of our Group.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 December 2017. The initial authorised share capital of our Company is HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, our Company allotted and issued one fully paid Share at par value to an initial subscriber who is an Independent Third Party, which was then transferred to KJE Ltd at par value on the date of incorporation of our Company. On the same day, our Company also allotted and issued 74 fully paid Shares to KJE Ltd and 25 fully paid Shares to Caiden Holdings.

As part of the Reorganisation, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow transferred all of their respective interests in KOS International, KOS Staffing and KOS Macau to our Group, at a total consideration of HK\$27,715,145 which was satisfied by way of allotment and issue of an aggregate 49,900 Shares, credited as fully paid in the capital of our Company. Please refer to the paragraph headed “Reorganisation” below for further details.

Our Company is an investment holding company and not currently engaged in any business activity.

KOS International (BVI)

KOS International (BVI) was incorporated in the BVI as a limited liability company on 27 December 2017. Upon its incorporation, KOS International (BVI) was authorised to issue up to a maximum of 50,000 ordinary shares.

On the same day, KOS International (BVI) allotted and issued one share to our Company at US\$1.00, and the share allotted and issued was credited as fully paid. Since then and up to the Latest Practicable Date, KOS International (BVI) was wholly-owned by our Company.

KOS International (BVI) is an investment holding company and not currently engaged in any business activity.

KOS Macau (BVI)

KOS Macau (BVI) was incorporated in the BVI as a limited liability company on 27 December 2017. Upon its incorporation, KOS Macau (BVI) was authorised to issue up to a maximum of 50,000 ordinary shares.

On the same day, KOS Macau (BVI) allotted and issued one share to our Company at US\$1.00, and the share allotted and issued was credited as fully paid. Since then and up to the Latest Practicable Date, KOS Macau (BVI) was wholly-owned by our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

KOS Macau (BVI) is an investment holding company and not currently engaged in any business activity.

KOS International

KOS International was incorporated in Hong Kong on 21 January 2009 as a private company limited by shares and subsequently commenced its business. Upon its incorporation, KOS International had an issued share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, all of which were credited as fully paid and were held by Mr. Eddie Chan.

On 11 May 2012, Mr. Eddie Chan transferred (i) 2,500 ordinary shares in KOS International to Mr. Kevin Chan at a consideration of HK\$2,500; (ii) 2,500 ordinary shares in KOS International to Mr. Jackson Chan at a consideration of HK\$2,500; and (iii) 2,500 ordinary shares in KOS International to Mr. Raymond Chow at a consideration of HK\$2,500. The consideration was determined with reference to the nominal value of the shares. Upon completion of the said transfers, the issued share capital of KOS International was owned by Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow equally, as to 25% each.

As part of the Reorganisation, KOS International became an indirectly wholly-owned subsidiary of our Company. Please refer to the paragraph headed “Reorganisation” below for further details.

KOS International provides recruitment services in Hong Kong.

KOS Staffing

KOS Staffing was incorporated in Hong Kong on 6 September 2017 as a private company limited by shares and subsequently commenced its business. Upon its incorporation, KOS Staffing allotted and issued 10,000 ordinary shares, all of which were credited as fully paid and were held by Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow equally, as to 25% each.

As part of the Reorganisation, KOS Staffing became an indirectly wholly-owned subsidiary of our Company. Please refer to the paragraph headed “Reorganisation” below for further details.

KOS Staffing provides recruitment and secondment and payroll services in Hong Kong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

KOS Macau

KOS Macau was incorporated in Macau on 27 December 2012 as a limited liability company and subsequently commenced its business. Upon its incorporation, KOS Macau had a registered share capital of MOP30,000 fully paid by Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow equally, as to MOP7,500 each.

As part of the Reorganisation, KOS Macau became an indirectly wholly-owned subsidiary of our Company. Please refer to the paragraph headed “Reorganisation” below for further details.

KOS Macau provides secondment and payroll services in Macau.

DEREGISTRATION OF COMPANY DURING THE TRACK RECORD PERIOD

KOS Executive

KOS Executive was incorporated in Hong Kong on 4 November 2015 as a private company limited by shares. Upon its incorporation, KOS Executive had an issued share capital of HK\$10,000 divided into 10,000 ordinary shares, all of which were credited as fully paid and were held by KOS International as its direct wholly-owned subsidiary.

KOS Executive was deregistered on 30 December 2016 pursuant to section 751(3) of the Companies Ordinance. Since its incorporation and up to the date of its deregistration, KOS Executive did not carry on any business. The reason for deregistration is to streamline the corporate structure of our Group. Our Directors confirm that KOS Executive had complied with all applicable laws and regulations in Hong Kong in all material aspects, completed the deregistration process in accordance with the Companies Ordinance, and was not subject to any outstanding claims, litigation or legal proceedings.

REORGANISATION

We reorganised our corporate structure in preparation for, and in connection with, the Listing. Following the completion of the Reorganisation, our Company becomes the holding company of our Group. The steps of Reorganisation are set out below:

(i) Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 December 2017. The initial authorised share capital of our Company is HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon its incorporation, our Company allotted and issued one fully paid Share at par value to an initial subscriber who is an Independent Third Party which was subsequently transferred to KJE Ltd at par value on the date of incorporation of our Company. On the same day, our Company also allotted and issued 74 fully paid Shares and 25 fully paid Shares to KJE Ltd and Caiden Holdings at par value, respectively. Upon allotment and issue of the Shares, our Company was owned as to 75% by KJE Ltd and 25% by Caiden Holdings.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(ii) Incorporation of KOS International (BVI) and KOS Macau (BVI)

KOS International (BVI) was incorporated in the BVI as a limited liability company on 27 December 2017. Upon its incorporation, KOS International (BVI) was authorised to issue up to a maximum of 50,000 ordinary shares. At the date of its incorporation, KOS International (BVI) allotted and issued one share to our Company at US\$1.00, and the share allotted and issued was credited as fully paid. Upon allotment and issue of the share, KOS International (BVI) was wholly-owned by our Company.

KOS Macau (BVI) was incorporated in the BVI as a limited liability company on 27 December 2017. Upon its incorporation, KOS Macau (BVI) was authorised to issue up to a maximum of 50,000 ordinary shares. At the date of its incorporation, KOS Macau (BVI) allotted and issued one share to our Company at US\$1.00, and the share allotted and issued was credited as fully paid. Upon allotment and issue of the share, KOS Macau (BVI) was wholly-owned by our Company.

(iii) Acquisition of KOS International and KOS Staffing by KOS International (BVI) and KOS Macau by KOS Macau (BVI)

Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow have transferred all of their respective interests in KOS International, KOS Staffing and KOS Macau to our Group in the manners set out below:

(i) KOS International

Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow transferred their respective interests, that is 2,500 shares, 2,500 shares, 2,500 shares and 2,500 shares in KOS International, in aggregate 10,000 shares, representing the entire issued share capital of KOS International, to KOS International (BVI) at a total consideration of HK\$26,220,172. The consideration was determined with reference to the net asset value of KOS International as at 31 December 2017. The consideration for the acquisition was satisfied by the allotment and issue of and crediting as fully paid of (1) 7,500 Shares to KJE Ltd for the acquisition from Mr. Kevin Chan; (2) 7,500 Shares to KJE Ltd for the acquisition from Mr. Eddie Chan; (3) 7,500 Shares to KJE Ltd for the acquisition from Mr. Jackson Chan; and (4) 7,500 Shares to Caiden Holdings for the acquisition from Mr. Raymond Chow, upon their respective instructions.

(ii) KOS Staffing

Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow transferred their respective interests, that is 2,500 shares, 2,500 shares, 2,500 shares and 2,500 shares in KOS Staffing, in aggregate, 10,000 shares, representing the entire issued share capital of KOS Staffing, to KOS International (BVI) at a total consideration of HK\$10,000. The consideration was determined with reference to the amount of paid up shares capital and the net asset value of KOS Staffing as at 31 December 2017. The

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

consideration for the acquisition was satisfied by the allotment and issue of and crediting as fully paid of (1) 2,475 Shares to KJE Ltd for the acquisition from Mr. Kevin Chan; (2) 2,475 Shares to KJE Ltd for the acquisition from Mr. Eddie Chan; (3) 2,475 Shares to KJE Ltd for the acquisition from Mr. Jackson Chan; and (4) 2,475 Shares to Caiden Holdings for the acquisition from Mr. Raymond Chow, upon their respective instructions.

(iii) KOS Macau

Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow assigned their respective 25% interests in KOS Macau, in aggregate representing the entire issued share capital of KOS Macau, in favour of KOS Macau (BVI) at a total consideration of HK\$1,484,973. The consideration was determined with reference to the net asset value of KOS Macau as at 31 December 2017. The consideration for the acquisition was satisfied by the allotment and issue of and crediting as fully paid of (1) 2,500 Shares to KJE Ltd for the acquisition from Mr. Kevin Chan; (2) 2,500 Shares to KJE Ltd for the acquisition from Mr. Eddie Chan; (3) 2,500 Shares to KJE Ltd for the acquisition from Mr. Jackson Chan; and (4) 2,500 Shares to Caiden Holdings for the acquisition from Mr. Raymond Chow, upon their respective instructions.

The above transfers were legally completed and settled on 15 June 2018. Upon the completion of the aforesaid transfers, KOS International and KOS Staffing become direct wholly-owned subsidiaries of KOS International (BVI) and KOS Macau becomes a direct wholly-owned subsidiary of KOS Macau (BVI). KOS International, KOS Staffing and KOS Macau thereby become indirect wholly-owned subsidiaries of our Company.

(iv) Increase in the authorised share capital of our Company

On 13 September 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares of nominal value of HK\$0.01 each by the creation of an additional of 3,962,000,000 Shares.

(v) Capitalisation Issue and Share Offer

Conditional upon the granting of the listing approval by the Stock Exchange for the Listing and permission to deal in the Shares on GEM and the share premium account of our Company being credited with the proceeds of the Share Offer, our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full a total of 449,962,500 Shares and 149,987,500 Shares for allotment and issue to KJE Ltd and Caiden Holdings, respectively, being the existing shareholders of our Company immediately prior to the Capitalisation Issue. The Shares to be issued pursuant to the Capitalisation Issue shall carry the same rights in all respects as the existing Shares. Immediately upon the completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), KJE Ltd, Caiden Holdings and the public holders of Shares will hold 56.25%, 18.75% and 25.00%, respectively, of the enlarged issued share capital of our Company.

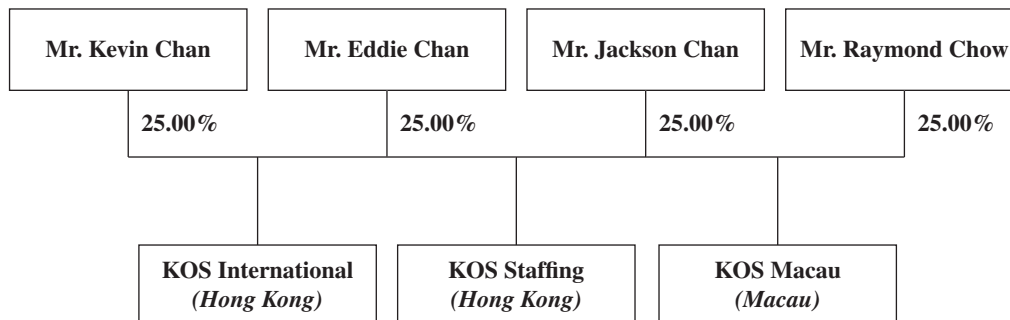
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CONCERT PARTIES ARRANGEMENT

On 18 January 2018, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow entered into a deed of concert parties arrangement, by which they confirmed, jointly and severally, that during such time as each of them remains as a shareholder or hold any interests (whether directly or indirectly) in any of the companies within our Group, in relation to any resolutions of these companies proposed to be passed, they have (i) consulted and acted in concert, and shall continue to consult and act in concert with each other to attain unanimous consensus as to whether to vote for, or against, or to abstain from voting on such resolutions proposed to be passed; (ii) exercised, and shall continue to exercise all voting rights and powers of control available to them unanimously and in accordance with the intention and direction of each other; (iii) enjoyed, and shall continue to enjoy the economic benefits generated from the business and operation of our Group; and (iv) centralised, and shall continue to centralise the ultimate control and right to make final decisions with respect to their interests in the business and operation of our Group.

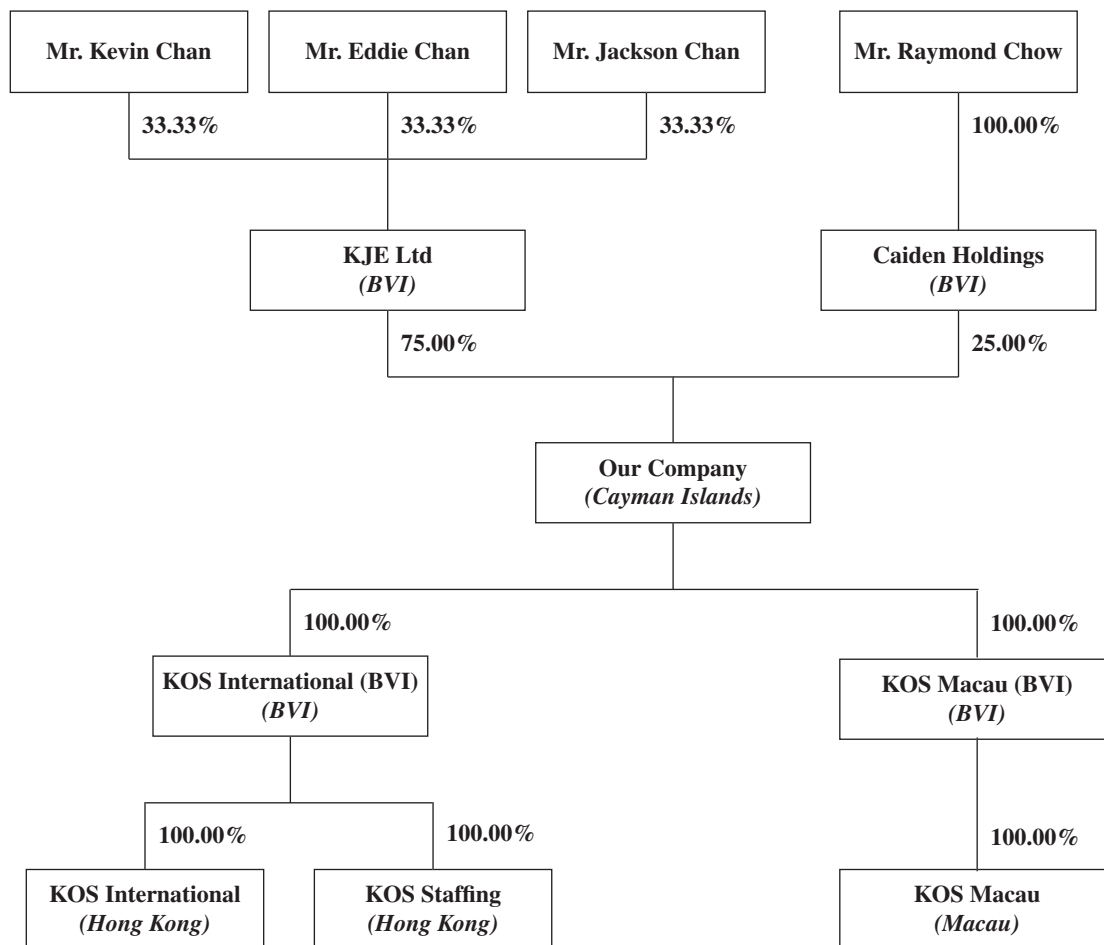
SHAREHOLDING AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately before completion of the Reorganisation is set out as below:



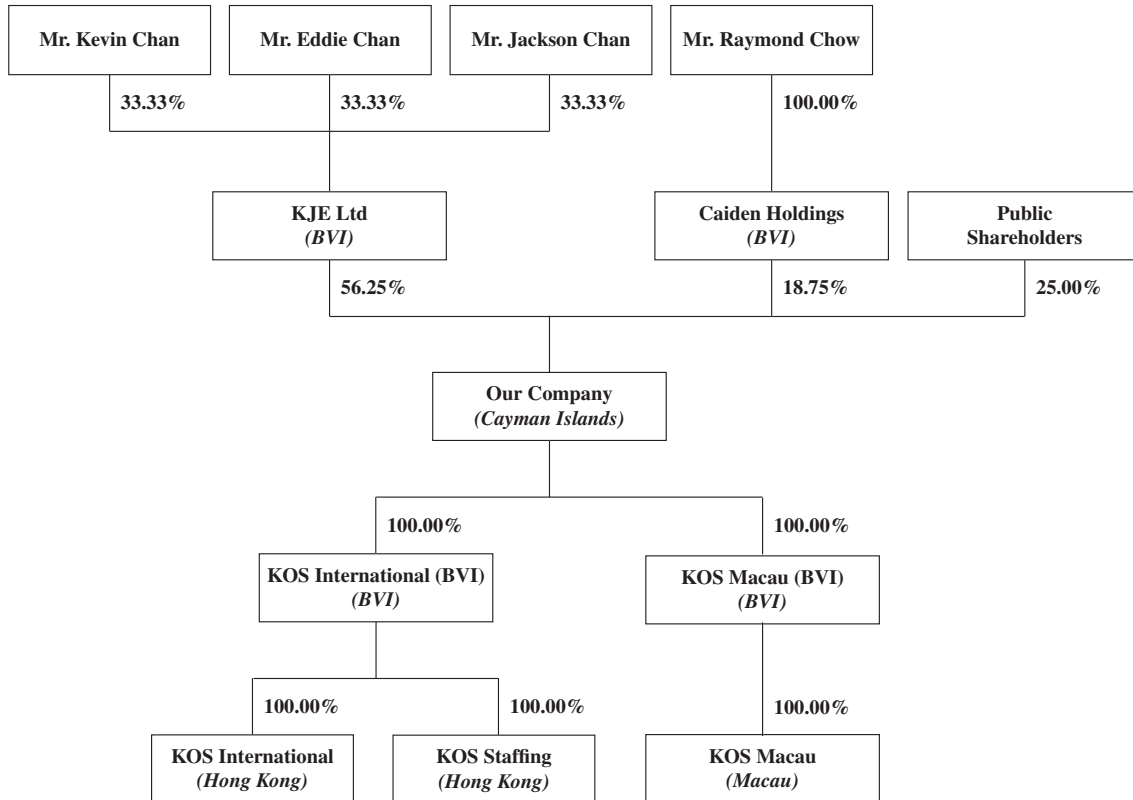
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before the Capitalisation Issue and the Share Offer is set out as below:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) is set out as below:



BUSINESS

OVERVIEW

We are a reputable HR services provider in Hong Kong providing high quality recruitment services and secondment and payroll services to our clients from diversified industries with market share of approximately 0.6% in the HR services industry in Hong Kong in 2017. Our clients comprise mainly well-established multinational and local companies which are engaged in a wide variety of industries ranging from fashion, property, cosmetics and beauty, IT&T and e-commerce to material sourcing and medical and healthcare. We have nurtured stable business relationships with our major clients. During the Track Record Period, we have been serving the majority of our major clients for periods ranging from approximately one to nine years.

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

We have more than nine years of experience in the HR services market in Hong Kong. Leveraging on our local industry experience and our established relationship with our largest client during the Track Record Period, we started providing HR services to such client's operation in Macau since 2013, focusing on secondment and payroll services. During the Track Record Period, our revenue derived from Hong Kong accounted for approximately 90.7%, 93.6% and 94.5% of our revenue, respectively.

The following table sets forth the breakdown of our revenue by business segments and geographical locations during the Track Record Period:

	Year ended 31 December 2016		2017		Five months ended 31 May 2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (unaudited)	% of revenue	HK\$'000	% of revenue
Recruitment services – Hong Kong ^(Note)	18,230	39.1	35,411	54.1	10,595	45.8	15,437	53.7
Secondment and payroll services								
– Hong Kong	24,112	51.6	25,858	39.5	10,632	45.9	11,746	40.8
– Macau	4,328	9.3	4,157	6.4	1,915	8.3	1,575	5.5
	28,440	60.9	30,015	45.9	12,547	54.2	13,321	46.3
Total	46,670	100.0	65,426	100.0	23,142	100.0	28,758	100.0

Note: During the Track Record Period, our Group did not provide any recruitment services in Macau. All of our revenue generated from the business operation in Macau during the Track Record Period was attributable to our secondment and payroll services.

Our sales approach focuses on functional specialisation under which our consultants are divided into different teams focusing on a wide range of designated job functions, primarily including sales and marketing, merchandising and retail operation, HR and administration, IT,

finance and accounting, property and engineering. Such approach enables our consultants to possess in-depth knowledge of the markets they specialise in and accumulate a pool of potential candidates in the designated job functions. This places our Group in a favourable position to be responsive to our clients' business needs by identifying and sourcing candidates matching our clients' requirements in an effective manner. The adoption of functional specialisation also enables our Group to reduce the risk of over concentration on any particular industry which prevents us from being vulnerable to material impact from seasonality, economic cycles and fluctuations in a particular industry.

COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

We are a reputable HR services provider in Hong Kong delivering high quality services to our clients

We have more than nine years of experience in the HR services market in Hong Kong. Leveraging on our extensive knowledge and practical experience in the recruitment and secondment and payroll services market, we strive to provide high quality HR services to meet our clients' business needs amid the rapid changes in the market.

Our sales approach focuses on functional specialisation under which our consultants are divided into different teams focusing on a wide range of designated job functions, primarily including sales and marketing, merchandising and retail operation, HR and administration, IT, finance and accounting, property and engineering. Our consultants review resumes of candidates on an ongoing basis and maintain connections with the candidates to establish their networks in the designated functions markets. Through connecting with candidates, our consultants possess in-depth knowledge of the functions markets they specialise in and accumulate a pool of potential candidates in the designated job functions. This places our Group in a favourable position to be responsive to our clients' needs by effectively identifying and sourcing candidates who match our clients' requirements in a well-established pool of candidates.

Our Directors believe that the delivery of our high quality services is supported by the adoption of advanced IT software. Our current IT software effectively tracks the performance of our consultants against the key performance indicators, which enables our management to closely monitor the business operations of our Group. It also facilitates effective sharing of useful recruitment information within our Group, as important information such as our clients' requirements of job functions, interview status of candidates, follow-up actions being taken and reviews of the candidates prepared by our consultants are recorded and stored in our candidate database by our consultants which are accessible by our management and other authorised consultants requiring such information. Our IT personnel also works closely with our Directors and senior management team to keep track of the latest technological developments and collect clients' feedbacks to upgrade and enhance the IT software we use as and when appropriate to maintain our competitiveness in the market.

With our effective approach on functional specialisation and IT support, our Directors believe that we can continue to provide HR solutions tailored to the business needs of our clients in the prevailing competitive and fast-paced business environment.

BUSINESS

We have well-established business relationships with our clients from diversified industries

Our clients comprise mainly well-established multinational and local companies which are engaged in a wide variety of industries including (i) fashion; (ii) property; (iii) cosmetics and beauty; (iv) IT&T and e-commerce; (v) material sourcing; (vi) medical and healthcare; (vii) catering and hospitality; and (viii) others. We believe that having clients from diversified industries reduces the risk of reliance on any particular industry which prevents us from being vulnerable to impact from seasonality, economic cycles and fluctuations in a particular industry.

We have maintained long-term and stable business relationships with our major clients. During the Track Record Period, we have been serving the majority of our major clients for periods ranging from approximately one to nine years. Leveraging on our well-established business relationships with our major clients, the revenue derived from our Repeated Clients accounted for approximately 91.9%, 92.6% and 92.5% of our revenue for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively. Our Directors believe that our stable relationships with our clients is built on our knowledge in our clients' industries, our understanding of the business cultures of clients and our ability to provide effective and reliable services that meet our clients' needs. We believe that our major clients will continue to engage us as their HR services provider, which serves as a solid foundation for our Group to further develop a broader client base and diversify into new business areas.

Possession of a sizeable pool of candidates registered within our candidate database

Our clients are from a diversified range of industries and some of them may require manpower with specialised skills and qualifications, for instance, accounting and finance qualifications and specialised knowledge in IT infrastructure and programming. Our Directors believe that the ability to satisfy our clients' varying staffing needs requires a relatively sizeable pool of candidates possessing different skill sets.

Since our inception in 2009 and as at the Latest Practicable Date, we have accumulated a pool of over 158,000 candidates engaged in a wide variety of industries who are registered within our candidate database. Information of candidates stored in our candidate database have been processed by our consultants. Through expanding and maintaining connections with the candidates and processing information of the candidates on our candidate database on an ongoing basis, our consultants are able to respond swiftly to our clients' needs by effectively introducing candidates with suitable calibre to our clients. Apart from our internal database, we have also effectively expanded the pool of candidates we have access to through, among others, social media platforms, connections of our Directors, senior management team and consultants and market referrals to over 1.3 million candidates as at the Latest Practicable Date.

BUSINESS

We have an experienced and strong management team with proven track record supported by our experienced execution team

We have more than nine years of experience in the HR services market and our success is attributable to our experienced and strong management team. Two of our executive Directors, Mr. Eddie Chan and Mr. Jackson Chan, have accumulated more than 14 years of experience in the HR services industry in Hong Kong. Prior to the establishment of our Group, Mr. Eddie Chan and Mr. Jackson Chan had experience working in reputable international recruitment firms and their insights in the HR services market enable them to manage the overall business operation and execute the business strategies of our Group. Our executive Director, Mr. Kevin Chan, is responsible for the overall strategic planning and business development of our Group. The daily operation of our Group is effectively supervised and led by members of our senior management team, Ms. Yeung Shek Shek Louisa and Mrs. Williams Au Chui Man Connie, each of whom has abundant experience in the HR services industry. Members of the senior management team work closely with our executive Directors to develop and implement strategies and plans of our Group. They also supervise the work quality of our consultants and oversee the day-to-day management of our Group. For details and biographies of our executive Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

Our management team is also supported by a team of experienced consultants who possess in-depth knowledge in their designated functions markets, the industry trend and our clients’ specific needs. We believe that the extensive experience and in-depth market knowledge of our management team and our consultants enable us to keep abreast of the latest market trends, understand the needs of our clients and continue to provide flexible and high quality services to our clients.

BUSINESS STRATEGIES

We aim to continue to leverage on our experience in the HR services industry in Hong Kong and Macau to strengthen our market position in Hong Kong and to develop new clients and establish our presence in the PRC recruitment services market. To achieve these objectives, we plan to implement the following business strategies:

Strengthen our market position in Hong Kong through expanding our recruitment services and secondment and payroll services

We believe it is crucial to our continued growth and development to strengthen our market position as an HR services provider in Hong Kong. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, approximately 90.7%, 93.6% and 94.5% of our revenue was generated in Hong Kong, respectively. According to the F&S Report, the overall HR services industry in Hong Kong underwent consistent growth at CAGR of approximately 6.1% from 2012 to 2017 which was mainly driven by the strong growth in recruitment services and secondment and payroll services segments in Hong Kong. We believe that seizing such opportunity to capture market share in the HR services market in Hong Kong will not only broaden our client base, but also enhance our profitability in the long run.

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During the Track Record Period, we received an increasing number of recruitment services requests from our existing and new clients to fill vacancies of different positions. While the number of our successful placements for clients under our recruitment services segment increased from 213 for the year ended 31 December 2016 to 352 for the year ended 31 December 2017, and increased from 93 for the five months ended 31 May 2017 to 173 for the five months ended 31 May 2018, we were still unable to place candidates to all the positions requested from our clients and we had excess job openings due to limited number of consultants and resources we have during the Track Record Period.

With a view to capturing more business opportunities in the market and from our current excess job openings and achieving more successful placements from an increasing services demand from clients, we plan to expand our business team in Hong Kong by utilising the net proceeds to recruit around 23 additional consultants graduated with bachelor's degree or higher. Among the new hires, we plan to recruit two experienced consultants with no less than ten years of recruitment experience to lead our team in Hong Kong. Other consultants to be hired shall, depending on their seniority, possess at least one year to six years of work experience in the recruitment services industry and they will primarily specialise in functional specialisation including among others IT, property, engineering and legal, which we had placed less focus on during the Track Record Period due to limited number of consultants and the lack of consultants specialised in those job functions. Such functional specialisations are areas expected to be in high labour demand and our Directors consider these functional specialisation are business opportunities for our Group. These experienced consultants to be hired will also utilise their networks and connections to broaden our client base and expand the candidate database. Such expansion of network will further increase the demand for our services and enhance our ability in finding suitable candidates. We also intend to hire a researcher who holds diploma or above serving research and administrative functions.

We believe that the success of our business is partially attributable to the collaborative sales efforts from our consultants whom are considered as a key to grow our business and through hiring additional consultants and each of them utilising their respective connections and networks to meet their sales targets, we will be able to capture more business opportunities in the HR services market and broaden our client base. In addition to meeting their respective sales targets, our consultants would also spend their time actively sourcing new candidates for recruitment opportunities. As at the Latest Practicable Date, we had accumulated a pool of over 158,000 candidates in our internal database, which was handled and maintained by 27 consultants of our Group. The additional consultants will enable our Group to gain more in-depth understanding of the candidates' needs, current status and future prospects, provide additional human resources to enhance data accuracy of our candidate database, and source new candidates from networks and connections of the additional consultants. Given the foregoing and having considered that HR services industry is a service-oriented industry and is relatively more labour intensive in nature, our Directors are of the view that our Group will be able to capture more business opportunities in a more efficient and effective manner by hiring additional consultants.

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As at the Latest Practicable Date, we have leased an additional office premises of exceeding 4,600 square feet in Tsim Sha Tsui, Hong Kong and we plan to purchase additional equipment such as computers, printers and telephones to accommodate the increase in headcount of our team in Hong Kong and the growing business size with the support of a larger base of our consultants. Our Group intends to apply approximately HK\$20.9 million, representing approximately 45.9% of the net proceeds from the Share Offer to strengthen our market position in Hong Kong.

Establish our presence in the PRC through introducing our recruitment services

Since our inception, we have been focusing on developing our business in the Hong Kong market and we have expanded our business into Macau for the provision of secondment and payroll services to our largest client during the Track Record Period since 2013. The scale of our business in Macau was relatively small with 24, 22 and 20 staff seconded to our client in Macau to provide secondment and payroll services as at 31 December 2016 and 2017 and 31 May 2018, respectively. During the Track Record Period, substantially all of our revenue was derived from our business operation in Hong Kong. Our revenue generated in Macau for the provision of our secondment and payroll services accounted for only approximately 9.3%, 6.4% and 5.5% of our revenue respectively.

According to the F&S Report, the overall HR services market in the PRC recorded strong growth at a CAGR of approximately 19.1% in market size from 2012 to 2017 driven by the expanding labour force and the implementation of a series of favourable policies by the PRC government. It is expected that such market will continue to experience favourable growth at a CAGR of approximately 15.6% from 2018 to 2022. Although the overall HR services market in the PRC is highly fragmented and an increasing number of smaller international and local HR service providers have established their footprint in the PRC over the last few years, our Directors believe that our Group is able to capture new business opportunities in the PRC leveraging on (i) our successful experience in PRC placements involving two, three and two candidates respectively during the Track Record Period, contributing to approximately 2.0%, 1.9% and 4.9% of our revenue during the same period respectively; (ii) our stable business relationships with our existing clients in Hong Kong. Some of them have business operations in the PRC and our relationships with such clients serve as solid foundation for our Group to pursue new business opportunities with them in the PRC; (iii) the sizeable pool of candidates we have accumulated in our candidate database since our inception, including profiles of (a) candidates based in Hong Kong who are open to job opportunities in the PRC and (b) those based in Guangzhou and Shenzhen, the PRC, categorised based on functional specifications provides readily available manpower to support our PRC market entry initiatives; and (iv) experience and connections of Ms. Yeung Shek Shek Louisa, a member from our senior management team, in the HR services industry in the PRC. For details of her work experience, please refer to the section headed “Directors and senior management – Senior management” in this prospectus. Through the network of clients and candidates we have established with respect to the PRC development plan as disclosed above, we are able to market our recruitment services to clients through their networks and enhance our brand awareness and establish our presence in the PRC.

To support our initiatives to establish our presence in the PRC recruitment services market, we intend to set up our business team specialised in recruitment services in the PRC market by utilising the net proceeds to recruit around 16 additional consultants graduated with tertiary education qualification or higher in different phases by the second half of 2020. Among

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the new hires, we plan to recruit one experienced consultant with no less than seven years of recruitment experience in the PRC. As at the Latest Practicable Date, we have identified a suitable candidate for that position. Other consultants to be hired shall, depending on their seniority, generally possess at least two to five years of work experience in the recruitment services industry. Our consultants in the PRC will primarily specialise in our existing functional specialisation. We also intend to hire six supporting staff and five researchers holding diploma or above to assist in administrative and research functions. The new teams in the PRC with an aggregate of 27 internal staff will be led by Ms. Yeung Shek Shek Louisa, a member from our senior management team who is experienced in the PRC recruitment services market.

As at the Latest Practicable Date, we have commenced the procedures for establishment of a foreign-owned recruitment agency. We have also made an application for the Hong Kong Service Provider Certificate under CEPA (the “**CEPA Certificate**”) to the Trade and Industry Department on 11 April 2018. The application has been approved by the authority and the CEPA Certificate was issued in May 2018. To comply with the relevant laws and regulations in the PRC, our Group will take the following actions prior to launching recruitment business in the PRC by the second half of 2018: (i) identify and lease a commercial property in Shenzhen, the PRC, as our office premises by the second half of 2018 as a starting point to support our future business development; (ii) appoint an agency in the PRC to execute the legal procedures of establishing the proposed recruitment company, including preparation of the articles of association of the company and other relevant legal documents; (iii) apply for business licence of the company; (iv) employ at least five full-time staff graduated with tertiary education qualification or above with qualification certificates to provide talent recruitment services; and (v) complete the requisite registration and filing procedures of the talent recruitment agency with the competent human resources administrative authority in Guangdong province, the PRC. As at the Latest Practicable Date, we had not obtained all the necessary licences and/or permits to commence our Group’s PRC operation as our PRC entity which shall be the holders of relevant licences and/or permits is still under the process of establishment. As advised by our PRC legal advisers, as the application process of the licences and/or permits are administrative procedures, we did not foresee any legal impediment for us to satisfy the requirements and obtain the necessary approvals, permits and licences for establishing our recruitment business in the PRC.

Our Group intends to apply approximately HK\$11.7 million, representing approximately 25.8% of the net proceeds from the Share Offer to establish our presence in the PRC recruitment services market. Our Directors are of the view that the net proceeds will be sufficient to implement our PRC development plan considering that by the end of 2020 our Group intends to (i) hire a total of 27 internal staff, of which 16 consultants will be divided into five teams primarily focusing on specific functions, for instance, finance, HR and administration, IT, sales and marketing, engineering, and merchandising and retail operation; (ii) accumulate a pool of over 100,000 candidates registered within our PRC candidate database; (iii) establish a recruitment company in Shenzhen, the PRC; and (iv) lease a commercial property in Shenzhen, the PRC, as our office premises.

Develop marketing capability and conduct more marketing activities to promote our brand

To successfully implement our strategy in expanding our business in Hong Kong, as well as establishing our business in the PRC as aforementioned, it is important for us to enhance our brand awareness concurrently. It enables us to stand higher chance of establishing business relationships with long established reputable brands. As such, we intend to allocate more resources to enhance our brand awareness by developing marketing capability and conducting an array of marketing activities. We intend to recruit experienced marketing personnel and promote our brand and services through various marketing and promotional campaigns, such as advertising in industry magazines and public electronic media, utilising search engine marketing and search engine optimisation, organising seminars for potential candidates, participating in recruitment roadshows, and organising marketing events to cultivate client relationships. We believe that the enhancement of our brand awareness not only can attract new clients for our business growth, but also attract more new candidates, thereby enhancing our sourcing and placement capabilities. Accordingly, our Directors consider that the enhancement of our brand awareness and marketing status is crucial and fundamental for us to further expand our business. Our Group intends to apply approximately HK\$5.0 million, representing approximately 11.0% of the net proceeds from the Share Offer to develop marketing capability and conduct more marketing activities to promote our brand.

Enhance our IT system to support our business operation

We intend to enhance our IT system to support our business expansion and increase our operational efficiency by, inter alia, (i) developing additional workflows for our different services segments; (ii) upgrading our website; (iii) procuring a new business intelligence system; and (iv) automating our work process in general.

Our Directors are of the view that enhancing our IT system is essential for our business growth, for the reasons set out below:

- *Developing additional workflows:* the workflow of our existing IT system caters for our recruitment services only. Through developing additional workflows to support our different services segments, the overall operational efficiency of our Group can be enhanced.
- *Upgrading our website:* we intend to upgrade the current job application function of our website to simplify and facilitate the job application procedures. Our upgraded website will also synchronise our activities on social media platforms, thereby attracting more job seekers and potential clients to visit our website.
- *Procuring new business intelligence system:* the new business intelligence system we intend to procure will effectively track performance of individual consultants and our Group as a whole and compare our performance with historical data and future projection, thereby enabling our management to identify strengths and weaknesses in the recruitment and secondment and payroll services cycle and make decisions for actions to be taken to deliver desired business results.

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- *Automating our work process:* we will introduce measures to automate certain manual process of our daily operation, including data entry and resume editing, to minimise errors during manual process and improve our operational effectiveness in general.

In view of the above, our Directors consider that the investment in our IT system is crucial not only to enhance our operational efficiency to cater for our business expansion and minimise our operational risk, but also to maintain our competitive position in the industry. Our Group intends to apply approximately HK\$4.5 million, representing approximately 9.9% of the net proceeds from the Share Offer to strengthen our IT system.

For details of the proposed allocation of the net proceeds from the Share Offer and implementation plans, please refer to the section headed “Statement of business objectives and use of proceeds – Implementation plans” in this prospectus.

OUR PRINCIPAL BUSINESS

As an HR services provider, we provide recruitment services and secondment and payroll services to our clients from diversified industries. The table below sets out our clients, sources of revenue, geographical locations of the candidates placed or seconded to work and service fees charged by our Group under each business segment during the Track Record Period:

Business segments	Clients	Sources of revenue	Geographical locations of candidates placed/seconded	Service fees
<i>Recruitment services</i>	Multinational and local companies from diversified industries.	The scope of our recruitment services covers the entire employment cycle, including conducting screening and interviews of candidates, introducing shortlisted candidates for clients' further selection, assisting in offer negotiations, following up with clients on work performance of selected candidates and assisting in locating replacements upon clients' requests.	Selected candidates are primarily placed to work in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, a minority of them were also placed to work in the PRC, Cambodia and Canada.	We charge one-off service fees for successful placements in general. Such fees can be either (i) calculated based on an agreed percentage of the successfully placed candidate's annual remuneration package in the first year of his/her employment, subject to negotiations with clients; or (ii) an agreed fixed amount per successful placement or an agreed percentage of the successful candidates monthly basic salary for certain placement of frontline staff, such as telemarketing officers and security guards. Payments are generally settled by clients within the credit periods of not more than 60 days offered by our Group after the successfully placed candidate's date of reporting duty.

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Business segments	Clients	Sources of revenue	Geographical locations of candidates placed/seconded	Service fees
<i>Secondment and payroll services</i>	Multinational and local companies from diversified industries.	The scope of our secondment and payroll services covers the following: (i) sourcing staff, employing them by our Group and seconding them to our clients; (ii) employing staff sourced by our clients and seconding them to our clients; and (iii) providing payroll and other administration services to our clients upon their requests.	Our staff are seconded to work in Hong Kong and Macau.	<p>Secondment and payroll services are charged on a monthly basis during the service period based on either (i) an agreed percentage of the seconded staff's monthly remuneration package; or (ii) an agreed fixed amount of service fees per staff per month.</p> <p>Payments are generally settled by clients within the credit periods of not more than 60 days from the date of our invoices which are issued once or twice a month to our respective clients.</p> <p>Our Group recognises revenue in gross amount of consideration to which it expects to be entitled in exchange for the secondment and payroll services transferred.</p>

During the Track Record Period, our revenue was derived from the provision of recruitment services and secondment and payroll services in Hong Kong and Macau. The following table sets forth the breakdown of our revenue by business segments and geographical locations during the Track Record Period:

	Year ended 31 December 2016		Year ended 31 December 2017		Five months ended 31 May 2017		Five months ended 31 May 2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (unaudited)	% of revenue	HK\$'000	% of revenue
Recruitment services								
- Hong Kong ^(Note)	18,230	39.1	35,411	54.1	10,595	45.8	15,437	53.7
Secondment and payroll services								
- Hong Kong	24,112	51.6	25,858	39.5	10,632	45.9	11,746	40.8
- Macau	4,328	9.3	4,157	6.4	1,915	8.3	1,575	5.5
	28,440	60.9	30,015	45.9	12,547	54.2	13,321	46.3
Total	46,670	100.0	65,426	100.0	23,142	100.0	28,758	100.0

Note: During the Track Record Period, our Group did not provide any recruitment services in Macau. All of our revenue generated from the business operation in Macau during the Track Record Period was attributable to our secondment and payroll services.

During the Track Record Period, the majority of our revenue was generated in Hong Kong, representing approximately 90.7%, 93.6% and 94.5% of our revenue, respectively. Leveraging on our well-established business relationship with our largest client, we started our business operation in Macau with a primary focus on the secondment and payroll services in 2013. Our revenue generated in Macau during the Track Record Period accounted for

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approximately 9.3%, 6.4% and 5.5% of our revenue, respectively, which was all derived from the provision of our secondment and payroll services to the largest client during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, a majority of candidates selected were placed to work in Hong Kong. During the same period, a minority of them were placed to work in the PRC, Cambodia and Canada as some of our clients who are located in Hong Kong or in those foreign countries engaged us to place candidates for their requested positions in those countries.

Our clients are generally multinational and local corporations which are engaged in a wide range of industries. The following table sets forth the number of our active clients, being those who procured our services during the Track Record Period, by different industries during the periods indicated:

	Year ended 31 December 2016	2017	Five months ended 31 May 2017	2018
Active clients by industry				
Fashion	24	38	22	32
Cosmetics and beauty	19	17	4	5
Medical and healthcare	10	11	5	3
Banking, finance and accounting	8	20	8	9
IT&T and e-commerce	7	7	1	5
Material sourcing	7	3	1	4
Property	2	3	1	3
Media, publishing and printing	4	3	1	–
Catering and hospitality	3	6	2	3
Manufacturing and industrial	2	6	4	3
Food and beverages	2	2	2	1
Others	9	7	3	4
Total	97	123	54	72

Note: During the Track Record Period, 92, 118 and 67 active clients procured recruitment services from us, while eight, eight and nine active clients procured secondment and payroll services from us, respectively. Among such active clients of our Group in each of the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, three, three and four of them procured both recruitment and secondment and payroll services from us, resulting in a total number of active clients of 97, 123 and 72 during the Track Record Period, respectively.

Our Group has maintained long-term and stable business relationship with our major clients. As at the Latest Practicable Date, we have been serving our five largest clients during the Track Record Period for periods ranging from approximately one to nine years. Leveraging on our well-established business relationships with our major clients, the revenue derived from our Repeated Clients amounted to approximately HK\$42.9 million, HK\$60.6 million and HK\$26.6 million, representing approximately 91.9%, 92.6% and 92.5% of our revenue for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively. Among which, the revenue derived from the largest client of our Group during the Track

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Record Period was approximately HK\$25.0 million, HK\$25.8 million and HK\$12.2 million, representing approximately 53.6%, 39.4% and 42.4% of our revenue, respectively. As the majority of the agreements entered into with our clients are long-term in nature and do not have a fixed term, only three, one and four of our Repeated Clients have renewed their service agreements with our Group for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively. Such clients in aggregate contributed approximately 3.3%, 1.8% and 4.9% of our revenue during the same periods respectively.

RECRUITMENT SERVICES

We provide recruitment services primarily in Hong Kong, under which we assist our clients who are the employers in placing appropriate candidates for requested positions at different levels, including administrative, executive, managerial and professional. As part of our service package, we participate in the process of resume screening, interviewing candidates and introducing shortlisted candidates to our clients for their further selection. We also assist our clients in negotiating terms of offer with selected candidates and following up with clients on the work performance of the selected candidates upon the candidates' work commencement. We are also capable of providing candidate replacement services upon our clients' requests. We generally identify and source potential candidates from our candidate database, external candidate database operated by third parties and through social media platforms. We also search for suitable candidates through posting advertisements on our own website, third party recruitment websites, social media platforms, participating in recruitment roadshows or through market referrals. For placement of more senior roles, we may also engage third party research firm to conduct candidate searches. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, approximately 39.1%, 54.1% and 53.7% of our revenue was generated from our recruitment services respectively.

As part of our recruitment services, if any of our clients under our secondment and payroll services segment offers employment to the seconded staff who is sourced and employed by our Group, we will be entitled to a one-off buyout fee calculated based on an agreed percentage of the relevant seconded staff's monthly or annual remuneration package, being the same service fee calculation basis as we generally applied for our recruitment services. The revenue derived from the buyout arrangement of seconded staff is classified under our recruitment services segment and such arrangement forms part of our recruitment services extended to our clients under our secondment and payroll services. During the Track Record Period, we had one, seven and one occasion(s) of seconded staff buyout, which generated revenue of approximately HK\$43,000, HK\$0.3 million and HK\$16,000, representing approximately 0.1%, 0.4% and 0.1% of our revenue, respectively, which is considered as an immaterial portion.

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Our Group adopts a functional specialisation approach with respect to our recruitment services under which our consultants are divided into different teams focusing on a wide range of designated job functions. The following table sets out the breakdown of our revenue derived from our recruitment services and the respective number of our successful placements by job functions during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2017		2018		2017		2018	
	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>
	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>
	<i>HK\$'000</i>	<i>placements</i>	<i>HK\$'000</i>	<i>placements</i>	<i>HK\$'000</i>	<i>placements</i>	<i>HK\$'000</i>	<i>placements</i>	<i>HK\$'000</i>	<i>placements</i>	<i>HK\$'000</i>	<i>placements</i>
	(unaudited)											
Sales and marketing	8,085	44.3	119	12,276	34.6	199	4,177	39.4	53	6,901	44.8	121
Merchandising and retail operation	2,489	13.6	23	1,913	5.4	18	945	8.9	6	3,906	25.3	23
HR and administration	2,295	12.6	25	3,877	11.0	27	2,147	20.3	11	2,243	14.5	12
IT	2,090	11.5	21	1,233	3.5	15	484	4.6	6	329	2.1	5
Finance and accounting	1,614	8.9	16	7,835	22.1	69	1,375	13.0	12	2,058	13.3	12
Property	1,199	6.6	3	4,895	13.8	10	839	7.9	2	-	-	-
Engineering	-	-	-	696	2.0	3	46	0.4	1	-	-	-
Others ^(Note)	458	2.5	6	2,686	7.6	11	582	5.5	2	-	-	-
Revenue derived from recruitment services/number of successful placements	18,230	100.0	213	35,411	100.0	352	10,595	100.0	93	15,437	100.0	173

Note: Other successful placements by job functions during the Track Record Period mainly comprised hospitality, legal and quality assurance.

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Under our recruitment services segment, we assist our clients in placing candidates for requested positions at all levels. The following table sets forth a breakdown of our revenue by the types of services fees we charge and the respective number of successful placements under each category during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2017		2018		2017		2018	
	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>	<i>% of</i>	<i>Number of</i>
	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>	<i>segment</i>	<i>successful</i>
	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements
	(unaudited)											
Services fee charged based on candidates' remuneration^(Note 1):												
Annual remuneration												
<i>Above HK\$0.8 million</i>	5,136	28.2	18	17,889	50.5	52	5,283	49.9	15	9,279	60.1	28
<i>HK\$0.3 million – HK\$0.8 million</i>	9,907	54.3	99	11,764	33.2	116	4,077	38.5	39	3,721	24.1	39
<i>Below HK\$0.3 million</i>	2,457	13.5	66	3,562	10.1	96	990	9.3	29	1,426	9.2	38
	17,500	96.0	183	33,215	93.8	264	10,350	97.7	83	14,426	93.4	105
Monthly remuneration	-	-	-	99	0.3	7	-	-	-	43	0.3	3
	17,500	96.0	183	33,314	94.1	271	10,350	97.7	83	14,469	93.7	108
Other types of services fee charged:												
One-off fixed fee	650	3.6	30	2,097	5.9	81	245	2.3	10	968	6.3	65
Others ^(Note 2)	80	0.4	-	-	-	-	-	-	-	-	-	-
	730	4.0	30	2,097	5.9	81	245	2.3	10	968	6.3	65
Revenue derived from recruitment services/number of successful placements	<u>18,230</u>	<u>100.0</u>	<u>213</u>	<u>35,411</u>	<u>100.0</u>	<u>352</u>	<u>10,595</u>	<u>100.0</u>	<u>93</u>	<u>15,437</u>	<u>100.0</u>	<u>173</u>

Notes:

- (1) Generally speaking, our service fees are calculated based on an agreed percentage of the successfully placed candidate's annual remuneration package in the first year of his/her employment or an agreed minimum fee, whichever is higher. For placements of frontline personnel with relatively high turnover rate, such as telemarketing officers and security guards, we generally either charge a one-off fixed fee per successful placement or a one-off service fee calculated based on 100% or 120% of the candidate's monthly basic salary, subject to negotiation with clients. For our service fee charged based on candidates' annual remuneration, the agreed percentage we applied is normally on a progressive basis in accordance with the level of the remuneration. In general, we will apply standard rates of 20% of service fee for candidates with annual remuneration below HK\$0.3 million, 25% for the annual remuneration in the range of HK\$0.3 million and HK\$0.8 million, and 30% for the annual remuneration on or above HK\$0.8 million for determining the service fees chargeable to our clients. For details of the actual rates of service fees we charged to our clients during the Track Record Period, please refer to the paragraph headed "Service fees of our recruitment services" in this section below.

For our service fee charged based on candidates' monthly remuneration, the agreed percentage we applied is normally a one-off fee based on 100% or 120% of the candidate's monthly basic salary. The rates to be applied are subject to negotiations with our clients.

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- (2) Others represented the cancellation fee we received during the Track Record Period. The cancellation fee for the year ended 31 December 2016 was related to an independent client who cancelled the job order due to reasons unassociated with our Group. Such cancellation fee amounted to HK\$80,000 and was paid by such client for the year ended 31 December 2016. Other than the aforementioned cancellation fee, we did not receive any other cancellation fee from clients during the Track Record Period.

During the Track Record Period, we mainly offered recruitment services to multinational and local companies from diversified industries. The table below sets out the breakdown of our revenue derived from our recruitment services by our clients' industries during the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2016		2017		2017		2018	
	% of		% of		% of		% of	
	segment		segment		segment		segment	
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
	(unaudited)							
Industry								
Fashion	5,425	29.8	6,379	18.0	2,596	24.5	3,270	21.2
Property	2,933	16.1	8,678	24.5	1,483	14.0	6,655	43.1
Cosmetics and beauty	1,770	9.7	2,192	6.2	635	6.0	404	2.6
IT&T and e-commerce	1,623	8.9	1,060	3.0	41	0.4	512	3.3
Material sourcing	1,142	6.3	632	1.8	249	2.4	1,100	7.1
Medical and healthcare	1,031	5.7	1,216	3.4	495	4.7	323	2.1
Catering and hospitality	955	5.2	3,640	10.2	2,477	23.4	349	2.3
Banking, finance and accounting	618	3.4	5,441	15.3	1,094	10.3	1,027	6.7
Media, publishing and printing	587	3.2	876	2.5	243	2.3	-	-
Manufacturing and industrial	354	1.9	2,167	6.1	499	4.7	442	2.9
Others ^(Note)	1,792	9.8	3,130	9.0	783	7.3	1,355	8.7
Revenue derived from recruitment services	18,230	100.0	35,411	100.0	10,595	100.0	15,437	100.0

Note: Other industries our clients engaged in during the Track Record Period primarily include advertising and marketing, public utilities, fast moving consumer products (dairy products) and non-governmental organisations.

Clients negotiation process

We generally enter into business relationships with our clients through direct negotiations.

We normally evaluate and determine whether to pursue business opportunity with clients after considering (i) profitability of such new business opportunity; (ii) our capacity for meeting the service requirements of our clients; and (iii) the proposed terms and conditions of cooperation with our clients. Upon our management's confirmation, our consultants will negotiate the terms of service agreements with our clients and identify the employment requirements of our clients, including job nature, level of experience, salary package and employment benefits, qualifications required and other special requirements relating to their designated candidates. Our consultants will then prepare the draft service agreements for review and approval by our management team before circulating for clients' review and acceptance.

Long-term framework agreements

The following table summarises the salient terms of the long-term framework agreements we entered into with our clients for provision of our recruitment services:

Duration/termination: Some agreements become effective upon signing until termination by either contractual party, and others contain a fixed term generally ranging from one to two years. Agreements without a fixed term can generally be terminated by a party serving the required notice on the other contractual party in writing.

Pricing/service fees: We charge a one-off service fee for each successful placement (i.e. when the selected candidates report for duty) in general. Such fees can be either (i) calculated based on an agreed percentage of the successfully placed candidate's monthly basic salary or annual remuneration package in the first year of his/her employment, subject to negotiations with clients; or (ii) an agreed fixed amount per successful placement. For details of our services fees, please refer to the paragraphs headed "Service fees of our recruitment services" in this section below.

Minimum charges falling generally within the range of HK\$10,000 to HK\$30,000 per successful placement may be required under some of the agreements if the payable service fees calculated in accordance with the agreements are lower than the minimum charges.

BUSINESS

Payment terms: Payment of our service fees is generally settled within a credit period of not more than 60 days from the date of our invoice which will be issued to our clients after the successful candidate has reported for duty.

Credit term for each client is negotiated by us on a case-by-case basis and we will take into account factors such as the length of our business relationship with the relevant client and the relevant client's payment history, background and financial positions in setting the appropriate credit term for each client.

Our obligations: We are generally required to (i) perform all obligations under the service agreements using all reasonable care and skills; (ii) keep our clients informed regularly of, and promptly respond to any requests relating to, the progress of delivering the services required by the clients and of all material facts which may affect our Group or relationship with the clients; and (iii) comply with all applicable laws and regulations in provision of the services required.

Indemnity: We are generally not liable for any loss, liability, damage or expenses suffered by our clients arising from acts or omissions of a candidate or from the referral of, or any delay or failure by our Group to refer, a candidate to clients.

After-sales services

We believe that providing high quality recruitment services is crucial to the success of our business and we are committed to providing after-sales services that can satisfy our clients' business needs. We typically offer a one-time replacement during the guarantee period of 30, 60 or 90 days from the date when the successfully placed candidates commence their employment with our clients (the "**Original Guarantee Period**"). If a candidate resigns or his/her employment is terminated by our client for cause during the Original Guarantee Period, at the request of our clients, we will, at our own costs, generally find a replacement candidate within such period as agreed between our Group and clients (the "**Replacement Period**"). In the event that we fail to find a suitable replacement within the Replacement Period or if our clients decide not to find a replacement candidate, subject to our negotiations with clients, our clients may be entitled to a reduction of our service fees or we may be required to refund an agreed percentage of our service fees or in full to our clients. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, such reduction of our service fees and refund to our clients accounted for an immaterial portion of our revenue which amounted to approximately HK\$0.2 million, HK\$0.7 million and HK\$0.6 million, respectively.

Service fees of our recruitment services

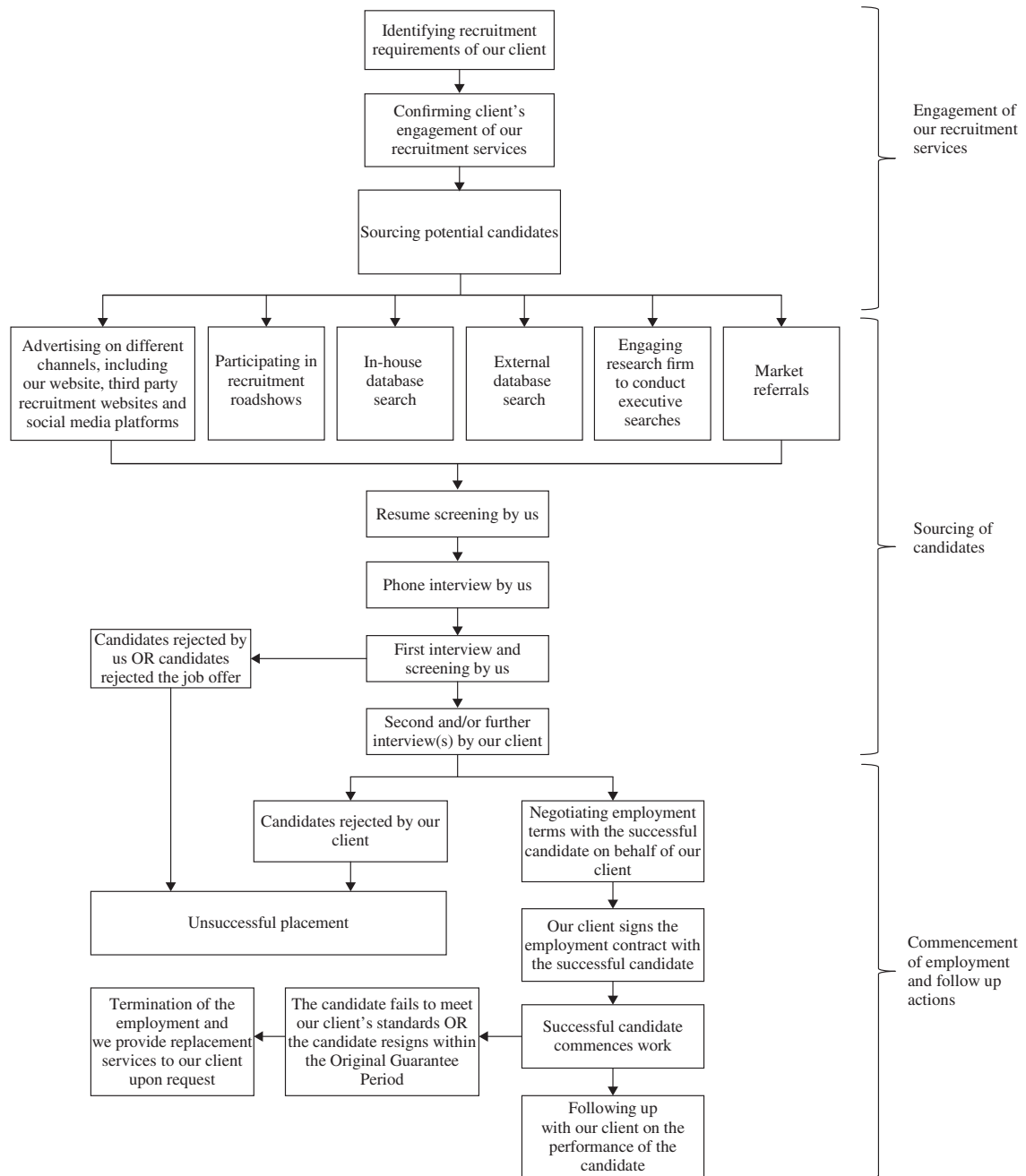
Generally speaking, our service fees are calculated based on an agreed percentage of the successfully placed candidate's annual remuneration package in the first year of his/her employment or an agreed minimum fee, whichever is higher. The agreed percentage we applied is normally on a progressive basis (which could be a two or three-level progressive rate) in accordance with the level of the remuneration. In general, we will apply standard rates of 20% of service fee for candidates with annual remuneration below HK\$0.3 million, 25% for the annual remuneration in the range of HK\$0.3 million and HK\$0.8 million, and 30% for the annual remuneration on or above HK\$0.8 million for determining the service fees chargeable to our clients. During the Track Record Period, the actual rates of service fees we charged to our clients were in the range of 15% and 30% of candidates' annual remuneration for each successful placement. The actual rates we applied vary on a case-by-case basis taking into consideration of, among others, the aforementioned standard rates, the expected annual remuneration package of the candidates to be placed, the business relationship with our clients and the expected transaction volume of our clients. For certain placements of frontline personnel, such as telemarketing officers and security guards, we generally either charge a one-off fixed fee in the range of a few thousands of Hong Kong dollars to HK\$40,000 per successful placement or a one-off service fee calculated based on 100% or 120% of the candidate's monthly basic salary during the Track Record Period, subject to negotiation with clients.

For the year ended 31 December 2017, at the requests of some of our independent clients, we offered discounts of our service fees to our clients in three occasions, which in aggregate amounted to approximately HK\$0.6 million.

BUSINESS

Operational workflow for recruitment services

The following flow chart presents a general overview of the major steps involved in the provision of our recruitment services for a client:



Engagement of our recruitment services

Leveraging on our reputation of providing high quality recruitment services, our clients would normally make enquiries to us when they require recruitment services. We will collect and identify the employment requirements of our clients, including the job nature, level of experience, salary package and employment benefits, qualifications, and other special requirements of their designated candidates. Our consultants will then prepare recruitment services agreement for our clients' consideration. Upon clients' confirmation of our engagement, our consultants will proceed with sourcing the potential candidates for our clients' consideration.

Sourcing of candidates

We generally identify and source potential candidates from our in-house candidate database, external candidate database operated by third parties and through social media platforms. We also search for suitable candidates through posting advertisements on our own website, third party recruitment websites, social media platforms, participating in recruitment roadshows or through market referrals. For more senior roles, we may also engage third party research firm to conduct the searches. Before making referrals to our clients, we will screen the potential candidates and shortlist the suitable candidates by conducting resume screening and background checks against the potential candidates who match the job requirements provided by our clients.

For candidates that our consultants have not interviewed before, we will conduct a first interview with them through telephone or physical meetings before referring them to our clients. We will only refer suitable candidates that match the requirements of our clients and respond to our clients' queries on the potential candidates from time to time. Our clients will confirm the list of candidates for second interview to be conducted by them and decide if further interviews are required. We will then arrange for the selected candidates to attend further interview(s) as required.

Commencement of employment and follow up actions

Upon the confirmation of employment of the successful candidates by our clients, we will be responsible for negotiating the employment terms with the successful candidates on behalf of our clients in accordance with their instructions. We will manage the expectations of our clients and the successful candidates in relation to the employment terms, such as providing information of the latest market trend of remuneration packages offered for similar positions. If our clients confirm the employment terms and the successful candidates accept the offers, we will arrange for the successful candidates and our clients to sign the employment contracts.

After the successful candidates report to work, our consultants will follow up with our clients on the candidates' performance and if our clients are of the view that the candidates fail to meet the performance expectation or if the candidates resign from their positions within 30, 60 or 90 days from the date when the successfully placed candidates commence their employment with our clients, subject to the terms of the recruitment services agreements, we will provide replacement services to our clients upon their requests without additional charges.

SECONDMENT AND PAYROLL SERVICES

In addition to our recruitment services, we also offer secondment and payroll services to our clients, under which we (i) employ candidates that are either sourced by our Group or our clients themselves and second them to our clients; and (ii) provide standalone payroll and other administration services at the requests of our clients.

For candidates sourced by our Group, we are involved in the recruitment process of the candidates from recruitment advertising, briefing the seconded staff on their job duties and responsibilities, conducting interviews and assessments, to preparing employment contracts for our seconded staff. Some of our clients may source and provide candidates who meet with their requirements and engage our Group to enter into employment contracts with such candidates. Under the secondment arrangement, we will provide all the required assistance to discharge our duties as the candidates' employer, the scope of which includes conducting payroll calculations, arranging for salary payment, maintaining payroll records, conducting computation of MPF contributions, administering employment-related insurances such as employee compensation insurance, medical insurance, long-term disability insurance and life insurance covering our seconded staff, preparing and filing employment-related tax returns and providing electronic payslips.

At the request of our clients, we can also provide standalone payroll and other administration services covering the aforementioned work scope to our clients with whom we do not enter into any secondment arrangement of our staff. During the Track Record Period, most of our clients engaged us to provide secondment services instead of directly employing candidates themselves and requesting for standalone payroll and other services because our secondment services take over the role of HR function in enterprises and cover not only payroll matters but also staff recruitment, making the necessary filings and tax returns when new staff joins and existing staff departs and keeping record of staff entitlements. Further, clients facing headcount restrictions may not be able to hire employees internally and our secondment services provide readily available manpower to support our clients' business operation. Our Directors believe that our secondment services can generally offload the HR function of our clients particularly when the staff required by our clients are frontline staff or at positions with generally higher turnover rate.

Our Directors understand that recruitment is a costly and time consuming process and a company's payroll function is a sensitive and highly confidential administrative task. Our Directors believe that the provision of our secondment and payroll services enables our clients to focus on their core businesses, reduce and control their operating costs and minimise their administrative burden. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, the revenue generated from our secondment and payroll services accounted for approximately 60.9%, 45.9% and 46.3% of our revenue, respectively.

Our seconded staff

Similar to our recruitment services, our Group adopts a functional specialisation approach with respect to our secondment and payroll services. The staff seconded by us to our clients are responsible for different job functions which can be broadly categorised into (i) sales and marketing, such as sales agents and telemarketing officers; and (ii) back end operation support, such as administrative support staff.

BUSINESS

During the years ended 31 December 2016 and 2017 and five months ended 31 May 2018, we had seconded 173, 172 and 156 staff to our clients, respectively. The table below sets forth the breakdown of revenue derived from our secondment and payroll services with and without staff secondment arrangement, and the number of our seconded staff by job functions, during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2017		2018					
	<i>HK\$'000</i>	<i>% of segment revenue</i>	<i>Number of seconded staff</i>	<i>HK\$'000</i>	<i>% of segment revenue</i>	<i>Number of seconded staff</i>	<i>HK\$'000</i>	<i>% of segment revenue</i>	<i>Number of seconded staff</i>	<i>HK\$'000</i>	<i>% of segment revenue</i>	<i>Number of seconded staff</i>
(unaudited)												
With staff secondment arrangement; by functional specialisation												
Sales and marketing	16,572	58.3	91	20,382	67.9	97	7,867	62.7	62	8,090	60.7	85
Back end operation support	8,822	31.0	80	7,555	25.2	74	3,688	29.4	55	4,197	31.5	55
Others	2,819	9.9	2	1,928	6.4	1	866	6.9	1	922	6.9	16
	<u>28,213</u>	<u>99.2</u>	<u>173</u>	<u>29,865</u>	<u>99.5</u>	<u>172</u>	<u>12,421</u>	<u>99.0</u>	<u>118</u>	<u>13,209</u>	<u>99.1</u>	<u>156</u>
Without staff secondment arrangement												
Provision of payroll and other administration services	227	0.8	N/A	150	0.5	N/A	126	1.0	N/A	112	0.9	N/A
Revenue derived from secondment and payroll services/number of seconded staff	<u>28,440</u>	<u>100.0</u>	<u>173</u>	<u>30,015</u>	<u>100.0</u>	<u>172</u>	<u>12,547</u>	<u>100.0</u>	<u>118</u>	<u>13,321</u>	<u>100.0</u>	<u>156</u>

The table below sets forth the breakdown of our revenue derived from our secondment and payroll services by our clients' industries during the Track Record Period:

Industry	Year ended 31 December				Five months ended 31 May			
	2016		2017		2017		2018	
	<i>HK\$'000</i>	<i>% of segment revenue</i>	<i>HK\$'000</i>	<i>% of segment revenue</i>	<i>HK\$'000</i>	<i>% of segment revenue</i>	<i>HK\$'000</i>	<i>% of segment revenue</i>
(unaudited)								
Banking and finance	24,672	86.8	26,760	89.2	11,072	88.2	11,983	90.0
Food and beverages	3,140	11.0	2,320	7.7	1,043	8.3	891	6.6
Fashion	371	1.3	894	3.0	391	3.1	447	3.4
Others	257	0.9	41	0.1	41	0.4	–	–
Total	<u>28,440</u>	<u>100.0</u>	<u>30,015</u>	<u>100.0</u>	<u>12,547</u>	<u>100.0</u>	<u>13,321</u>	<u>100.0</u>

BUSINESS

During the Track Record Period, save for 42, 44 and 24 staff who were employed and seconded by us to our client in Macau for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively, all other staff were seconded to our clients in Hong Kong. The following table sets forth the number of our seconded staff by their work locations during the Track Record Period:

	Year ended 31 December		Five months ended 31 May 2018
	2016	2017	2018
Work locations			
Hong Kong	131	128	132
Macau	42	44	24
	<hr/>	<hr/>	<hr/>
Total	173	172	156
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

We have adopted standard form of employment contracts for our seconded staff. Pursuant to the standard employment contracts we entered into with our seconded staff, the staff are seconded to work at premises designated by us as requested by our clients. The salient terms of the employment contracts with our seconded staff mainly include place of work at our clients' premises, pre-determined monthly or hourly salary rate, contract duration, job position and responsibilities, leave entitlement, staff benefits and termination notice. Our Group is entitled to terminate the contracts of our seconded staff at our sole discretion under circumstances where (i) our clients find the quality of services delivered by our Group and/or the seconded staff substandard; (ii) our clients no longer require our secondment services to support their business operations; (iii) our seconded staff tenders resignation within the employment period; or (iv) we cease to provide services to our clients based on mutual agreement. We are required to comply with the relevant employment laws and regulations in Hong Kong or Macau (as the case may be) for operating our secondment and payroll services segment. Our seconded staff are entitled to benefits accorded to them under the terms of their employment contracts and the relevant laws and regulations in Hong Kong or Macau (as the case may be), being the EO, MPFSO, MWO and ECO in Hong Kong or Macau Labour Relations Law (Law no. 7/2008, dated 18 August 2008) in Macau (as the case may be). Our Macau Legal Advisers confirm that, to the best of their knowledge, we have complied with all the applicable laws and regulations in Macau with respect to the employment and secondment of our staff in Macau. For further details of the applicable laws and regulations that our Group should comply with, please refer to the section headed "Regulatory overview" in this prospectus.

Our Directors confirmed that all our seconded staff have been remunerated in accordance with their contracts with us and the relevant laws and regulations in Hong Kong or Macau (as the case may be) during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

During the Track Record Period, our seconded staff can be categorised into those worked as (i) contract staff who are on full-time basis; and (ii) permanent staff who are either on full-time or part-time basis. Our contract staff was generally seconded to our clients for periods ranging from two months to one year during the Track Record Period, subject to contract renewal. The following table sets out the breakdown of our revenue derived from our secondment and payroll services with and without staff secondment arrangement of our seconded staff during the Track Record Period:

	Year ended 31 December		2017		Five months ended 31 May		2018	
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue
Seconded staff								
Contract staff	17,530	61.6	18,438	61.4	7,691	61.3	8,662	65.0
Permanent staff	10,683	37.6	11,427	38.1	4,730	37.7	4,547	34.1
Others ^(Note)	227	0.8	150	0.5	126	1.0	112	0.9
Revenue derived from secondment and payroll services	28,440	100.0	30,015	100.0	12,547	100.0	13,321	100.0

Note: Others represented revenue derived simply from the provision of payroll and other administration services under our secondment and payroll services segment.

During the Track Record Period, the secondment of contract staff contributed over 60% of our revenue derived from secondment and payroll services. This is mainly attributable to our clients' preference of contract staff secondment arrangement over permanent ones as such arrangement generally offers more flexible staffing solutions to our clients.

Our Group recruits seconded staff on a back-to-back basis. As we maintain a sizeable pool of candidates with diversified skills and qualifications, we are able to satisfy our clients' varying staffing needs in a prompt manner. As such, during the Track Record Period, there had not been any circumstances where a timing difference existed between clients' requests for the second staff and seconding the staff to such clients and we had not experienced any difficulties in matching our clients' demand.

Long-term framework agreements

The following table summarises the salient terms of the long-term framework agreements we entered into with our clients for provision of our secondment and payroll services:

Duration/termination: Our agreements become effective upon signing until termination by a party serving the required notice on the other contract party in writing or upon occurrence of any event of default, including a party being (i) subject to resolution or petition of winding-up or winding-up proceedings; (ii) unable to pay its debts when they fall due; and (iii) subject to order for control of its substantial part of assets or properties or affairs and obligations, under which the agreements can be terminated by the non-defaulting party with immediate effect without need for any notice to be served.

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Pricing/service fees: Our services fees are charged during the service period of the seconded staff based on either (i) fixed amounts per staff per month stated in the agreements with our clients; or (ii) calculated based on an agreed percentage of the monthly remuneration package of the seconded staff, depending on whether the seconded staff is sourced by our Group or our clients themselves. Monthly compensation packages may include basic salary, bonus, commission and other payments entitled, subject to negotiations with clients. For details of our services fees, please refer to the paragraphs headed “Service fees of our secondment and payroll services” in this section below.

Certain agreements may impose service fee cap per staff per month. Minimum charges of MOP25,000 (equivalent to approximately HK\$24,272) per month are also required under some of the agreements if the payable service fees calculated in accordance with the agreements are lower than the minimum charges.

Payment terms: Payment of our service fees is generally settled within a credit period of not more than 60 days from the date of our invoices which are issued once or twice a month to our respective clients. Additional service charge can be charged on overdue invoices under certain agreements.

Our obligations: Our obligations under the agreements generally include:

- (i) second an agreed number of staff at the request of our client;
- (ii) be responsible for making the relevant filings, MPF contributions and other duties imposed on an employer under the applicable laws of Hong Kong or Macau (as the case may be) for our seconded staff;
- (iii) undertake that the seconded staff shall (a) perform the services under the agreement in an expert and diligent manner and to the best of their ability and observe all lawful and property requests which may be required by our clients; (b) comply with all laws and regulations applicable to the agreements, and policies, guidelines, manuals and code of conduct applicable to the seconded staff; and (c) not, without clients’ written consent, incur any liability on behalf of our clients, pledge the credit of client or enter into any agreement binding on our clients; and
- (iv) take necessary actions to protect information of clients and implement security controls to avoid information leakage or unauthorised use of information.

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Buyout arrangements:

Our clients may offer employment to our seconded staff who have been seconded to them for more than a specified period of time as stated in the service agreements we entered into with the clients. For candidates sourced and employed by our Group, our Group is entitled to charge the clients a buyout fee calculated based on an agreed percentage of the seconded staff's monthly or annual remuneration package. Our Group will not be entitled to any buyout fees if such seconded staff are sourced by our clients themselves.

Indemnity:

We shall indemnify and hold our clients harmless against all actions and proceedings, damages, claims, demands, losses, expenses and costs which may be suffered or incurred by the clients arising out of or in connection with any breach of the undertakings, warranties, representations made by our Group and the seconded staff under the agreements and/or any breach of terms and conditions of the agreements.

After-sales services

As part of our service package, if, during our service period, our clients find any seconded staff to be substandard or if any seconded staff tenders resignation within the employment period, we will take instructions from our clients to terminate employment contract with the relevant seconded staff and conduct payroll calculations, arrange for salary payment and filings to be made to the relevant authorities for the departing staff. Employees dismissed by us may be entitled to (i) long service payments if they have been under our continuous employment for not less than five years; or (ii) severance payments if they have been under our continuous employment for not less than 24 months. We are required under the relevant laws and regulations in Hong Kong to settle the long service payments within seven days after the termination of the employment contracts with our employees. Employees claiming severance payments shall issue a written notice to our Group within three months after being dismissed and we are required to settle the payments within two months after receipt of such notice. Once we terminate employment contracts with our employees, we will calculate the final payments together with the long service or severance payments which the relevant seconded staff are entitled to and check the amounts with our clients. Subject to our clients' confirmation, we will pay the agreed amounts to our employees and issue invoices to our clients' for payment settlement. Sales commissions that our seconded staff are entitled to are generally recognised in our clients' accounting systems after the relevant month end. Such amount will be separately paid to our employees upon cross checking with clients and we will issue invoices to clients for subsequent payment settlement.

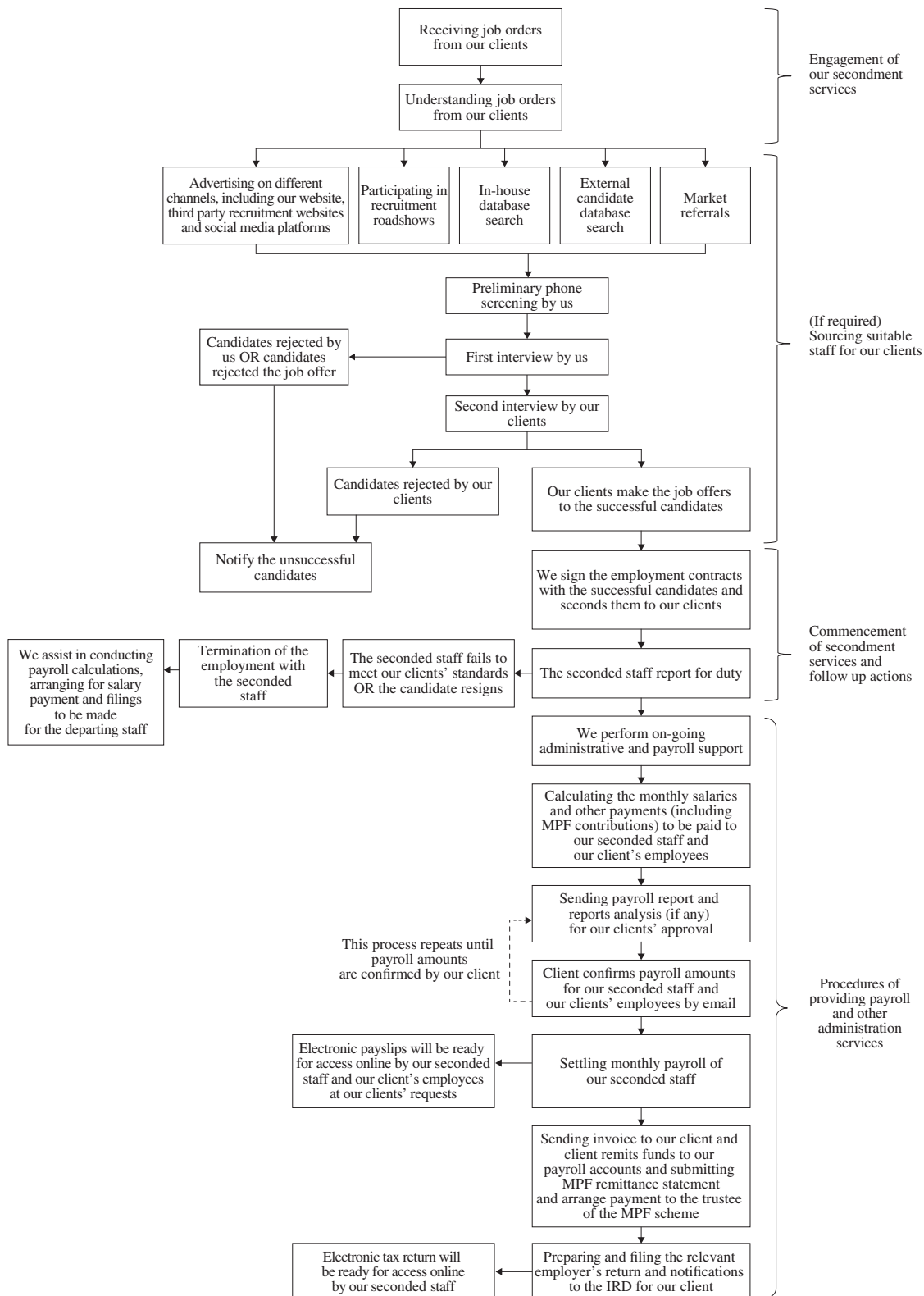
Service fees of our secondment and payroll services

The service fees of our secondment and payroll services are generally calculated based on an agreed percentage of the seconded staff's monthly remuneration package ranging from 3% to 30% during the Track Record Period. In general, we will charge our clients higher fees for seconded staff which are sourced by our Group (as more efforts and resources are required from us) than those sourced by our clients themselves, and we generally negotiate the pricing with our clients on a case-by-case basis. Under limited circumstances, we charged one-off fixed service fee ranging from HK\$300 to HK\$8,000 per staff per month during the Track Record Period.

BUSINESS

Operational workflow for secondment and payroll services

The following flow chart presents a general overview of the major steps involved in the provision of our secondment and payroll services for our clients:



Engagement of our secondment and payroll services

Generally speaking, we are not obligated to second a minimum number of staff to our clients, and our clients are not obligated to place minimum job orders with us. Instead, our clients may place job orders with us from time to time, depending on their needs. In order to seek business opportunities, we may also initiate discussions with the hiring department heads or managers of our clients on the available positions and to gain a better understanding on the available positions requirements for the seconded staff.

During the service period, our clients will notify us from time to time their HR requirements, including the job nature, number of headcounts, level of experience, qualifications and skill-sets required for the seconded staff. After being notified by our clients on the job orders, we will acknowledge receipt of the job orders, assess our candidates' availability and confirm to our clients on the number of seconded staff that we will second to them.

Sourcing suitable seconded staff for our clients

Our clients may or may not involve our Group in the sourcing process of the seconded staff. If our clients instruct us to assist in sourcing the seconded staff, we will identify suitable staff from our candidate database, external candidate database operated by third parties or through social media platforms. We also search for suitable candidates through posting advertisements on our own website, third party recruitment websites, social media platforms, participating in roadshows or through market referrals.

Following that, we will contact the candidates to conduct a preliminary screening. Candidates who pass the preliminary screening will be invited for face-to-face interviews. During the physical interviews, our consultants will assess the candidates' suitability according to our clients' requirements. We will evaluate the skills and screen the working experience and qualifications of the candidates. After that, we will arrange the selected candidates to have further interview with our clients. Our clients will have the final selection decision on the successful candidates and we will assist in negotiating terms of the offer when our clients confirm their selection of candidates. We may also brief our clients on the remuneration packages based on our understanding of the current market trend.

For candidates sourced by our clients, our clients will require our Group to enter into the employment contracts with the identified candidates in accordance with their instructions and we are not involved in the candidates sourcing and term negotiation process.

Commencement of secondment and payroll services and follow up actions

Upon confirmation of the successful candidates by our clients, at the request of our clients we will assist clients in collecting supporting information from candidates for their verification of the selected candidates' qualifications and previous employment history. In addition, we will be responsible for presenting the employment terms with the successful candidates in accordance with our clients' instructions.

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If our clients confirm the employment terms and the final candidates accept the offers, we will prepare and sign the employment contracts with such candidates. The length of the employment contract we enter into with the seconded staff matches with the corresponding secondment period of the relevant staff as requested by our clients. Therefore, we generally do not keep any seconded staff without a secondment readily available. In this way, we would be able to provide flexible staffing solutions to our clients for them to manage their staffing levels according to their business needs, while at the same time limit our potential financial exposures to our seconded staff should our clients scale down their business or terminate their relationships with us.

During the secondment period, the staff remain as our employees but work at locations designated by and under the supervision of our clients. Our consultants will stay in touch with the clients after hiring the seconded staff to assure a successful transit.

Provision of payroll and other administration services

We are able to calculate the amount of basic salaries, commissions, MPF contributions and other payment items to be made to (i) our staff seconded to our clients and (ii) employees recruited by our clients themselves (“**our clients’ employees**”) in accordance with the terms of their respective employment contracts. Upon receiving the attendance list and other supporting documents provided by our clients, we will perform detailed checking on the arithmetical accuracy of the monthly payroll and MPF contributions. Should there be any adjustment to the employees’ salary and staff movement of our clients, our clients will notify us by emails.

After checking and processing the supporting documents, a payroll report and reports analysis containing details of payroll of our seconded staff and our client’s employees will be sent to our clients for their approval. Upon our client’s confirmation on the payroll amounts by email, we will settle the monthly payroll of our seconded staff and issue an invoice to our clients for payment settlement, whereas our clients will arrange for payroll settlement with their employees by themselves. Our clients are generally required to remit all monthly payments and service fees charged to our designated bank account within seven days after receiving our invoice. After our clients’ payment settlement, we will also submit the MPF remittance statement and arrange payment to the trustees of the MPF schemes. Electronic payslip are ready for access online and/or by email by our seconded staff and our clients’ employees at our clients’ requests through our IT software.

We will also prepare and file the employer’s return of remuneration and pension, notification by an employer of an employee who commences to be employed, notification by an employer of an employee who is about to cease to be employed and other forms relating to reporting to the IRD (if applicable) in compliance with the Inland Revenue Ordinance. The employer’s return of remuneration and pension will also be provided for access online by our seconded staff through our IT software.

BUSINESS

PRICING POLICY

With respect to our recruitment services, we generally negotiate the pricing with our clients on a case-by-case basis taking into consideration of various factors including (i) the prevailing market rates charged by market players; (ii) the expected salary level of the candidates to be placed; (iii) the expected transaction volume of our clients; (iv) the business relationships with our clients; and (v) the length of the guarantee period we offer to our clients. As to our secondment and payroll services, the pricing of our services was determined based on (i) the prevailing market rates charged by market players; (ii) the expected transaction volume of our clients; (iii) the business relationships with our clients; and (iv) whether the candidates were sourced by our Group or our clients themselves. Our management team considers that our service fees charged is in line with the industry norm in the HR services industry.

SALES AND MARKETING

During the Track Record Period, our Group promoted our brand through advertising on third party websites, marketing materials and roadshow which connects our Group with clients and candidates.

Our management team and consultants constantly keep close contact with our clients through emails, telephone calls and meetings. We fully appreciate the maintenance of long-term business relationships and place great emphasis on client satisfaction. We believe our long-term trusted relationship with our client helps us build strong reputation in the industry. We intend to use the proceeds from the Listing to develop market capability and conduct more marketing activities to further promote our brand. For further details on our promotion plans, please refer to the paragraph headed “Business Strategies” in this section of this prospectus.

SEASONALITY

The demand of our recruitment services and secondment and payroll services generally fluctuates during the first quarter of the years during which we generate relatively lower sales. This is mainly due to the general lower intention of candidates to pursue new job opportunities in the first quarter of the year during which bonuses are usually distributed, resulting in the lower supply of candidates generally in the market.

QUALITY CONTROL

As an HR services provider, the ability to maintain the quality of our services is crucial to our long term growth. Emphasis is therefore placed on recruiting and retaining skilful, knowledgeable and experienced internal staff, monitoring service quality and staff training.

During the recruitment process of our consultants, we look for personnel who have good communication skills as it is important to effectively connect with our clients and candidates and to maintain long-term business relationships. When we are recruiting seconded staff, we will look into the skills and/or professional qualifications required for the positions which our clients are looking for.

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We believe that providing high quality HR services is crucial to the success of our business. In this respect, we provide after-sales services for both our recruitment services and secondment and payroll services. We generally provide replacement for the placed candidates under certain circumstances for our recruitment services and we may terminate the relevant seconded staff if their performance is below the required standard. For further details of our after-sales services, please refer to the paragraphs headed “Recruitment services – After-sales services” and “Secondment and payroll services – After-sales services” in this section of this prospectus.

We will also meet with our clients and candidates on a regular basis to build up good relationships and to collect feedbacks on our services provided. Our Directors believe that this will allow us to maintain our high quality of services provided and gain market intelligence to keep our staff abreast to the latest developments in the HR services industry.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that there were no material complaints made against us and our internal and seconded staff by our clients.

CLIENTS

Our clients comprised mainly well-established multinational and local companies engaging in a variety of industries, including (i) fashion; (ii) property; (iii) cosmetics and beauty; (iv) IT&T and e-commerce; (v) material sourcing; (vi) medical and healthcare; (vii) catering and hospitality; and (viii) others.

For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, revenue from our five largest clients amounted to approximately HK\$31.9 million, HK\$39.8 million and HK\$20.5 million, which accounted for approximately 68.3%, 60.8% and 71.4% of our revenue, respectively. Revenue from our largest client for the same periods amounted to approximately HK\$25.0 million, HK\$25.8 million and HK\$12.2 million, and accounted for approximately 53.6%, 39.4% and 42.4% of our revenue, respectively. During the Track Record Period, we did not have any material disagreement nor dispute with any of our clients. There was also no significant complaint from our clients during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

We set out below the background of and the transaction details with our five largest clients for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively:

For the year ended 31 December 2016:

Rank	Client	Industry sector	Background	Year of business commencement with our Group	Approximate % of our revenue	Services provided by our Group	Payment terms
1	Client A	Banking and finance	A member of a commercial banking group in Hong Kong which provides credit card services. The holding company of the client is a company listed on the Main Board of the Stock Exchange.	Since 2009	53.6%	Recruitment and secondment and payroll services	Recruitment services: 30 days Secondment and payroll services: 7 days
2	Client B	Property	A company which provides property development and infrastructure services. It is a company listed on the Main Board of the Stock Exchange.	Since 2010	6.1%	Recruitment services	14 days
3	Client C	Food and beverages	A British multinational food manufacturer which produces baked snacks and distributes its products globally.	Since 2013	5.7%	Secondment and payroll services	5 days

BUSINESS

Rank	Client	Industry sector	Background	Year of business commencement with our Group	Approximate % of our revenue	Services provided by our Group	Payment terms
4	Client D	Retail	One of the leading health and beauty retail groups in Hong Kong with more than 10,000 retail points and over 100,000 staff worldwide. The holding company of the client is a company listed on the Main Board of the Stock Exchange.	Since 2014	1.5%	Recruitment services	30 days
5	Client E	Telecommunication services	A company which is an investment holding company mainly engaged in the telecommunications services. It is a company listed on the Main Board of the Stock Exchange.	Since 2015	1.4%	Recruitment services	30 days

Approximate % of our revenue attributable to our five largest clients

68.3%

For the year ended 31 December 2017:

Rank	Client	Industry sector	Background	Year of business commencement with our Group	Approximate % of our revenue	Services provided by our Group	Payment terms
1	Client A	See above	See above	See above	39.4%	See above	See above
2	Client B	See above	See above	See above	13.3%	See above	14 to 90 days
3	Client C	See above	See above	See above	3.0%	See above	See above
4	Client F	Hospitality	A company which operates hotel, gaming and leisure business in Cambodia. It is a company listed on the Main Board of the Stock Exchange.	Since 2016	2.7%	Recruitment services	14 days
5	Sinokor Investment Corporation Limited	Food and beverages	A company which is engaged in the business of food and beverages, it operates retail stores in Hong Kong selling mainly dairy products.	Since 2017	2.4%	Secondment and payroll services	14 days

Approximate % of our revenue attributable to our five largest clients

60.8%

BUSINESS

For the five months ended 31 May 2018:

Rank	Client	Industry sector	Background	Year of business commencement with our Group	Approximate % of our revenue	Services provided by our Group	Payment terms
1	Client A	See above	See above	See above	42.4%	See above	See above
2	Client B	See above	See above	See above	22.4%	See above	14 to 90 days
3	Client C	See above	See above	See above	3.1%	See above	See above
4	Client G	Publishing	A company which operates as a textbook publisher, it offers pre-school, primary, and secondary school teaching materials mainly in Hong Kong.	Since 2018	1.8%	Recruitment services	14 days
5	Client H	Retail	A company which is engaged in the business of retailing mainly in France, it operates a network of retail stores featuring a wide range of products for home and family.	Since 2018	1.7%	Recruitment services	22 days

Approximate % of our revenue attributable to our five largest clients

71.4%

Pursuant to the service agreements with our clients, we generally grant our clients credit term of not more than 60 days from the date of invoice. The credit term for each client is negotiated by us on a case-by-case basis and we generally take into account factors such as our business relationship with the relevant clients, the relevant clients' payment history, their background and financial positions in setting the appropriate credit term for each client. Our clients normally settle our service fees by cheque and bank transfer.

Except for Sinokor Investment Corporation Limited (“**Sinokor**”), in which Mr. Kevin Chan, one of our Directors and Controlling Shareholders, was a director and a shareholder holding as to 9.3% of the interest of Sinokor as at the Latest Practicable Date, all of our five largest clients during the Track Record Period were Independent Third Parties. Except for Sinokor, none of our Directors, their respective close associates or any Shareholders, which to the knowledge of our Directors own more than 5% of the issued share capital of our Company, had any interest in any of our five largest clients during the Track Record Period.

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Adjusted client concentration analysis

For illustration purpose, the adjusted client concentration analysis is presented below to provide an alternative aspect to the concentration of our clients as a whole by excluding the effect of the income relating to remuneration of our seconded staff during the Track Record Period. The background of and the transaction details with our adjusted five largest clients for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively, are set forth below:

For the year ended 31 December 2016:

Rank	Client	Industry sector	Background	Year of business commencement with our Group	Approximate % of our Adjusted Revenue ^(Note)	Services provided by our Group	Payment terms
1	Client A	See above	See above	See above	13.7%	See above	See above
2	Client B	See above	See above	See above	13.3%	See above	See above
3	Client D	See above	See above	See above	3.3%	See above	See above
4	Client E	See above	See above	See above	3.2%	See above	See above
5	Client I	Food and beverages	A company which provides food and catering services.	Since 2016	3.2%	Recruitment services	30 days
Approximate % of our Adjusted Revenue attributable to our adjusted five largest clients (excluding the income relating to remuneration of our seconded staff)					<u>36.7%</u>		

For the year ended 31 December 2017:

Rank	Client	Industry sector	Background	Year of business commencement with our Group	Approximate % of our Adjusted Revenue ^(Note)	Services provided by our Group	Payment terms
1	Client B	See above	See above	See above	22.8%	See above	See above
2	Client A	See above	See above	See above	8.6%	See above	See above
3	Client F	See above	See above	See above	4.7%	See above	See above
4	Client J	Professional services	A company which mainly provides financial advisory services in Hong Kong and PRC.	Since 2017	3.7%	Recruitment services	60 days

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Rank	Client	Industry sector	Background	Year of business commencement with our Group	Approximate % of our Adjusted Revenue ^(Note)	Services provided by our Group	Payment terms
5	Client K	Food and beverages	A company which engages in wholesaling food processing and personal hygiene products. It is a company listed on the Singapore, London and Bermuda Stock Exchanges.	Since 2013	3.2%	Recruitment services	30 days

Approximate % of our Adjusted Revenue attributable to our adjusted five largest clients (excluding the income relating to remuneration of our seconded staff)

43.0%

For the five months ended 31 May 2018:

Rank	Client	Industry sector	Background	Year of business commencement with our Group	Approximate % of our Adjusted Revenue ^(Note)	Services provided by our Group	Payment terms
1	Client B	See above	See above	See above	38.6%	See above	See above
2	Client A	See above	See above	See above	10.8%	See above	See above
3	Client G	See above	See above	See above	3.2%	See above	See above
4	Client H	See above	See above	See above	2.9%	See above	See above
5	Client L	Retail	A company which mainly provides management and administrative services. The holding company of the client is a company listed on the Main Board of the Stock Exchange.	Since 2018	2.4%	Recruitment services	14 days

Approximate % of our Adjusted Revenue attributable to our adjusted five largest clients (excluding the income relating to remuneration of our seconded staff)

57.9%

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Note: For illustration purpose, the approximate percentages of our Adjusted Revenue are calculated by dividing (a) the revenue contributed by our respective clients during the Track Record Period excluding the income relating to remuneration of seconded staff incurred in relation to such clients under the secondment and payroll services, by (b) our Group's revenue excluding the income relating to remuneration of our seconded staff, being approximately HK\$7.7 million, HK\$16.4 million and HK\$9.8 million respectively during the Track Record Period. As such, our Adjusted Revenue amounted to approximately HK\$21.0 million, HK\$38.2 million and HK\$16.7 million, respectively, for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018.

Our business relationship with Client A

Client A is a private company and a member of a commercial banking group in Hong Kong which provides credit card services with an issued share capital of HK\$480 million as of 30 June 2018. Client A was our largest client during the Track Record Period and it contributed approximately 53.6%, 39.4%, 48.5% and 42.4% of our revenue for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, respectively. Although Client A played an important role in terms of revenue contribution during the Track Record Period, our Directors are of the view that we are not dependent on Client A. The high proportion of revenue received from Client A during the Track Record Period was due to the gross basis of revenue under secondment and payroll services and the fact that a majority of the revenue received from Client A are subsequently paid to the seconded staff as staff costs. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, the service fees received from Client A in relation to our recruitment services and secondment and payroll services in aggregate accounted for approximately 6.0%, 4.8%, 5.8% and 6.0% of our revenue, respectively. Details of our business relationship with Client A and the reasons that our Directors do not consider our Group to be dependent on Client A are set out as follows:

- **Long-term business relationship with Client A since 2009:** Our business relationship with Client A can be traced back to 2009 when we first entered into a long-term framework recruitment services agreement with them in August 2009. In July 2010, leveraging on the established relationship with Client A, we commenced providing secondment and payroll services to it and entered into a long-term framework agreement with the client. Such contracts operate on a continuous basis until termination by either contractual party, and remained effective during the Track Record Period and up to the Latest Practicable Date. Leveraging on our ability to deliver consistently high quality of services to Client A, in 2013, we expanded our geographical presence in Macau for the provision of secondment and payroll services to it and further entered into another long-term framework agreement in January 2013 with similar terms as the previous agreement to govern our business relationship with Client A in Macau. Such contract also remained effective during the Track Record Period and up to the Latest Practicable Date.
- **Stable revenue contributed by Client A:** During the Track Record Period, we were engaged by Client A for both of our recruitment services and secondment and payroll services. The revenue derived from Client A increased from approximately HK\$25.0 million for the year ended 31 December 2016 to approximately HK\$25.8 million for

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the year ended 31 December 2017, and from approximately HK\$11.2 million for the five months ended 31 May 2017 to approximately HK\$12.2 million for the five months ended 31 May 2018. The percentage of revenue contributed by Client A decreased from approximately 53.6% for the year ended 31 December 2016 to approximately 39.4% for the year ended 31 December 2017, and from approximately 48.5% for the five months ended 31 May 2017 to approximately 42.4% for the five months ended 31 May 2018. The revenue derived from Client A under recruitment services increased from approximately HK\$0.4 million for the year ended 31 December 2016 to approximately HK\$0.6 million for the year ended 31 December 2017, with an increased number of successful placements to Client A from four to nine over the period. For the five months ended 31 May 2018, such segment revenue increased to approximately HK\$0.6 million from approximately HK\$0.2 million for the five months ended 31 May 2017, with an increased number of successful placements to Client A from four to five over the period. Moreover, for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, the majority of our revenue derived from Client A was from the secondment and payroll services which amounted to approximately 98.6%, 97.6%, 98.0% and 95.2% of the revenue derived from such client, respectively. Our revenue derived from Client A under such segment increased slightly from approximately HK\$24.7 million for the year ended 31 December 2016 to approximately HK\$25.2 million for the year ended 31 December 2017, with the number of seconded staff to Client A decreased from 163 to 151 over the period. Such segment revenue remained relatively stable at approximately HK\$11.0 million and HK\$11.6 million for the five months ended 31 May 2017 and 2018 respectively, with a relatively stable number of seconded staff to Client A at 106 and 105 over the period. With a relatively stable revenue contributed by Client A during the Track Record Period, alongside increasing demand from new and existing clients and increasing efforts in achieving more placements, the growth rate of our Group's overall revenue had outpaced that of Client A. As such, our Group's reliance on Client A had gradually reduced throughout the Track Record Period.

With regards to revenue recognition, revenue generated from our secondment and payroll services comprises two parts, namely (i) our service fees; and (ii) the income relating to remuneration of our seconded staff. We recognise revenue from secondment and payroll services on a gross basis, and a majority of our segment revenue, being the full amount of income relating to the remuneration of seconded staff, is recognised as staff costs. Approximately 98.6%, 97.6%, 98.0% and 95.2% of our revenue generated from Client A was from secondment and payroll services during the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, and a large amount of such revenue was recognised as staff costs. Since a majority of revenue contributed by Client A was subsequently paid to the seconded staff as staff costs, our Directors are of the view that an analysis on the level of reliance on Client A purely based on its percentage of revenue contribution might overstate our Group's level of dependence on Client A.

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In addition, an analysis on the level of reliance on Client A based on its approximate contribution on profit before taxation can further demonstrate our Group's level of dependence on Client A. Having considered the full amount of incoming relating to the remuneration of seconded staff is recognised as staff costs and by adopting a prudent approach without taking into account any operating expenses incurred in relation to Client A, the approximate contribution on profit before taxation is assumed to be an aggregation of (i) service fees from the recruitment services; and (ii) service fees from the secondment and payroll services, divided by our Group's profit before taxation excluding non-recurring listing expenses incurred during the respective periods. For illustration purpose, for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, such approximate contribution on profit before taxation from Client A was approximately 40.9%, 13.3%, 22.3% and 21.4%, respectively.

For illustration purpose, the table below sets forth the transactions between our Group and Client A under each of the recruitment services and secondment and payroll services segments during the Track Record Period:

		Transaction amount and number of successful placements/seconded staff to Client A							
		Year ended 31 December				Five months ended 31 May			
		2016		2017		2017		2018	
		% of total HK\$'000		% of total HK\$'000		% of total HK\$'000		% of total HK\$'000	
		revenue		revenue		revenue		revenue	
		(unaudited)							
Recruitment services									
-	Service fee from Client A	361	0.8	618	0.9	222	1.0	583	2.0
		(with four successful placements)		(with nine successful placements)		(with four successful placements)		(with five successful placements)	
Secondment and payroll services									
-	Service fee from Client A	2,443	5.2	2,549	3.9	1,129	4.9	1,145	4.0
-	Remuneration to seconded staff from Client A	22,228	47.6	22,619	34.6	9,873	42.6	10,461	36.4
		24,671	52.8	25,168	38.5	11,002	47.5	11,606	40.4
		(with 163 seconded staff)		(with 151 seconded staff)		(with 106 seconded staff)		(with 105 seconded staff)	
Total revenue from Client A		25,032	53.6	25,786	39.4	11,224	48.5	12,189	42.4

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- **Continuous supply of seconded staff and reliable service quality:** We did not encounter any material disputes with Client A with respect to our services since the commencement of our business relationship in 2009. Leveraging on our Group's efforts, we have received a confirmation of satisfaction from Client A recognising the continuous and high quality services provided by our Group. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, 163, 151, 106 and 105 staff were seconded to provide secondment and payroll services for Client A, respectively.
- **Decreasing trend of reliance on Client A:** Our reliance on Client A in terms of revenue contribution to our Group reduced as a whole, from approximately 53.6% of our revenue for the year ended 31 December 2016 to approximately 39.4% of our revenue for the year ended 31 December 2017. Such percentage remained generally stable at approximately 48.5% and 42.4% for the five months 31 May 2017 and 2018. Our Directors are of the view that while we will continue to maintain our long established relationship with Client A, our Group is able to diversify our client base and expand our source of revenue. It is our plan to further develop our recruitment and secondment and payroll services in Hong Kong and establish our presence in the PRC recruitment services market. We intend to recruit around 23 additional consultants who will utilise their extensive connections and networks to capture more business opportunities in the HR services market in Hong Kong, broaden our client base and expand our candidate database. We also plan to set foot in the PRC recruitment market by recruiting around 16 additional consultants and supporting staff and to set up a foreign-owned recruitment agency in the PRC to capture the expanding demand. In fact, throughout the Track Record Period, our Group had been expanding our client base by actively sourcing new clients, which had generated significant sum of revenue. As compared to the year ended 31 December 2016, for our recruitment services and secondment and payroll services, we recorded 79 new active clients^(Note) out of 123 active clients for the year ended 31 December 2017 and for the five months ended 31 May 2018 we recorded 26 new active clients out of 72 active clients. The new active clients contributed a revenue of approximately HK\$18.2 million and HK\$4.0 million for the year ended 31 December 2017 and the five months ended 31 May 2018, representing approximately 27.8% and 13.9% of our Group's revenue during the respectively periods. Our Directors believe that, through the implementation of our strategies, we will further diversify our client base and our revenue attributable to our provision of HR services to Client A is expected to reduce further.

Note: New active clients denote clients who first engaged our Group after commencement of the Track Record Period.

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SUPPLIERS

Due to the nature of our business, we have no major suppliers. During the Track Record Period, we had not engaged any subcontractors to provide our HR services to any of our clients and the majority of our operating costs comprised staff and related costs.

We procure equipment and IT system support and maintenance services from vendors for our business operation. All vendors during the Track Record Period were Independent Third Parties.

ENVIRONMENTAL MATTERS

Because of our business nature, no material pollutant is produced, emitted or discharged during the course of provision of our HR services. As such, we are not subject to any specific rules and regulation in relation to the environmental protection matters.

INSURANCE

As at the Latest Practicable Date, we had purchased and maintained insurance policies for all of our employees. We have also maintained employees' compensation insurance for all our employees in accordance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). We have also maintained office insurance for our leased office premises located in Tsim Sha Tsui to cover all public liabilities.

Our Directors are of the view that we have obtained adequate insurance coverage for the operation of our business and such insurance coverage is in line with the industry norm. Our Directors believe that there is no material risk in connection with our business operation which is not covered by the abovementioned insurance. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claims.

EMPLOYEES

We had a total of 29, 34 and 34 full-time internal staff as at 31 December 2016 and 2017 and 31 May 2018, respectively. As at the Latest Practicable Date, we had 40 full-time internal staff. A breakdown of our internal staff by function as at Latest Practicable Date is set forth below:

Functions	Number of internal staff
Management	5
Consultant	27
Operations and IT	5
HR and administration	1
Finance and accounting	2
	<hr/>
Total number of internal staff	40
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Our consultants are categorised into four levels ranging from associate consultant, consultant, senior consultant to managing consultant (from the lowest to the highest) based on their seniority. A breakdown of our consultants by seniority as at the Latest Practicable Date is set forth below:

Seniority of our consultants	Number of consultants
Managing consultants	8
Senior consultants	5
Consultants	11
Associate consultants	3
	<hr/>
	27
	<hr/> <hr/>

Save for the employment relationship, our Directors confirm that our consultants were independent and did not have any relationship with our Group, our Shareholders, Directors, senior management or any of our Group's associates as at the Latest Practicable Date.

In addition, for our secondment and payroll services, we had 85 seconded staff, of whom 65 were employed in Hong Kong and 20 were employed in Macau as at 31 May 2018.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our employees. For more details about our seconded staff, please refer to the section headed "Business – Secondment and payroll services – Our seconded staff" in this prospectus.

Our Macau Legal Advisers are of the view that during the Track Record Period and up to the Latest Practicable Date, we are in compliance with the relevant laws and regulations in Macau that pertain to the employment of foreign employees.

Employee training

We value our employees as human capital and invest resources to educate and maintain their standards so that they can make a greater contribution to our success. Ms. Yeung Shek Louisa, one of the members of our senior management team, is responsible for providing training and developments to our employees.

We provide orientation programmes for new internal staff to familiarise them with our daily operation and information technology systems. We also provide appropriate on-the-job training for our internal staff to enhance their capability.

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Recruitment and remuneration

We generally pay our consultants a fixed salary and a commission-based bonus. During the Track Record Period, we adopted two types of commission schemes for our consultants, namely, the quarterly scheme and yearly scheme under which our consultants' commissions are determined on a quarterly basis and a yearly basis respectively. Under both commission schemes, our consultants are entitled to commissions only if their quarterly or yearly sales figures exceed a certain multiplier of their basic salaries, and such quarterly or yearly sales figures would not roll over to the next periods, respectively. The respective commission rates of our consultants, generally ranged from around 30% to 40% during the Track Record Period, will then apply and such commission rates were usually determined depending on our consultants' seniority.

Comparing with the quarterly scheme, the yearly scheme enables us to better manage our commission payout schedule throughout the year and reduces the chances of paying out substantial commissions to consultants who simply rely on a significant increase of sales figures in a particular quarter. The quarterly scheme has been adopted by us generally throughout the Track Record Period, while in the year ended 31 December 2017, the yearly scheme was introduced and generally applied to consultants of mid-to-senior levels. Our Directors considered the yearly scheme served as an incentive for our consultants to pursue and stabilise better full-year sales performance.

For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, our staff costs were approximately HK\$35.5 million, HK\$37.9 million and HK\$18.4 million, respectively. Among which, our total staff costs attributable to our consultants were approximately HK\$7.4 million, HK\$7.7 million and HK\$4.2 million respectively during the Track Record Period, while the staff costs attributable to the five highest paid consultants were approximately HK\$3.0 million, HK\$2.8 million and HK\$1.8 million respectively for the same periods. The table below sets forth the number of our consultants attributable to each band of remuneration paid during the Track Record Period:

	Number of consultants ^(Note)			
	Year ended		Five months ended	
	31 December		31 May	
	2016	2017	2017	2018
Remuneration to consultants by bands				
Nil to HK\$200,000	13	12	18	18
HK\$200,001 to HK\$400,000	7	9	4	7
HK\$400,001 to HK\$600,000	4	7	–	–
HK\$600,001 to HK\$800,000	3	1	–	1
HK\$800,001 or above	–	–	–	–
Total	27	29	22	26

Note: The number of consultants presented in this table includes our former and existing consultants who received remuneration for their tenures in our Group during the respective financial years and periods.

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We participate in the mandatory provident fund for our employees, including the internal staff and seconded staff, in accordance with the MPF in Hong Kong and the Social Security Regime in Macau, respectively, and have paid the relevant contributions accordingly.

Our management team will assess the available human resources within our Group on a continuous basis and will determine whether additional internal staff are required to cope with our business operation and business development. We recruit internal staff mainly from the open market, internal referral and recruitment websites.

PROPERTIES

As at the Latest Practicable Date, our Group did not own any real properties in Hong Kong and Macau.

Our Group leased two premises, each from an Independent Third Party as at the Latest Practicable Date. Both premises are situated in Tsim Sha Tsui, Hong Kong as our offices in Hong Kong. In addition, our Group had also leased a shared office in Macau as our registered address from an Independent Third Party which is in compliance with the laws and regulations of Macau according to our Macau Legal Advisers.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at 31 May 2018, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we registered four trademarks in Hong Kong and one trademark in Macau, and had applied to register one trademark in the PRC. For further details of our intellectual property rights, please refer to the section headed "Statutory and general information – B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any dispute or infringement by (i) us of any intellectual property rights owned by third parties; or (ii) any third parties of any intellectual property rights owned or being applied by us.

MARKET AND COMPETITION

According to the F&S Report, the recruitment and secondment and payroll industry in Hong Kong and Macau are fragmented, with professional service providers of different sizes and area of expertise, where competition is mainly based on quality of services, candidate database and the long term and stable relationship with clients.

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The competition within the HR services industry is intense. According to the F&S Report, there were more than 800 recruitment agencies in Hong Kong as at 31 December 2017. We may face competition from smaller or newly established professional service providers which often compete in terms of pricing. We may also have to compete with international competitors who may have better or longer established reputation, a wider range of services and a longer operating history than us. Nevertheless, our Directors believe that we will continue to maintain the following competitive advantages which will enable us to compete with our competitors:

- we are a reputable HR services provider in Hong Kong delivering high quality services to our clients;
- we have well-established business relationship with our major clients from diversified industries;
- possession of a sizeable pool of candidates registered within our candidate database; and
- we have an experienced and strong management team with proven track record supported by our experienced execution team.

For details of our Group's competitive strengths, please refer to the paragraph headed "Competitive strengths" in this section of this prospectus.

RISK MANAGEMENT

Key risks relating to our business are set out in the section headed "Risk factors" in this prospectus. The following sets out the key measures adopted by us under our risk management and internal control system for managing the more particular operational and financial risks relating to our business operation.

Staff shortage

As an HR services provider, we require consultants in support of our business operation, as well as the availability of seconded staff to provide secondment and payroll services to our clients. Our management team will assess the availability of and need for internal staff on a continuous basis and will determine whether additional staff are required to support our business operation and business development. On the other hand, in order to source sufficient seconded staff, we make use of different recruiting channels to broaden the recruitment network to ensure that suitable and sufficient numbers of seconded staff are recruited and seconded to our clients. In selecting our seconded staff, we ensure that our seconded staff are equipped with knowledge in work process and execution ability according to our clients' business needs.

Reliance on our largest client

For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, revenue generated from our largest client amounted to approximately HK\$25.0 million, HK\$25.8 million, HK\$11.2 million and HK\$12.2 million, representing approximately 53.6%, 39.4%, 48.5% and 42.4% of our revenue for the same periods, respectively. Our Directors are aware that, should we be unable to maintain business relationship with such client, our operation and financial performance may be significantly affected. We intend to continue to expand our recruitment services and secondment and payroll services in Hong Kong and establish our presence in the PRC recruitment services market and it is our Director's view that such expansion of business will widen our source of revenue and client base in the future and further reduce our reliance on revenue derived from such client.

Data security

We handle a substantial amount of personal data related to individual candidates and industry information in our business operation. These information contain personal data and are valuable to our business operation. Therefore, we have implemented internal control measures to safeguard the security and confidentiality of our candidate database as follows:

- (a) *Access to documents:* We restrict access to information and candidate database on a stringent need-to-know basis by maintaining policies specifying the level and extent of documentation required in our key business activities and for general use. Approval from our management team shall be obtained before any external requests to review the documents and any release of the documents are executed. There are also security measures in place to monitor the use of information internally by our staff, including (i) implementing security policy to limit certain staff from accessing company information away from office and/or out of working hours; (ii) keeping detailed records of our staff's online activities and behaviours (including the time and date of each login, browser used for each session, number of page hits, actions the staff performed, candidates and/or clients the staff viewed, notes taken, messages sent and received) which enables our Group to closely and continuously monitor our staff's activities and behaviours to see if there are any abnormal activities such as excessive client and/or candidate view, access of candidate and/or client that falls outside of the staff's area of focus or scope of work; and (iii) configuring our IT and email systems so that mass data export is only available to our system administrators (i.e. our executive Directors).
- (b) *Storage of electronic data:* The majority of our personal data collected are uploaded and stored in a server operated by our software service provider. They have implemented backup policies to safeguard the information in any unexpected situation.
- (c) *System security:* Our Directors consider that there are robust security measures in place to ensure security in every process of our operation to prevent security system breaches. These measures include adopting the latest technologies to store and

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control data collected centrally in the cloud to prevent data from being stored locally on staff workstations or local file server which may lead to information leakage, requiring confidential data accessed by authorised staff through designated user's accounts and passwords, disabling the alteration and/or reviewing of data by general staff, and encrypting backup data. We prevent hackers from attacking our candidate database by, among others, utilising certified recruitment software with functions of user authentication, data back up and segregation, operating system and database security to enhance protection against cyber attacks, implementing firewall protecting our internal network from intrusion, installing anti-virus software on servers and workstations as well as applying security patches and updates of operating systems. During the Track Record Period, we had not experienced any incidents relating to hackers attacking our candidate database.

- (d) *Compliance with the relevant laws and regulations:* Our employees are required to adhere to the obligations and responsibilities set out in the PDPO and all relevant laws and regulations in relation to the data privacy protection.

APPROVAL, LICENCE AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, permits and approvals that are material for our business operation in Hong Kong. The following are the necessary licences required in connection with our business operation in Hong Kong:

Group member	Licences	Issuing authority	Commencement date	Expiry date
KOS International	Licence to operate an employment agency issued pursuant to section 52 of the EO	Commissioner for Labour, Labour Department of Hong Kong	8 April 2018	7 April 2019
KOS Staffing	Licence to operate an employment agency issued pursuant to section 52 of the EO	Commissioner for Labour, Labour Department of Hong Kong	3 January 2018	2 January 2019

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As at the Latest Practicable Date, we had also obtained the following licence to support our PRC development plan:

Group member	Licence	Issuing authority	Commencement date	Expiry date
KOS International	Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) – Certificate of Hong Kong service supplier (Placement and supply services of personnel – Job intermediary and job referral agency services)	TID of the Hong Kong Government	8 May 2018	7 May 2020

We shall submit application to renew our licences before their expiry in accordance with the relevant Hong Kong laws and regulations. We do not expect any legal impediment to the renewal of these licences upon their expiration.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any instances of suspension or revocation of requisite licences, permits and approvals granted to us that were material to our operation.

As advised by our Macau Legal Advisers, the provision of secondment and payroll services in Macau did not require any requisite licences, permits and approvals during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS

Claims settled, pending or threatened against our Group

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we were not involved in any material claim, litigation, arbitration or administrative proceedings and no material claim, litigation, arbitration or administrative proceedings was known to our Directors to be pending or threatened against any member of our Group.

Legal compliance

Our Directors confirmed that save as disclosed below, we have complied with all applicable laws and regulations in Hong Kong and Macau in all material respects during the Track Record Period and up to the Latest Practicable Date.

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Non-compliance matters

The table below summarises the non-compliance incidents in relation to our Group's operation during the Track Record Period:

Particulars of non-compliance	Reason for the non-compliance	Potential legal consequences	Remedial action
<i>Non-compliance with section 52(4) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO")</i>			
KOS International as the employer had, since the date of its incorporation and up to 1 April 2017, failed to file IR56E forms with the Commissioner of IRD within the statutorily prescribed timeframe of three months after the commencement of employment of 531 individuals who were chargeable to salaries tax or who were married.	The non-compliance was due to administrative oversight and lack of understanding of the requirements as to the filing of IR56E form.	Section 80(1) of the IRO sets out that any person who without reasonable excuse fails to comply with the requirements of section 52(4) of the IRO commits an offence and is liable on conviction to a maximum fine of HK\$10,000 for each individual missed filing, and the court may order the person convicted within a time specified in the order to do the act which he has failed to do. If the court imposes the maximum penalty, KOS International will be subject to an aggregate fine of approximately HK\$5.3 million for such non-compliance.	<p>We were advised by our Legal Counsel that there are no remedial actions available to us given the lapse of the statutory timeframe of three months for notifying the Commissioner of IRD. Nevertheless, we had filed all 531 IR56E forms with the Commissioner of IRD on 6 February 2018, and notified the Commissioner of IRD of their filings to avoid double-counting.</p> <p>We were advised by our Legal Counsel that the risk of the Commissioner of IRD prosecuting KOS International retrospectively for breach of section 52(4) of the IRO is remote given the immateriality of the breach and the leniency of the fines upon conviction.</p>

As at the Latest Practicable Date, no notices, demand notices, penalties, charges or other legal documents were served on or made against KOS International or its directors in connection with the above non-compliance with the IRO.

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Particulars of non-compliance	Reason for the non-compliance	Potential legal consequences	Remedial action
<p><i>Non-compliance with Articles 39(2), 40, 54, 220(1), 252(1), 254 and 255 of Decree-Law no. 40/99/M of Macau, dated 3 August 1999 (the “Macau Commercial Code”)</i></p>			
<p>KOS Macau had, since the date of its incorporation, failed to: (i) prepare the annual accounts, the directors’ report on the annual accounts, status and evolution of the administration of KOS Macau; (ii) convene an annual general assembly within three months after the close of the accounting period of KOS Macau for the purpose of approving, among others, the annual accounts and directors’ report of KOS Macau; (iii) prepare minutes of any resolutions passed by the shareholders of KOS Macau; (iv) maintain a book of minutes of the general assembly to record any resolutions passed by the shareholders of KOS Macau; and (v) arrange for the book of minutes to be legalised.</p>	<p>These incidents of non-compliance were due to an administrative oversight and lack of understanding of the legal requirements under Macau law regarding the internal administration of a company incorporated in Macau.</p>	<p>Article 329 of the Macau Commercial Code sets out that the Public Prosecutor’s Office of Macau has the power to request for the judicial liquidation of companies in Macau which have not been administered in accordance with the applicable law.</p> <p>We were advised by our Macau Legal Advisers that KOS Macau has passed the resolutions for approving the annual accounts since the date of its incorporation in March 2018 in order to rectify the non-compliance, and is now in compliance with the relevant articles of Macau Commercial Code. It was further advised that the non-compliance does not have any direct and immediate penalty under the Macau Commercial Code, except that, under Article 329 of the Macau Commercial Code, the Public Prosecutor of Macau shall request the liquidation of the companies that do not operate in accordance with the law. Such request shall be made to the court, which upon reception of such request, being the regularisation possible, shall fix a reasonable period for the companies in that situation to regularise the irregularity. Considering that KOS Macau has approved all annual accounts for the relevant years and the non-compliance has been rectified before the Public Prosecutor of Macau making the request to the court, the legal consequences arising from these incidents of non-compliance are immaterial, and therefore the risk of the Public Prosecutor’s Office of Macau requesting the judicial liquidation of KOS Macau for violations of such nature is remote.</p>	<p>We were advised by our Macau Legal Advisers on the relevant legal requirements under Macau law regarding the internal administration, reporting and regulatory compliance of a company incorporated in Macau. In accordance with the advice of our Macau Legal Advisers, KOS Macau (i) prepared the annual accounts and directors’ report in respect of all accounting periods in default; and (ii) convened a general assembly for the purpose of ratifying the approval of such annual accounts, directors’ report and all resolutions passed by the shareholders of KOS Macau since the date of its incorporation in March 2018. Therefore, such non-compliance has been rectified since then.</p>

As at the Latest Practicable Date, no notices, demand notices, penalties, charges or other legal documents were served on or made against KOS Macau or its directors or connection with the above non-compliance with the Macau Commercial Code.

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Internal control measures designed to prevent future non-compliance and improve corporate governance

In order to maintain an effective internal control system, we have sought advice from our Internal Control Consultant to perform an internal control review in December 2017 and subsequent follow-up reviews in February 2018 and June 2018 of our Group's internal control system, covering areas such as management control, operational control, financial control, financial budgeting and forecast, treasury functions, financial reporting, information and communication, risk management and management accounting information system.

Based on our Internal Control Consultant's review, it was found that (i) our Group failed to file IR56E forms with the Commissioner of IRD within the statutory timeframe of three months after the commencement of our employment of 531 individuals who were chargeable to salaries tax or who were married; and (ii) KOS Macau, since the date of its incorporation, had failed to comply with the relevant regulations in Macau including, among others, preparing the annual accounts and report of administration, convening an annual general assembly for the purpose of approving the profits and losses accounts, the balance sheet and the report of administration, and arranging for the book of minutes to be legalised. Our Internal Control Consultant has put forward the following recommendations which our Group has adopted to prevent any recurrence of late filings required under the IRO and ensure that KOS Macau is administered in accordance with the applicable legal requirements under Macau law (as stated in tables above under this part) in the future:

- (i) maintaining a register to record all our employees' respective dates of commencement of employment, deadlines for the filing of IR56E forms and any required filings, and the status of such filing;
- (ii) maintaining a register to record the different types of reporting and regulatory compliance requirements under relevant Macau law;
- (iii) establishing as an electronic "to-do list item" for all staff in our finance and accounting department regarding the task of filing IR56E forms, any other required filings and reporting requirements under Macau law, and
- (iv) sending an email reminder to all staff in our finance and accounting department when the deadlines for such filing and reporting approach and have not been filed or made.

Our Internal Control Consultant had completed follow-up reviews on our enhanced internal control measures on 29 June 2018 and it did not identify any material deficiencies in our internal control system. Our Internal Control Consultant also confirmed that all the remedial measures to rectify any past incidents of non-compliance and deficiencies in our internal control system have been properly, fully and effectively implemented since 31 January 2018.

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We have also taken additional measures to improve our corporate governance and internal control to ensure continued compliance with the GEM Listing Rules and other applicable laws and regulations. Our Group has adopted the following measures:

- (i) our Directors attended a training session conducted by our Company's external Hong Kong legal advisers on the on-going obligations and duties of a director of a company listed on the Stock Exchange;
- (ii) our Company appointed Ms. Chang Kam Lai as our company secretary, who is responsible for overseeing financial management, internal control and corporate governance of our Group. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, she will investigate and, where necessary, seek advice and recommendations from professional advisers and report to our Directors or other senior management; and
- (iii) our Company appointed Mr. Jackson Chan as our compliance officer to oversee all compliance matters of our Group, ensuring that our Group complies with the GEM Listing Rules and other applicable laws and regulations and carrying out the day-to-day implementation and monitoring of our internal control system.

Going forward, our compliance officer, Mr. Jackson Chan, will monitor and conduct regular internal control reviews on our operation and report to the Audit Committee about the progress and results of the remedial plans and internal control measures. Any material internal control failure, weaknesses or deficiencies identified during the review process and the relevant follow up or remedial measures (if applicable) taken by our Group will be disclosed in our annual report after the Listing.

Views of our Directors and the Sole Sponsor

Our Directors are of the view that (i) the incidents of non-compliance disclosed above under this sub-section are not related to the character of our Directors and do not raise any serious concerns on the integrity of our Directors as such incidents of non-compliance did not involve any fraudulent or dishonest acts by our Directors; and (ii) we have taken all reasonable steps to establish a proper internal control system to prevent occurrence of such incidents of non-compliance in the future. Our Internal Control Consultant has carried out follow-up review with our Group and confirmed that the measures taken up by our Group in avoiding recurrence of the non-compliance incidents disclosed in this sub-section are adequate and effective.

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Our Directors are satisfied, and the Sole Sponsor concurs, that having considered our Group's internal control measures to avoid recurrence of the incidents of non-compliance as aforementioned and with the view of our Internal Control Consultant stated above, we have adequate and effective internal control procedures in place and the incidents of non-compliances described above would not affect the suitability of our Directors under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules on the following basis:

- (i) we have taken steps to improve our internal control and corporate governance system as referred to above;
- (ii) the occurrence of the abovementioned non-compliance incidents did not involve dishonesty or fraud of our Directors;
- (iii) the incidents of non-compliance are not expected to have any material adverse impact on us and our Directors as each of our Controlling Shareholders has given us an indemnity in favour of our Group against, among others, all losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to any non-compliance incidents occurring on or before the date on which the Share Offer becomes unconditional;
- (iv) as a result of the occurrence of the abovementioned non-compliance incidents, our Directors confirm that they are aware of and are alert to any issues that might result in any non-compliance and that there are measures in place for preventing recurrence of non-compliance as disclosed above and consider such measures to be adequate and effective;
- (v) our Directors are aware of their responsibilities and obligations as directors of a listed issuer pursuant to the GEM Listing Rules and have undertaken to observe and comply with all the relevant laws, rules and regulations; and
- (vi) as confirmed by our Internal Control Consultant subsequent to its follow-up reviews that there were no findings of any material deficiencies in our Group's enhanced internal control system and our Group had properly, fully and effectively implemented the enhanced internal control measures recommended by our Internal Control Consultant.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), 56.25% and 18.75% of our Company's issued share capital will be owned by KJE Ltd and Caiden Holdings respectively. As at the Latest Practicable Date, KJE Ltd was owned as to approximately 33.33% by Mr. Kevin Chan, 33.33% by Mr. Eddie Chan and 33.33% by Mr. Jackson Chan, while Caiden Holdings is wholly owned by Mr. Raymond Chow. 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. For details, see "History, Reorganisation and corporate structure – Concert parties arrangement". For the purpose of the GEM Listing Rules, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan, Mr. Raymond Chow, KJE Ltd and Caiden Holdings are a group of controlling shareholders. For details of Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan, see "Directors and senior management – Executive Directors".

Mr. Raymond Chow is one of our Controlling Shareholders. He has approximately nine years of experience in the HR services industry since joined our Group in August 2009 as a director of KOS International. He has been appointed as a director of KOS Macau since December 2012 and KOS Staffing since September 2017. Mr. Raymond Chow is responsible for overseeing the management of the IT systems and training our staff in using the IT systems of our Group and is involved in operating the secondment and payroll services segment of our Group. Prior to joining our Group, he worked at a technology company in the United States from November 2001 to June 2006 as software engineer, and was the operation manager at a jewellery company in Hong Kong from March 2007 to May 2009. Mr. Raymond Chow graduated from San Francisco State University with a degree of bachelor of science in computer science in May 2001. Mr. Raymond Chow has become acquainted with Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan for more than 20 years. As a matter of their long acquaintance, in 2009, at the invitation of Mr. Kevin Chan and Mr. Eddie Chan, he utilised his skills and experience in computer science to assist our Group in setting up and training our staff in using our IT system, and he was also appointed as a director of KOS International. Having considered our business growth after Mr. Raymond Chow joining our Group, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow reached a consensus on further expanding our business, and Mr. Raymond Chow also agreed to acquire 25% interest in KOS International from Mr. Eddie Chan in 2012. Mr. Raymond Chow has decided not to act as a Director on his own intent, as he has to devote time in his family business. KJE Ltd and Caiden Holdings were incorporated in BVI as a limited liability company on 18 December 2017 and 24 October 2017 respectively, and both of which are investment holding companies.

Save and except for their respective interests in our Company and our subsidiaries, none of our Controlling Shareholders, our Directors nor any of their respective close associates had any interest in any other companies which competes, or may compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules at as the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of our Board includes the approval of our overall business plans and strategies, monitoring the implementation of these business plans and strategies and the management of our Group.

Three of our Directors, representing half of the members of our Board, are independent non-executive Directors. They were appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of our Board will be made only after due consideration of independent and impartial opinion. Our Directors are of the view that our independent non-executive Directors are sufficiently experienced and capable of monitoring our operation independently of our Controlling Shareholders and therefore the interests of the Shareholders can be safeguarded. For details of our independent non-executive Directors, see "Directors and senior management – Independent non-executive Directors".

Although our Controlling Shareholders will retain controlling interests in our Company upon the Listing, the day-to-day management and operation of the business of our Group will be the responsibility of our executive Directors. Our Board and senior management function independently to oversee our Group's business and are in a position to fully discharge their duties to the Shareholders as a whole upon Listing. Our independent non-executive Directors are also expected to oversee our Board independently to ensure that there are no potential conflicts of interest. Our Directors are satisfied that the senior management of our Group will be able to perform their roles in our Group independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates after the Listing.

Each of our Directors is aware of his fiduciary duties as director which require, among other things, that he acts for the benefit of and in the best interests of our Company and does not allow any conflict between his duties as director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group, and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted towards the quorum of the relevant board meeting.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. We have full control over our assets to continue our business independently from our Controlling Shareholders and their respective close associates. We do not share operation resources, such as office premises, equipment, sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates. Our Group has independent access to clients for our Group's business and an independent management team to handle our day-to-day operation. Our Group has also established a set of internal control to facilitate effective operation of our business. During the Track Record Period and up to the Latest Practicable Date, Mr. Eddie Chan provided personal guarantee in respect of the two tenancy agreements of our Group. As at the Latest Practicable Date, we were in the course of obtaining the consent to release the personal guarantee and it is expected that such personal guarantee will be released and replaced by a corporate guarantee to be provided by our Company upon Listing. Save as disclosed and in light of the above, our Directors consider that our Group can operate independently from our Controlling Shareholders and their respective close associates. In view of the above, our Directors are of the view that we will be able to operate independently from our Controlling Shareholders and their respective close associates.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. We have an independent internal control and accounting system and also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders and their close associates.

During the Track Record Period, certain bank borrowings were secured/guaranteed by personal guarantee of Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow who are our Controlling Shareholders. For further details, please refer to sections headed "Financial information – Indebtedness – Bank borrowing" and note 17 of the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that any guarantee provided by our Controlling Shareholders will be released upon the Listing and we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating income. Our Group is financially independent from our Controlling Shareholders or their respective close associates in our Group's business operation and our Group is able to obtain external financing on market terms and conditions for our business operation as and when required.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares to our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and the Underwriters, For details, see "Underwriting – Underwriting arrangements, commissions and expenses – Undertakings pursuant to the GEM Listing Rules".

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

In order to maintain a clear delineation of the businesses between our Group and our Controlling Shareholders, our Controlling Shareholders (together the “**Covenantors**”) have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

Under the Deed of Non-competition:

- (a) each of the Covenantors irrevocably undertakes to our Company (for itself and as trustee for each of its subsidiaries from time to time) that he/it shall not, and shall procure that none of their respective associates (other than members of our Group) shall, during the period (the “**Restricted Period**”) in which (i) the Shares remain listed on the Stock Exchange; and (ii) the Covenantors and their respective associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold any right or interest in or provide any financial assistance, technical support or business know-how to any other person to carry on (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete, whether directly or indirectly, with any business of any members of our Group and any other new business which our Group may undertake from time to time after the Listing within Hong Kong and such other places as our Group may conduct or carry on business from time to time (the “**Restricted Business**”);
- (b) each of the Covenantors further undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to the Covenantors and/or any of their respective associates (other than members of our Group) (the “**Offeror**”) is first referred to our Group (the “**Right of First Refusal**”) in the following manner:

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) (i) the Covenantors are required to, and shall procure their respective associates (other than members of our Group) to, refer or procure the referral of, the New Opportunity to our Group, and shall give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Company to consider whether (1) the New Opportunity forms part of the Restricted Business, and/or (2) it is in the interest of our Group and the shareholders of our Company as a whole to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “Offer Notice”) as soon as practicable after such opportunity arises;
- (ii) upon receiving the Offer Notice, our Company shall seek approval from our independent non-executive Directors as to whether to pursue or decline the New Opportunity (any Director who has actual or potential interest in the New Opportunity shall abstain from attending unless their attendance is specifically requested by our independent non-executive Directors, and shall not be counted in the quorum for, and voting at, any meeting convened to consider such New Opportunity);
- (iii) our independent non-executive Directors shall consider the financial impact of pursuing the New Opportunity offered, whether the nature of the New Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, our independent non-executive Directors may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such New Opportunity;
- (iv) our independent non-executive Directors shall, within 15 business days of receipt of the Offer Notice, inform the Covenantors in writing on behalf of our Company its decision whether to pursue or decline the New Opportunity;
- (v) the Offeror will be entitled but not obliged to pursue the New Opportunity only if (1) our independent non-executive Directors have served a written notice on the Offeror and the Covenantors declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of our Group, or (2) our independent non-executive Directors have not served a notice within 15 business days from our Company’s receipt of the Offer Notice; and
- (vi) if there is any material change in the nature, terms or conditions of the New Opportunity (or any subsequent revised New Opportunity) offered by the Offeror, each of the Covenantors are required to, and shall procure their respective associate to, refer or procure the referral of such revised New Opportunity in the manner provided for in paragraph (c)(i) above, and our independent non-executive Directors shall have a further 15 business days period to provide a response to the Offeror and the Covenantors;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) each of the Covenantors further undertakes and agrees:
- (i) not to pursue, and to procure that none of their respective close associates shall pursue a New Opportunity unless our Group decides not to pursue such New Opportunity;
 - (ii) not at any time to induce or attempt to induce directly or indirectly, any director, manager, design consultant or employee of our Group to terminate his/its service contract or contract of employment with our Group, whether or not such act of that person would constitute a breach of that person's service contract or contract of employment;
 - (iii) not at any time to solicit or persuade directly or indirectly, any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group;
 - (iv) to provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the Deed of Non-competition;
 - (v) to allow, subject to confidentiality restrictions imposed by any third party, the representatives of our Company and of the auditors of our Company to have access to his/its financial and/or corporate records as may be necessary for the independent non-executive Directors to determine whether the Covenantors and their respective close associates have complied with the terms of the Deed of Non-competition;
 - (vi) to make an annual declaration in a form determined by our Company on the compliance with the terms of the Deed of Non-competition in accordance with the principle of voluntary disclosure in our Company's corporate governance report within two months after the date upon which the financial period of our Company ends, or if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in our Company's corporate governance report; and
 - (vii) the Covenantors, for themselves and on behalf of their respective associates (except any members of our Group), acknowledge that our Company may be required by the relevant laws, regulations, rules of the stock exchange(s) on which the Shares may be listed and the regulatory bodies to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or our Company's corporate communications in relation to the New Opportunity and agree to the disclosure to the extent necessary (including, for the avoidance of doubt, our Company's advisors) to comply with any such requirement.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Articles of Association provide that, subject to certain exceptions as provided for in the GEM Listing Rules, a Director shall not vote (nor shall he be counted towards the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his/her vote shall not be counted (nor shall he be counted in the quorum for that resolution);
- (b) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by our Controlling Shareholders (e.g. exercise by our Company of the Right of First Refusal granted by our Controlling Shareholders on their existing or future competing businesses);
- (c) our Controlling Shareholders have undertaken to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (d) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders in the annual reports of our Company;
- (e) our Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of our Company;
- (f) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to involve or participate in a Restricted Business and if so, any condition to be imposed;
- (g) the independent non-executive Directors may appoint an independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company; and
- (h) we have appointed HeungKong Capital Limited as our compliance adviser which shall provide us with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in this paragraph, our Directors believe that the interests of the Shareholders will be protected.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of three executive Directors and three independent non-executive Directors. The following table sets out certain information of our Directors and members of our senior management:

Directors

Name	Age	Date of joining our Group	Date of appointment as Director	Present position within our Group	Principal roles and responsibilities	Relationship with other Directors and/or senior management
Executive Directors						
Mr. Chan Ka Kin Kevin (陳家健先生)	41	21 April 2009	19 December 2017	Chairman and executive Director	Responsible for the overall strategic planning and business development of our Group	Brother of Mr. Eddie Chan and Mr. Jackson Chan
Mr. Chan Ka On Eddie (陳家安先生)	36	21 January 2009	19 December 2017	Executive Director	Responsible for overseeing the day-to-day management and operation of our Group	Brother of Mr. Kevin Chan and Mr. Jackson Chan
Mr. Chan Ka Shing Jackson (陳家成先生)	36	21 April 2009	19 December 2017	Executive Director	Responsible for overseeing marketing and execution of strategic and operational planning of our Group	Brother of Mr. Kevin Chan and Mr. Eddie Chan

Independent non-executive Directors

Mr. Tong Kam Piu (唐錦彪先生)	66	13 September 2018	13 September 2018	Independent non-executive Director	Serving on the Audit Committee, Remuneration Committee and Nomination Committee, and responsible for supervising and providing independent judgement on the business and operation of our Group to our Board	Nil
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DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Present position within our Group	Principal roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Poon Kai Kin (潘啟健先生)	55	13 September 2018	13 September 2018	Independent non-executive Director	Serving on the Audit Committee, Remuneration Committee and Nomination Committee, and responsible for supervising and providing independent judgement on the business and operation of our Group to our Board	Nil
Mr. Wang Ho Pang (王昊鵬先生)	45	13 September 2018	13 September 2018	Independent non-executive Director	Serving on the Audit Committee, Remuneration Committee and Nomination Committee, and responsible for supervising and providing independent judgement on the business and operations of our Group to our Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as senior management	Present position within our Group	Principal roles and responsibilities	Relationship with other Directors and/or senior management
Senior management						
Ms. Yeung Shek Louisa (楊碩碩女士)	52	1 April 2017	1 April 2017	Chief executive officer	Responsible for overseeing the daily operation, training and development of our employees and formulating the overall strategies and planning of our Group with the Board	Nil
Mr. Choi Ho Yan (蔡浩仁先生)	42	1 January 2018	1 January 2018	Chief financial officer	Responsible for overseeing and managing the overall corporate and financial matters of our Group	Nil
Mrs. Williams Au Chui Man Connie (區翠雯女士)	46	1 April 2014	1 January 2015	Managing director of KOS International	Responsible for overseeing our business operation in Hong Kong	Nil

Executive Directors

Mr. Chan Ka Kin Kevin (陳家健先生), aged 41, joined our Group in April 2009 and is the executive Director and chairman of our Company. He was appointed as our Director on 19 December 2017, and was re-designated as our executive Director on 31 January 2018. Mr. Kevin Chan is responsible for the overall strategic planning and business development of our Group.

Mr. Kevin Chan has approximately nine years of experience in the HR services industry. He joined our Group in April 2009 as director of KOS International, our operating subsidiary in Hong Kong, and was responsible for overseeing its daily operation and business development. Upon the incorporation of KOS Macau in December 2012 and the incorporation of KOS Staffing in September 2017, Mr. Kevin Chan was appointed as director and was responsible for overall strategic planning and business development of these two companies. Prior to joining our Group, Mr. Kevin Chan incorporated several private companies in Hong Kong and acted as director, which operated business in the sectors other than the HR services industry, such as food and beverages and retail. Mr. Kevin Chan completed his secondary school education in June 1995.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kevin Chan has been an independent director of KLV Holdings Limited (stock code: 504.SI), a company listed on the Catalist Board of The Singapore Exchange Securities Trading Limited since September 2016. Saved as disclosed, Mr. Kevin Chan did not have any current or past directorship in any listed companies in the last three years.

Disclosure required under Rule 17.50 of the GEM Listing Rules

Mr. Kevin Chan was a director of the following private companies prior to their dissolution:

Name of company	Place of incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Canvas Clothier Limited	Hong Kong	Did not commence business	5 January 2018	Deregistration	Did not commence business and the dissolution was the commercial decision among its shareholders
Cool Hong Kong Limited	Hong Kong	Did not commence business	29 May 2015	Dissolved by striking off	The company was inactive since its incorporation and it had failed to file the annual returns since 2010 with the Companies Registry within the prescribed time, and therefore it was struck off by the Companies Registry
Hotwheel Construction Machinery Trading Company Limited	Hong Kong	Did not commence business	24 August 2012	Dissolved by striking off	The company was inactive since its incorporation and it had failed to file the annual returns since 2007 with the Companies Registry within the prescribed time. Therefore, it was struck off by the Companies Registry
KOS Executive Limited	Hong Kong	Did not commence business	30 December 2016	Deregistration	Did not commence business and the dissolution was for streamlining the corporate structure of our Group
Rich Accord Development Limited	Hong Kong	Food and beverages	5 October 2007	Deregistration	Cessation of business
Sharp Empire Limited	Hong Kong	Retail	2 July 2010	Dissolved by striking off	The company had failed to file the annual returns since 2007 with the Companies Registry within the prescribed time, and therefore it was struck off by the Companies Registry
Well Rich Holdings (HK) Limited	Hong Kong	Retail	31 December 2015	Deregistration	Cessation of business

Mr. Kevin Chan confirmed that there was no wrongful act on his part leading to the deregistration of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such deregistrations.

Mr. Kevin Chan is the elder brother of Mr. Eddie Chan and Mr. Jackson Chan.

Mr. Chan Ka On Eddie (陳家安先生), aged 36, is our executive Director. He was appointed as our Director on 19 December 2017 and was re-designated as our executive Director on 31 January 2018. Mr. Eddie Chan is responsible for overseeing the day-to-day management and operation of our Group.

Mr. Eddie Chan has over 15 years of experience in the HR services industry. Mr. Eddie Chan incorporated KOS International, our operating subsidiary in Hong Kong and has acted as its director since 21 January 2009. He was responsible for overseeing its daily operation,

DIRECTORS AND SENIOR MANAGEMENT

corporate finance and HR management. Upon the incorporation of KOS Macau in December 2012 and the incorporation of KOS Staffing in September 2017, Mr. Eddie Chan was appointed as director and was responsible for overseeing the day-to-day management and operation of these two companies. Prior to founding our Group, Mr. Eddie Chan worked at Wing Hang Credit Limited from January 2003 to August 2004 as customer service representative. In August 2004, Mr. Eddie Chan worked as business development executive in Jobs DB Hong Kong Limited, and was promoted in March 2006 to senior business development executive. From December 2006 to June 2008, he was business development manager in Monster.com Asia Pacific Limited. From June 2008 to December 2008, he worked at Robert Walters (Hong Kong) Limited and his last position was consultant of its commerce accounting division. Mr. Eddie Chan sat the Hong Kong Advanced Level Examination in 2002.

Mr. Eddie Chan did not have any current or past directorships in any listed companies in the last three years.

Disclosure required under Rule 17.50 of the GEM Listing Rules

Mr. Eddie Chan was a director of the following private companies prior to their dissolution:

Name of company	Place of incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Canvas Clothier Limited	Hong Kong	Did not commence business	5 January 2018	Deregistration	Did not commence business and the dissolution was the commercial decision among its shareholders
KOS Executive Limited	Hong Kong	Did not commence business	30 December 2016	Deregistration	Did not commence business and the dissolution was for streamlining the corporate structure of our Group
Well Rich Holdings (HK) Limited	Hong Kong	Retail	31 December 2015	Deregistration	Cessation of business

Mr. Eddie Chan confirmed that there was no wrongful act on his part leading to the deregistration of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such deregistrations.

Mr. Eddie Chan is the younger brother of Mr. Kevin Chan and the elder brother of Mr. Jackson Chan.

Mr. Chan Ka Shing Jackson (陳家成先生), aged 36, is our executive Director. He was appointed as our Director on 19 December 2017 and was re-designated as our executive Director on 31 January 2018. Mr. Jackson Chan is responsible for overseeing marketing and execution of strategic and operational planning of our Group.

Mr. Jackson Chan has over 16 years of experience in the HR services industry. He joined our Group in April 2009 as director of KOS International, our operating subsidiary in Hong Kong, and was responsible for overseeing the daily operation, corporate finance and HR management. Upon the incorporation of KOS Macau in December 2012 and the incorporation of KOS Staffing in September 2017, Mr. Jackson Chan was appointed as director and was

DIRECTORS AND SENIOR MANAGEMENT

responsible for overseeing marketing and execution of strategic and operational planning. Prior to joining our Group, Mr. Jackson Chan worked at Wing Hang Credit Limited from June 2002 to July 2004 and his last position was senior clerk in the special products department. In July 2004, Mr. Jackson Chan worked as business development executive in Jobs DB Hong Kong Limited, and was promoted in February 2006 to senior business development executive. In April 2006, he was business development manager in Monster.com Asia Pacific Limited and in March 2008 he was senior business development manager at Cliftons. From August 2008 to March 2009, he worked at Michael Page International (Hong Kong) Limited as recruitment consultant. Mr. Jackson Chan obtained a professional diploma in marketing jointly awarded by The Chinese University of Hong Kong and Hong Kong Institute of Marketing in October 2005.

Mr. Jackson Chan did not have any current or past directorships in any listed companies in the last three years.

Disclosure required under Rule 17.50 of the GEM Listing Rules

Mr. Jackson Chan was a director of the following private companies prior to their dissolution:

Name of company	Place of incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Canvas Clothier Limited	Hong Kong	Did not commence business	5 January 2018	Deregistration	Did not commence business and the dissolution was the commercial decision among its shareholders
KOS Executive Limited	Hong Kong	Did not commence business	30 December 2016	Deregistration	Did not commence business and the dissolution was for streamlining the corporate structure of our Group

Mr. Jackson Chan confirmed that there was no wrongful act on his part leading to the deregistration of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such deregistrations.

Mr. Jackson Chan is the younger brother of Mr. Kevin Chan and Mr. Eddie Chan.

Independent non-executive Directors

Mr. Tong Kam Piu (唐錦彪先生) (“Mr. Tong”), aged 66, was appointed as our independent non-executive Director on 13 September 2018. He is the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Mr. Tong has over 26 years of experience in the HR services industry. Prior to joining our Group, from April 2000 to June 2017, Mr. Tong had been working at Hutchison Ports Management Limited and his last position was group human resources director. From January 1979 to October 1982, Mr. Tong had been working at Sun Hung Kai Securities Limited (currently known as Everbright Sun Hung Kai Securities Company Limited), and he was first employed as personnel officer and was then promoted to the position of assistant personnel manager in January 1982, and after the reorganisation of the personnel department as a result

DIRECTORS AND SENIOR MANAGEMENT

of the set-up of Sun Hung Kai Bank Limited, Mr. Tong had been acting as personnel manager for Sun Hung Kai Securities Limited. From October 1982 to September 1985, he was an executive selection consultant at the management consultancy firm of Peat Marwick Mitchell & Co. (currently known as KPMG).

Mr. Tong graduated from University of Manchester with a degree of bachelor of science in July 1975. He was later awarded a council's diploma in management studies from the Council for National Academic Awards in November 1978, and a certificate in personnel management from University of Hong Kong in June 1980.

Mr. Tong did not have any current or past directorships in any listed companies in the last three years.

Mr. Poon Kai Kin (潘啟健先生) (“**Mr. Poon**”), aged 55, was appointed as our independent non-executive Director on 13 September 2018. He is the chairman of our Audit Committee and a member of our Remuneration Committee and Nomination Committee.

Mr. Poon has approximately 20 years of experience in the HR services and finance industries. Prior to joining our Group, he worked at Ernst & Whinney (currently known as Ernst & Young) from October 1987 to August 1992 and his last position was deputy manager. Mr. Poon was co-founder and director of Jobs DB Hong Kong Limited from June 1998 to June 2006. Mr. Poon is a member of Hong Kong Institute of Certified Public Accountants and has been a member of Australia Society of Accountants (currently known as CPA Australia) since February 1987.

Mr. Poon graduated from University of New England with a degree of bachelor of financial administration in April 1986 and later obtained a degree of master of commerce awarded by University of New South Wales in October 1987.

Mr. Poon did not have any current or past directorships in any listed companies in the last three years.

Disclosure required under Rule 17.50 of the GEM Listing Rules

Mr. Poon was a director of the following private companies prior to their dissolution:

Name of company	Place of incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Take A Break Café Company Limited	Hong Kong	Food and beverages	27 December 2013	Deregistration	Cessation of business
Fototag Limited	Hong Kong	Advertising service	25 September 2015	Deregistration	Cessation of business
Glorious Properties Limited	Hong Kong	Property investment	22 September 2006	Deregistration	Cessation of business

Mr. Poon confirmed that there was no wrongful act on his part leading to the deregistration of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such deregistrations.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Ho Pang (王昊鵬先生) (“Mr. Wang”), aged 45, was appointed as our independent non-executive Director on 13 September 2018. He is the chairman of our Nomination Committee and a member of our Audit Committee and Remuneration Committee.

Mr. Wang has over 17 years of experience in the legal services industry. Prior to joining our Group, Mr. Wang was an associate in Deacons from July 2001 to December 2004. From January 2005 to September 2007, Mr. Wang worked at Federal Insurance Company and his last position was regional director and officer and casualty claims specialist. From September 2007 to January 2012, Mr. Wang was third party claims manager in Liberty International Underwriters. From April 2014 to January 2017, Mr. Wang worked at Aon Hong Kong Limited and his last position was claims director. Since February 2018, Mr. Wang has been a chief executive officer of Maxima Strategy Company Limited, a private company which provides art consultancy and entertainment services.

Mr. Wang graduated from University of Hong Kong with a degree of bachelor of laws in November 1995 and obtained a postgraduate certificate in laws from University of Hong Kong in June 1996. Mr. Wang obtained a degree of master of laws awarded by The London School of Economics and Political Science of the University of London in November 1997. Mr. Wang was admitted as a solicitor in Hong Kong in December 1999 and a solicitor in England and Wales in March 2000.

Mr. Wang did not have any current or past directorships in any listed companies in the last three years.

Disclosure required under Rule 17.50 of the GEM Listing Rules

Mr. Wang was a director of the following private companies prior to their dissolution:

Name of Company	Place of Incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
China Alive Art Foundation Limited	Hong Kong	Did not commence business	4 December 2015	Deregistration	Did not commence business
Memomemo Mic Limited	Hong Kong	Entertainment	21 July 2017	Deregistration	Cessation of business

Mr. Wang confirmed that there was no wrongful act on his part leading to the deregistration of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such deregistrations.

Save as disclosed above, there is no other information in respect of our Directors that is disclosable pursuant to Rule 17.50(2)(a) to (v) of the GEM Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders. Save as disclosed under the paragraph headed “D. Further information about our Directors” in Appendix IV to this prospectus, each of our Directors does not have any interests in the Shares within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

Senior management

Ms. Yeung Shek Shek Louisa (楊碩碩女士) (“**Ms. Yeung**”), aged 52, joined our Group in April 2017 as chief executive officer of our Group. Ms. Yeung is responsible for overseeing the daily operation, training and development of our employees and formulating the overall strategies and planning of our Group with the Board.

Ms. Yeung has approximately 21 years of experience in the HR services industry. Prior to joining our Group, from July 1988 to April 1997, she worked at Price Waterhouse (currently known as PricewaterhouseCoopers) and her last position was tax manager. From April 1997 to March 2017, she worked at Michael Page International (Hong Kong) Limited and she had been director of finance in Hong Kong and South China region between December 2006 and June 2011 and managing director of Hong Kong and South China region between July 2011 and August 2013, and her last position was managing director in Page Executive Greater China division since 2013, where she was responsible for building the Page Executive brand and establishing the recruitment business operations in Shenzhen and Guangzhou in China, and the company had 10 offices in China when she left the Company.

Ms. Yeung was awarded professional diploma (with distinction) in company secretaryship and administration by Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. She became an associate of The Institute of Chartered Secretaries and Administrators in August 1991. Ms. Yeung became a fellow of The Association of Chartered Certified Accountants in March 1997, a fellow of Hong Kong Institute of Certified Public Accountants in February 2001 and a fellow of CPA Australia in October 2008.

Ms. Yeung did not have any current or past directorships in any listed companies in the last three years.

Mr. Choi Ho Yan (蔡浩仁先生) (“**Mr. Choi**”), aged 42, joined our Group in January 2018 as chief financial officer of our Group. Mr. Choi is responsible for overseeing and managing overall corporate and financial matters of our Group.

Mr. Choi has over 15 years of experience in auditing, accounting, corporate finance and investor relations. Prior to joining our Group, Mr. Choi worked at Ernst and Young from September 1998 to August 2004, and his last position was senior accountant. From September 2004 to January 2010, Mr. Choi was chief financial officer and joint company secretary of China Milk Products Group Limited (stock code SGX: G86), a company previously listed on the Main Board of The Singapore Exchange Securities Trading Limited. From July 2010 to August 2015, Mr. Choi was the executive director of Mobile Telecom Network (Holdings) Limited (stock code: 8266) (“**Mobile Telecom**”) (previously known as Gold Tat Group International Limited and currently known as Zhuoxin International Holdings Limited), a company listed on GEM. Mr. Choi has been an adviser of Mobile Telecom since September 2015. Since May 2013, Mr. Choi has been an independent non-executive director of Time Watch Investments Limited (stock code: 2033), a company listed on Main Board of the Stock Exchange. Save as disclosed, Mr. Choi did not have any current or past directorship in any listed companies in the last three years.

Mr. Choi graduated from University of Hertfordshire in the United Kingdom, with a degree of bachelor of arts in accounting in July 1998.

DIRECTORS AND SENIOR MANAGEMENT

Mrs. Williams Au, Chui Man Connie (區翠雯女士) (“Mrs. Williams Au”), aged 46, joined our Group in April 2014 as associate director of KOS International and has become managing director of KOS International since January 2015. Mrs. Williams Au is responsible for overseeing the business operation of our Group in Hong Kong.

Mrs. Williams Au has approximately 12 years of experience in the HR services industry. Prior to joining our Group, from April 2000 to May 2001, Mrs. Williams Au was marketing manager of GoHome Company Limited, where she was responsible for marketing, business development and project management. From September 2001 to March 2002, she was product manager of Lamsoon Food Supply Co., Ltd., where she was responsible for the formulation and implementation of brand strategy. From July 2003 to February 2006, she was group marketing manager of RBT International Limited, where she was responsible for supervising three regional marketing teams in Hong Kong, Guangzhou and Shanghai. From November 2006 to March 2014, Mrs. Williams Au worked at Ambition Group Hong Kong Limited, and her last position was associate director in sales and marketing.

Mrs. Williams Au graduated from Lingnan College Hong Kong (currently known as Lingnan University) with a degree of bachelor of social sciences in November 1994. She obtained a diploma in marketing from Hong Kong Institute of Marketing in May 2000 and a postgraduate diploma in marketing by The Chartered Institute of Marketing in June 2000.

Mrs. Williams Au did not have any current or past directorships in any listed companies in the last three years.

COMPANY SECRETARY

Ms. Chang Kam Lai (張錦麗女士) (“Ms. Chang”), aged 42, was appointed as our company secretary on 11 January 2018. Ms. Chang has approximately 18 years of experience in auditing, financial management, internal control and corporate governance. Prior to joining our Group, from October 2000 to June 2010, she worked at Ting Ho Kwan & Chan, CPA and her last position was audit assistant manageress. From July 2010 to May 2017, Ms. Chang was the company secretary and financial controller of Mobile Telecom. From April 2015 to November 2015, Ms. Chang was company secretary of Addchance Holdings Limited (stock code: 3344), a company listed on the Main Board of the Stock Exchange. From July 2018, Ms. Chang has been appointed as company secretary of Sang Hing Holdings (International) Limited (applied for listing of its shares on Main Board of the Stock Exchange in July 2018), and also as company secretary of Sang Hing Civil Contractors Company Limited (a wholly-owned subsidiary of Sang Hing Holdings (International) Limited) since April 2018.

Ms. Chang was awarded a higher diploma in accountancy from City University of Hong Kong in November 2000. She became a fellow of The Association of Chartered Certified Accountants in May 2013. Ms. Chang has been a member of Hong Kong Institute of Certified Public Accountants since February 2011.

COMPLIANCE OFFICER

Mr. Jackson Chan was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 31 January 2018. See the paragraph headed “Executive Directors” in this section for details about Mr. Jackson Chan’s qualifications and experience.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed HeungKong Capital Limited to be our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first two full financial years commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

The compliance adviser agreement can be terminated by either party upon giving the other party not less than one month's prior written notice.

AUTHORISED REPRESENTATIVES

Mr. Eddie Chan and Mr. Jackson Chan are the authorised representatives of our Company for the purpose of the GEM Listing Rules.

BOARD COMMITTEES

Audit Committee

We have established an Audit Committee pursuant to a resolution of our Directors passed 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. The primary duties of our Audit Committee include:

- (i) making recommendations to the Board on the appointment and removal of external auditors;
- (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting;

DIRECTORS AND SENIOR MANAGEMENT

- (iii) overseeing internal control procedures and corporate governance of our Company;
- (iv) supervising internal control and risk management systems of our Group; and
- (v) monitoring continuing connected transactions (if any).

Our Audit Committee consists of Mr. Tong, Mr. Poon and Mr. Wang. Mr. Poon is the chairman of our Audit Committee.

Remuneration Committee

We have established a Remuneration Committee pursuant to a resolution of our Directors passed on 13 September 2018 in compliance with Rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the Code on Corporate Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Remuneration Committee include:

- (i) reviewing and making recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group;
- (ii) reviewing other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and
- (iii) reviewing performance based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

Our Remuneration Committee consists of Mr. Tong, Mr. Poon and Mr. Wang. Mr. Tong is the chairman of our Remuneration Committee.

Nomination Committee

We have established a Nomination Committee pursuant to a resolution of our Directors passed on 13 September 2018 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Nomination Committee include:

- (i) reviewing the structure, size, composition and diversity of the Board on a regular basis;
- (ii) identifying individuals suitably qualified to become Board members;
- (iii) assessing the independence of independent non-executive Directors;
- (iv) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and
- (v) making recommendations to our Board regarding the candidates to fill vacancies on our Board.

DIRECTORS AND SENIOR MANAGEMENT

Our Nomination Committee consists of Mr. Tong, Mr. Poon and Mr. Wang. Mr. Wang is the chairman of our Nomination Committee.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan, our executive Directors and Controlling Shareholders, did not receive any remuneration for their tenures as the directors of KOS International, KOS Staffing and KOS Macau (collectively as the “**Operating Entities**”) from our Group. The arrangement of not receiving any directors’ remuneration among our Controlling Shareholders during the Track Record Period (the “**Arrangement**”) is a result of an impartial treatment (i.e. none of our Controlling Shareholders could override the others by way of remuneration) in view of their kinship and years of friendship (where Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan are brothers, and Mr. Raymond Chow has been a friend of them long before the establishment of our Group). For the purpose of impartial treatment, they accepted the Arrangement on their own accord. Upon Listing, based on the mutual agreement among our executive Directors, each of them will enter into a remuneration and compensation package with our Group.

Our senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operation.

Upon and after Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group and the compensation package of our Directors and senior management will be in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group, as well as options to be granted under the Share Option Scheme.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors, former Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or received by, our Directors, former Directors, or the five highest-paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently in force, we estimate the aggregate remuneration paid or payable to, and benefits in kind receivable by (including discretionary bonus) our Directors (including the independent non-executive Directors) for the years ending 31 December 2018, 2019 and 2020 to be approximately HK\$0.5 million, HK\$1.9 million and HK\$1.9 million respectively. Such remuneration paid or payable to our Directors is not expected to have material adverse impact in the respective financial results of our Group.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/ nature of interest	Number of Shares held/ interested as at the Latest Practicable Date	Percentage of shareholding as at the Latest Practicable Date	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer
KJE Ltd	Beneficial owner and interest held jointly with another person <i>(Note 2)</i>	50,000 (L)	100%	600,000,000 (L)	75%
Mr. Kevin Chan	Interest in a controlled corporation and interest held jointly with another person <i>(Note 2)</i>	50,000 (L)	100%	600,000,000 (L)	75%
Mr. Eddie Chan	Interest in a controlled corporation and interest held jointly with another person <i>(Note 2)</i>	50,000 (L)	100%	600,000,000 (L)	75%

SUBSTANTIAL SHAREHOLDERS

Name	Capacity/ nature of interest	Number of Shares held/ interested as at the Latest Practicable Date	Percentage of shareholding as at the Latest Practicable Date	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer (Note 1)	Percentage of shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Jackson Chan	Interest in a controlled corporation and interest held jointly with another person (Note 2)	50,000 (L)	100%	600,000,000 (L)	75%
Caiden Holdings	Beneficial owner and interest held jointly with another person (Note 2)	50,000 (L)	100%	600,000,000 (L)	75%
Mr. Raymond Chow	Interest in a controlled corporation and interest held jointly with another person (Note 2)	50,000 (L)	100%	600,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) As at the Latest Practicable Date, KJE Ltd was owned as to approximately 33.33% by Mr. Kevin Chan, 33.33% by Mr. Eddie Chan and 33.33% by Mr. Jackson Chan which in turn will hold 450,000,000 Shares, representing 56.25% of total issued share capital of our Company, immediately following completion of the Capitalisation Issue and Share Offer, while Caiden Holdings is wholly owned by Mr. Raymond Chow which in turn will hold 150,000,000 Shares, representing 18.75% of total issued share capital of our Company, immediately following completion of the Capitalisation Issue and Share Offer. 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. For the purpose of the GEM Listing Rules, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan, Mr. Raymond Chow, KJE Ltd and Caiden Holdings are a group of controlling shareholders. For details, see “History, Reorganisation and Corporate Structure – Concert parties arrangement”.

Save as disclosed above, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer, have interests or short positions in the Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

SHARE CAPITAL

Assuming the Offer Size Adjustment Option is not exercised at all, and without taking into account the options that may be granted under the Share Option Scheme, the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
4,000,000,000 Shares of HK\$0.01 each	40,000,000
<i>Issued or to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:</i>	
50,000 Shares in issue as at the Latest Practicable Date	500
599,950,000 Shares to be issued pursuant to the Capitalisation Issue	5,999,500
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
800,000,000 Shares	8,000,000

Assuming the Offer Size Adjustment Option is exercised in full, and without taking into account any options that may be granted under the Share Option Scheme, the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
4,000,000,000 Shares of HK\$0.01 each	40,000,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:</i>	
50,000 Shares in issue as at the Latest Practicable Date	500
220,000,000 Shares to be issued under the Share Offer and the exercise of the Offer Size Adjustment Option	2,200,000
<u>599,950,000</u> Shares to be issued pursuant to the Capitalisation Issue	<u>5,999,500</u>
<u><u>820,000,000</u></u> Shares	<u><u>8,200,000</u></u>

SHARE CAPITAL

ASSUMPTIONS

The table above assumes that the Capitalisation Issue and the Share Offer has become unconditional and the Shares are issued pursuant the Share Offer. It does not take into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option, any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus save for the entitlements under the Capitalisation Issue.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 13 September 2018. A summary of its principal terms is set out in “E. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to our Directors to allot, issue and deal with unissued Shares with an aggregate number of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme); and
- the aggregate number of Shares repurchased by our Company under the authority referred to in “General mandate given to our Directors to repurchase Shares” in this section.

SHARE CAPITAL

The aggregate number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the Capitalisation Issue or the Share Offer.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- upon the expiration of the period within which our Company is required by any applicable laws or its Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth in "A. Further information about our Company – 4. Written resolutions of the Shareholders passed on 13 September 2018" in Appendix IV to this prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to our Directors to exercise all the powers of our Company to repurchase Shares with an aggregate of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).

This Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "A. Further information about our Company – 6. Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Under the Companies Ordinance, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in "2. Articles of Association" in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our results of operations and financial positions in conjunction with our combined financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, prospective investors should refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a reputable HR services provider in Hong Kong providing high quality recruitment services and secondment and payroll services to our clients from diversified industries with market share of approximately 0.6% in the HR services industry in Hong Kong in 2017. Our clients comprise mainly well-established multinational and local companies which are engaged in a wide variety of industries ranging from fashion, property, cosmetics and beauty, IT&T and e-commerce to material sourcing and medical and healthcare. We have nurtured stable business relationships with our major clients. During the Track Record Period, we have been serving the majority of our major clients for periods ranging from approximately one to nine years.

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

We have more than nine years of experience in the HR services market in Hong Kong. Leveraging on our local industry experience and our established relationship with our largest client during the Track Record Period, we started providing HR services to such client's operation in Macau since 2013, focusing on secondment and payroll services. During the Track Record Period, our revenue derived from Hong Kong accounted for approximately 90.7%, 93.6% and 94.5% of our revenue, respectively.

For the years ended 31 December 2016 and 2017, our revenue was approximately HK\$46.7 million and HK\$65.4 million respectively, representing a year-on-year growth of approximately 40.2%. For the same period, we had net profit of approximately HK\$5.8 million and HK\$16.1 million, with profit margins of approximately 12.5% and 24.7% respectively. Our revenue for the five months ended 31 May 2017 and 2018 was approximately HK\$23.1 million and HK\$28.8 million respectively, representing a period-on-period growth of approximately 24.3%. For the same period, we had net profit of approximately HK\$5.1 million and HK\$1.2 million, with profit margins of approximately 22.0% and 4.2% respectively.

FINANCIAL INFORMATION

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 December 2017 and is the holding company of the companies now comprising our Group upon completion of the Reorganisation. Details of the Reorganisation are set out in the section headed “History, reorganisation and corporate structure” in this prospectus.

The financial information of our Group has been prepared as if our Company had always been the holding company of our Group and the current Group structure had been in existence throughout the Track Record Period, or since the respective date of incorporation or acquisition of the relevant entities where this is a shorter period, on the basis set out in notes 2 and 4 to the Accountants’ Report contained in Appendix I to this prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our Directors believe that the following major factors may affect our Group’s results of operations and financial conditions:

Dependence on key management personnel and experienced consultants

Our performance and implementation of our business plans depend on the continued commitment and contribution of our executive Directors, members of our senior management team and experienced consultants. Their extensive knowledge and experience in the HR services industry, as well as their established relationships with our clients have played a major role in our attainments. In addition to the leadership of our executive Directors, our members of the senior management team, who possess extensive experience in the HR services industry also play an important role in the daily operation of our Group, formulating overall strategies and planning and providing staff training and development. The loss of any of them without suitable and timely replacements, or the inability to attract and retain qualified personnel may adversely affect our business, results of operations, financial positions and prospects.

Our ability to maintain business relationship with our largest client

We derived a significant portion of our revenue from our largest client during the Track Record Period. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, approximately 53.6%, 39.4%, 48.5% and 42.4% of our revenue was generated from our largest client respectively. There is no assurance that our largest client will continue to engage us for the provision of our HR services in the future. If there is any significant decrease in the number of engagements awarded by such client and we are unable to secure engagements of a comparable size and quantity as replacements from other existing clients or new clients in an effective manner, our financial conditions and operating results would be materially and adversely affected.

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In addition, as we enter into employment contracts with our seconded staff directly, we are obliged to pay the wages and other employees benefits, such as overtime allowances, to our seconded staff as soon as practicable in accordance with the applicable laws and regulations of Hong Kong and Macau. Any failure by us to pay the wages and other employee benefits of our seconded staff within the prescribed time limit due to cash flow shortfalls or other liquidity problems of us may expose us to civil actions and/or criminal prosecutions and in such events, our reputation, business and results of operations could be adversely affected. In the event that our largest client experiences any liquidity problem or any other circumstances that may affect its business operation and/or financial positions, it may delay its payments to us or even fail to settle any payments. In such case we may not have sufficient cash flow to maintain our daily operations and our business, financial positions and results of operations could be materially and adversely affected.

Historical financial information may not be indicative of our financial performance in the future

For the years ended 31 December 2016 and 2017, our revenue was approximately HK\$46.7 million and HK\$65.4 million respectively, representing a year-on-year growth of approximately 40.2%. Our revenue for the five months ended 31 May 2017 and 2018 was approximately HK\$23.1 million and HK\$28.8 million respectively, representing a period-on-period growth of approximately 24.3%.

Our revenue may decline for an array of reasons, including failure to retain our existing clients and/or attract new clients, intensified market competition, slowdown in the growth of the overall HR services market and any unfavourable changes in government policies with respect to the HR services market or the general economic conditions in the jurisdictions where we operate. Therefore, historical figures for our finance performance are reflective of our past performance only and may not necessarily be indicative of our financial performance in the future. We cannot assure you that there is a positive trend for our business prospects. We may not achieve comparable or higher level of financial performance in the future as we achieved during the Track Record Period.

Fluctuations in staff costs

Our staff costs comprise the labour cost associated with the deployment of seconded staff for our secondment and payroll services and the salaries and other staff benefits we paid to our internal staff for carrying on and in support of our business operation. As a percentage of our revenue, our staff costs accounted for approximately 76.1%, 57.9%, 65.6% and 63.9% respectively for the years ended 31 December 2016 and 2017 and five months ended 31 May 2017 and 2018. Fluctuations in staff costs will impact our financial performance.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our staff costs on our profit before tax during the Track Record Period. Fluctuations in our staff costs are assumed to be 5% and 10%.

	Year ended 31 December		Five months ended 31 May
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+/-5%	(1,776)/1,776	(1,894)/1,894	(918)/918
+/-10%	(3,552)/3,552	(3,787)/3,787	(1,837)/1,837

CRITICAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Our Group's financial information has been prepared in accordance with HKFRSs which are effective for the Group's accounting periods beginning on 1 January 2018, including HKFRS 15 "Revenue from Contracts with Customers and the related Amendments", consistently throughout the Track Record Period except that the Group adopted HKFRS 9 "Financial Instruments" on 1 January 2018. The adoption of HKFRS 15 would have no significant impact on the financial position and performance compared to requirements of HKAS 18. The preparation of financial information of our Group in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires our management to exercise their judgements in the process of applying the accounting policies. Details of the significant accounting policies and the areas involving critical accounting judgements and key sources of estimation uncertainty to the financial information of our Group are set out in notes 4 and 5 respectively to the Accountants' Report contained in Appendix I to this prospectus.

Some significant accounting policies applied in the preparation of the financial information of our Group and critical judgements and estimates in applying accounting policies are set out below.

HKFRS 9 "Financial Instruments" and the related amendments

During the five months ended 31 May 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. Such application would not have significant impact on the financial position and performance compared to the requirements of HKAS 39, please refer to the paragraph headed "Summary of effects arising from initial application of HKFRS 9" below for the effects of its adoption. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("ECL") for financial assets; and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of

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initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment of financial assets

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Amortised cost (previously classified as loans and receivables)	Retained profits
	<i>HK\$'000</i>	<i>HK\$'000</i>
Closing balance at 31 December 2017 – HKAS 39	36,958	23,889
Effect arising from initial application of HKFRS 9:		
Remeasurement		
– impairment under ECL model	(292)	(292)
	36,666	23,597
Opening balance at 1 January 2018	36,666	23,597

Revenue recognition

We are an HR services provider engaging in the provision of recruitment and secondment and payroll services. Revenue is recognised to depict the transfer of promised goods or services to our clients in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services. Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to our clients. If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the client obtains control of the asset.

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For recruitment services for which the control of services is transferred at a point in time, revenue is recognised when our client obtains the control of the completed services and our Group has present right to payment and the collection of the consideration is probable.

For secondment and payroll services for which the control of the service is transferred when our Group had assigned the seconded staff to our client over the secondment period, revenue is recognised when our client simultaneously received secondment and payroll services and consumed the benefits provided by our Group's performance. The management of our Group considered us as a principal given (i) our Group is primarily responsible for fulfilling the required HR services for our clients, that is, it has the discretion in selecting and assigning a particular staff to be seconded to our client's workplace pursuant to the client's requirements, directing the staff to satisfy the specific performance obligation under the secondment arrangement, and also the discretion in selecting replacement if necessary; (ii) our Group has inventory risk as the seconded staff remains employee of our Group before and after the relevant secondment; and (iii) it has the discretion in establishing the price for the relevant services; and as such the management of our Group recognises revenue in gross amount of consideration to which it expects to be entitled in exchange for the secondment and payroll services transferred.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets on initial recognition.

Retirement benefit costs and termination benefits

Our payments to the Mandatory Provident Fund Scheme in Hong Kong and the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered service entitling them to the contributions. A liability for a termination benefit is recognised at the earlier of when our Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by our Group in respect of services provided by employees up to the reporting date. Any changes in the

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liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the tax currently payable. The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period. Current tax is recognised in profit or loss.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income for the Track Record Period, which is extracted from and should read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	Year ended		Five months ended	
	31 December		31 May	
	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	46,670	65,426	23,142	28,758
Other income	1	587	–	4
Staff costs	(35,524)	(37,871)	(15,188)	(18,365)
Other expenses and losses	(4,290)	(4,351)	(1,893)	(2,089)
Finance costs	–	(16)	–	(241)
Listing expenses	–	(3,766)	–	(5,514)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit before taxation	6,857	20,009	6,061	2,553
Income tax expense	(1,033)	(3,864)	(972)	(1,357)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit and total comprehensive income for the year/period	<u>5,824</u>	<u>16,145</u>	<u>5,089</u>	<u>1,196</u>

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DESCRIPTION OF SELECTED COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue by business segment and geographical location

Our revenue was derived from the provision of recruitment services and secondment and payroll services to our clients in Hong Kong and Macau. Our revenue amounted to approximately HK\$46.7 million and HK\$65.4 million for the years ended 31 December 2016 and 2017 respectively, representing a year-on-year growth of approximately 40.2%. Our revenue for the five months ended 31 May 2017 and 2018 was approximately HK\$23.1 million and HK\$28.8 million respectively, representing a period-on-period growth of approximately 24.3%. During the Track Record Period, our revenue was derived from Hong Kong and Macau, and denominated in HK\$ and MOP. The following table sets forth a breakdown of our revenue by business segments derived from each geographical location for the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2016	2017	2017	2018	2017	2018	(unaudited)	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Recruitment services								
- Hong Kong ^(Note)	18,230	39.1	35,411	54.1	10,595	45.8	15,437	53.7
Secondment and payroll services								
- Hong Kong	24,112	51.6	25,858	39.5	10,632	45.9	11,746	40.8
- Macau	4,328	9.3	4,157	6.4	1,915	8.3	1,575	5.5
	28,440	60.9	30,015	45.9	12,547	54.2	13,321	46.3
Total	46,670	100.0	65,426	100.0	23,142	100.0	28,758	100.0

Note: During the Track Record Period, our Group did not provide any recruitment services in Macau. All of our revenue generated from the business operation in Macau during the Track Record Period was attributable to our secondment and payroll services.

Recruitment services

We provide recruitment services primarily in Hong Kong, under which we assist our clients who are the employers in placing appropriate candidates for requested positions at different levels. Generally, we charge one-off service fees calculated based on an agreed percentage of the successfully placed candidate's annual remuneration package in the first year of his/her employment or an agreed minimum fee, whichever is higher. The agreed percentage we applied is normally on a progressive basis (which could be a two or three-level progressive rate) in accordance with the level of the candidates' remuneration. For certain placements of frontline staff, such as telemarketing officers and security guards, we generally either charge a one-off fixed fee per successful placement or a one-off service fee calculated based on 100%

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or 120% of the candidate's monthly basic salary, subject to negotiation with clients. Further details of our service fees charged are set out in the section headed "Business – Service fees of our recruitment services" in this prospectus. The following table sets forth a breakdown of our revenue by types of services fee we charge and the respective number of successful placements under each category during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2017		2018		2018			
	% of	Number of	% of	Number of	% of	Number of	% of	Number of	% of	Number of	% of	Number of
	segment	successful	segment	successful	segment	successful	segment	successful	segment	successful	segment	successful
	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements
	(unaudited)											
Services fee charged based on candidates' remuneration^(Note 1):												
Annual remuneration												
Above HK\$0.8 million	5,136	28.2	18	17,889	50.5	52	5,283	49.9	15	9,279	60.1	28
Between HK\$0.3 million – HK\$0.8 million	9,907	54.3	99	11,764	33.2	116	4,077	38.5	39	3,721	24.1	39
Below HK\$0.3 million	2,457	13.5	66	3,562	10.1	96	990	9.3	29	1,426	9.2	38
	17,500	96.0	183	33,215	93.8	264	10,350	97.7	83	14,426	93.4	105
Monthly remuneration	-	-	-	99	0.3	7	-	-	-	43	0.3	3
	17,500	96.0	183	33,314	94.1	271	10,350	97.7	83	14,469	93.7	108
Other types of services fee charged:												
One-off fixed fee	650	3.6	30	2,097	5.9	81	245	2.3	10	968	6.3	65
Others ^(Note 2)	80	0.4	-	-	-	-	-	-	-	-	-	-
	730	4.0	30	2,097	5.9	81	245	2.3	10	968	6.3	65
Revenue derived from recruitment services/number of successful placements	18,230	100.0	213	35,411	100.0	352	10,595	100.0	93	15,437	100.0	173

Notes:

- (1) For our service fee charged based on candidates' annual remuneration, the agreed percentage we applied is normally on a progressive basis in accordance with the level of the remuneration. In general, we will charge our clients a 20% of service fee for candidates with annual remuneration below HK\$0.3 million, 25% for the candidates' annual remuneration in the range of HK\$0.3 million and HK\$0.8 million, and 30% for the candidates' annual remuneration on or above HK\$0.8 million.

For our service fee charged based on candidates' monthly remuneration, the agreed percentage we applied is normally a one-off fee based on 100% or 120% of the candidate's monthly basic salary. The rates to be applied are subject to negotiations with our clients.

- (2) Others represented the cancellation fee we received during the Track Record Period. The cancellation fee for the year ended 31 December 2016 was related to an independent client who cancelled the job order due to reasons unassociated with our Group. Such cancellation fee amounted to HK\$80,000 and was paid by such client for the year ended 31 December 2016. Other than the aforementioned cancellation fee, we did not receive any other cancellation fee from clients during the Track Record Period.

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Under our recruitment services segment, we recognised revenue on the date when the selected candidates report duty to our clients. For the years ended 31 December 2016 and 2017, revenue derived from our recruitment services was approximately HK\$18.2 million and HK\$35.4 million, representing approximately 39.1% and 54.1% of our revenue, respectively. For the same period, the number of successful placements in our recruitment services was 213 and 352 respectively. For the five months ended 31 May 2017 and 2018, revenue derived from our recruitment services was approximately HK\$10.6 million and HK\$15.4 million, representing approximately 45.8% and 53.7% of our revenue, respectively. For the same period, the number of successful placements in our recruitment services was 93 and 173 respectively.

Secondment and payroll services

We also provide secondment and payroll services in Hong Kong and Macau, where we cover the recruitment and employment cycles and/or specific HR services that our clients require. Our service income from secondment and payroll services comprises (i) the remuneration, which represents salaries and other employees' benefits of our seconded staff that shall be paid by our clients for procuring the manpower of our seconded staff; and (ii) the service fees associated with the provision of our secondment and payroll services calculated based on either an agreed percentage of the seconded staff's monthly remuneration or a fixed monthly amount per seconded staff. The following table sets forth a breakdown of the revenue derived from our secondment and payroll services by service income component during the Track Record Period:

	Year ended		Five months ended	
	31 December		31 May	
	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Income relating to remuneration of our seconded staff	25,706	27,186	11,314	12,039
Service fees associated with our secondment and payroll services	2,734	2,829	1,233	1,282
Revenue derived from secondment and payroll services	28,440	30,015	12,547	13,321

Under our secondment and payroll services segment, we recognised revenue in gross amount of consideration to which it expects to be entitled in exchange for the secondment and payroll services transferred. Such service income is received on a continuous basis throughout the period we (and our seconded staff for services with staff secondment arrangement) render services to the clients. For the years ended 31 December 2016 and 2017, our revenue derived from secondment and payroll services was approximately HK\$28.4 million and HK\$30.0 million, representing approximately 60.9% and 45.9% of our revenue, respectively. The number of seconded staff employed by us were 173 and 172 during the years ended 31

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December 2016 and 2017, respectively. For the five months ended 2017 and 2018, our revenue derived from secondment and payroll services was approximately HK\$12.5 million and HK\$13.3 million, representing approximately 54.2% and 46.3% of our revenue, respectively. The number of seconded staff employed by us were 118 and 156 during the five months ended 2017 and 2018, respectively. During the Track Record Period, our Group's revenue from secondment and payroll services was mainly derived from Client A, our largest client for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018, who contributed approximately HK\$24.7 million, HK\$25.2 million, HK\$11.0 million and HK\$11.6 million of the segment revenue, respectively.

Clients under our secondment and payroll services segment may offer employment to the seconded staff who is sourced and employed by our Group. Under such circumstances, our Group is entitled to a one-off buyout fee calculated based on an agreed percentage of the relevant seconded staff's monthly or annual remuneration package. The revenue derived from the buyout arrangement of seconded staff is classified under our recruitment services segment and such arrangement forms part of our recruitment services extended to our existing clients under secondment and payroll services. During the Track Record Period, we had one, seven and one occasion(s) of seconded staff buyout, which generated revenue of approximately HK\$43,000, HK\$0.3 million and HK\$16,000, respectively.

Revenue by functional specialisation

Our Group adopted a functional specialisation approach with respect to our recruitment services under which our consultants are divided into different teams focusing on a wide range of designated job functions, primarily including sales and marketing, merchandising and retail operation, HR and administration, IT, finance and accounting, property and engineering. The following table sets forth a breakdown of our revenue derived from our recruitment services and the respective number of successful placements by job functions during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2017		2018		2018			
	% of	Number of	% of	Number of	% of	Number of	% of	Number of	% of	Number of	% of	Number of
	segment	successful	segment	successful	segment	successful	segment	successful	segment	successful	segment	successful
	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements	HK\$'000	placements
	(unaudited)											
Sales and marketing	8,085	44.3	119	12,276	34.6	199	4,177	39.4	53	6,901	44.8	121
Merchandising and retail operation	2,489	13.6	23	1,913	5.4	18	945	8.9	6	3,906	25.3	23
HR and administration	2,295	12.6	25	3,877	11.0	27	2,147	20.3	11	2,243	14.5	12
IT	2,090	11.5	21	1,233	3.5	15	484	4.6	6	329	2.1	5
Finance and accounting	1,614	8.9	16	7,835	22.1	69	1,375	13.0	12	2,058	13.3	12
Property	1,199	6.6	3	4,895	13.8	10	839	7.9	2	-	-	-
Engineering	-	-	-	696	2.0	3	46	0.4	1	-	-	-
Others ^(Note)	458	2.5	6	2,686	7.6	11	582	5.5	2	-	-	-
Revenue derived from recruitment services/number of successful placements	18,230	100.0	213	35,411	100.0	352	10,595	100.0	93	15,437	100.0	173

Note: Other successful placements by job functions during the Track Record Period mainly comprised hospitality, legal and quality assurance.

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Similarly, our Group adopts a functional specialisation approach in our secondment and payroll services. The job functions of our staff seconded by us to our clients can be primarily categorised into (i) sales and marketing; and (ii) back end operation support. During the Track Record Period, we had seconded 173, 172 and 156 staff to our clients, respectively. The following table sets forth a breakdown of revenue derived from our secondment and payroll services and the respective number of our seconded staff by job functions during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2017		2018		2018			
	% of segment revenue	Number of seconded staff	% of segment revenue	Number of seconded staff	% of segment revenue	Number of seconded staff	% of segment revenue	Number of seconded staff	% of segment revenue	Number of seconded staff		
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		(unaudited)		
With staff secondment arrangement; by functional specialisation												
Sales and marketing	16,572	58.3	91	20,382	67.9	97	7,867	62.7	62	8,090	60.7	85
Back end operation support	8,822	31.0	80	7,555	25.2	74	3,688	29.4	55	4,197	31.5	55
Others	2,819	9.9	2	1,928	6.4	1	866	6.9	1	922	6.9	16
	28,213	99.2	173	29,865	99.5	172	12,421	99.0	118	13,209	99.1	156
Without staff secondment arrangement												
Provision of payroll and other administration services	227	0.8	N/A	150	0.5	N/A	126	1.0	N/A	112	0.9	N/A
Revenue derived from secondment and payroll services/number of seconded staff	28,440	100.0	173	30,015	100.0	172	12,547	100.0	118	13,321	100.0	156

Revenue derived from Repeated Clients, including our largest clients

Our Group has maintained long-term and stable business relationship with our major clients. As at the Latest Practicable Date, we have been serving our five largest clients during the Track Record Period for approximately one to nine years. The revenue generated from our Repeated Clients amounted to approximately HK\$42.9 million, HK\$60.6 million and HK\$26.6 million, representing approximately 91.9%, 92.6% and 92.5% of our revenue for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, respectively. Among which, the revenue derived from the largest client of our Group during the Track Record Period was approximately HK\$25.0 million, HK\$25.8 million and HK\$12.2 million, representing approximately 53.6%, 39.4% and 42.4% of our revenue, respectively.

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Direct expenses and gross profit

Our direct expenses and gross profit are presented herein to demonstrate the cost structure and profitability in relation to our recruitment services segment and secondment and payroll services segment.

According to note 6A of the Accountants' Report in Appendix I to this prospectus, our Group's direct expenses comprise (i) direct expenses under recruitment services, being an aggregation of the remuneration of internal staff that are directly attributable to our segment revenue and advertising expenses incurred for third party recruitment websites for the provision of recruitment services; and (ii) direct expenses under secondment and payroll services, being the income relating to remuneration of our seconded staff. Our direct expenses were approximately HK\$35.5 million, HK\$37.3 million and HK\$17.2 million during the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively, in which approximately HK\$9.2 million, HK\$9.5 million and HK\$4.9 million were derived from recruitment services and approximately HK\$26.4 million, HK\$27.8 million and HK\$12.3 million were derived from secondment and payroll services.

Our gross profit was approximately HK\$11.1 million, HK\$28.2 million and HK\$11.5 million during the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively, in which approximately HK\$9.1 million, HK\$25.9 million and HK\$10.5 million were derived from recruitment services and approximately HK\$2.1 million, HK\$2.2 million and HK\$1.0 million were derived from secondment and payroll services. The following table sets forth a breakdown of our direct expenses and gross profit under each business segment during the periods indicated below:

	Year ended		Five months ended	
	31 December		31 May	
	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Direct expenses				
– Recruitment services	9,174	9,469	3,577	4,934
– Secondment and payroll services	26,350	27,803	11,507	12,297
	<u>35,524</u>	<u>37,272</u>	<u>15,084</u>	<u>17,231</u>
Gross profit				
– Recruitment services	9,056	25,942	7,018	10,503
– Secondment and payroll services	2,090	2,212	1,040	1,024
	<u>11,146</u>	<u>28,154</u>	<u>8,058</u>	<u>11,527</u>

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Analysis of the fluctuations of gross profit and gross profit margins

	Year ended		Five months ended	
	31 December		31 May	
	2016	2017	2017	2018
			(unaudited)	
	%	%	%	%
Gross profit margin				
– Recruitment services	49.7	73.3	66.2	68.0
– Secondment and payroll services	7.3	7.4	8.3	7.7
	<u>7.3</u>	<u>7.4</u>	<u>8.3</u>	<u>7.7</u>
Overall	<u>23.9</u>	<u>43.0</u>	<u>34.8</u>	<u>40.1</u>

Our gross profit increased by approximately HK\$3.4 million from approximately HK\$8.1 million for the five months ended 31 May 2017 to approximately HK\$11.5 million for the five months ended 31 May 2018 mainly due to the increased gross profit under our recruitment services which was generally in line with the increased segment revenue. Our gross profit margin increased from approximately 34.8% for the five months ended 31 May 2017 to approximately 40.1% for the five months ended 31 May 2018 mainly due to (i) higher revenue contribution from recruitment services which recorded relatively higher gross profit margin than our secondment and payroll services; and (ii) relatively stable segment gross profit margins for our recruitment services and secondment and payroll services.

Our gross profit increased by approximately HK\$17.0 million from approximately HK\$11.1 million for the year ended 31 December 2016 to approximately HK\$28.2 million for the year ended 31 December 2017 principally driven by the increased gross profit under our recruitment services. Such increased segment gross profit was generally in line with the increased revenue under the same segment alongside the relatively slight increase in the segment direct expenses incurred. Our gross profit margin increased from approximately 23.9% for the year ended 31 December 2016 to approximately 43.0% for the year ended 31 December 2017 mainly due to (i) higher revenue contribution from recruitment services which recorded relatively higher gross profit margin than our secondment and payroll services; and (ii) improved gross profit margin of our recruitment services from approximately 49.7% for the year ended 31 December 2016 to approximately 73.3% for the year ended 31 December 2017. Such increase in gross profit margin of our recruitment services was mainly attributable to (i) the overall enhanced performance of our consultants relating to our recruitment services, as evidenced by the decrease in salary-to-revenue ratio (calculated by dividing the total salary payout of our consultants by the recruitment services revenue derived from such consultants in the same period, and such ratio serves as an indicator in evaluating the sales performance of our consultants, with the smaller ratio indicating the better performance) from approximately 49.5% for the year ended 31 December 2016 to approximately 36.8% for the year ended 31 December 2017; (ii) an increased number of successful placements involving candidates with annual remuneration above HK\$0.8 million in the year ended 31 December 2017 under our

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recruitment services, which in turn enabling us to receive higher services fee per successful placement and charging our services fee at a higher rate; and (iii) the implementation of performance indicating measures by revising our commission scheme primarily from quarterly to yearly basis of our mid-to-senior consultants for the year ended 31 December 2017, which balanced the interests of our Group and the consultants by reducing the chances of paying out substantial commissions to the consultants, who simply rely on a significant increase in sales performance in a particular quarter. Our gross profit under the secondment and payroll services remained relatively stable at approximately HK\$2.1 million and HK\$2.2 million for the years ended 31 December 2016 and 2017, respectively, with a relatively stable segment gross profit margin of approximately 7.3% and 7.4% during the same period.

Other income

Our other income comprises (i) bank interest income; and (ii) income from the sales of an HR payroll system sourced from an Independent Third Party to our existing client. During the Track Record Period, our other income was approximately HK\$1,000, HK\$0.6 million and HK\$4,000 respectively.

Staff costs

Our staff costs comprise (i) the labour cost associated with the deployment of seconded staff for our secondment and payroll services; and (ii) the salaries and other staff benefits we paid to our internal staff for carrying on and in support of our business operation. Our seconded staff costs may include basic salary, bonus, commission and other payments associated with the deployment of our seconded staff under the secondment and payroll services. Our internal staff are employees employed by us with main roles and responsibilities for our business operation and development in the provision of our recruitment and secondment and payroll services. The majority of our internal staff costs are the salaries and other staff benefits relating to our consultants for carrying on our recruitment services. During the Track Record Period, we did not pay any directors' remuneration to our executive Directors, namely, Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan, while the details and reasons of which set forth under the section headed "Directors and senior management – Remuneration and compensation of Directors and senior management" in this prospectus. For the years ended 31 December 2016 and 2017 and five months ended 31 May 2017 and 2018, our staff costs were approximately HK\$35.5 million, HK\$37.9 million, HK\$15.2 million and HK\$18.4 million respectively. As a percentage of our revenue, the staff costs accounted for approximately 76.1%, 57.9%, 65.6% and 63.9% respectively for the Track Record Period. The following table sets forth a breakdown of our staff costs by nature for the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2016		2017		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Seconded staff costs	26,265	73.9	27,680	73.1	11,457	75.4	12,260	66.8
Internal staff costs	9,259	26.1	10,191	26.9	3,731	24.6	6,105	33.2
Total	35,524	100.0	37,871	100.0	15,188	100.0	18,365	100.0

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Seconded staff costs represent the major component of our total staff costs for the year ended 31 December 2016 and 2017, which was approximately HK\$26.3 million and HK\$27.7 million, representing approximately 73.9% and 73.1% of our total staff costs respectively. Our internal staff costs amounted to approximately HK\$9.3 million and HK\$10.2 million, representing approximately 26.1% and 26.9% of our total staff costs for the years ended 31 December 2016 and 2017 respectively. Among our internal staff costs, our staff costs attributable to our consultants were approximately HK\$7.4 million and HK\$7.7 million for the years ended 31 December 2016 and 2017 respectively. Seconded staff costs for the five months ended 31 May 2017 and 2018 was approximately HK\$11.5 million and HK\$12.3 million, representing approximately 75.4% and 66.8% of our total staff costs respectively. Our internal staff costs amounted to approximately HK\$3.7 million and HK\$6.1 million, representing approximately 24.6% and 33.2% of our total staff costs for the five months ended 31 May 2017 and 2018 respectively. Among our internal staff costs, our staff costs attributable to our consultants were approximately HK\$2.9 million and HK\$4.2 million for the five months ended 31 May 2017 and 2018 respectively.

Other expenses and losses

Our other expenses and losses mainly consist of rental, management and utility fees, advertising, marketing and IT maintenance expenses, entertainment and insurance expenses, depreciation, and professional fees. As a percentage of our revenue, the other expenses and losses accounted for approximately 9.2%, 6.7% and 7.3% respectively for the Track Record Period. The following table sets forth a breakdown of our other expenses and losses for the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2016		2017		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental, management and utility fees	1,401	32.7	1,408	32.4	590	31.2	595	28.4
Advertising, marketing and IT maintenance expenses	1,203	28.0	1,448	33.3	663	35.0	653	31.3
Entertainment and insurance expenses	845	19.7	532	12.2	227	12.0	387	18.5
Depreciation	194	4.5	205	4.7	87	4.6	80	3.8
Professional fees	142	3.3	332	7.6	156	8.2	93	4.5
Others	505	11.8	426	9.8	170	9.0	281	13.5
Total	4,290	100.0	4,351	100.0	1,893	100.0	2,089	100.0

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Our other expenses and losses were approximately HK\$4.3 million, HK\$4.4 million and HK\$2.1 million during the Track Record Period respectively. Our rental, management and utility fees accounted for approximately 32.7%, 32.4% and 28.4% of our other expenses and losses during the Track Record Period respectively. Our rental, management and utility fees primarily represented the rent, property management and utilities fees we paid for our leased office premises in Hong Kong. Our advertising, marketing and IT maintenance expenses primarily represented the amount we paid for various advertising channels including third party recruitment websites and social media platforms, as well as the fee incurred for maintenance of our website. Accordingly, our advertising, marketing and IT maintenance expenses amounted to approximately HK\$1.2 million, HK\$1.4 million and HK\$0.7 million during the Track Record Period respectively. Our entertainment and insurance expenses, mainly represented the amount we paid for employees' insurance and employees' leisure activities, which amounted to approximately HK\$0.8 million, HK\$0.5 million and HK\$0.4 million during the Track Record Period, respectively. Our depreciation for property, plant and equipment amounted to approximately HK\$0.2 million, HK\$0.2 million and HK\$0.1 million during the Track Record Period respectively. Our professional fees represented the amount we paid for audit and legal fees which were approximately HK\$0.1 million, HK\$0.3 million and HK\$0.1 million during the Track Record Period respectively.

Finance costs

Our finance costs represented our interest on bank borrowing, which amounted to nil, approximately HK\$16,000 and HK\$0.2 million for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively.

Listing expenses

Our listing expenses consist of fees we paid to professionals in relation to the preparation of the Listing. For the years ended 31 December 2016, 2017 and the five months ended 31 May 2018, we recorded listing expenses of nil, approximately HK\$3.8 million and HK\$5.5 million respectively. Accordingly, the listing expenses accounted for nil, approximately 5.8% and 19.2% of our revenue during the Track Record Period respectively.

Income tax expense

We incurred income tax expense of approximately HK\$1.0 million, HK\$3.9 million and HK\$1.4 million for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively. Our effective tax rates were approximately 15.1%, 19.3% and 53.2% during the same period respectively. During the Track Record Period, we carried on business in Hong Kong and Macau. Our Group was subject to profits tax in Hong Kong ("**Hong Kong Profits Tax**") and Complementary Tax in Macau ("**Macau Complementary Tax**") during the Track Record Period:

- (i) Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively.

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- (ii) As advised by our Macau tax advisers, Macau Complementary Tax for the financial years 2016 and 2017 is calculated at 12.0% of the taxable profits exceeding MOP600,000 with reference to the respective Government Budgets approved by the Legislative Assembly. Our taxable profits in Macau were within the tax-free income threshold (i.e. not exceeding MOP600,000 per year) in the years ended 31 December 2016 and 2017 respectively, and thereby no Macau Complementary Tax was imposed on us in the same periods. Whether such tax-free income threshold will continue to apply for the financial year 2018 will be entirely subject to approval by the Legislative Assembly in late 2018. By adopting the same tax-free income threshold of the financial year 2017, on the basis that the tax-free income threshold remains as MOP600,000 for the financial year 2018, no Macau Complementary Tax is required to be made for the five months ended 31 May 2018 as at the Latest Practicable Date.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in these jurisdictions. Save for the abovementioned, we were not subject to taxation in jurisdictions other than Hong Kong and Macau, nor fall into any preferential tax treatment or scheme or enjoy any tax benefit in Hong Kong and Macau, during the Track Record Period.

Selected financial ratios

	Year ended 31 December		Five months ended 31 May 2018
	2016	2017	
Profitability ratios:			
Growth			
Revenue growth ^(Note 1)	N/A	40.2%	24.3%
Gross profit growth ^(Note 2)	N/A	152.6%	43.0%
Net profit growth ^(Note 3)	N/A	177.2%	(76.5%)
Profit margins			
Gross profit margin ^(Note 4)	23.9%	43.0%	40.1%
Net profit margin before income tax ^(Note 5)	14.7%	30.6%	8.9%
Net profit margin ^(Note 6)	12.5%	24.7%	4.2%

Notes:

- Revenue growth is calculated by dividing revenue during the respective year/period by the respective preceding year/comparative period. See the paragraph headed “Period to period comparison of results of operations” and “Year to year comparison of results of operations” in this section below for more details on our revenue growth.
- Gross profit growth is calculated by dividing gross profit during the respective year/period by the respective preceding year/comparative period. See the paragraph headed “Analysis of the fluctuations of gross profit and gross profit margins” in this section above for more details on our gross profit growth.
- Net profit growth is calculated by dividing net profit during the respective year/period by the respective preceding year/comparative period. See the paragraph headed “Period to period comparison of results of operations” and “Year to year comparison of results of operations” in this section below for more details on our net profit growth.

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4. Gross profit margin is calculated by dividing gross profit by revenue during the respective year/period. See the paragraph headed “Analysis of the fluctuations of gross profit and gross profit margins” in this section above for more details on our gross profit margin.
5. Net profit margin before income tax is calculated by dividing net profit before income tax by revenue during the respective year/period. See the paragraph headed “Period to period comparison of results of operations” and “Year to year comparison of results of operations” in this section below for more details on our net profit margin before income tax.
6. Net profit margin is calculated by dividing net profit by revenue during the respective year/period. See the paragraph headed “Period to period comparison of results of operations” and “Year to year comparison of results of operations” in this section below for more details on our net profit margin.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

The five months ended 31 May 2018 compared to the five months ended 31 May 2017

Revenue

Our revenue increased by approximately HK\$5.7 million or 24.3% from approximately HK\$23.1 million for the five months ended 31 May 2017 to approximately HK\$28.8 million for the five months ended 31 May 2018, which was principally attributable to the revenue derived from both our recruitment services and secondment and payroll services. Among which, we recorded a significant increase in revenue under our recruitment services segment of approximately HK\$4.8 million or 45.7%, primarily as a result of increased number of successful placements achieved by our Group from 93 for the five months ended 31 May 2017 to 173 for the five months ended 31 May 2018 and were mostly the placements for the highest candidates’ annual remuneration level (i.e. above HK\$0.8 million). In terms of functional specialisation under our recruitment services business, we also recorded an increased revenue mainly driven by the growth of revenue from our two largest job functions during the period, being sales and marketing and merchandising and retail operation. Such job functions, in aggregate, contributed approximately 70.1% of revenue under our recruitment services, recorded an increase of revenue by approximately HK\$5.7 million and an increase of number of successful placements from 59 to 144 from such job functions aggregately. Our Group as a whole recorded an increased revenue from Repeated Clients from approximately HK\$22.6 million for the five months ended 31 May 2017 to approximately HK\$26.6 million for the five months ended 31 May 2018. The better sales performance of our Group for the five months ended 31 May 2018 was mainly attributable to stable business relationship with our existing clients and the increasing efforts in achieving more placements, maintaining stable client relationship and expanding our client base, with the support of the better performed team led by our strengthened management team. Further details on our segment sales performance for the five months ended 31 May 2017 and 2018 are set forth in the following.

Recruitment services segment

Our revenue derived from recruitment services increased by approximately HK\$4.8 million or 45.7%, from approximately HK\$10.6 million for the five months ended 31 May 2017 to approximately HK\$15.4 million for the five months ended 31 May 2018. Such increase was mainly attributable to:

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- (i) the increased number of successful placements achieved by our Group from 93 for the five months ended 31 May 2017 to 173 for the five months ended 31 May 2018 as we further strengthened our market position in Hong Kong through (a) expansion of our business team of full-time internal staff from 26 as at 31 May 2017 to 34 as at 31 May 2018 to capture business opportunities more effectively; (b) further diversification of our client base from various industries under our recruitment services with the number of active clients from 49 for the five months ended 31 May 2017 to 67 for the five months ended 31 May 2018 alongside the increased number of successful placements per active client from approximately 1.9 for the five months ended 31 May 2017 to approximately 2.6 for the five months ended 31 May 2018 as a result of the enhanced efficiency from our consultants as illustrated below; (c) strengthening business relationships with our existing clients evidenced by the increased revenue from our Repeated Clients under our recruitment services from approximately HK\$10.1 million for the five months ended 31 May 2017 to approximately HK\$13.3 million for the five months ended 31 May 2018; and (d) enhancing the efficiency of our consultants through implementation of various performance indicating measures (such as formulating revenue targets and minimum job orders for our consultants, setting up weekly meetings with consultants to closely monitor progress of candidate placements and revenue status, and providing trainings to consultants for improving their productivity and skills) in monitoring and boosting the sales performance of our consultants. We recorded an increased average number of successful placements per active client from approximately 1.9 for the five months ended 31 May 2017 to approximately 2.6 for the five months ended 31 May 2018 overall;
- (ii) among the successful recruitment placements, we have placed an increased number of candidates with annual remuneration above HK\$0.8 million (being the highest tier of candidates' remuneration) from 15 for the five months ended 31 May 2017 to 28 for the five months ended 31 May 2018. Such tier of successful placements enabled us to receive higher services fee per successful placement as compared with other tiers of successful placements and contributed significantly to our segment revenue growth during the period, being approximately 49.9% and 60.1% of our segment revenue for the five months ended 31 May 2017 and 2018 respectively. Accordingly, our revenue derived from such tier of successful placements increased from approximately HK\$5.3 million for the five months ended 31 May 2017 to approximately HK\$9.3 million for the five months ended 31 May 2018. Besides, the revenue derived from the remaining two tiers, in aggregate, remained relatively stable at approximately HK\$5.1 million and HK\$5.1 million for the five months ended 31 May 2017 and 2018 respectively, and the number of our successful placements for the candidates with annual remuneration in the range of HK\$0.3 million to HK\$0.8 million remained stable at 39 for the five months ended 31 May 2017 and 2018 respectively and recorded an increase of number of successful placements from 29 for the five months ended 31 May 2017 to 38 for the five months ended 31 May 2018 for candidates with annual remuneration below HK\$0.3 million. With respect to the remaining types of placements (including those charged on

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candidates' monthly remuneration or at a one-off fixed fee, which are generally related to frontline personnel such as telemarketing officers and securities guards), we also recorded an increased revenue of approximately HK\$0.7 million in aggregate during the five months ended 31 May 2018. We noted the increase in demand for our recruitment services among most tiers of placements resulting in the significant growth of our revenue from recruitment services during the period; and

- (iii) the factors driving our segment revenue growth as discussed in (i) and (ii) above were mainly supported by (a) our stable relationship with and the ability to continuously deliver recruitment placements for our existing clients. We recorded an increase in revenue contribution from our Repeated Clients from approximately HK\$10.1 million for the five months ended 31 May 2017 to approximately HK\$13.3 million for the five months ended 31 May 2018 under our recruitment services segment, with successful placements of 118 achieved for our Repeated Clients for the five months ended 31 May 2018 as compared with that of 58 for the five months ended 31 May 2017; (b) in addition to the strengthened business relationship with Repeated Clients, our efforts in expanding the client base to support our growing recruitment services business with the number of active clients increased from 49 for the five months ended 31 May 2017 to 67 for the five months ended 31 May 2018 under our recruitment services segment as previously mentioned, leveraging on our stronger team and increasing efficiency of our consultants; and (c) the increase in demand for recruitment services in the market as supported by the growing consumption of HR services from SMEs as illustrated under the section headed "Industry overview – Overview of HR services industry in Hong Kong – Market drivers of HR services industry in Hong Kong" in this prospectus.

During the Track Record Period, we have placed increasing efforts in growing our recruitment services business and capturing the potential market opportunities by, among others, strengthening our management team and improving the sales performance of our consultants. During the year ended 31 December 2017, we invited Ms. Yeung Shek Shek Louisa, who has approximately 20 years of industry experience, to join our team as the chief executive officer and she is responsible for overseeing the daily operation, training and development of our employees and formulating the overall strategies and planning of our Group. Since the year ended 31 December 2017, we have continued to implement various performance indicating measures (such as formulating revenue targets and minimum job orders for our consultants, setting up weekly meetings with consultants to closely monitor progress of candidate placements and revenue status, and providing trainings to consultants for improving their productivity and skills) in monitoring and boosting the sales performance of our consultants.

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Secondment and payroll services segment

The revenue from our secondment and payroll services increased slightly by approximately HK\$0.8 million or 6.2%, from approximately HK\$12.5 million for the five months ended 31 May 2017 to approximately HK\$13.3 million for the five months ended 31 May 2018. Such slight increase was mainly attributable to the increase in revenue of our secondment and payroll services from our largest client, Client A, of approximately HK\$0.6 million over the periods, as a result of our long-term business relationship with it.

In terms of service income component of our secondment and payroll services, we had a slight increase in income relating to remuneration of our seconded staff from approximately HK\$11.3 million for the five months ended 31 May 2017 to approximately HK\$12.0 million for the five months ended 31 May 2018, mainly due to (i) a slight increase in total remuneration of our seconded staff deployed to Client A by approximately HK\$0.6 million, from approximately HK\$9.9 million for the five months ended 31 May 2017 to approximately HK\$10.5 million for the five months ended 31 May 2018; and (ii) the provision of secondment and payroll services to a new client which contributed income relating to remuneration of our seconded staff of approximately HK\$0.3 million for the five months ended 31 May 2018, whereas no such income was derived from such new client during the five months ended 31 May 2017. Such increase in income relating to remuneration of our seconded staff was partially offset by the cessation of our related party transactions in January 2018. For further details, please refer to the paragraph headed “Related party transactions” in this section below.

Revenue by geographical location

During the five months ended 31 May 2017 and 2018, Hong Kong remained as our major market, which contributed approximately 91.7% and 94.5% of our revenue respectively. Our revenue generated from Hong Kong increased from approximately HK\$21.2 million for the five months ended 31 May 2017 to approximately HK\$27.2 million for the five months ended 31 May 2018, primarily due to an increase in revenue derived from our recruitment services in Hong Kong.

Revenue from our largest client

The revenue derived from Client A increased by approximately HK\$1.0 million or 8.6%, from approximately HK\$11.2 million for the five months ended 31 May 2017 to approximately HK\$12.2 million for the five months ended 31 May 2018. Our revenue generated from Client A under recruitment services increased from approximately HK\$0.2 million for the five months ended 31 May 2017 to approximately HK\$0.6 million for the five months ended 31 May 2018. Our revenue contributed by Client A under secondment and payroll services remained relatively stable at approximately HK\$11.0 million and HK\$11.6 million for the five months ended 31 May 2017 and 2018 respectively, representing approximately 98.0% and 95.2% of revenue from Client A for the same periods. Our business relationship with Client A can be traced back to 2009 when we entered into a long-term framework recruitment services in August 2009. In July 2010, leveraging on the established relationship with Client A, we

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commenced providing secondment and payroll services to Client A and our relationship with such client has continued during the Track Record Period. Our Directors consider the stable revenue we derived from the client was mainly attributable to the long-term business relationship between the client and us. In terms of our revenue, the percentage of revenue generated from our largest client decreased from approximately 48.5% for the five months ended 31 May 2017 to approximately 42.4% for the five months ended 31 May 2018, which shows a diversification effect on our revenue. Such diversification effect was principally associated with our growing business. In addition, the high proportion of revenue received from Client A during the Track Record Period was due to the recognition of the revenue from secondment and payroll services on a gross basis and a majority of the revenue received from Client A are subsequently paid to the seconded staff as staff costs. For the five months ended 31 May 2017 and 2018, the service fees received from Client A in relation to our recruitment services and secondment and payroll services in aggregate accounted for approximately 5.8% and 6.0% of our revenue, respectively.

Other income

Our other income increased from nil for the five months ended 31 May 2017 to approximately HK\$4,000 for the five months ended 31 May 2018. Such increase was primarily attributable to the increased bank interest income generated from the higher balance of bank balances and cash.

Staff costs

Our staff costs increased by approximately HK\$3.2 million or 20.9%, from approximately HK\$15.2 million for the five months ended 31 May 2017 to approximately HK\$18.4 million for the five months ended 31 May 2018. Such increase was mainly due to (i) the increase in our internal staff costs by approximately HK\$2.4 million from approximately HK\$3.7 million for the five months ended 31 May 2017 to approximately HK\$6.1 million for the five months ended 31 May 2018 as a result of the increased number of our internal staff from 28 as at 31 May 2017 to 34 as at 31 May 2018; and (ii) an increase in our seconded staff costs from approximately HK\$11.5 million for the five months ended 31 May 2017 to approximately HK\$12.3 million for the five months ended 31 May 2018.

For the five months ended 31 May 2017 and 2018, we did not pay any directors' remuneration to our executive Directors, namely, Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan, while the details and reasons of which set forth under the section headed "Directors and senior management – Remuneration and compensation of Directors and senior management" in this prospectus.

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Other expenses and losses

Our other expenses and losses increased by approximately HK\$0.2 million from approximately HK\$1.9 million for the five months ended 31 May 2017 to approximately HK\$2.1 million for the five months ended 31 May 2018, which was primarily due to the increase in entertainment and insurance expenses of approximately HK\$0.2 million attributed by the increased insurance expenses, which was generally in line with the increased number of our internal staff over the periods.

Listing expenses

Our listing expenses increased from nil for the five months ended 31 May 2017 to approximately HK\$5.5 million for the five months ended 31 May 2018 as we incurred the non-recurring listing expenses for the five months ended 31 May 2018 for the preparation of the Listing.

Income tax expense

Our income tax expense was approximately HK\$1.0 million and HK\$1.4 million for the five months ended 31 May 2017 and 2018 respectively. The effective tax rate was approximately 16.0% and 53.2% for the five months ended 31 May 2017 and 2018, respectively. Such increase principally resulted from the tax effect from expenses not deductible for tax purpose which significantly increased our income tax expenses.

Profit for the period and net profit margin

Our net profit decreased from approximately HK\$5.1 million for the five months ended 31 May 2017 to approximately HK\$1.2 million for the five months ended 31 May 2018. Our net profit margin decreased from approximately 22.0% for the five months ended 31 May 2017 to approximately 4.2% for the five months ended 31 May 2018. Such decrease was mainly attributable to (i) the incurrence of listing expenses of approximately HK\$5.5 million during the five months ended 31 May 2018; (ii) the increase in staff costs by approximately HK\$3.2 million; and (iii) the increase in income tax expense primarily as a result of the tax effect from expenses not deductible for tax purpose as aforementioned.

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YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by approximately HK\$18.7 million or 40.2% from approximately HK\$46.7 million for the year ended 31 December 2016 to approximately HK\$65.4 million for the year ended 31 December 2017. Such increase was primarily due to the increase in revenue derived from both our recruitment services and secondment and payroll services. Among which, we recorded a significant increase in revenue under our recruitment services segment of approximately HK\$17.2 million for the year ended 31 December 2017, primarily as a result of the increased number of successful placements achieved by our Group from 213 for the year ended 31 December 2016 to 352 for the year ended 31 December 2017 as we further strengthened our market position in Hong Kong through (a) expansion of our business team of full-time internal staff from 29 as at 31 December 2016 to 34 as at 31 December 2017 to capture business opportunities more effectively; (b) further diversification of our client base from various industries under our recruitment services with the number of active clients from 92 for the year ended 31 December 2016 to 118 for the year ended 31 December 2017 alongside the increased number of successful placements per active client from approximately 2.3 for the year ended 31 December 2016 to approximately 3.0 for the year ended 31 December 2017 as a result of the enhanced efficiency from our consultants as illustrated below; (c) strengthening business relationships with our existing clients evidenced by the increased revenue from our Repeated Clients under our recruitment services from approximately HK\$14.4 million for the year ended 31 December 2016 to approximately HK\$30.6 million for the year ended 31 December 2017; and (d) enhancing the efficiency of our consultants through implementation of various performance indicating measures (such as formulating revenue targets and minimum job orders for our consultants, setting up weekly meetings with consultants to closely monitor progress of candidate placements and revenue status, and providing trainings to consultants for improving their productivity and skills) in monitoring and boosting the sales performance of our consultants. Such successful placements were mostly the placements for the highest candidates' annual remuneration level (i.e. above HK\$0.8 million). In terms of functional specialisation under our recruitment services business, we also recorded an increased revenue in the majority of our functional specialisation including sales and marketing, HR and administration, finance and accounting, property and engineering. Our Group as a whole recorded increased revenue from Repeated Clients from approximately HK\$42.9 million for the year ended 31 December 2016 to approximately HK\$60.6 million for the year ended 31 December 2017. The better sales performance of our Group for the year ended 31 December 2017 was mainly attributable to the stable business relationship with our existing clients and the increasing efforts in achieving more placements, maintaining stable client relationship and expanding our client base, with the support of the better performed team led by our strengthened management team. Further details on our segment sales performance for the years ended 31 December 2016 and 2017 are set forth in the following.

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Recruitment services segment

Our revenue derived from recruitment services increased by approximately HK\$17.2 million or 94.2%, from approximately HK\$18.2 million for the year ended 31 December 2016 to approximately HK\$35.4 million for the year ended 31 December 2017. Such increase was mainly attributable to:

- (i) the increased number of successful placements achieved by our Group from 213 for the year ended 31 December 2016 to 352 for the year ended 31 December 2017 from a larger base of active clients (with 92 and 118 under our recruitment services segment respectively for the years ended 31 December 2016 and 2017). We recorded increased average number of successful placements per active client from approximately 2.3 for the year ended 31 December 2016 to approximately 3.0 for the year ended 31 December 2017 overall;
- (ii) among the successful recruitment placements, we have placed an increased number of candidates with annual remuneration above HK\$0.8 million (being the highest tier of candidates' remuneration) from 18 for the year ended 31 December 2016 to 52 for the year ended 31 December 2017. Such tier of successful placements enabled us to receive higher services fee per successful placement as compared with other tiers of successful placements and contributed significantly to our segment revenue growth during the year. Accordingly, our revenue derived from such tier of successful placements increased from approximately HK\$5.1 million for the year ended 31 December 2016 to approximately HK\$17.9 million for the year ended 31 December 2017. Besides, the number of our successful placements for the remaining two tiers of candidates' annual remuneration also recorded an increase from 99 to 116 (for candidates with annual remuneration in the range of HK\$0.3 million to HK\$0.8 million) and from 66 to 96 (for candidates with annual remuneration below HK\$0.3 million). The revenue derived from such two tiers, in aggregate, increased from approximately HK\$12.4 million for the year ended 31 December 2016 to approximately HK\$15.3 million for the year ended 31 December 2017. With respect to the remaining types of placements (including those charged on candidates' monthly remuneration or at a one-off fixed fee, which are generally related to frontline personnel such as telemarketing officers and security guards), we also recorded increased revenue of approximately HK\$1.5 million in aggregate during the year ended 31 December 2017. We noted the increase in demand for our recruitment services among all tiers of placements resulting in the significant growth of our revenue from recruitment services during the year; and
- (iii) the factors driving our segment revenue growth as discussed in (i) and (ii) above were in fact mainly supported by (a) our stable relationship with and the ability to continuously deliver recruitment placements for our existing clients. We recorded an increase in revenue contribution from our Repeated Clients from approximately HK\$14.4 million for the year ended 31 December 2016 to approximately HK\$30.6 million for the year ended 31 December 2017 under our recruitment services segment, with successful placements of 313 achieved for our Repeated Clients in the year ended 31 December 2017 as compared with that of 177 in the year ended 31 December 2016; (b) in addition to the strengthened business relationship with Repeated Clients, our efforts in expanding the client base to support our growing recruitment services business with the number of active clients increased from 92 for the year ended 31 December 2016 to 118 for the year ended 31 December 2017

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under our recruitment services segment as previously mentioned, leveraging on our stronger team and increasing efficiency of our consultants (as further illustrated below); and (c) the increase in demand for recruitment services in the market as evidenced by the higher employment turnover rate (from approximately 4.8% in 2016 to approximately 5.3% in 2017) resulting from reducing job loyalty of the employees in Hong Kong and the rising popularity of online recruitment platforms fostering the job hopping activities of younger generations according to the F&S Report.

During the Track Record Period, we have placed increasing efforts in growing our recruitment services business and capturing the potential market opportunities by, among others, strengthening our management team and improving the sales performance of our consultants. During the year ended 31 December 2017, we invited Ms. Yeung Shek Shek Louisa, who has approximately 20 years of industry experience, to join our team as the chief executive officer and she is responsible for overseeing the daily operation, training and development of our employees and formulating the overall strategies and planning of our Group. In the same year, we implemented various performance indicating measures (such as formulating revenue targets and minimum job orders for our consultants, setting up weekly meetings with consultants to closely monitor progress of candidate placements and revenue status, and providing trainings to consultants for improving their productivity and skills) in monitoring and boosting the sales performance of our consultants. The performance of our consultants had improved as evidenced by the decrease in salary-to-revenue ratio (calculated by dividing the total salary payout of our consultants by the recruitment services revenue derived from such consultants in the same period, and such ratio serves as an indicator in evaluating the sales performance of our consultants, with the smaller ratio indicating the better performance) from approximately 49.5% for the year ended 31 December 2016 to approximately 36.8% for the year ended 31 December 2017.

Secondment and payroll services segment

The revenue from our secondment and payroll services increased slightly by approximately HK\$1.6 million or 5.5%, from approximately HK\$28.4 million for the year ended 31 December 2016 to approximately HK\$30.0 million for the year ended 31 December 2017. Such slight increase was mainly attributable to the increase in revenue of our secondment and payroll services from our largest client, Client A, of approximately HK\$0.6 million over the periods, as a result of our long-term business relationship with it.

In terms of the service income component of our secondment and payroll services, we had an increase in income relating to remuneration of our seconded staff from approximately HK\$25.7 million for the year ended 31 December 2016 to approximately HK\$27.2 million for the year ended 31 December 2017, mainly due to (i) the provision of secondment and payroll services to Sinokor, a related party of our Group, which contributed an increase of income relating to remuneration of our seconded staff of approximately HK\$1.5 million for the year ended 31 December 2017, whereas we did not provide any such services to Sinokor during the year ended 2016; and (ii) the slight increase in total remuneration of our seconded staff deployed to Client A by approximately HK\$0.4 million leveraging to our stable and long-term relationship with Client A. As a result of the increase in income relating to remuneration of our seconded staff, the service fees associated with our secondment and payroll services increased, from approximately HK\$2.7 million for the year ended 31 December 2016 to HK\$2.8 million for the year ended 31 December 2017.

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Revenue by geographical location

For the years ended 31 December 2016 and 2017, Hong Kong remained as our major market, which contributed approximately 90.7% and 93.6% of our revenue respectively. Our revenue generated from Hong Kong increased from approximately HK\$42.3 million for the year ended 31 December 2016 to approximately HK\$61.3 million for the year ended 31 December 2017, primarily due to an increase in revenue derived from our recruitment services in Hong Kong.

Revenue from our largest client

For the years ended 31 December 2016 and 2017, revenue derived from Client A remained generally stable at approximately HK\$25.0 million and HK\$25.8 million respectively. Our revenue generated from Client A under recruitment services increased from approximately HK\$0.4 million for the year ended 31 December 2016 to approximately HK\$0.6 million for the year ended 31 December 2017. Our revenue contributed by Client A under secondment and payroll services remained relatively stable at approximately HK\$22.2 million and HK\$22.6 million for the years ended 31 December 2016 and 2017 respectively, representing approximately 98.6% and 97.6% of revenue from Client A for the same periods. Our business relationship with Client A can be traced back to 2009 when we entered into a long-term framework recruitment services in August 2009. In July 2010, leveraging on the established relationship with Client A, we commenced providing secondment and payroll services to the client and our relationship with Client A has continued during the Track Record Period. Our Directors consider the stable revenue we derived from the client was mainly attributable to the long-term business relationship between the client and us. In terms of our revenue, the percentage of revenue generated from our largest client decreased from approximately 53.6% to approximately 39.4%, which shows a diversification effect on our revenue. Such diversification effect was principally associated with our growing business. In addition, the high proportion of revenue received from Client A during the Track Record Period was due to the recognition of the revenue from secondment and payroll services on a gross basis and a majority of the revenue received from Client A are subsequently paid to the seconded staff as staff costs. For the years ended 31 December 2016 and 2017, the service fees received from Client A in relation to our recruitment services and secondment and payroll services in aggregate accounted for approximately 6.0% and 4.8% of our revenue, respectively.

Other income

Our other income increased from approximately HK\$1,000 for the year ended 31 December 2016 to approximately HK\$0.6 million for the year ended 31 December 2017. Such increase was mainly attributable to the sales of an HR payroll system to an Independent Third Party, which amounted to approximately HK\$0.6 million for the year ended 31 December 2017.

Staff costs

Our staff costs increased by approximately HK\$2.4 million or 6.6%, from approximately HK\$35.5 million for the year ended 31 December 2016 to approximately HK\$37.9 million for the year ended 31 December 2017. Such increase was mainly due to (i) the increase in our seconded staff costs from approximately HK\$26.3 million for the year ended 31 December 2016 to approximately HK\$27.7 million for the year ended 31 December 2017 and (ii) the number of our internal staff increased from 29 as at 31 December 2016 to 34 as at 31 December 2017.

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For the years ended 31 December 2016 and 2017, we did not pay any directors' remuneration to our executive Directors, namely, Mr. Kevin Chan, Mr. Eddie Chan and Mr. Jackson Chan, while the details and reasons of which set forth under the section headed "Directors and senior management – Remuneration and compensation of Directors and senior management" in this prospectus.

Other expenses and losses

Our other expenses and losses remained generally stable at approximately HK\$4.3 million and HK\$4.4 million for the years ended 31 December 2016 and 2017 respectively, which was primarily due to our rental, management and utility fees and advertising, marketing and IT maintenance expenses, being the two largest components in our other expenses and losses, remained generally stable at approximately HK\$2.6 million and HK\$2.9 million in aggregate during the periods respectively.

Listing expenses

Our listing expenses increased from nil for the year ended 31 December 2016 to approximately HK\$3.8 million for the year ended 31 December 2017 as we incurred listing expenses in 2017 for the preparation of the Listing.

Income tax expense

Our income tax expense was approximately HK\$1.0 million and HK\$3.9 million for the years ended 31 December 2016 and 2017 respectively. Such increase was generally in line with increased profit before taxation. The effective tax rate was approximately 15.1% and 19.3% for the years ended 31 December 2016 and 2017, respectively. Such increase principally resulted from the tax effect from expenses not deductible for tax purpose which significantly increased our income tax expenses.

Profit for the year and net profit margin

As a result of the aforesaid, our net profit increased from approximately HK\$5.8 million for the year ended 31 December 2016 to approximately HK\$16.1 million for the year ended 31 December 2017, which grew with the trend of our increased revenue during the year. Our net profit margin increased from approximately 12.5% for the year ended 31 December 2016 to approximately 24.7% for the year ended 31 December 2017. Such increase was mainly due to (i) the overall enhanced performance of our consultants relating to our recruitment services, as evidenced by the decrease in salary-to-revenue ratio (calculated by dividing the total salary payout of our consultants by the recruitment services revenue derived from such consultants in the same period, and such ratio serves as an indicator in evaluating the sales performance of our consultants, with the smaller ratio indicating the better performance) from approximately 49.5% for the year ended 31 December 2016 to approximately 36.8% for the year ended 31 December 2017; (ii) an increased number of successful placements involving candidates with annual remuneration above HK\$0.8 million in the year ended 31 December 2017 under our

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recruitment services, which in turn enabling us to receive higher services fee per successful placement and charging our services fee at a higher rate; and (iii) the implementation of performance indicating measures by revising our commission scheme primarily from quarterly to yearly basis of our mid-to-senior consultants for the year ended 31 December 2017, which balanced the interests of our Group and the consultants by reducing the chances of paying out substantial commissions to the consultants, who simply rely on a significant increase in sales performance in a particular quarter.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and capital expenditure requirements, which have been satisfied principally by cash generated from our operation. Our ongoing working capital requirements include staff costs, office rental and other operating expenses. Our anticipated cash needs also include costs associated with the expansion of our business. We expect to fund our future working capital and capital expenditure requirements from cash generated from our operations, bank borrowing and the net proceeds from the Share Offer.

As at 31 December 2016 and 2017 and 31 May 2018, we had bank balances and cash of approximately HK\$4.9 million, HK\$20.7 million and HK\$14.9 million respectively. The following table sets forth a summary of our combined statements of cash flows for the Track Record Period:

	Year ended 31 December		Five months ended
	2016	2017	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	6,132	13,036	1,086
Net cash used in investing activities	(218)	(5,034)	(75)
Net cash (used in)/generated from financing activities	<u>(6,450)</u>	<u>7,820</u>	<u>(6,821)</u>
Net (decrease)/increase in cash and cash equivalents	(536)	15,822	(5,810)
Cash and cash equivalents at the beginning of the year/period	<u>5,393</u>	<u>4,857</u>	<u>20,679</u>
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	<u>4,857</u>	<u>20,679</u>	<u>14,869</u>

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Cash flows generated from operating activities

We derive cash generated from operating activities principally from cash inflows generated from recruitment services and secondment and payroll services.

For the five months ended 31 May 2018, our net cash generated from operating activities was approximately HK\$1.1 million, it was mainly attributable to our profit before taxation of approximately HK\$2.6 million, which was positively adjusted for the finance costs of approximately HK\$0.2 million and the depreciation of property, plant and equipment of approximately HK\$80,000, but partially offset by the negative adjustment of interest income of approximately HK\$4,000. The difference between the operating cash flows before movements in working capital and the net cash generated from operation was mainly attributable to (i) the increase in accounts and other receivables of approximately HK\$2.7 million, which was generally due to the increase in deferred listing expenses of approximately HK\$1.7 million as a result of the increased listing expenses to be capitalised and deducted upon completion of the Share Offer during the period and the increase in accounts receivables of approximately HK\$1.4 million resulted from the increase of accounts receivables from one of our five largest clients due to (a) the increased revenue derived from such client for the three months ended 31 May 2018 as compared to the three months ended 31 December 2017, in which such client had been granted a credit period from 14 days to 90 days and (b) the prolonged payments from such client; (ii) the increase in other payables and accruals of approximately HK\$1.3 million, which was generally due to the increased accrued listing expenses by approximately HK\$1.4 million resulting from the provision for listing expenses in connection with the Listing and the increased accrued payroll expenses by approximately HK\$0.4 million mainly attributable to the increased remuneration from the seconded staff seconded to our largest client during the Track Record Period and therefore the higher payroll of seconded staff; and (iii) the Hong Kong Profits Tax paid of approximately HK\$0.4 million incurred.

For the year ended 31 December 2017, our net cash generated from operating activities was approximately HK\$13.0 million. The net cash from operating activities was mainly attributable to our profit before taxation of approximately HK\$20.0 million, which was positively adjusted for the non-cash item being the depreciation of property, plant and equipment of approximately HK\$0.2 million and finance costs of approximately HK\$16,000 but partially offset by the negative adjustment of interest income of approximately HK\$2,000. The difference of approximately HK\$7.2 million between the operating cash flows before movements in working capital and the net cash from operating activities was mainly attributable to the combined effect of the increase in accounts and other receivables of approximately HK\$5.2 million, which was generally in line with the increase in our revenue during the year, and the increase in other payables and accruals of approximately HK\$0.4 million mainly due to the provision for listing expenses in connection with the Listing.

For the year ended 31 December 2016, our net cash generated from operating activities was approximately HK\$6.1 million. This was mainly attributable to (i) our profit before taxation of approximately HK\$6.9 million; (ii) the adjustment by adding back the non-cash

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item being the depreciation of property, plant and equipment of approximately HK\$0.2 million but slightly offset by the interest income of approximately HK\$1,000; and (iii) the increase in accounts and other receivables of approximately HK\$1.5 million, which was generally in line with the increase in our revenue during the year, and the increase in other payables and accruals of approximately HK\$0.7 million, as the payroll amount of seconded staff was higher as at 31 December 2016.

Cash flows used in investing activities

Our cash used in investing activities is primarily for the purchase of property, plant and equipment and placement of pledged bank deposit, while our cash generated from investing activities represents interest income received by us from bank deposits.

For the five months ended 31 May 2018, our net cash used in investing activities was approximately HK\$75,000. Such amount primarily represented cash used in office equipment.

For the year ended 31 December 2017, our net cash used in investing activities was approximately HK\$5.0 million. Such amount primarily represented placement of pledged bank deposit amounted to HK\$5.0 million for obtaining the new loan facility during the year and purchase of office equipment of approximately HK\$36,000.

For the year ended 31 December 2016, our net cash used in investing activities was approximately HK\$0.2 million, primarily representing cash used in leasehold improvements for office renovation, furniture and equipment and office equipment.

Cash flows (used in)/generated from financing activities

Our cash used in financing activities is for payment of dividends, cost paid for the issuance of shares and repayment to the Shareholders. Our cash generated from financing activities includes issue of shares and proceeds from bank borrowing.

For the five months ended 31 May 2018, our net cash used in financing activities was approximately HK\$6.8 million, mainly attributable to (i) the dividends paid of approximately HK\$5.1 million; (ii) the share issue cost paid of approximately HK\$1.5 million; and (iii) interest paid of approximately HK\$0.3 million for the bank borrowing.

For the year ended 31 December 2017, our net cash generated from financing activities was approximately HK\$7.8 million, mainly attributable to the proceeds from bank borrowing of HK\$10.0 million, partially offset by the payment of dividends of approximately HK\$1.2 million, the cost paid for the issuance of shares of approximately HK\$1.0 million and the repayment to the Shareholders of approximately HK\$30,000.

For the year ended 31 December 2016, our net cash used in financing activities was approximately HK\$6.5 million, which were the payment of dividends of approximately HK\$5.4 million and the repayment to the Shareholders of approximately HK\$1.1 million.

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NET CURRENT ASSETS

The following table sets forth details of our current assets and current liabilities as at the dates indicated:

	As at 31 December 2016	2017	As at 31 May 2018	As at 31 July 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current assets				
Accounts and other receivables	6,571	13,344	17,026	15,217
Amount due from a Shareholder	12	–	–	–
Bank balances and cash	4,857	20,679	14,869	22,609
Total current assets	<u>11,440</u>	<u>34,023</u>	<u>31,895</u>	<u>37,826</u>
Current liabilities				
Other payables and accruals	2,521	3,185	5,022	4,454
Amount due to a Shareholder	42	–	–	–
Bank borrowing	–	10,000	10,000	10,000
Taxation payable	756	2,259	3,236	3,236
Total current liabilities	<u>3,319</u>	<u>15,444</u>	<u>18,258</u>	<u>17,690</u>
Net current assets	<u>8,121</u>	<u>18,579</u>	<u>13,637</u>	<u>20,136</u>

Our net current assets increased from approximately HK\$13.6 million as at 31 May 2018 to approximately HK\$20.1 million as at 31 July 2018. Such increase in our net current assets balance was mainly due to an increase in bank balances and cash of approximately HK\$7.7 million primarily as a result of settlement of accounts and other receivables from our clients, and partially offset by the decrease in accounts and other receivables of approximately HK\$1.8 million as a result of settlement of accounts and other receivables from our clients.

Our net current assets decreased from approximately HK\$18.6 million as at 31 December 2017 to approximately HK\$13.6 million as at 31 May 2018. The decrease in our net current assets balance was mainly due to (i) a decrease in bank balances and cash of approximately HK\$5.8 million primarily as a result of net cash used in financing activities and investing activities due to reasons illustrated in the paragraph headed “Liquidity and capital resources” in this section above; (ii) an increase in other payables and accruals of approximately HK\$1.8 million, which was primarily due to reasons disclosed in the paragraph headed “Certain balance sheet items – Other payables and accruals” in this section below; and (iii) an increase in taxation payable of approximately HK\$1.0 million, which was primarily due to the income tax expenses incurred during the period. Such decrease was partially offset by the increase in accounts and other receivables of approximately HK\$3.7 million as a result of the increase in deferred listing expenses of approximately HK\$1.7 million as a result of the increased listing expenses to be capitalised and deducted upon completion of the Share Offer during the period and the increase in accounts receivables of approximately HK\$1.4 million primarily due to

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reasons disclosed in the paragraph headed “Certain balance sheet items – Accounts receivables” in this section below.

Our net current assets increased from approximately HK\$8.1 million as at 31 December 2016 to approximately HK\$18.6 million as at 31 December 2017. The increase in our net current asset balance was mainly due to (i) an increase in our accounts and other receivables of approximately HK\$6.7 million which was generally in line with the increase in our revenue during the year ended 31 December 2017; and (ii) an increase in our bank balances and cash of approximately HK\$15.8 million, in which we had drawn down a new bank loan with the amount of HK\$10.0 million in December 2017.

CERTAIN BALANCE SHEET ITEMS

Accounts receivables

Our accounts receivables are related to the revenue we derived from recruitment services and secondment and payroll services businesses, where receivables are recorded for any unsettled client payments for our services upon recognition of revenue. Details of our revenue recognition policy are set out in notes 4 and 6A to the Accountants’ Report in Appendix I to this prospectus. During the Track Record Period, our accounts receivables were denominated in HK\$ and MOP. Our clients generally settle payments through bank transfers or by cheques.

As at 31 December 2016 and 2017 and 31 May 2018, our accounts receivables were approximately HK\$6.3 million, HK\$11.3 million and HK\$12.7 million, in which approximately HK\$2.4 million, HK\$1.7 million and HK\$1.7 million were related to our largest client, respectively. The following table sets forth an ageing analysis of our accounts receivables presented based on the revenue recognition date as at the dates indicated:

	As at 31 December 2016 HK\$’000	2017 HK\$’000	As at 31 May 2018 HK\$’000
Within 30 days	4,154	7,236	7,048
31 to 60 days	340	594	939
61 to 90 days	252	2,183	2,430
91 to 180 days	1,228	1,028	1,715
Over 180 days	363	238	529
Total	6,337	11,279	12,661

As at 31 May 2018, our balance of accounts receivables increased by approximately HK\$1.4 million to approximately HK\$12.7 million, as compared to the balance of approximately HK\$11.3 million as at 31 December 2017. Such increase was primarily due to the increase of accounts receivables from one of our five largest clients during the period, which recorded an increase of accounts receivables of approximately HK\$3.7 million as at 31 May 2018, as a result of (i) the increased revenue derived from such client for the three months

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ended 31 May 2018 as compared to the three months ended 31 December 2017, in which such client had been granted a credit period from 14 days to 90 days; and (ii) the prolonged payments from such client as illustrated below. Our Group recorded an increase in average accounts receivable turnover days from approximately 49 days for the year ended 31 December 2017 to approximately 62 days for the five months ended 31 May 2018, which was mainly attributable to the lower beginning balance of accounts receivables recorded for the year ended 31 December 2017, thereby the lower average balance of accounts receivables recorded during the same period. Our accounts receivables aged within 60 days remained relatively stable at approximately HK\$7.8 million and HK\$8.0 million as at 31 December 2017 and 31 May 2018, while our accounts receivables aged over 60 days increased from approximately HK\$3.4 million as at 31 December 2017 to approximately HK\$4.7 million as at 31 May 2018. Such increase was mainly due to the prolonged payments from two successful placements under our recruitment services segment with accounts receivables of approximately HK\$1.9 million from one of our five largest clients for the five months ended 31 May 2018. The prolonged payments from such client were generally due to its lengthy internal administrative procedures for approval and the relatively high transaction amount per placement. In particular, a subsidiary of such client, who was an Independent Third Party, had been granted a credit term of 90 days, and such credit term had also been granted to some of our clients during the Track Record Period on a case-by-case basis. As at the Latest Practicable Date, the aforesaid accounts receivables of approximately HK\$1.9 million had been fully settled.

As at 31 December 2017, our balance of accounts receivables increased to approximately HK\$11.3 million, as compared to the balance of approximately HK\$6.3 million as at 31 December 2016. Such increase was principally led by the increase in our revenue during the year ended 31 December 2017, as evidenced by the relatively stable average accounts receivables turnover days of around 45 and 49 days (as illustrated below) for the years ended 31 December 2016 and 2017 respectively. In particular, our Group recorded better quarterly sales in 2017 as compared to the sales performance in the same quarter of 2016, thereby resulting in the larger balance of accounts receivables in the year end of 2017. Among which, our accounts receivables aged over 60 days (based on the revenue recognition date) increased from approximately HK\$1.8 million as at 31 December 2016 to approximately HK\$3.4 million as at 31 December 2017. Such increase was mainly due to the prolonged payments from two independent new clients under our recruitment services segment, with whom we agreed to provide greater flexibility by allowing the settlement of our service fees under several transactions at one-time, aiming to build up long-term business relationship with the clients. Accordingly, the amount involved was approximately HK\$2.0 million out of our accounts receivables aged over 60 days of approximately HK\$3.4 million as at 31 December 2017, and had been fully settled as at the Latest Practicable Date. During the Track Record Period, we generally granted a credit period of not more than 60 days to our clients. The following table further sets out an ageing analysis of our accounts receivables that are past due but not impaired as at the dates indicated:

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	As at 31 December	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue by:		
1 to 30 days	747	4,450
31 to 60 days	102	553
61 to 90 days	150	810
91 to 180 days	1,228	409
Over 180 days	363	238
	2,590	6,460
Total	2,590	6,460

As at 31 December 2016 and 2017, approximately HK\$2.6 million and HK\$6.5 million of our accounts receivables were past due but not impaired, which were related to several clients for whom there was no history of default. Among which, the portion of our accounts receivables that are past due but not impaired by the period of 1 to 30 days accounted for approximately 28.8% and 68.9% out of the total as at 31 December 2016 and 2017 respectively. Our recoverability of accounts receivables actually improved as at 31 December 2017 as we had lower the longer ageing accounts receivables. Our Directors closely monitor the credit quality of our accounts receivables and considers such overdue amounts to be recoverable and of good credit quality. During the Track Record Period, we did not encounter any difficulties in collection of accounts receivables, and no allowance for doubtful debts were recognised by us.

As at the Latest Practicable Date, approximately HK\$10.0 million or 79.2% of our accounts receivables as at 31 May 2018 have been settled. The following table sets forth an ageing analysis of such subsequent settlement as at the Latest Practicable Date:

	Accounts receivables	Subsequent settlement	
	as at 31 May 2018	as at the Latest Practicable Date	
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Within 30 days	7,048	5,237	74.3
31 to 60 days	939	939	100.0
61 to 90 days	2,430	2,074	85.4
91 to 180 days	1,715	1,685	98.3
Over 180 days	529	91	17.2
	12,661	10,026	79.2
Total	12,661	10,026	79.2

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The following table sets forth our average accounts receivables turnover days for the Track Record Period:

	Year ended		Five months
	31 December		ended
	2016	2017	31 May
			2018
Average accounts receivables turnover days ^(Note)	45	49	62

Note: Average accounts receivables turnover days are calculated by dividing the average of beginning and ending accounts receivable balances by revenue for the relevant year and multiplied by 365 days for the years ended 31 December 2016 and 2017 and by 150 days for the five months ended 31 May 2018.

Our average accounts receivable turnover days remained generally stable at around 45, 49 and 62 days for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively, which were within our credit period.

During the Track Record Period, we did not hold any collateral over our accounts receivable balances.

Other receivables

	As at 31 December		As at
	2016	2017	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	2018
			<i>HK\$'000</i>
Prepayments	232	475	878
Rental and utility deposits	342	342	1,108
Deferred listing expenses	–	1,209	2,879
Prepayments for listing expenses	–	39	266
Total	574	2,065	5,131

Prepayments comprised mainly the prepaid advertising, marketing and webpage maintenance expenses, the prepaid insurance, entertainment and other miscellaneous expenses by us, and slightly increased from approximately HK\$0.2 million as at 31 December 2016 to approximately HK\$0.5 million as at 31 December 2017. The rental and utility deposits was related to our leased office premises in Hong Kong, and remained stable at approximately HK\$0.3 million as at each of 31 December 2016 and 2017. Our deferred listing expenses represented the expenses in connection with the Listing which will be capitalised and deducted from the share premium upon the completion of the Share Offer, and such deferred listing expenses amounted to approximately HK\$1.2 million as at 31 December 2017. Our prepayments for listing expenses represented the prepayments in connection with the Listing

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which amounted to approximately HK\$39,000 as at 31 December 2017. As at 31 December 2016, no deferred listing expenses or prepayments for listing expenses was recorded by us.

Our prepayments increased from approximately HK\$0.5 million as at 31 December 2017 to approximately HK\$0.9 million as at 31 May 2018. Such increase was mainly due to the prepaid facility fee of approximately HK\$0.4 million regarding the new bank loan obtained in December 2017. Our rental and utility deposits increased from approximately HK\$0.3 million as at 31 December 2017 to approximately HK\$1.1 million as at 31 May 2018. Such increase was mainly due to the rental deposits of approximately HK\$0.8 million for the new office premises leased in Hong Kong. Our deferred listing expenses increased from approximately HK\$1.2 million as at 31 December 2017 to approximately HK\$2.9 million as at 31 May 2018. Such increase was mainly due to increased listing expenses to be capitalised and deducted upon completion of the Share Offer during the period.

Other payables and accruals

Our other payables and accruals were approximately HK\$2.5 million, HK\$3.2 million and HK\$5.0 million as at 31 December 2016 and 2017 and 31 May 2018 respectively. The following table sets forth our other payables and accruals as at the dates indicated:

	As at 31 December		As at
	2016	2017	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2018</i>
			<i>HK\$'000</i>
Other payables	190	174	149
Accrued expenses	105	234	310
Accrued payroll expenses	2,226	1,314	1,698
Accrued listing expenses	–	1,463	2,865
	<u> </u>	<u> </u>	<u> </u>
Total	<u>2,521</u>	<u>3,185</u>	<u>5,022</u>

Our other payables and accruals comprised mainly accrued payroll expenses and accrued listing expenses. Our accrued payroll expenses comprised mainly accrued staff costs in relation to our secondment and payroll services, and amounted to approximately HK\$2.2 million, HK\$1.3 million as at 31 December 2016 and 2017 respectively as the payroll of seconded staff was lower as at 31 December 2017. As at 31 May 2018, our accrued payroll expenses amounted to approximately HK\$1.7 million. Such increase in accrued payroll expenses was mainly due to the increased remuneration from the seconded staff seconded to our largest client during the Track Record Period and therefore the higher payroll of seconded staff. Our accrued listing expenses represented the provision for listing expenses in connection with the Listing and amounted to approximately HK\$1.5 million and HK\$2.9 million as at 31 December 2017 and 31 May 2018.

NON-TRADE BALANCES WITH RELATED PARTIES

Amount due from a shareholder

As at 31 December 2016, the amount due from a shareholder, which was unsecured, interest-free and repayable on demand, was approximately HK\$12,000. As at 31 December 2017 and 31 May 2018, the amount due from a shareholder had been fully settled to our Group.

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Amount due to a shareholder

As at 31 December 2016, the amount due to a shareholder, which was unsecured, interest-free and repayable on demand, was approximately HK\$42,000. As at 31 December 2017 and 31 May 2018, the amount due to a shareholder had been fully settled by us.

INDEBTEDNESS

Bank borrowing

In December 2017, we obtained a new loan facility in the principal amount of HK\$10.0 million from a bank in Hong Kong, with weighted average interest rates of approximately 3.74% and 3.56% for the year ended 31 December 2017 and the five months ended 31 May 2018 respectively and expiring in December 2019. As at 31 July 2018, the bank borrowing of HK\$10.0 million was secured by (i) a pledge bank deposit of HK\$5.0 million from our Group, which will be released upon the settlement of the bank borrowing; and (ii) the personal guarantee jointly given by Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow, being our Controlling Shareholders, which will be released and replaced by corporate guarantee provided by our Group upon Listing. Such bank borrowing was obtained with the purpose to pay the non-recurring listing expenses in relation to the preparation of the Listing. As a result, such loan had freed up our financial resources, which facilitated our Group's growth and business development. With our better financial position, we managed to outpace the growth rate of the overall HR services market in Hong Kong of approximately 5.4% in 2017 according to the F&S Report by approximately 34.8% for the year ended 31 December 2017. For more details of our competitive strengths, please refer to the section headed "Business – Competitive strengths" in this prospectus. As at the Latest Practicable Date, we had drawn down the full amount of the loan facility and there was no unutilised amount of loan facility as at the same date.

Save as disclosed above, as at the Latest Practicable Date, our Group did not have bank overdrafts or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities, or outstanding debentures.

Non-trade balances due to related parties

Details of our non-trade balances due to related parties are set forth under the paragraph headed "Non-trade balances with related parties" in this section above.

Contingent liabilities

As at 31 December 2016, 31 December 2017, 31 May 2018 and 31 July 2018, being the latest practicable date for the purpose of this statement of indebtedness, we did not have any significant contingent liabilities.

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Save as the aforesaid bank borrowing and intra-group liabilities, we did not have any (i) debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured; (ii) borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) mortgages and charges; and (iv) other material contingent liabilities outstanding as at 31 July 2018.

Subsequent to 31 July 2018 and up to the Latest Practicable Date, save as disclosed herein, our Directors confirmed that (i) there has not been any material change in our indebtedness; and (ii) we have not raised material external debt financing and are unlikely to do so in the near future. Our Directors further confirmed that we had neither experienced any difficulties in repayment nor breached any major covenant of our bank borrowing during the Track Record Period.

CONTRACTUAL COMMITMENTS

Capital commitments

As at 31 December 2016 and 2017, 31 May 2018 and 31 July 2018, we did not have capital commitments.

Operating lease commitments

Our operating lease commitments represent rentals payable by us for our leased office premises under non-cancellable operating leases with Independent Third Parties. As at 31 December 2016 and 2017, 31 May 2018 and 31 July 2018, we had operating lease commitments of approximately HK\$2.2 million, HK\$1.1 million, HK\$7.6 million and HK\$7.4 million respectively. The following table sets forth a breakdown of the total future minimum lease payments falling due by us as at the dates indicated:

	As at 31 December		As at	As at
	2016	2017	31 May	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2018</i>	<i>2018</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,106	1,061	2,111	2,332
In the second to fifth years, inclusive	1,053	–	5,490	5,083
Total	2,159	1,061	7,601	7,415

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures principally consisted of expenditures on leasehold improvements, furniture and equipment, and office equipment. For the years ended 31 December 2016 and 2017 and 31 May 2018, we incurred capital expenditures of approximately HK\$0.2 million, HK\$36,000 and HK\$79,000 respectively,

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which were mainly funded through the internal resources from our operation. The larger capital expenditures of approximately HK\$0.2 million for the year ended 31 December 2016 was principally due to the addition of leasehold improvements in relation to office renovation and the addition of furniture and equipment.

WORKING CAPITAL

For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, we had net cash generated from our operating activities of approximately HK\$6.1 million, HK\$13.0 million and HK\$1.1 million respectively. As at 31 May 2018, our bank balances and cash were approximately HK\$14.9 million. Our ongoing working capital requirements include payments for staff costs and other operating expenses, whereas our anticipated cash needs and capital expenditures include costs associated with the expansion of our business of which details are set out in the section headed “Statements of business objectives and use of proceeds” in this prospectus. We expect to fund our future working capital and capital expenditure requirements from cash generated from our operation, the net proceeds from the Share Offer and, when necessary, bank and other borrowings.

Our Directors confirm that, after taking into consideration the financial resources available to us, including our bank balances and cash, bank borrowing and facilities, the cash flows generated from our operating activities and the estimated net proceeds of the Share Offer, our Directors are satisfied, after due and careful inquiry, that we have sufficient working capital for our present requirements and for at least the next twelve months from the date of this prospectus.

LISTING EXPENSES

Our listing expenses represent the professionals’ fees in relation to the preparation of the Listing. Assuming an Offer Price of HK\$0.35 per Share, being the mid-point of our indicative Offer Price range, the total listing expenses will be approximately HK\$24.5 million. For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, we incurred listing expenses of nil, approximately HK\$3.8 million and HK\$5.5 million, respectively. For the year ending 31 December 2018, a total amount of approximately HK\$11.8 million is expected to be recognised in our combined statements of profit or loss and other comprehensive income, and approximately HK\$8.9 million is directly attributable to the Share Offer and expected to be capitalised and recognised as a deduction in equity. Our Directors would like to emphasise that such listing expenses is a current estimate for reference only, and the final amount to be recognised to our combined statements of profit or loss and other comprehensive income or to be capitalised is subject to adjustment based on audit and the subsequent changes in variables and assumptions. Potential investors should note that the financial performance of our Group for the year ending 31 December 2018 is expected to be negatively affected by the estimated non-recurring listing expenses mentioned and may or may not be comparable to the financial performance of our Group in the past.

OFF-BALANCE SHEET ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet commitment or arrangement.

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ANALYSIS OF OTHER KEY FINANCIAL RATIOS

The following table sets forth certain major financial ratios of our Group during the Track Record Period/as at the dates indicated:

	As at 31 December		As at
	2016	2017	31 May 2018
Current ratio ^(Note 1)	3.4 times	2.2 times	1.7 times
Quick ratio ^(Note 2)	3.4 times	2.2 times	1.7 times
Gearing ratio ^(Note 3)	0.5%	41.8%	50.6%
Debt to equity ratio ^(Note 4)	N/A	N/A	N/A
	Year ended		Five
	31 December		months
	2016	2017	ended
			31 May 2018
Return on total assets ^(Note 5)	47.3%	41.0%	3.1%
Return on equity ^(Note 6)	64.8%	67.4%	6.1%
Interest coverage ^(Note 7)	N/A	1,252 times	11.6 times

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year/period end date.
- (2) Quick ratio is calculated by dividing current assets net of inventories by current liabilities as at the respective year/period end date.
- (3) Gearing ratio is calculated by dividing total debt (of which debt represents the sum of bank borrowing and amount due to a shareholder) by total equity multiplied by 100% as at the respective year/period end date.
- (4) Debt to equity ratio is calculated by dividing total borrowings net of bank balances and cash by total equity multiplied by 100% as at the respective year/period end date.
- (5) Return on total assets is calculated by dividing profit for the year/period by the total assets multiplied by 100% as at the respective year/period end date.
- (6) Return on equity is calculated by dividing profit for the year/period by the total equity multiplied by 100% as at the respective year/period end date.
- (7) Interest coverage is calculated by dividing profit before interest and tax for the year/period by interest expenses for the year/period.

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Current ratio

Our current ratio decreased from approximately 3.4 times as at 31 December 2016 to approximately 2.2 times as at 31 December 2017, which was mainly due to the presence of bank borrowing of HK\$10.0 million in our current liabilities as at 31 December 2017. Our current ratio decreased from approximately 2.2 times as at 31 December 2017 to approximately 1.7 times as at 31 May 2018, which was mainly attributable to the combined effect of (i) the decrease in bank balances and cash of approximately HK\$5.8 million as a result of cash used in financing and investing activities; (ii) the increase in other payables and accruals of approximately HK\$1.8 million due to the reasons discussed in the paragraph headed “Certain balance sheet items – Other payables and accruals” in this section above; and (iii) the increase in taxation payable of approximately HK\$1.0 million as a result of the income tax expenses incurred during the period. Such increase was partially offset by an increase of our accounts and other receivables.

Quick ratio

As at 31 December 2016 and 2017 and 31 May 2018, we maintained no inventories. As such, our quick ratio was the same as our current ratio.

Gearing ratio

Our gearing ratio increased significantly from approximately 0.5% as at 31 December 2016 to approximately 41.8% as at 31 December 2017, which was mainly due to the increase in total debt resulted from the newly obtained bank borrowing with the amount of HK\$10.0 million as at 31 December 2017, partially offset by increase in total equity as a result of our increased retained profits resulted from the increase in our net profit. As at 31 May 2018, we recorded gearing ratio of approximately 50.6%, principally as a result of the combined effect of (i) the presence of the bank borrowing of HK\$10.0 million; and (ii) the decrease in retained profits resulted from dividends paid of approximately HK\$5.1 million during the period.

Debt to equity ratio

We had net cash as at 31 December 2016 and 2017 and 31 May 2018 as our bank balances and cash outweighed our total debt as at each of the dates indicated, thus the debt to equity ratio was not applicable to our Group.

Return on total assets

Our return on total assets decreased from approximately 47.3% for the year ended 31 December 2016 to approximately 41.0% for the year ended 31 December 2017, which was primarily due to the increase in balance of total assets as at 31 December 2017 mainly led by the increased bank balances and cash and increase in our accounts receivables, partially offset by the increase in our net profit for the year due to the reasons discussed in the paragraph headed “Year to year comparison of results of operations” in this section above. Our return on total assets decreased from approximately 41.0% for the year ended 31 December 2017 to approximately 3.1% for the five months ended 31 May 2018, which was primarily due to the decrease in our net profit for the period due to the reasons discussed in the paragraph headed “Period to period comparison of results of operations” in this section above. Such decrease was partially offset by the decrease in balance of total assets as at 31 May 2018 mainly as a result of the decreased bank balances and cash.

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Return on equity

Our return on equity increased slightly from approximately 64.8% for the year ended 31 December 2016 to approximately 67.4% for the year ended 31 December 2017. Such increase was mainly due to increase in our net profit for the same period due to the reasons discussed in the paragraph headed “Year to year comparison of results of operations” in this section above slightly offset by the increased total equity as a result of our increased retained profits resulted from the increase in our net profit. Our return on equity decreased from approximately 67.4% for the year ended 31 December 2017 to approximately 6.1% for the five months ended 31 May 2018. Such decrease was mainly due to the decrease in our net profit for the period due to the reasons discussed in the paragraph headed “Period to period comparison of results of operations” in this section above, partially offset by the decrease in retained profits as a result of dividends paid of approximately HK\$5.1 million during the period.

Interest coverage

For the year ended 31 December 2017 and for the five months ended 31 May 2018, our interest coverage was approximately 1,252 times and 11.6 times. Interest coverage was not applicable to our Group for the year ended 31 December 2016 since we did not have interest expenses for such year. We incurred interest expenses for the year ended 31 December 2017 as we obtained a new bank loan in December 2017, and thereby recorded an interest coverage of approximately 1,252 times. For the five months ended 31 May 2018, the interest coverage decreased to approximately 10.6 times, such decrease was mainly due to a decrease in our profit before taxation due to the reasons discussed in the paragraph headed “Period to period comparison of results of operations” in this section above, partially offset by the increase in interest expenses incurred during the period.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had transactions with two related parties, namely The iBros Company Limited (“iBros”) and Sinokor. iBros is a private company incorporated in Hong Kong on 3 June 2016 engaging in the business of apparel retailing, while Sinokor is a private company incorporated in Hong Kong on 18 January 2017 engaging in the business of food and beverages. Mr. Kevin Chan, one of the founder members of iBros and Sinokor, is (i) a director and a shareholder holding as to 49.0% of the shareholding of iBros; and (ii) a director and a shareholder holding as to approximately 9.3% of the shareholding of Sinokor, as at the Latest Practicable Date.

iBros operates an apparel retail store in Hong Kong with four employees as at 28 February 2018, while Sinokor and its wholly-owned subsidiary, namely Supreme Pacific Confectionery Limited (collectively as “Sinokor Group”) operate retail stores in Hong Kong selling mainly dairy products under a franchising arrangement with 13 employees as at 28 February 2018. Based on their unaudited management accounts, both iBros and Sinokor Group had been loss making in the financial periods since their inception.

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During the Track Record Period, our Group provided secondment and payroll services and/or recruitment services to iBros and Sinokor. The table below summarises details of the related party transactions with each of them:

Name of related party	Type of transactions	Transaction amount (approximately)		Five months ended 31 May 2018	Function(s) of the seconded staff and the range of their remuneration	Service fee rate charged
		Year ended 31 December 2016	Year ended 31 December 2017			
iBros	Secondment and payroll services	HK\$170,000 (with three seconded staff)	HK\$840,000 (with four seconded staff)	HK\$47,000 ^(Note) (with two seconded staff)	The seconded staff were responsible for sales and marketing with monthly remuneration between HK\$13,000 and HK\$25,000.	3% of the seconded staff's monthly remuneration
	Recruitment services	HK\$217,000 (with one successful placement)	–	–		25% of the candidates' annual remuneration
Sinokor	Secondment and payroll services	–	HK\$1,565,000 (with 11 seconded staff)	HK\$357,000 ^(Note) (with ten seconded staff)	The seconded staff were responsible for sales and marketing with monthly remuneration between HK\$10,000 and HK\$30,000.	3% of the seconded staff's monthly remuneration

Note: In January 2018, our Group and the respective related parties mutually agreed to cease the transactions with effect from 18 January 2018.

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The transactions with iBros and Sinokor commenced by the introduction of Mr. Kevin Chan at the early start-up stage of their businesses, which intended to focus on its main businesses and considered procuring HR services from a third party could provide operational benefits by offloading the administrative works involved in the recruitment and routine HR processes. The above transactions were conducted in the ordinary and usual course of business of our Group.

The terms and pricing basis of the services provided by our Group to iBros and Sinokor during the Track Record Period were determined by negotiations between the contract parties. Same as the basis we applied to independent clients, our fees for provision of secondment and payroll services to each iBros and Sinokor were arrived based on an agreed percentage of the seconded staff's monthly remuneration package. However, the service fee rate applied to both iBros and Sinokor was 3% during the Track Record Period, which was the lowest among the rates we charged to independent clients under the secondment and payroll services segment, and was not entirely on normal commercial terms. With respect to the service fees charged for rendering recruitment services to iBros, similar to most of the circumstances with independent clients, the fees we charged iBros were calculated based on an agreed percentage of the successfully placed candidate's annual remuneration package in the first year of the candidate's employment or an agreed minimum fee, whichever is higher. The service fee rate applied was 25%, which was within the range of 15% to 30% we charged to independent clients during the Track Record Period, and the transaction of which was conducted under normal commercial terms. For details of the related party transactions, please refer to note 23 to the Accountants' Report contained in Appendix I to this prospectus.

For illustration purpose, the table below sets forth a comparison between the service fee rates charged by our Group to iBros and Sinokor under each of the secondment and payroll services segment and the recruitment services segment during the Track Record Period and the range of service fee rates charged by (i) our Group to our independent clients during the Track Record Period; and (ii) other Market Players (as defined below) for similar services in Hong Kong:

Our service fee rates charged to the following clients during the Track Record Period:	(a) Secondment and payroll services	(b) Recruitment services
– iBros	3% of the seconded staff's monthly remuneration	25% of the candidates' annual remuneration
– Sinokor	3% of the seconded staff's monthly remuneration	N/A
– Independent clients	In the range of 10% to 30% of the seconded staff's monthly remuneration ^(Note 1)	In the range of 15% to 30% of the candidates' annual remuneration ^(Note 1)
Service fee rates offered by other Market Players^(Note 2) for similar services in Hong Kong	In the range of 7% to 25% of the seconded staff's monthly remuneration	In the range of 20% to 30% of the candidates' annual remuneration

FINANCIAL INFORMATION

Notes:

1. For comparison purpose, only the service fees that we charged to independent clients under the same basis as we charged to iBros and Sinokor are illustrated herein (i.e. the services fees were arrived at based on (a) an agreed percentage of the seconded staff's monthly remuneration package for the secondment and payroll services; and (b) an agreed percentage of the successfully placed candidate's annual remuneration package in the first year of the candidate's employment or an agreed minimum fee, whichever is higher for the recruitment services).
2. Such market players include Company A, Company B, Company D and Company E (collectively as "**Market Players**") as illustrated in the section headed "Industry overview – Competitive landscape of HR services industry in Hong Kong – Overview of competitive landscape of HR services industry" of this prospectus. The information covering the range of service fee rates chargeable by the Market Players was gathered through the independent market enquiries conducted by the Sole Sponsor. The actual service fees to be charged by each Market Player vary on a case-by-case basis.

In the view that any connected transactions after the Listing should be conducted under normal commercial terms and to act in the interests of our Company and the Shareholders as a whole, in January 2018, we and the respective related parties mutually agreed to cease the above transactions once with effect from 18 January 2018. In addition, having considered that the services income derived from these related party transactions were relatively insignificant as compared to our Group's revenue during the Track Record Period (which in aggregate, representing approximately 0.8%, 3.7% and 1.4% of our revenue respectively), our Directors are of the view that such cessation will not distort our Group's financial results in any material respects.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 19 December 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 31 May 2018.

DIVIDENDS

During the Track Record Period, no dividend was paid or declared by our Company. On 12 September 2018 and 21 September 2018, we declared dividends of HK\$18.0 million and HK\$4.0 million, respectively, which will be settled by cash by internal resources before the Listing. On 13 April 2018, KOS International declared dividends in the amount of approximately HK\$5.1 million, which has been paid to its shareholders on the same date. The dividends declared and paid by the companies now comprising our Group to its then shareholders were approximately HK\$5.4 million, HK\$1.2 million and HK\$5.1 million for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively. Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. Future declaration of dividends will be subject to the discretion of our Board and will depend on, amongst other things, our earnings, financial conditions, business development and prospects, capital requirements and availability, and any other factors our Board may consider relevant.

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Currently, our Group does not have any dividend policy. Our Directors consider the dividend to be an investment return to the then Shareholders during the Track Record Period and should not be regarded as an indication of the future dividend policy to be adopted by our Group following the Listing. Currently, we do not have any predetermined dividend distribution ratio. Prospective investors should note that the historical dividend trends may not be indicative of future dividend trends.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 8.01 to 8.10 of the GEM Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Further details of our Group's capital risk management are set forth in note 20 to the Accountants' Report in Appendix I to this prospectus. Our Group is exposed to market risk, credit risk and liquidity risk in the normal course of business, for further details of our financial risk management, please refer to the section headed "Business – Risk management" and note 21 to the Accountants' Report contained in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would have given rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited pro forma financial information" set out in Appendix II to this prospectus for our unaudited pro forma adjusted combined net tangible assets.

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD AND MATERIAL ADVERSE CHANGE

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. Prospective investors are specifically warned that our Group is expected to record a decrease in net profit for the year ending 31 December 2018 as compared to that of the year ended 31 December 2017. Such decrease is expected to be primarily due to (i) the non-recurring listing expenses in relation to the preparation of the Listing of approximately HK\$11.8 million anticipated to be incurred during the year; (ii) the anticipated increase in our staff costs and other expenses and losses as

FINANCIAL INFORMATION

a matter of our business expansion and remuneration for our Directors to be incurred after the Listing; and (iii) the anticipated decrease in our revenue derived from the secondment and payroll services primarily due to the cessation of our related party transactions in January 2018. For further details of the related party transactions, please refer to the paragraph headed “Related party transactions” in this section above.

Our Group estimates that the aggregate remuneration paid or payable to, and benefits in kind receivable by (including discretionary bonus) our Directors (including the independent non-executive Directors) for the years ending 31 December 2018, 2019 and 2020 to be approximately HK\$0.5 million, HK\$1.9 million and HK\$1.9 million respectively. For further details of our Directors’ remuneration, please refer to the section headed “Directors and senior management – Remuneration and compensation of Directors and senior management” in this prospectus. We do not expect simply the above anticipated remuneration to our Directors will have material adverse impact to our financial results in the relevant periods.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save as disclosed above and in the paragraph headed “Listing expenses” in this section, we did not have any significant non-recurrent items in our combined financial statements.

Save as disclosed above, our Directors confirm that, since 31 May 2018 (being the date to which the latest audited combined financial statements of our Group were made up as set out in the Accountants’ Report in Appendix I of this prospectus) and up to the date of this prospectus, there had been no material adverse change in the financial or trading positions of our Group, and there had been no event which would materially affect the information shown in our financial information included in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our primary objectives are to further penetrate into the HR services market in Hong Kong and to establish our presence in the PRC recruitment services market with a view to creating long-term Shareholders' value. We intend to achieve our objectives by implementing the future plans and business strategies as discussed in the section headed "Business – Business Strategies" in this prospectus.

FUTURE PLANS AND BUSINESS STRATEGIES

We intend to implement the following business strategies:

- strengthen our market position in Hong Kong through expanding our recruitment services and secondment and payroll services;
- establish our presence in the PRC through introducing our recruitment services;
- develop marketing capability and conduct more marketing activities to promote our brand; and
- enhance our IT system to support our business operation.

REASONS FOR THE SHARE OFFER

Prior to the Listing, funding of our business activities was primarily from internally generated cash and debt financing. The gearing ratio of our Group was approximately 0.5%, 41.8% and 50.6% as at 31 December 2016 and 2017 and 31 May 2018. Our Directors believe that the Listing is strategically significant to the long-term growth of our Group's business as it provides the financial resources for our Group to strengthen our market position in the HR services market in Hong Kong, establishing our presence in the PRC recruitment services market, developing marketing capability and conducting more marketing activities to promote our brand and enhancing our IT system to support our business operation, which lay a solid foundation for our Group's long-term development and growth. Our Directors believe that our development plans in Hong Kong and the PRC are the key drivers for our future growth, and the implementation plan of our business strategies involves significant capital outlay which will require considerable additional financial resources. For details, please refer to the section headed "Business – Business strategies" and the paragraphs headed "Implementation plans" in this section below.

Our Directors believe that a listing status could help enhance our Group's creditworthiness to banks to facilitate its future financing needs when necessary. Moreover, the Listing will provide a platform to our Group for fund raising activities in the future through equity financing and enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares when they are privately held before the Listing. Our Directors also believe that the net proceeds from the Listing can finance our current business operation and future expansion plans. This is beneficial to the overall business development and financial performance of our Group, which in turn will maximise Shareholders' return. The commercial rationale for the Listing is further elaborated below.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Commercial Rationale for the Listing

(i) Enhancing our Group's corporate profile, credibility and brand awareness

Our Directors believe that a public listing status will enhance our corporate profile and assist us in reinforcing our brand awareness and reputation. We believe that a public listing status on GEM is a complementary advertising for our Group to attract long-term strategic investors to support our future business development, including establishment of our presence in the PRC recruitment services market and clients and can enhance our corporate profile and our credibility with the public and potential business partners given a public listed company's greater transparency, relevant regulatory supervision and stability generally. The Share Offer will therefore serve to promote our corporate profile and brand awareness.

Moreover, we believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would increase our clients' confidence on us and attract potential clients.

(ii) Enhancing market status amongst clients and employees

Our Directors believe that a listing status on GEM will enhance our credibility with our clients and thus, enhance our level of competitiveness in delivering high quality services. With such status, our Group can be differentiated from market competitors, enhancing our capability of establishing business relationships with reputable brands or clients.

Our Directors believe that as a listed company, we will be able to retain our existing employees more effectively, at both operational and administrative level. Our employees will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their moral at work.

(iii) Ease of raising funds in capital market for future business development

Whilst our Group was able to expand our business using internally generated funds and debt financing during the Track Record Period, our Group still plans to seek equity or equity-linked financing as it would ease our cash flow.

The Share Offer, which provides a fund raising platform for our Group, will enable our Group to raise the capital required to finance our future growth and expansion without reliance on our Controlling Shareholders, following which we will be able to use secondary fund raising after the Listing for our future expansion plans and when necessary, through the issuance of equity and/or debt securities.

Our Group will then be able to maintain a low level of gearing ratio, which benefits our Group and Shareholders as a whole, and enhance our capital structure. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes our Group to increasing financial costs in the future.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

(iv) Diversification of shareholder base and have more liquidity in trading Shares

Our Directors believe that the Listing will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of the Shares.

(v) Incentivising our management personnel and other employees

The Listing will enable our Company to offer an equity-based incentive programme (such as the Share Option Scheme) to our employees that more directly correlates to their performance. We would therefore be in a better position to motivate our employees using the Shares as a means of reward and to create a team of eager and enthusiastic staff with incentive programmes that are closely aligned with the objective of creating value for our Shareholders. The Listing status will also help raise staff confidence. It will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise.

For the reasons stated above, our Directors believe that the Listing is beneficial to us in the long run.

USE OF PROCEEDS

The net proceeds from the issue of the Offer Shares under the Share Offer based on the Offer Price of HK\$0.35 per Share, being the mid-point of the indicative Offer Price range, are estimated to be approximately HK\$45.5 million, after deducting the estimated underwriting commission and total expenses in the aggregate amount of approximately HK\$24.5 million paid and payable by our Company in connection with the Listing from the gross proceeds of the Share Offer and assuming the Offer Size Adjustment Option and any options granted under the Share Option Scheme are not exercised. We intend to apply the net proceeds of approximately HK\$45.5 million from the Share Offer in the following manner:

- (a) approximately 45.9% of the total estimated net proceeds, or approximately HK\$20.9 million, will be used to expand our recruitment services and secondment and payroll services in Hong Kong. We plan to expand our business team in Hong Kong through recruiting around 23 additional consultants graduated with bachelor's degree or higher. Among the new hires, we plan to recruit two experienced consultants with no less than ten years of recruitment experience to lead our team in Hong Kong. Other consultants to be hired shall, depending on their seniority, possess at least one year to six years of work experience in the recruitment services industry and they will primarily specialise in our existing functional specialisation, including sales and marketing, merchandising and retail operation, HR and administration, IT, finance and accounting, property and engineering. We also intend to hire a researcher who holds diploma or above serving research and administrative functions;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (b) approximately 25.8% of the total estimated net proceeds, or approximately HK\$11.7 million, will be used to establish our presence in the PRC recruitment services market. We intend to recruit 16 additional consultants graduated with tertiary education qualification or higher in different phases by the second half of 2020. Among the new hires, we plan to recruit one experienced consultant with no less than seven years of recruitment experience to lead our team in the PRC. Other consultants to be hired shall, depending on their seniority, generally possess at least two to five years of work experience in the recruitment services industry. Our consultants in the PRC will primarily specialise in our existing functional specialisation. We also intend to hire six supporting staff and five researchers holding diploma or above to assist in administrative and research functions;
- (c) approximately 11.0% of the total estimated net proceeds, or approximately HK\$5.0 million, will be used to develop marketing capability and conduct more marketing activities to promote our brand. We intend to recruit experienced marketing personnel and promote our brand and services through various marketing and promotional campaigns, such as advertising in industry magazines and public electronic media, utilising search engine marketing and search engine optimisation, organising seminars for potential candidates, participating in recruitment roadshows, and organising marketing events to cultivate client relationships;
- (d) approximately 9.9% of the total estimated net proceeds, or approximately HK\$4.5 million, will be used to enhance our IT system to support our business operation. Our initiatives to enhance the IT system include developing additional workflows to satisfy our different business segments, upgrading our website, procuring new business intelligence system to effectively track performance of our consultants and our Group as a whole and automating our work process to streamline our daily operations; and
- (e) approximately 7.4% of the total estimated net proceeds, or approximately HK\$3.4 million, will be used for general working capital purposes.

The net proceeds from the issue of the Offer Shares will be utilised by 31 December 2020. If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.4 per Offer Share, the net proceeds we receive from the issue of the Offer Shares will be approximately HK\$54.9 million. If the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$0.3 per Offer Share, the net proceeds we receive from the issue of the Offer Shares will be approximately HK\$36.1 million. To the extent that the net proceeds are either more or less than expected, for instance in the event that the Offer Price is set at the high-end or low-end of the indicative Offer Price range, we will adjust our allocation of the net proceeds for the above purposes on a pro-rata basis.

The possible use of our proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

According to the current estimates, our Directors consider that the net proceeds from the issue of the Offer Shares under the Share Offer and our Group's internal resources will be sufficient to finance our Group's business plans up to 31 December 2020.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, it is the present intention of our Directors that such net proceeds be placed in short-term deposits with financial institutions in Hong Kong.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Listing Date to 31 December 2020, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and key assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under "Risk factors" in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

	From the Listing Date to		Six months ending			Total	Approximate % of the total net proceeds
	31 December 2018	30 June 2019	31 December 2019	30 June 2020	31 December 2020		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Expansion of our recruitment services and secondment and payroll services in Hong Kong	5,533	4,502	5,342	5,522	–	20,900	45.9%
Establishment of our presence in the PRC recruitment services market	745	1,882	2,653	3,921	2,539	11,740	25.8%
Development of marketing capability and conducting more marketing activities to promote our brand	847	1,250	1,250	1,250	423	5,020	11.0%
Enhancement of our IT system	923	1,400	1,100	817	250	4,500	9.9%
General working capital	450	800	800	800	500	3,340	7.4%
Total	8,498	9,834	11,146	12,309	3,713	45,500	100.0%

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the Listing Date to 31 December 2018

Business strategies	Implementation plans	Use of proceeds (Approximately)
Expansion of our recruitment services and secondment and payroll services in Hong Kong	<ul style="list-style-type: none"> • Expand our business team in Hong Kong by recruiting additional experienced consultants specialised in diversified functional specialisation 	<ul style="list-style-type: none"> • HK\$2.32 million
	<ul style="list-style-type: none"> • Expand our office space by leasing and renovating new office premises in Hong Kong with breakdown as follows: <ul style="list-style-type: none"> – rental expenses (approximately HK\$0.71 million); and – renovation expenses and office equipment cost (approximately HK\$2.50 million) 	<ul style="list-style-type: none"> • HK\$3.21 million
Establishment of our presence in the PRC recruitment services market	<ul style="list-style-type: none"> • Establish our business team specialised in recruitment services in the PRC by recruiting additional consultants 	<ul style="list-style-type: none"> • HK\$0.61 million
	<ul style="list-style-type: none"> • Lease a new office space in the PRC 	<ul style="list-style-type: none"> • HK\$0.12 million
	<ul style="list-style-type: none"> • Promote our brand awareness in the PRC through networks of our consultants 	<ul style="list-style-type: none"> • HK\$0.02 million
Development of marketing capability and conducting more marketing activities to promote our brand	<ul style="list-style-type: none"> • Recruit experienced marketing personnel 	<ul style="list-style-type: none"> • HK\$0.18 million
	<ul style="list-style-type: none"> • Engage in advertising activities to promote our brand 	<ul style="list-style-type: none"> • HK\$0.53 million
	<ul style="list-style-type: none"> • Participate in events and roadshows to connect with potential candidates and clients 	<ul style="list-style-type: none"> • HK\$0.14 million
Enhancement of our IT system	<ul style="list-style-type: none"> • Develop additional workflows for our different services segments 	<ul style="list-style-type: none"> • HK\$0.92 million
	<ul style="list-style-type: none"> • Upgrade the website of our Group 	
	<ul style="list-style-type: none"> • Procure a new business intelligence system to facilitate decision-making process of our management 	
	<ul style="list-style-type: none"> • Automate our work process to support our business operation 	
General working capital		<ul style="list-style-type: none"> • HK\$0.45 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 June 2019

Business strategies	Implementation plans	Use of proceeds <i>(Approximately)</i>
Expansion of our recruitment services and secondment and payroll services in Hong Kong	<ul style="list-style-type: none"> • Expand our business team in Hong Kong by recruiting additional experienced consultants specialised in diversified functional specialisation 	<ul style="list-style-type: none"> • HK\$3.08 million
	<ul style="list-style-type: none"> • Maintain the leased office premises in Hong Kong for our business operation by paying rental 	<ul style="list-style-type: none"> • HK\$1.42 million
Establishment of our presence in the PRC recruitment services market	<ul style="list-style-type: none"> • Establish our business team specialised in recruitment services in the PRC by recruiting additional consultants 	<ul style="list-style-type: none"> • HK\$1.63 million
	<ul style="list-style-type: none"> • Maintain the leased office in the PRC for our business operation 	<ul style="list-style-type: none"> • HK\$0.13 million
	<ul style="list-style-type: none"> • Promote our brand awareness in the PRC through networks of our consultants 	<ul style="list-style-type: none"> • HK\$0.12 million
Development of marketing capability and conducting more marketing activities to promote our brand	<ul style="list-style-type: none"> • Our marketing personnel to conduct advertising activities to promote our brand 	<ul style="list-style-type: none"> • HK\$1.05 million
	<ul style="list-style-type: none"> • Participate in events and roadshows to connect with potential candidates and clients 	<ul style="list-style-type: none"> • HK\$0.20 million
Enhancement of our IT system	<ul style="list-style-type: none"> • Develop additional workflows for our different services segments 	<ul style="list-style-type: none"> • HK\$1.40 million
	<ul style="list-style-type: none"> • Upgrade the website of our Group 	
	<ul style="list-style-type: none"> • Procure a new business intelligence system to facilitate decision-making process of the management 	
	<ul style="list-style-type: none"> • Automate our work process to support our business operation 	
General working capital		<ul style="list-style-type: none"> • HK\$0.80 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 31 December 2019

Business strategies	Implementation plans	Use of proceeds (Approximately)
Expansion of our recruitment services and secondment and payroll services in Hong Kong	<ul style="list-style-type: none"> • Expand our business team in Hong Kong by recruiting additional experienced consultants specialised in diversified functional specialisation 	<ul style="list-style-type: none"> • HK\$3.92 million
	<ul style="list-style-type: none"> • Maintain the leased office premises in Hong Kong for our business operation by paying rental 	<ul style="list-style-type: none"> • HK\$1.42 million
Establishment of our presence in the PRC recruitment services market	<ul style="list-style-type: none"> • Establish our business team specialised in recruitment services in the PRC by recruiting additional consultants 	<ul style="list-style-type: none"> • HK\$2.22 million
	<ul style="list-style-type: none"> • Maintain the leased office in the PRC for our business operation 	<ul style="list-style-type: none"> • HK\$0.22 million
	<ul style="list-style-type: none"> • Promote our brand awareness in the PRC through networks of our consultants 	<ul style="list-style-type: none"> • HK\$0.21 million
Development of marketing capability and conducting more marketing activities to promote our brand	<ul style="list-style-type: none"> • Our marketing personnel to conduct advertising activities to promote our brand 	<ul style="list-style-type: none"> • HK\$1.05 million
	<ul style="list-style-type: none"> • Participate in events and roadshows to connect with potential candidates and clients 	<ul style="list-style-type: none"> • HK\$0.20 million
Enhancement of our IT system	<ul style="list-style-type: none"> • Develop additional workflows for our different services segments 	<ul style="list-style-type: none"> • HK\$1.10 million
	<ul style="list-style-type: none"> • Upgrade the website of our Group 	
	<ul style="list-style-type: none"> • Procure a new business intelligence system to facilitate decision-making process of our management 	
	<ul style="list-style-type: none"> • Automate our work process to support our business operation 	
General working capital		<ul style="list-style-type: none"> • HK\$0.80 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 June 2020

Business strategies	Implementation plans	Use of proceeds (Approximately)
Expansion of our recruitment services and secondment and payroll services in Hong Kong	• Enhance the industry knowledge of our consultants	• HK\$4.10 million
	• Maintain the leased office premises in Hong Kong for our business operation by paying rental	• HK\$1.42 million
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	• HK\$3.35 million
	• Maintain the leased office in the PRC for our business operation	• HK\$0.26 million
	• Promote our brand awareness in the PRC through networks of our consultants	• HK\$0.31 million
Development of marketing capability and conducting more marketing activities to promote our brand	• Our marketing personnel to conduct advertising activities to promote our brand	• HK\$1.05 million
	• Participate in events and roadshows to connect with potential candidates and clients	• HK\$0.20 million
Enhancement of our IT system	• Develop additional workflows for our different services segments	• HK\$0.82 million
	• Upgrade the website of our Group	
	• Procure a new business intelligence system to facilitate decision-making process of the management	
	• Automate our work process to support our business operation	
General working capital		• HK\$0.80 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 31 December 2020

Business strategies	Implementation plans	Use of proceeds (Approximately)
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	• HK\$2.16 million
	• Maintain the leased office in the PRC for our business operation	• HK\$0.17 million
	• Promote our brand awareness in the PRC through networks of our consultants	• HK\$0.21 million
Development of marketing capability and conducting more marketing activities to promote our brand	• Our marketing personnel to conduct advertising activities to promote our brand	• HK\$0.38 million
	• Participate in events and roadshows to connect with potential candidates and clients	• HK\$0.06 million
Enhancement of our IT system	• Develop additional workflows for our different services segments	• HK\$0.25 million
	• Upgrade the website of our Group	
	• Procure a new business intelligence system to facilitate decision-making process of our management	
	• Automate our work process to support our business operation	
General working capital		• HK\$0.50 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BASES AND KEY ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2020:

- (a) there will be no material change in the existing political, legal, fiscal or economic conditions in Hong Kong, Macau, the PRC or in any other places in which any member of our Group carries on or will carry on business;
- (b) there will be no outbreak of contagious diseases or occurrence of *force majeure* events or natural disasters in Hong Kong, Macau, the PRC or in any other places in which any member of our Group operates or will operate or is incorporated, which would materially disrupt our business operation;
- (c) there will be no material change in the existing laws, regulations, policies or industry standards in Hong Kong, Macau, the PRC or any part of the world relating or applicable to us;
- (d) there will be no material change in the bases or rates of taxation in Hong Kong, Macau, the PRC or in any other places in which any member of our Group operates or will operate or is incorporated;
- (e) the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- (f) our Group will not be materially affected by any risk factors set out in the section headed “Risk Factors” in this prospectus;
- (g) our Group’s operation will not be adversely affected by interruptions or labour disputes, for reasons that are beyond the control of our Directors;
- (h) there will be no fund raising activities, other than the Listing;
- (i) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (j) our Group will be able to continually obtain adequate financing for our business and operate as a going concern in the foreseeable future. The respective offering financial institutions will not withdraw any of the existing available facilities;
- (k) there will be no Share repurchase;
- (l) there will not be material changes in the market demand and the competitive landscape of the HR services industry;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (m) the listing expenses will be settled in accordance with the payment schedules as stated in the respective mandates with professional parties;
- (n) there will be no change to existing accounting policies from those stated in the combined audited financial statements of our Group for the Track Record Period; and
- (o) our Group will be able to continue its operation in substantially the same manner as our Group had been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Pacific Foundation Securities Limited

Sang Woo (Kirin) Securities Limited

Frontpage Capital Limited

Placing Underwriters

Pacific Foundation Securities Limited

Sang Woo (Kirin) Securities Limited

Frontpage Capital Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 20,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly nor jointly and severally, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

UNDERWRITING

- (a) there has come to the notice of the Sole Bookrunner or any of the Public Offer Underwriters:
- (i) any matter or event showing any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a material breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and the Public Offer Underwriters) which, in any such cases, is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Share Offer; or
 - (ii) any statement contained in this prospectus and the Application Forms, the post hearing information pack, the formal notice and any announcements issued by our Company (including any supplement or amendment to each of the said documents) has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Share Offer; or
 - (iii) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and before 8:00 a.m. on the Listing Date, being an event, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Share Offer; or
 - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Sole Bookrunner, a material omission in the context of the Share Offer; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company or any of the executive Directors or our Controlling Shareholders arising out of or in connection with the breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement; or
 - (vi) any breach by any party to the Public Offer Underwriting Agreement (other than the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and the Public Offer Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Sole Bookrunner, is material in the context of the Share Offer; or

UNDERWRITING

- (b) there shall have developed, occurred, existed, or come into effect any event or series of events, matter or circumstance whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “**Relevant Jurisdictions**”); or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in local, regional or international financial, equity securities, currency, political, military, industrial, economic, stock market or other market conditions or prospects in or affecting the Relevant Jurisdictions; or
 - (iii) any change in the system under which the value of the HK dollars is linked to that of the US dollars; or
 - (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions; or
 - (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group of material importance; or
 - (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the Relevant Jurisdictions; or
 - (viii) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance service in or affecting the Relevant Jurisdictions; or
 - (ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism (whether or not responsibility has been claimed), strike or lock-out; or

UNDERWRITING

- (x) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting the Relevant Jurisdictions; or
- (xi) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xiv) any litigation or claim of material importance of any third party being instigated or threatened against any member of our Group,

which, in the reasonable opinion of the Sole Bookrunner:

- (i) is or will be, or is likely to be, materially adverse to the business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group; or
- (ii) has or will have or is likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (iii) makes it impracticable or inadvisable for the Public Offer Underwriters to proceed with the Share Offer as a whole.

For the above purpose:

- (i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US shall be taken as an event resulting in a change in currency conditions; and
- (ii) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

UNDERWRITING

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Public Offer Underwriters and the Stock Exchange that our Company will not, and each of our Controlling Shareholders and executive Directors has jointly and severally undertaken to and covenanted with each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Public Offer Underwriters and the Stock Exchange that it/he will procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Share Offer, the Capitalisation Issue, the issue of Shares subject to the Offer Size Adjustment Option, the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Public Offer Underwriters and the Stock Exchange that, without the prior written consent of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he/she shall not, and will procure that none of its/his/her close associates or companies controlled by it/him/her or any nominee or trustee holding in trust for it/him shall:

- (i) at any time during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it/he/she is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event that it/he/she enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he/she will take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Undertakings pursuant to the GEM Listing Rules

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 17.29(1) to (5) of the GEM Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to our Company and to the Stock Exchange that, except pursuant to the Share Offer, it/he/she shall not and shall procure that the relevant registered holder(s) shall not:

- (i) at any time during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which it/he/she is shown by this prospectus to be the beneficial owner(s); and
- (ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be our Controlling Shareholder.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Public Offer Underwriters and the Stock Exchange that:

- (i) in the event that it/he/she pledges or charges any of its/his/her direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in the Company is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he/she must inform our Company, the Sole Sponsor and the Sole Bookrunner immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of its/his/her interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he/she must inform our Company, the Sole Sponsor and the Sole Bookrunner immediately in the event that it/he/she becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

UNDERWRITING

Our Company, our Controlling Shareholders and the executive Directors have agreed to indemnify the Public Offer Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company or our Controlling Shareholders or the executive Directors of the Public Offer Underwriting Agreement.

Placing

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and the executive Directors) will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly and not jointly and severally, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “– Underwriting arrangements, commissions and expenses – Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement”.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 8% of the aggregate Offer Price of all Offer Shares underwritten by them, which are to be borne by our Company, out of which they will pay any sub-underwriting commission, praecipium and selling concession and will be reimbursed for their reasonable expenses. The Public Offer Underwriters may receive an incentive fee at the discretion of the Company.

For unsubscribed Public Offer Shares reallocated to the Placing, the underwriting commission will not be paid to the Public Offer Underwriters but will instead be paid, at the rate applicable to the Placing, to the Joint Lead Managers and the relevant Placing Underwriters.

UNDERWRITING

The total commission and expenses relating to the Share Offer and Listing (including the GEM Listing fees, legal and other professional fees, and printing), are estimated to be approximately HK\$24.5 million, assuming an Offer Price of HK\$0.35, being the mid-point of the indicative Offer Price range and the payment of the incentive fee, which will be payable by our Company.

SOLE BOOKRUNNER'S, JOINT LEAD MANAGERS', CO-MANAGER'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, none of the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any share in any member of our Group nor any interest in the Share Offer.

SOLE SPONSOR'S INTERESTS AND INDEPENDENCE

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, neither the Sole Sponsor nor any of its directors, employees and close associates is interested legally or beneficially in the shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer or has any other business relationship with our Group.

Neither the Sole Sponsor nor any of its directors, employees and close associates has accrued any material benefit as a result of the successful outcome of the Share Offer, other than by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sponsor of the Share Offer.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group.

The Sole Sponsor satisfies the independence criteria applicable to the Sole Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE STRUCTURE OF THE SHARE OFFER

Pacific Foundation Securities Limited and Sang Woo (Kirin) Securities Limited are the Joint Lead Managers to the Share Offer.

An aggregate of 20,000,000 Shares have been initially allocated to the Public Offer for subscription in Hong Kong at the Offer Price under the Public Offer (subject to reallocation as described in the paragraph headed “Reallocation between the Placing and the Public Offer” below) outside the United States (including to professional institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S. An aggregate of 180,000,000 Shares are initially offered under the Placing for subscription, subject to reallocation and the Offer Size Adjustment Option as mentioned below and under the GEM Listing Rules.

Investors are free to select to apply for the Public Offer Shares or the Placing Shares, but not both. Our Directors and the Joint Lead Managers will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

PRICING

The Offer Price will be not more than HK\$0.4 per Offer Share and is expected to be not less than HK\$0.3 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable upon application for the Public Offer Shares

Investors of the Public Offer Shares will be required to pay the maximum indicative Offer Price of HK\$0.4 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,040.31 for each board lot of 10,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the investors, without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors the level of indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, on the Price

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 4 October 2018 or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree.

The Offer Price shall be fixed on the Price Determination Date by agreement among our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) in Hong Kong dollars after the market demand for the Offer Shares has been determined. The Offer Price range disclosed in this prospectus and the Application Forms is indicative only and the Sole Bookrunner (for itself and on behalf of the Underwriters) may, based on the level of indications of interest expressed by prospective investors during the book-building process and after consultation with our Company and with the written consent of our Company, reduce the indicative Offer Price range below that disclosed in this prospectus and the Application Forms at any time not later than the morning of the last day for lodging applications under the Public Offer. If the Offer Price range is reduced, the Sole Sponsor shall assist our Company in arranging for, and our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published in accordance with the GEM Listing Rules a notice of reduction of the Offer Price range or to be announced in such manner as permitted under the GEM Listing Rules and agreed between our Company, the Sole Bookrunner and the Sole Sponsor. Upon issue of these notices, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and us will be fixed within this revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in indicative Offer Price range may not be made until the last day for lodging applications under the Public Offer. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction. Applicants under the Public Offer should note that if an application for the Public Offer Shares before the last day for lodging applications under the Public Offer have been submitted, applicants will not be allowed to subsequently withdraw their application. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Offer Shares will be conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, on the Stock Exchange, our Shares in issue, any Shares to be issued pursuant to the Capitalisation Issue and the Share Offer and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Joint Lead Managers (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms and conditions of the respective agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be caused to be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.kos-intl.com the next day following such lapse. In such event, all application money will be refunded, without interest. The terms on which the application money will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application money received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving bank in Hong Kong.

We expect to issue Share certificates for the Offer Shares on Thursday, 11 October 2018. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 12 October 2018 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting – Underwriting arrangements, commissions and expenses – Public Offer – Grounds for termination" has not been exercised.

THE PUBLIC OFFER

Our Company is initially offering 20,000,000 Shares under the Public Offer, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the reallocation as mentioned below and under the GEM Listing Rules. The Public Offer is managed by the Joint Lead Managers and is fully underwritten by the Public Offer Underwriters. Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$0.4 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated under "Structure and conditions of the Share Offer".

If the Public Offer is not fully subscribed for, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) have the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate to satisfy demand under the Placing. The total number of the Public Offer Shares to be allotted and issued may change as a result of the reallocation as mentioned below.

When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

THE PLACING

180,000,000 Placing Shares are being offered in the Placing, representing in aggregate 90.0% of the total number of Offer Shares initially available under the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme). Subject to reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme). The Placing is expected to be fully underwritten by the Placing Underwriters.

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Sole Bookrunner (for itself and behalf of the Placing Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer and in its sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer in order to ensure the existence of an open market.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer and pursuant to the Placing Underwriting Agreement, we expect to grant to the Placing Underwriters the Offer Size Adjustment Option, exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters), at any time during the period from the date of the Placing Underwriting Agreement to Thursday, 11 October 2018, being the last business day prior to the Listing Date, to require our Company to issue up to an aggregate of 20,000,000 additional new Shares, representing 10% of the number of the Offer Shares initially available under the Share Offer. These Shares will be issued at the Offer Price for the purpose of meeting excess demands in the Placing, if any. Any election in respect of the Offer Size Adjustment Option may be exercised in whole or in part and from time to time. If the Offer Size Adjustment Option is exercised in full, our Company will be required to issue 20,000,000 additional new Shares, representing approximately 2.44% of our Company's total enlarged number of Shares in issue immediately following completion of the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option. For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Bookrunner (for itself and on behalf of the Underwriters) to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part. Our Company will disclose in our allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by that time, then the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be made on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.kos-intl.com.

REALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

Pursuant to Guidance Letter HKEx-GL91-18 and Practice Note 6 of the GEM Listing Rules issued by the Stock Exchange, the allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are not fully subscribed, the Sole Bookrunner (for itself and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Sole Bookrunner (for itself and on behalf of the Underwriters) deems appropriate;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 40,000,000 Shares, representing 20% of the Offer Shares initially available under the Share Offer (before any exercise of Offer Size Adjustment Option);
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Public Offer, then 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 60,000,000 Shares, representing 30% of the Offer Shares initially available under the Share Offer (before any exercise of Offer Size Adjustment Option);
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Public Offer, then 60,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 80,000,000 Shares, representing 40% of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available under the Public Offer, then 80,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 100,000,000 Shares, representing 50% of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).
- (b) Where the Placing Shares are not fully subscribed:
- (i) if the Public Offer Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

available under the Public Offer to 40,000,000 Shares, representing 20% of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (x) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (y) the Placing Shares are not fully subscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.3 per Offer Share) stated in this prospectus.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 6 of the GEM Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 40,000,000 Offer Shares). In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner (for itself and on behalf of the Underwriters) deem appropriate, subject to Guidance Letter HKEX-GL91-18.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Thursday, 11 October 2018.

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence on Friday, 12 October 2018. Our Shares will be traded in board lots of 10,000 Shares each and are freely transferable.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **HK eIPO White Form** service at www.hkeipo.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Sole Bookrunner, **HK eIPO White Form** Service Provider and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Lead Managers or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are a close associate of any of the above; and/or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Thursday, 4 October 2018 from:

(a) any of the following address of the Underwriters:

- Pacific Foundation Securities Limited
11th Floor, New World Tower II
16-18 Queen's Road Central
Hong Kong
- Sang Woo (Kirin) Securities Limited
12/F, OTB Building
160 Gloucester Road
Wan Chai
Hong Kong
- Frontpage Capital Limited
26th Floor, Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(b) or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road Central
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Mei Foo Branch	Shops 106 – 109, 1/F, Mei Foo Plaza, Mei Foo Sun Chuen Stage 4, Kowloon
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Thursday, 4 October 2018 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited – KOS International Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 28 September 2018 – 9:00 a.m. to 5:00 p.m.

Saturday, 29 September 2018 – 9:00 a.m. to 1:00 p.m.

Tuesday, 2 October 2018 – 9:00 a.m. to 5:00 p.m.

Wednesday, 3 October 2018 – 9:00 a.m. to 5:00 p.m.

Thursday, 4 October 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 4 October 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, you:

- undertake to execute all relevant documents and instruct and authorise our Company, the Sole Bookrunner, the Sole Sponsor, the Joint Lead Managers and/or the Co-Manager (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of our Company, the Sole Bookrunner, the Sole Sponsor, the Joint Lead Managers, the Co-Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply for the Public Offer Shares” above, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form service

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 28 September 2018 until 11:30 a.m. on Thursday, 4 October 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 4 October 2018 or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre

1/F, One & Two Exchange Square, 8 Connaught Place, Central

Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Public Offer Shares;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the maximum Offer Price per Public Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions^(Note)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 28 September 2018 – 9:00 a.m. to 8:30 p.m.

Saturday, 29 September 2018 – 8:00 a.m. to 1:00 p.m.

Tuesday, 2 October 2018 – 8:00 a.m. to 8:30 p.m.

Wednesday, 3 October 2018 – 8:00 a.m. to 8:30 p.m.

Thursday, 4 October 2018 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Thursday, 4 October 2018 (24 hours daily, except on Thursday, 4 October 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 4 October 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through **HK eIPO White Form** service is also only a facility provided by **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Joint Lead Managers, the Co-Manager, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or persons applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 4 October 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 October 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 4 October 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 11 October 2018 on (a) our Company’s website at www.kos-intl.com and (b) the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at www.kos-intl.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 11 October 2018;
- (b) from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 11 October 2018 to 12:00 midnight on Wednesday, 17 October 2018;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 11 October 2018 to Tuesday, 16 October 2018 (excluding Saturday and Sunday); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 11 October 2018 to Saturday, 13 October 2018 at all the receiving bank’s designated branches.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions, such acceptance will be subject to the satisfaction of such conditions.

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(c) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.4 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 11 October 2018.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all the Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 11 October 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 12 October 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements, commissions and expenses – Public Offer – Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 October 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 11 October 2018, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 11 October 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 11 October 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(i) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) If you are applying as a CCASS investor participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 October 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 11 October 2018, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 11 October 2018, by ordinary post and at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 11 October 2018 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in the paragraph headed "11. Publication of Results" above on Thursday, 11 October 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 October 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 11 October 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 11 October 2018.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-40, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KOS INTERNATIONAL HOLDINGS LIMITED AND EVER-LONG SECURITIES COMPANY LIMITED****Introduction**

We report on the historical financial information of KOS International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-40, which comprises the combined statements of financial position as at 31 December 2016 and 2017 and 31 May 2018, the statements of financial position of the Company as at 31 December 2017 and 31 May 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the two years ended 31 December 2017 and the five months ended 31 May 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-40 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 September 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016 and 2017 and 31 May 2018, the Company's financial position as at 31 December 2017 and 31 May 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 May 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to note 10 to the Historical Financial Information which contains information about the dividends declared by the Company's subsidiaries and states no dividends have been declared by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 September 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the audited financial statements of KOS International Limited, incorporated in Hong Kong ("KOS International"), and KOS International Limited, incorporated in Macau ("KOS Macau") for the Track Record Period (collectively referred to as the "Financial Statements"), and the management accounts of KOS Executive Limited ("KOS Executive") from 1 January 2016 to 30 December 2016 (date of deregistration) and of the Company, KOS Staffing Limited ("KOS Staffing"), KOS International (BVI) Limited ("KOS International (BVI)") and KOS Macau (BVI) Limited ("KOS Macau (BVI)") from their respective dates of incorporation to the period ended 31 December 2017 and the five months ended 31 May 2018 (collectively referred as the "Management Accounts"). The Financial Statements and the Management Accounts have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA ("Underlying Financial Statements"). The Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK dollars" or "HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTES</i>	Year ended		Five months ended	
		31 December	31 December	31 May	31 May
		2016	2017	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	6A	46,670	65,426	23,142	28,758
Other income		1	587	–	4
Staff costs		(35,524)	(37,871)	(15,188)	(18,365)
Other expenses and losses		(4,290)	(4,351)	(1,893)	(2,089)
Finance costs		–	(16)	–	(241)
Listing expenses		–	(3,766)	–	(5,514)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit before taxation	7	6,857	20,009	6,061	2,553
Income tax expense	8	(1,033)	(3,864)	(972)	(1,357)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit and total comprehensive income for the year/period		<u>5,824</u>	<u>16,145</u>	<u>5,089</u>	<u>1,196</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company	
		As at 31 December 2016	As at 31 December 2017	As at 31 May 2018	As at 31 December 2017	As at 31 May 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets						
Property, plant and equipment	12	528	359	358	–	–
Rental deposits	13	340	–	766	–	–
Pledged bank deposit	15	–	5,000	5,000	–	–
Investments in subsidiaries		–	–	–	–*	–*
		<u>868</u>	<u>5,359</u>	<u>6,124</u>	<u>–</u>	<u>–</u>
Current assets						
Accounts and other receivables	13	6,571	13,344	17,026	1,248	3,146
Amount due from a shareholder	14	12	–	–	–	–
Bank balances and cash	15	4,857	20,679	14,869	–	–
		<u>11,440</u>	<u>34,023</u>	<u>31,895</u>	<u>1,248</u>	<u>3,146</u>
Current liabilities						
Other payables and accruals	16	2,521	3,185	5,022	1,463	2,865
Amount due to a shareholder	14	42	–	–	–	–
Amount due to a related party	14	–	–	–	3,551	9,981
Bank borrowing	17	–	10,000	10,000	–	–
Taxation payable		756	2,259	3,236	–	–
		<u>3,319</u>	<u>15,444</u>	<u>18,258</u>	<u>5,014</u>	<u>12,846</u>
Net current assets (liabilities)		<u>8,121</u>	<u>18,579</u>	<u>13,637</u>	<u>(3,766)</u>	<u>(9,700)</u>
Total assets less current liabilities		<u>8,989</u>	<u>23,938</u>	<u>19,761</u>	<u>(3,766)</u>	<u>(9,700)</u>
Capital and reserves						
Share capital	18	39	49	49	–*	–*
Reserves	19	8,950	23,889	19,712	(3,766)	(9,700)
Total equity (deficit)		<u>8,989</u>	<u>23,938</u>	<u>19,761</u>	<u>(3,766)</u>	<u>(9,700)</u>

* less than HK\$1,000.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	39	8,481	8,520
Profit and total comprehensive income for the year	–	5,824	5,824
Dividends paid (<i>Note 10</i>)	–	(5,355)	(5,355)
At 31 December 2016	39	8,950	8,989
Issue of shares	10	–	10
Profit and total comprehensive income for the year	–	16,145	16,145
Dividend paid (<i>Note 10</i>)	–	(1,206)	(1,206)
At 31 December 2017 (as originally stated)	49	23,889	23,938
Adjustments (<i>see Note 3</i>)	–	(292)	(292)
At 31 December 2017 (restated)	49	23,597	23,646
Profit and total comprehensive income for the period	–	1,196	1,196
Dividend paid (<i>Note 10</i>)	–	(5,081)	(5,081)
At 31 May 2018	49	19,712	19,761
For the five months ended 31 May 2017 (unaudited)			
At 1 January 2017	39	8,950	8,989
Profit and total comprehensive income for the period	–	5,089	5,089
At 31 May 2017	39	14,039	14,078

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Five months ended 31 May	
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Operating activities				
Profit before taxation	6,857	20,009	6,061	2,553
Adjustments for:				
Depreciation of property, plant and equipment	194	205	87	80
Interest income	(1)	(2)	–	(4)
Finance costs	–	16	–	241
Impairment loss reversed in respect of accounts receivables	–	–	–	(65)
Operating cash flows before movements in working capital	7,050	20,228	6,148	2,805
Increase in accounts and other receivables	(1,511)	(5,201)	(2,227)	(2,683)
Increase (decrease) in other payables and accruals	748	370	(288)	1,344
Cash generated from operation	6,287	15,397	3,633	1,466
Hong Kong Profits Tax paid	(155)	(2,361)	–	(380)
Net cash from operating activities	6,132	13,036	3,633	1,086
Investing activities				
Purchase of property, plant and equipment	(219)	(36)	(3)	(79)
Placement of pledged bank deposit	–	(5,000)	–	–
Advance to shareholders	–	(3,230)	(3,230)	–
Interest received	1	2	–	4
Repayments from shareholders	–	3,230	–	–
Net cash used in investing activities	(218)	(5,034)	(3,233)	(75)
Financing activities				
Dividends paid	(5,355)	(1,206)	–	(5,081)
Repayment to shareholders	(1,095)	(30)	(30)	–
Issue costs paid	–	(954)	–	(1,483)
Interest paid	–	–	–	(257)
Issue of shares	–	10	–	–
New bank borrowing raised	–	10,000	–	–
Net cash (used in) from financing activities	(6,450)	7,820	(30)	(6,821)
Net (decrease) increase in cash and cash equivalents	(536)	15,822	370	(5,810)
Cash and cash equivalents at beginning of the year/period	5,393	4,857	4,857	20,679
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	4,857	20,679	5,227	14,869

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated in the Cayman Islands with limited liabilities on 19 December 2017 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Prospectus.

The Company is an investment holding company. The Group provides recruitment and secondment and payroll services in Hong Kong and Macau.

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" also issued by the HKICPA.

Prior to a group reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus (the "Reorganisation"), KOS International, KOS Macau, KOS Executive (a subsidiary of KOS International and was deregistered on 30 December 2016) and KOS Staffing were jointly controlled by Mr. Chan Ka Kin Kevin ("Mr. Kevin Chan"), Mr. Chan Ka Shing Jackson ("Mr. Jackson Chan"), Mr. Chan Ka On Eddie ("Mr. Eddie Chan") and Mr. Chow Ka Wai Raymond ("Mr. Raymond Chow") (collectively referred to as the "Controlling Shareholders"). The Controlling Shareholders have been controlling KOS International, KOS Macau and KOS Staffing on a collective basis on decision making process over, including but not limited to, financial, management and operational matters of KOS International, KOS Macau and KOS Staffing and they have always been acting in concert. To rationalise the structure of the Group in the preparation for the listing of the Company's shares on GEM of the Stock Exchange ("Listing"), the companies now comprising the Group underwent a series of reorganisation which involved the following steps:

- (a) On 19 December 2017, the Company was incorporated in Cayman Islands with limited liability. On the date of its incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares, of which one subscriber share was allotted and issued to an independent third party and such one share was subsequently transferred to KJE Limited ("KJE") on the date of incorporation of the Company. On the same date, the Company allotted 74 shares and 25 shares to KJE and Caiden respectively.
- (b) On 27 December 2017, KOS International (BVI) was incorporated in the BVI. At the same date of its incorporation, 1 share was allotted to the Company at US\$1. Accordingly, KOS International (BVI) became a wholly-owned subsidiary of the Company.
- (c) On 27 December 2017, KOS Macau (BVI) was incorporated in the BVI. At the same date of its incorporation, 1 share was allotted to the Company at US\$1. Accordingly, KOS Macau (BVI) became a wholly-owned subsidiary of the Company.
- (d) On 13 June 2018, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow transferred all of their respective shareholding in KOS International to KOS International (BVI). The consideration of the acquisition was satisfied by the allotment and issue of and credited as fully paid a total of (1) 7,500 shares of the Company to KJE for the acquisition from Mr. Kevin Chan; (2) 7,500 shares of the Company to KJE for the acquisition from Mr. Eddie Chan; (3) 7,500 shares of the Company to KJE for the acquisition from Mr. Jackson Chan; and (4) 7,500 shares of the Company to Caiden for the acquisition from Mr. Raymond Chow. Accordingly, KOS International became a wholly-owned subsidiary of KOS International (BVI).

- (e) On 13 June 2018, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow transferred all of their respective shareholding in KOS Staffing to KOS International (BVI). The consideration of the acquisition was satisfied by the allotment and issue of and credited as fully paid a total of (1) 2,475 shares of the Company to KJE for the acquisition from Mr. Kevin Chan; (2) 2,475 shares of the Company to KJE for the acquisition from Mr. Eddie Chan; (3) 2,475 shares of the Company to KJE for the acquisition from Mr. Jackson Chan; and (4) 2,475 shares of the Company to Caiden for the acquisition from Mr. Raymond Chow. Accordingly, KOS Staffing became a wholly-owned subsidiary of KOS International (BVI).
- (f) On 15 June 2018, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow transferred all of their respective shareholding in KOS Macau to KOS Macau (BVI). The consideration of the acquisition was satisfied by the allotment and issue of and credited as fully paid a total of (1) 2,500 shares of the Company to KJE for the acquisition from Mr. Kevin Chan; (2) 2,500 shares of the Company to KJE for the acquisition from Mr. Eddie Chan; (3) 2,500 shares of the Company to KJE for the acquisition from Mr. Jackson Chan; and (4) 2,500 shares of the Company to Caiden for the acquisition from Mr. Raymond Chow. Accordingly, KOS Macau became a wholly-owned subsidiary of KOS Macau (BVI).

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 15 June 2018. Its immediate holding companies are KJE and Caiden, companies incorporated in the BVI which Mr. Eddie Chan, Mr. Jackson Chan, Mr. Kevin Chan and Mr. Raymond Chow are the ultimate controlling parties. The Group, comprising the Company, KOS International, KOS Macau and KOS Staffing resulting from the Reorganisation has always been under the common control of Mr. Eddie Chan, Mr. Jackson Chan, Mr. Kevin Chan and Mr. Raymond Chow throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period, regardless of the actual dates when they formally and legally became subsidiaries of the Company. As a result, the Group resulting from the Reorganisation is regarded as a continuing entity. Therefore, the Reorganisation is considered as a business combination under common control and accounted for under merger accounting as mentioned below.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows which include the financial performance, changes in equity and cash flows of the companies now comprising the Group for the Track Record Period have been prepared, as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, since their dates of incorporation or from 1 January 2016 to 30 December 2016 (date of deregistration of KOS Executive) where there is a shorter period.

The combined statements of financial position at the end of each reporting period have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taking into account the respective date of incorporation of the relevant entities, where applicable.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs which are effective for the Group's accounting periods beginning on 1 January 2018, including HKFRS 15 "Revenue from Contracts with Customers and the related Amendments", consistently throughout the Track Record Period except that the Group adopted HKFRS 9 "Financial Instruments" on 1 January 2018. The accounting policies for financial instruments under HKFRS 9 are set out in note 4 below.

HKFRS 9 "Financial Instruments" and the related amendments

During the five months ended 31 May 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment of financial assets

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Amortised cost (previously classified as loans and receivables) HK\$'000	Retained profits HK\$'000
Closing balance at 31 December 2017 – HKAS 39	36,958	23,889
Effect arising from initial application of HKFRS 9: Remeasurement – impairment under ECL model	(292)	(292)
Opening balance at 1 January 2018	<u>36,666</u>	<u>23,597</u>

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivables. To measure the ECL, accounts receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits and bank balances, are measured on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition. For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is not material. Accordingly, no loss allowance has been recognised for other financial assets as at 1 January 2018.

As at 1 January 2018, the additional credit loss allowance of HK\$292,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including accounts receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Accounts receivables HK\$'000
At 31 December 2017 – HKAS 39	–
Amounts remeasured through opening retained profits	292
At 1 January 2018	<u>292</u>

At the date of this report, the following new and revised to HKFRSs are not yet effective. The Group has not early adopted these new and revised HKFRSs.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing/operating cash flows respectively by the Group.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 May 2018, the Group has non-cancellable operating lease commitments of HK\$7,601,000 as disclosed in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$1,106,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. Other than indicated above, the management of the Company does not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group.

Except as described above, the management of the Group anticipated that the application of other new and amendments in HKFRSs in issue but not yet effective will have no material impact on the Group's financial statements in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of combination

The Historical Financial Information incorporates the financial statements of the entities now comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

For recruitment services for which the control of services is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed services and the Group has present right to payment and the collection of the consideration is probable.

For secondment and payroll services for which the control of the service is transferred when the Group had assigned the seconded staff to the customer over the secondment period, revenue is recognised when the customer simultaneously received secondment and payroll services and consumed the benefits provided by the Group’s performance. The management of the Group considered the Group as a principal given (i) the Group is primarily responsible for fulfilling the required human resources services for its customers, that is, it has the discretion in selecting and assigning a particular staff to be seconded to its customer’s workplace pursuant to the customer’s requirements, directing the staff to satisfy the specific performance obligation under the secondment arrangement, and also the discretion in selecting replacement if necessary; (ii) the Group has inventory risk as the seconded staff remains employee of the Group before and after the relevant secondment; and (iii) it has the discretion in establishing the price for the relevant services; and as such the management of the Group recognises revenue in gross amount of consideration to which it expects to be entitled in exchange for the secondment and payroll services transferred.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Retirement benefit costs and termination benefits

Payments to the Mandatory Provident Fund Scheme in Hong Kong and the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered service entitling them to the contributions. A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the tax currently payable.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised in profit or loss.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the

recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Property, plant and equipment

Property, plant and equipment held for use in the production of services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets (accounting policy applicable before 1 January 2018)

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivables, amount due from a shareholder, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio passed the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial assets (accounting policy applicable after 1 January 2018)**Classification and measurement of financial assets*

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivables, pledged bank deposit, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event; or
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

*Financial liabilities and equity instruments**Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities, including other payables, amount due to a shareholder/a related party and bank borrowing, are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Impairment of accounts receivables

Prior to 1 January 2018, in determining whether there is objective evidence of impairment, the directors of the Company take into consideration of the financial strength of the counterparties, the credit history of the customers and the current market condition. When there is objective evidence for a receivable that may be impaired, the amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The directors of the Company reassess the adequacy of impairment on a regular basis.

Where the actual cash flows are less than expected, material impairment may arise. As at 31 December 2016 and 2017, the carrying amounts of the accounts receivables are HK\$6,337,000 and HK\$11,279,000 respectively. Details are disclosed in note 13.

Starting from 1 January 2018, the management of the Group estimates the amount of loss allowance of accounts receivables based on the credit risk and past due status of accounts receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of accounts receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly. As at 31 May 2018, the carrying amount of accounts receivables is HK\$12,661,000 (net of loss allowance of HK\$227,000). Details are disclosed in note 13.

6A. REVENUE AND GROSS PROFIT ANALYSIS**Recruitment services**

The Group's recruitment services are to assist its customers in placing appropriate candidates for requested positions. Generally, the Group charges one-off service fees calculated based on an agreed percentage of the successfully placed candidate's monthly basic salary or annual remuneration package in the first year of his/her employment (the "Agreed Percentage"). For certain customers, the Group charges the service fees based on the fee calculated by the Agreed Percentage or an agreed minimum fee, whichever is higher. For certain placement of frontline staff, the Group generally charges a one-off fixed fee per successful placement. The performance obligations of recruitment services are to find appropriate candidates for the requested position. Pursuant to the terms of the

recruitment services contracts, the Group is obliged to find the appropriate candidates for the requested position. In case the candidate resigns or the customer terminates employment in one to three months from the date of reporting duty by the candidate, the Group is obliged to find a one-off replacement within one to three months from the date when the Group is notified of such termination (the "Replacement Period"). In rare circumstances where the Group is unable to find replacement within the set period, the recruitment service fee will be refunded or credited to customer for future recruitment services.

Secondment and payroll services

The Group's secondment and payroll services are to second the suitable staff of the Group to its customers (the "Seconded Staff"). The Group generally charges the service fee either on a fixed amount per staff on a monthly bases or on a cost plus basis. The performance obligations of secondment and payroll services are to second suitable Seconded Staff to its customers.

The Group satisfies the performance obligation by finding suitable Seconded Staff to work at the customer's workplace. Revenue is recognised over the point of time where the customer received and consumed the benefits of the secondment and payroll services simultaneously, i.e. find an Seconded Staff, as the management of the Group considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recorded evenly throughout the service period.

An analysis of the Group's revenue and direct expenses during the Track Record Period is as follows:

Year ended 31 December 2016

	Recruitment services <i>HK\$'000</i>	Secondment and payroll services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	18,230	28,440	46,670
Direct expenses (<i>note</i>)	(9,174)	(26,350)	(35,524)
Gross profit	<u>9,056</u>	<u>2,090</u>	<u>11,146</u>

Year ended 31 December 2017

	Recruitment services <i>HK\$'000</i>	Secondment and payroll services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	35,411	30,015	65,426
Direct expenses (<i>note</i>)	(9,469)	(27,803)	(37,272)
Gross profit	<u>25,942</u>	<u>2,212</u>	<u>28,154</u>

Five months ended 31 May 2017

	Recruitment services <i>HK\$'000</i> (unaudited)	Secondment and payroll services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue	10,595	12,547	23,142
Direct expenses (<i>note</i>)	(3,577)	(11,507)	(15,084)
Gross profit	<u>7,018</u>	<u>1,040</u>	<u>8,058</u>

Five months ended 31 May 2018

	Recruitment services <i>HK\$'000</i>	Secondment and payroll services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	15,437	13,321	28,758
Direct expenses (<i>note</i>)	(4,934)	(12,297)	(17,231)
Gross profit	<u>10,503</u>	<u>1,024</u>	<u>11,527</u>

Note: The direct expenses consist of the salaries of recruitment consultants and seconded staff and advertising expenses of online recruitment platforms.

Disaggregation of revenue

	Year ended 31 December		Five months ended 31 May	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i>
Recruitment services				
– <i>Hong Kong</i>	<u>18,230</u>	<u>35,411</u>	<u>10,595</u>	<u>15,437</u>
Secondment and payroll services				
– <i>Hong Kong</i>	24,112	25,858	10,632	11,746
– <i>Macau</i>	<u>4,328</u>	<u>4,157</u>	<u>1,915</u>	<u>1,575</u>
	<u>28,440</u>	<u>30,015</u>	<u>12,547</u>	<u>13,321</u>
Total	<u>46,670</u>	<u>65,426</u>	<u>23,142</u>	<u>28,758</u>

6B. SEGMENT INFORMATION

The Group's operating segment is determined based on information reported to the chief operating decision maker of the Group (the directors of the Company) for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based 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, and considers the segment assets and segment liabilities of the Group included all assets and liabilities as stated in combined statements of financial position and considers the segment revenue and segment results of the Group represented the revenue and profit before taxation as stated in the combined statements of profit or loss and other comprehensive income respectively.

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

The majority of Group's revenue is generated from Hong Kong, and majority of non-current assets are located in Hong Kong.

Geographical information

Information about the Group's revenue from external customers is presented based on the locations of the customers. Details are disclosed in note 6A.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period is as follows:

	Year ended 31 December		Five months ended 31 May	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Customer A	25,032	25,786	11,224	12,188
Customer B	N/A (Note)	8,717	N/A (Note)	6,447

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. PROFIT BEFORE TAXATION

	Year ended 31 December		Five months ended 31 May	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit before taxation has been arrived at after charging (crediting):				
Directors' remuneration (note 9)	–	–	–	–
Salaries and allowance for staff excluding directors	34,549	36,671	14,708	17,841
Retirement benefit schemes contributions for staffs excluding directors	975	1,200	480	524
Total staff costs	35,524	37,871	15,188	18,365
Minimum lease payment in respect of rental premises	1,166	1,166	490	489
Depreciation of property, plant and equipment	194	205	87	80
Auditor's remuneration	35	200	83	92
Impairment loss reversed in respect of accounts receivables	–	–	–	(65)
Interest income from bank deposits	(1)	(2)	–	(4)

8. INCOME TAX EXPENSE

	Year ended 31 December		Five months ended 31 May	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Hong Kong Profits tax				
– current tax	1,033	3,865	972	1,357
– overprovision in prior years	–	(1)	–	–
	1,033	3,864	972	1,357

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

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding Macao Pataca (“MOP”) 600,000 for each of the years ended 31 December 2016 and 31 December 2017.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Five months ended 31 May	
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Profit before taxation	6,857	20,009	6,061	2,553
Tax at Hong Kong Profits Tax rate of 16.5%	1,131	3,301	1,000	421
Tax effect of expenses not deductible for tax purposes	–	626	–	969
Tax effect of different tax rate of a subsidiary operating in other jurisdiction	(24)	(22)	(10)	(8)
Tax effect of tax exemption under Macau Complimentary Income Tax	(63)	(59)	(28)	(21)
Overprovision in respect of prior years	–	(1)	–	–
Tax concession	(20)	–	–	–
Others	9	19	10	(4)
Income tax expense for the year/period	1,033	3,864	972	1,357

9. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES

Mr. Kevin Chan, Mr. Jackson Chan and Mr. Eddie Chan have been appointed as the directors of the Company on 19 December 2017 (date of incorporation), and were re-designated as the executive directors of the Company on 31 January 2018. Ms. Yeung Shek Louisa (“Ms. Yeung”) joined the Group on 1 April 2017, and has been appointed as chief executive of the Company on 31 January 2018.

Directors and Chief Executive

During the Track Record Period, no emoluments were paid by the group entities to the directors of the Company as fees, salaries and allowances, performance related incentive payments and retirement benefit schemes contributions.

During the year ended 31 December 2017 and the five months ended 31 May 2017 and 2018, the emoluments paid or payable to the chief executive of the Company (including emoluments for the services as an employee of the group entities prior to becoming the chief executive of the Company) are as follows:

For the year ended 31 December 2017

	Ms. Yeung HK\$'000
Salaries and other benefits	900
Contribution to retirement benefit scheme	14
	<u>914</u>

For the five months ended 31 May 2017 (unaudited)

	Ms. Yeung <i>HK\$'000</i>
Salaries and other benefits	200
Contribution to retirement benefit scheme	3
	<u>203</u>

For the five months ended 31 May 2018

	Ms. Yeung <i>HK\$'000</i>
Salaries and other benefits	500
Contribution to retirement benefit scheme	8
	<u>508</u>

Employees

The five highest paid individuals of the Group do not include any directors of the Company for each of the reporting period. Details of the remuneration for the Track Record Period of the five highest paid employees who are neither director nor chief executive of the Company are as follows:

	Year ended 31 December		Five months ended 31 May	
	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	3,726	3,303	1,329	2,081
Retirement benefits	87	85	36	37
	<u>3,813</u>	<u>3,388</u>	<u>1,365</u>	<u>2,118</u>

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December		Five months ended 31 May	
	2016	2017	2017	2018
	<i>(unaudited)</i>			
Nil to HK\$1,000,000	4	5	5	5
HK\$1,000,001 to HK\$1,500,000	1	–	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to the directors or chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the Track Record Period.

10. DIVIDENDS

During the year ended 31 December 2016, KOS International and KOS Macau paid dividends for the amount of HK\$4,555,000 and HK\$800,000 to their shareholders, respectively.

During the year ended 31 December 2017, KOS International paid dividends for the amount of HK\$1,206,000 to its shareholders.

During the five months ended 31 May 2018, KOS International paid dividends for the amount of HK\$5,081,000 to its shareholders.

Subsequent to the Track Record Period, the Company declared dividends for the amounts of HK\$18,000,000 and HK\$4,000,000 to its shareholders on 12 September 2018 and 21 September 2018, respectively.

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

No dividend was paid or declared by the Company since its incorporation.

11. EARNINGS PER SHARE

No earnings per share information is presented as such information is not considered meaningful with regard to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in note 2.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 January 2016	446	164	500	1,110
Additions	102	77	40	219
At 31 December 2016	548	241	540	1,329
Additions	–	–	36	36
At 31 December 2017	548	241	576	1,365
Additions	–	–	79	79
At 31 May 2018	548	241	655	1,444
DEPRECIATION				
At 1 January 2016	194	112	301	607
Provided for the year	96	27	71	194
At 31 December 2016	290	139	372	801
Provided for the year	108	32	65	205
At 31 December 2017	398	171	437	1,006
Provided for the period	37	12	31	80
At 31 May 2018	435	183	468	1,086
CARRYING VALUES				
At 31 December 2016	258	102	168	528
At 31 December 2017	150	70	139	359
At 31 May 2018	113	58	187	358

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold improvements	20% or over the term of the lease, whichever is shorter
Furniture and equipment	20%
Office equipment	20%

13. ACCOUNTS AND OTHER RECEIVABLES AND RENTAL DEPOSIT

The Group

	As at 31 December		As at 31 May
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Accounts receivables	6,337	11,279	12,888
Less: Allowance for doubtful debts	–	–	(227)
	6,337	11,279	12,661
Other receivables			
– Prepayments	232	475	878
– Rental and utility deposits	342	342	1,108
– Deferred listing expenses	–	1,209	2,879
– Prepayments for listing expenses	–	39	266
Total accounts and other receivables	6,911	13,344	17,792
Less: receivables within twelve months shown under current assets	(6,571)	(13,344)	(17,026)
Rental deposit shown under non-current assets	340	–	766

Generally, the Group allows a credit period of not more than 60 days to its customers.

The following is an ageing analysis of accounts receivables presented based on the revenue recognition date at the end of each reporting period.

	As at 31 December		As at 31 May
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	4,154	7,236	7,048
31 to 60 days	340	594	939
61 to 90 days	252	2,183	2,430
91 to 180 days	1,228	1,028	1,715
Over 180 days	363	238	529
	6,337	11,279	12,661

The management of the Group closely monitors the credit quality of accounts receivables and considers the debts that are neither past due nor impaired to be of a good credit quality. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no history of default.

Included in the Group's accounts receivables balance are debtors with aggregate carrying amounts of HK\$2,590,000 and HK\$6,460,000 as at 31 December 2016 and 31 December 2017 respectively which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	As at 31 December	
	2016 HK\$'000	2017 HK\$'000
Overdue by:		
1 to 30 days	747	4,450
31 to 60 days	102	553
61 to 90 days	150	810
91 to 180 days	1,228	409
Over 180 days	363	238
	2,590	6,460
	2,590	6,460

Impairment assessment on trade receivables subject to ECL model

As part of the Group's credit risk management, the Group applies internal credit rating and past due status for its customers. The following table provides information about the exposure to credit risk and ECL for accounts receivables which are assessed individually as at 31 May 2018.

	Gross carrying amount HK\$'000	Weighted average loss rate	Impairment loss allowance HK\$'000
Not past due	7,579	–	–
Past due:			
Low risk	1,800	0.49%	9
Medium risk	3,509	6.22%	218
	12,888		227
	12,888		227

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. As at 1 January 2018 and 31 May 2018, there was no credit-impaired accounts receivables.

The movement in the allowance for impairment in respect of trade receivables during the five months ended 31 May 2018 is as follows:

	HK\$'000
Balance at 1 January 2018 (<i>note</i>)	292
Net remeasurement of loss allowance	(65)
	227
Balance at 31 May 2018	227

Note: The Group has initially applied HKFRS 9 at 1 January 2018 and comparative information is not restated.

The Company

	As at 31 December 2017 HK\$'000	As at 31 May 2018 HK\$'000
Deferred listing expenses	1,209	2,879
Prepayments for listing expenses	39	266
Prepayments	–	1
	1,248	3,146
	1,248	3,146

14. AMOUNTS DUE FROM (TO) A SHAREHOLDER AND A RELATED PARTY

Amount due from (to) a shareholder/related party of the Group which is non-trade nature is as follows:

	As at		As at		Maximum balance outstanding during the year ended		Maximum balance outstanding during the five months ended
	1 January	As at 31 December	31 May	31 December	2016	2017	31 May
	2016	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Shareholders</u>							
Mr. Eddie Chan	12	12	-	-	12	577	N/A
Mr. Kevin Chan	N/A	(42)	-	-	N/A	1,533	N/A
Mr. Jackson Chan	N/A	-	-	-	N/A	619	N/A
Mr. Raymond Chow	N/A	-	-	-	N/A	501	N/A
	<u>12</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>577</u>	<u>N/A</u>
<u>Related party</u>							
Canvas Clothier Limited ("Canvas Clothier") ¹	6	-	-	-	6	-	-
	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>

¹ Mr. Kevin Chan, Mr. Jackson Chan, Mr. Eddie Chan and Mr. Raymond Chow are the controlling shareholders of this company. During the year ended 31 December 2016, the amount was fully settled through the amount due to Mr. Kevin Chan.

The amounts due from (to) shareholders and a related party of the Group is unsecured, interest-free and repayable on demand.

The Company's amount due to a related party represents the amount due to KOS International and the amount is non-trade in nature, unsecured, interest-free and repayable on demand.

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSIT

Bank balances carried interest at prevailing market interest rates based on daily bank deposits rates for the Track Record Period.

The pledged deposit carried fixed interest rate of 0.75% per annum. Pledged bank deposit represent a deposit pledged to a bank to secure a banking facility granted to the Group and will be released upon the settlement of relevant bank borrowing. Deposit amounting to HK\$5,000,000 has been pledged to secure the bank borrowing.

16. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		As at 31 May
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Other payables	190	174	149
Accrued expenses	105	234	310
Accrued payroll expenses	2,226	1,314	1,698
Accrued listing expenses/share issue costs	-	1,463	2,865
	<u>2,521</u>	<u>3,185</u>	<u>5,022</u>

The Company

As at 31 December 2017 and 31 May 2018, the amounts represented the accrued listing expenses of HK\$1,463,000 and HK\$2,865,000 respectively.

17. BANK BORROWING

	As at 31 December 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 31 May 2018 <i>HK\$'000</i>
Secured bank borrowing	–	10,000	10,000
The carrying amount of bank borrowing that contains a repayment on demand clause but repayable:			
Within one year	–	2,500	5,000
Within a period of more than one year but not exceeding two years	–	7,500	5,000
	–	10,000	10,000
Less: Amount shown under current liabilities	–	(10,000)	(10,000)
Amount shown under non-current liabilities	–	–	–

The Group's borrowing carries variable interest rate at 2.5% above Hong Kong Interbank Offered Rate ("HIBOR"). The effective interest rate on the Group's borrowing is 3.79% and 3.56% for the year ended 31 December 2017 and the five months ended 31 May 2018, respectively.

The Group's borrowing was secured by the pledged bank deposit as disclosed in note 15, and was guaranteed by the personal guarantee by Mr. Kevin Chan, Mr. Jackson Chan, Mr. Eddie Chan and Mr. Raymond Chow. As represented by the directors of the Company, the personal guarantee will be released upon the Listing.

18. SHARE CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands on 19 December 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.

The share capital as at 1 January 2016, 31 December 2016 and 2017 and 31 May 2018 represented the combined issued share capital of following companies:

	As at 1 January 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>	As at 31 May 2018 <i>HK\$'000</i>
KOS International	10	10	10	10
KOS Macau	29	29	29	29
KOS Staffing	N/A	N/A	10	10
The Company	N/A	N/A	–	–
	39	39	49	49

Details of movements of authorised and issued capital of the Company are as follow:

	Number of share	Share capital <i>HK\$</i>
Ordinary share of HK\$0.01 each		
Authorised:		
At incorporation, 31 December 2017 and 31 May 2018	38,000,000	380,000
	<u>38,000,000</u>	<u>380,000</u>
Issued and fully paid:		
At incorporation, 31 December 2017 and 31 May 2018	1	0.01
	<u>1</u>	<u>0.01</u>

19. RESERVE OF THE COMPANY

	Accumulated loss <i>HK\$'000</i>
At 19 December 2017 (date of incorporation)	–
Loss and total comprehensive expense for the period	(3,766)
	<u>(3,766)</u>
At 31 December 2017	(3,766)
Loss and total comprehensive expense for the period	(5,934)
	<u>(5,934)</u>
At 31 May 2018	<u>(9,700)</u>

20. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowing, net of pledged bank deposit and cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group review the capital structure on a regular basis. As part of this review, the management of the Group considers the cost and the risks associates with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

21. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	As at 31 December		As at 31 May
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables/amortised cost (including cash and cash equivalents)	11,206	36,958	33,638
Financial liabilities			
Amortised cost	232	10,174	10,149

The Company

	As at 31 December 2017	As at 31 May 2018
	HK\$'000	HK\$'000
Financial liability		
Amortised cost	3,551	9,981

Financial risk management objectives and policies

The Group's financial instruments include accounts receivables, amount due from a shareholder, pledged bank deposit, bank balances and cash, other payables, amount due to a shareholder and bank borrowing. The Company's financial instrument is the amount due to a related party. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*Interest rate risk*

The Group is exposed to cash flow interest rate risk relates primarily to variable-rate bank deposits and bank borrowing (see notes 15 and 17) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated bank borrowing.

Sensitivity analysis

The sensitivity analyses below have been determined on the exposure to interest rate for non-derivative instrument at the end of reporting period. The analysis is prepared assuming the financial instrument outstanding at the end of the reporting period was outstanding for whole year/period. A 50 basis point increase or decrease in variable-rate bank borrowing is used represents management's assessment of the reasonably possible change in interest rate.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 and the five months ended 31 May 2018 would decrease/increase by approximately HK\$42,000 and HK\$42,000 respectively. This is mainly attributable to the Group's exposure to interest rate on its variable-rate bank borrowing.

Foreign currency risk

The Group has no significant foreign currency risk as the major activities of the group entities are denominated in HK\$ and MOP, which are the functional currencies of the respective entities.

*Credit risk**Overview of the Group's exposure to credit risk before adoption of HKFRS 9 as at 1 January 2018*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the combined statements of financial position of the Group.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each material individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2016 and 31 December 2017, the Group has concentration of credit risk as 38% and 30% respectively of the total accounts receivables was due from the Group's largest debtor. The Group's concentration of credit risk on the top five largest debtors accounted for 78% and 71% of the total accounts receivables as at 31 December 2016 and 31 December 2017 respectively. The management of the Group considered the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Overview of the Group's exposure to credit risk after adoption of HKFRS 9 as at 1 January 2018

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

The Group's credit risk is primarily attributable to its accounts receivables. In order to minimise the credit risk, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items as disclosed in note 13.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables***The Group***

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>At 31 December 2016</u>				
Other payables	–	190	190	190
Amount due to a shareholder	–	42	42	42
		<u>232</u>	<u>232</u>	<u>232</u>

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>At 31 December 2017</u>				
Other payables	–	174	174	174
Bank borrowing	3.79%	10,000	10,000	10,000
		<u>10,174</u>	<u>10,174</u>	<u>10,174</u>

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>At 31 May 2018</u>				
Other payables	–	149	149	149
Bank borrowing	3.56%	10,000	10,000	10,000
		<u>10,149</u>	<u>10,149</u>	<u>10,149</u>

The Company

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>At 31 December 2017</u>				
Amount due to a related party	–	3,551	3,551	3,551

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>At 31 May 2018</u>				
Amount due to a related party	–	9,981	9,981	9,981

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The bank borrowing with a repayment on demand clause are also included in the “on demand or less than 3 months” time band in the above maturity analysis. As at 31 December 2017 and 31 May 2018, the carrying amount of bank borrowing amounted to HK\$10,000,000 and HK\$10,000,000 respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such bank borrowing will be repaid two years after the end of the reporting period in accordance with the scheduled repayment dates set out in bank borrowing agreement. At that time, the aggregate principal and interest cash outflows will amount to HK\$10,568,000 and HK\$10,386,000 at 31 December 2017 and 31 May 2018, respectively.

	On demand or less than 6 months HK\$'000	6 months to 1 year HK\$'000	1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2017	<u>188</u>	<u>2,691</u>	<u>7,689</u>	<u>10,568</u>	<u>10,000</u>
At 31 May 2018	<u>179</u>	<u>5,133</u>	<u>5,074</u>	<u>10,386</u>	<u>10,000</u>

22. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		As at 31 May
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
With independent third parties			
Within one year	1,106	1,061	2,111
In the second to fifth years inclusive	<u>1,053</u>	<u>–</u>	<u>5,490</u>
	<u>2,159</u>	<u>1,061</u>	<u>7,601</u>

Operating lease payments represent rentals payable by the Group for its offices. These leases are negotiated for lease terms ranging from one to three years with fixed monthly rentals. None of the leases include any contingent rentals.

23. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions, balances and commitments disclosed elsewhere in the Financial Information, the Group had entered into the following related party transactions:

Name of related party	Relationship	Nature of transaction	Year ended		Five months ended	
			31 December	31 December	31 May	31 May
			2016	2017	2017	2018
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The iBros Company Limited	Related company ¹	Income from provision of secondment and payroll services	170	840	376	47
		Income from provision of recruitment services	<u>217</u>	<u>–</u>	<u>–</u>	<u>–</u>
Sinokor Investment Corporation Limited	Related company ²	Income from provision of secondment and payroll services	<u>–</u>	<u>1,565</u>	<u>62</u>	<u>357</u>

In January 2018, the Group entered into agreements with respective related parties to cease the above transactions.

¹ Mr. Kevin Chan is a controlling shareholder and director of this company.

² Mr. Kevin Chan is a shareholder/director/member of the key management personnel of this company.

(ii) Compensation of key management personnel

The remuneration of directors and other member of key management during the Track Record Period was as follows:

	Year ended 31 December		Five months ended 31 May	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Short-term benefits	1,316	1,600	550	1,050
Post-employments benefits	18	32	11	23
	<u>1,334</u>	<u>1,632</u>	<u>561</u>	<u>1,073</u>

Further details of the directors' emoluments are included in note 9.

24. RETIREMENT BENEFITS PLANS

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The total cost of HK\$975,000, HK\$1,200,000, HK\$480,000 (unaudited) and HK\$524,000 charged to profit or loss represents contributions paid or payable to the above schemes by the Group for each of the year ended 31 December 2016 and 2017 and the five months ended 31 May 2017 and 2018 respectively.

25. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

During the Track Record Period and as at the date of this report, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Shareholding/equity interest attributable to the Company as at				Principal activities	Notes
			31 December 2016	31 May 2017	31 May 2018	the date of this report		
<i>Directly held:</i>								
KOS International (BVI)	BVI 27 December 2017	US\$1	N/A	100%	100%	100%	Investment holding	a
KOS Macau (BVI)	BVI 27 December 2017	US\$1	N/A	100%	100%	100%	Investment holding	a

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Shareholding/equity interest attributable to the Company as at				Principal activities	Notes
			31 December 2016	31 December 2017	31 May 2018	the date of this report		
<i>Indirectly held:</i>								
KOS International	Hong Kong 21 January 2009	Ordinary shares HK\$10,000	100%	100%	100%	100%	Provision of recruitment and secondment and payroll services	<i>b</i>
KOS Macau	Macau 27 December 2012	Ordinary shares MOP30,000	100%	100%	100%	100%	Provision of secondment and payroll services	<i>a</i>
KOS Staffing	Hong Kong 6 September 2017	Ordinary shares HK\$10,000	N/A	100%	100%	100%	Provision of recruitment and secondment and payroll services	<i>c</i>
KOS Executive	Hong Kong 4 November 2015	Ordinary shares HK\$10,000	N/A	N/A	N/A	N/A	Inactive	<i>d</i>

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

Notes:

- (a) No statutory audited financial statements of KOS International (BVI), KOS Macau (BVI) and KOS Macau have been prepared since its date of incorporation as it is incorporated in the jurisdictions where there is no statutory audit requirements.
- (b) The statutory financial statements of KOS International for the year ended 31 December 2016 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA and were audited by RIW C.P.A. Limited, certified public accountants registered in Hong Kong. The statutory financial statements of KOS International for the year ended 31 December 2017 were prepared in accordance with HKFRSs and were audited by us.
- (c) The statutory financial statements of the KOS Staffing for the period from its date of incorporation to 31 December 2017 are not yet due for submission.
- (d) KOS Executive was deregistered on 30 December 2016 and no audited statutory financial statements have been prepared for the period from the date of incorporation to the date of its deregistration.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows from financing activities.

	Accrued issue costs HK\$'000	Amount due to shareholders HK\$'000	Bank borrowing HK\$'000	Interest payables HK\$'000	Dividend payables HK\$'000	Total HK\$'000
At 1 January 2016	–	1,143	–	–	–	1,143
Financing cash flows	–	(1,095)	–	–	(5,355)	(6,450)
Settlement of amount due from a related party (<i>note</i>)	–	(6)	–	–	–	(6)
Dividends recognised as distribution	–	–	–	–	5,355	5,355
At 31 December 2016	–	42	–	–	–	42
Financing cash flows	(954)	(30)	10,000	–	(1,206)	7,810
Issue costs accrued	1,209	–	–	–	–	1,209
Dividends recognised as distribution	–	–	–	–	1,206	1,206
Interest expense	–	–	–	16	–	16
Settlement of amount due from a shareholder (<i>note</i>)	–	(12)	–	–	–	(12)
At 31 December 2017	255	–	10,000	16	–	10,271
Financing cash flows	(1,483)	–	–	(257)	(5,081)	(6,821)
Issue costs accrued	1,669	–	–	–	–	1,669
Dividend recognised as distribution	–	–	–	–	5,081	5,081
Interest expense	–	–	–	241	–	241
At 31 May 2018	441	–	10,000	–	–	10,441
Unaudited						
At 1 January 2017	–	42	–	–	–	42
Financing cash flows	–	(30)	–	–	–	(42)
Settlement of amount due from a shareholder (<i>note</i>)	–	(12)	–	–	–	(12)
At 31 May 2017	–	–	–	–	–	–

Note: The amount due to shareholders was offset with amount due from Canvas Clothier and amount due from a shareholder during the years ended 31 December 2016 and 2017, respectively.

27. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 May 2018:

- (i) On 15 June 2018, the Reorganisation as stated in Note 2 has duly been completed.
- (ii) On 12 September 2018 and 21 September 2018, the Company declared dividends for the amounts of HK\$18,000,000 and HK\$4,000,000, respectively, to its shareholders. Taking into account the fact that the Group has a bank borrowing which contains repayment on demand clause, the Controlling Shareholders have agreed not to demand payment of such dividends if after making such payment the Group would not have adequate bank balances to serve repayment of this bank borrowing should the bank require immediate repayment.
- (iii) On 13 September 2018, the authorised share capital of the Company is increased from HK\$380,000 divided into 38,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 shares of nominal value of HK\$0.01 each by the creation of an additional of 3,962,000,000 shares.
- (iv) On 13 September 2018, conditional upon share premium account of the Company being credited as a result of the share offer of the Company's shares, the directors of the Company were authorised to capitalise all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full a total of 449,962,500 shares and 149,987,500 shares for allotment and issue to KJE and Caiden, respectively.
- (v) On 13 September 2018, the Share Option Scheme (as defined in the Prospectus) was conditionally approved and adopted by the board of directors, of which the principal terms are set out in "Appendix IV – E. Share Option Scheme" to the Prospectus.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies comprising the Group have been prepared in respect of any period subsequent to 31 May 2018.

The information set forth in this appendix does not form part of the accountants' report on the historical financial information for each of the year ended 31 December 2016 and 2017 and the five months ended 31 May 2018 of the Group (the "Accountants' Report on Historical Financial Information") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" and the "Accountants' Report on Historical Financial Information" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with Rules 7.31 of GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group as at 31 May 2018 as if the Share Offer had taken place on that date.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 May 2018 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group as at 31 May 2018 as shown in the Accountants' Report on Historical Financial Information as set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of the Group as at 31 May 2018 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group as at 31 May 2018 <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group as at 31 May 2018 per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Offer Price of HK\$0.3 per Offer Share	19,761	45,380	65,141	0.081
Based on Offer Price of HK\$0.4 per Offer Share	19,761	64,180	83,941	0.105

Notes:

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 May 2018 is based on the combined net assets of the Group amounted to HK\$19,761,000 extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 200,000,000 Shares to be issued at the Offer Price of HK\$0.3 and HK\$0.4 per Offer Share, being the lower and higher end of the indicated Offer Price range, after deduction of the estimated listing expenses (including underwriting fees and other related expense) not yet recognised in profit or loss up to 31 May 2018, paid/payable by the Company of approximately HK\$14,620,000 and HK\$15,820,000 respectively. It does not take into account of any shares which may be allotted and issued upon the exercise of any option that may be granted in the paragraph headed "Share Option Scheme" under the section headed "Share capital", or any shares which may be allotted and issued or repurchased as referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "Share capital" in this prospectus, as the case may be.
3. The unaudited pro forma adjusted combined net tangible assets of the Group as at 31 May 2018 is calculated based on 800,000,000 shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer. It does not take into account any shares which may be allotted and issued upon the exercise of any option that may be granted in the paragraph headed "Share Option Scheme" under the section headed "Share capital", or any shares which may be allotted and issued or repurchased as referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "Share capital" in this prospectus, as the case may be.
4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group as at 31 May 2018 to reflect any trading result or other transactions of the Group entered into subsequent to 31 May 2018.

The unaudited pro forma adjusted combined net tangible assets of the Group per Share does not take into account of dividends of HK\$18,000,000 and HK\$4,000,000 declared by the Company on 12 September 2018 and 21 September 2018, respectively. Assuming that the dividends had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group as at 31 May 2018 would have been HK\$43,141,000 and HK\$61,941,000 at the Offer Price of HK\$0.3 and HK\$0.4, respectively, and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share would have been HK\$0.054 and HK\$0.077 at the Offer Price of HK\$0.3 and HK\$0.4, respectively, on the basis that 800,000,000 shares were in issue assuming that the Capitalisation Issue and the Share Offer had been completed on 31 May 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of KOS International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of KOS International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 May 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 28 September 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Share Offer (as defined in the Prospectus) on the Group's financial position as at 31 May 2018 as if the proposed Share Offer had taken place at 31 May 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 May 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 28 September 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 December 2017 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 13 September 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent (20%) per annum as the board determines.

(b) Directors*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to

retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or

other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;

- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he

deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operation

As an exempted company, the Company's operation must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operation; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 10 January 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 19 December 2017. Our Company has established its principal place of business in Hong Kong at Suites 808-809 & 809A, Ocean Centre, No. 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 30 January 2018. Mr. Jackson Chan, of Flat C, 15th Floor, Block 3, Royal Ascot, 1 Tsun King Road, Shatin, New Territories, Hong Kong, has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, the corporate structure and the Memorandum of Association and the Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares at a nominal value of HK\$0.01 each.

The following sets out the changes in the share capital since the date of our Company's incorporation:

- (a) On 19 December 2017, one fully paid Share was issued and allotted to the initial subscriber, which was transferred to KJE Ltd by the initial subscriber. On the same day, 74 fully paid Shares were allotted to and issued KJE Ltd and 25 fully paid Shares were allotted and issued to Caiden Holdings.
- (b) On 15 June 2018, our Company acquired the entire issued share capital of KOS International from Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow at an aggregate consideration of HK\$26,220,172 which was satisfied by allotment and issue of 22,500 Shares by our Company to KJE Ltd, credited as fully paid, and 7,500 Shares by our Company to Caiden Holdings, credited as fully paid.
- (c) On 15 June 2018, our Company acquired the entire issued share capital of KOS Staffing from Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow at an aggregate consideration of HK\$10,000 which was satisfied by allotment and issue of 7,425 Shares by our Company to KJE Ltd, credited as fully paid, and 2,475 Shares by our Company to Caiden Holdings, credited as fully paid.
- (d) On 15 June 2018, the entire issued share capital of KOS Macau were assigned by Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow to us at an aggregate consideration of HK\$1,484,973 which was satisfied by allotment and issue of 7,500 Shares by our Company to KJE Ltd, credited as fully paid, and 2,500 Shares by our Company to Caiden Holdings, credited as fully paid.

- (e) Pursuant to the written resolutions of our Shareholders passed on 13 September 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$40,000,000 by the creation of an additional 3,962,000,000 Shares in the authorised share capital of our Company.
- (f) Conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors will be authorised to capitalise the amount of HK\$5,999,500 standing to the credit of the share premium account of by applying such sums towards payment in full at par a total of 599,950,000 Shares to be allotted and issued to our Shareholders whose names are on the register of members prior to the Share Offer pro rata to the then existing shareholding in our Company.
- (g) Immediately following the completion of the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid and 3,200,000,000 Shares in the authorised share capital will remain unissued. Other than pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save for the above and as mentioned in “A. Further information about our Company – 4. Written resolutions of our Shareholders passed on 13 September 2018” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of the subsidiaries

Save as disclosed above and under “History, Reorganisation and Corporate Structure”, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 13 September 2018

Pursuant to the resolutions in writing of our Shareholders passed 13 September 2018:

- (a) the Memorandum of Association was approved and adopted with immediate effect and the Articles of Association were conditionally approved and adopted with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 3,962,000,000 new Shares;

- (c) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price being fixed on or around the Price Determination Date; (iii) the execution and delivery of the Underwriting Agreements on or around the Price Determination Date; and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with its terms or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (1) the Capitalisation Issue and the Share Offer were approved and our Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the Capitalisation Issue and the Share Offer;
 - (2) the Offer Size Adjustment Option was approved;
 - (3) conditional upon the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$5,999,500 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,950,000 Shares for allotment and issue to our Shareholders of our Company whose name appeared on the register of members of our Company as at the close of business on the date which the said resolution has been passed (or another date as our Directors may direct) to their respective shareholdings in our Company, and the Shares allotted and issued shall carry the same rights as the then existing issued Shares;
 - (4) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (C) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of:
 - (i) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and

- (ii) The total nominal or par value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (5) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of our next annual general meeting, (B) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting, or (C) the date on which the resolution is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting (the “**Relevant Period**”) (the “**Issue Mandate**”);
- (5) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules with an aggregate of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, such mandate to remain in effect during the Relevant Period (the “**Repurchase Mandate**”); and
- (6) the Issue Mandate as referred to in sub-paragraph (4) above was extended by the addition to the aggregate number of the Share which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Share repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (5) above provided that such extended amount shall not exceed 10% of the number of the Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).

5. Corporate reorganisation

In preparation for the Listing, our Group underwent the Reorganisation. Please refer to “History, reorganisation and corporate structure” for further details.

6. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Provision of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing passed by our Shareholders on 13 September 2018, our Directors were granted a general unconditional mandate to repurchase up to 10% of the total number of Shares in issue immediately following the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. Such mandate will expire at the earliest of (i) the conclusion of our Company's next annual general meeting, (ii) the date by which our Company's next general meeting is required by applicable laws and the Articles of Association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or from sums standing to the credit of the share premium account of our Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the number of issued shares of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate number of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) Reasons for repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for the Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the GEM Listing Rules, the Articles of Association, the Companies Ordinance and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

On the basis of the current financial positions of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would,

in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) Share capital

The exercise in full of the current Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the Relevant Period.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any of the Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles of Association, the Companies Ordinance and any other applicable laws of Hong Kong.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No core connected person of our Company has notified our Group that he or she or it has a present intention to sell his or her or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) an instrument of transfer dated 13 June 2018 entered into between Mr. Kevin Chan as transferor and KOS International (BVI) as transferee in respect of the transfer of 2,500 shares of KOS Staffing in consideration of HK\$2,500 to be settled by the allotment and issue of 2,475 Shares to KJE Ltd, all credited as fully paid;
- (b) an instrument of transfer dated 13 June 2018 entered into between Mr. Eddie Chan as transferor and KOS International (BVI) as transferee in respect of the transfer of 2,500 shares of KOS Staffing in consideration of HK\$2,500 to be settled by the allotment and issue of 2,475 Shares to KJE Ltd, all credited as fully paid;
- (c) an instrument of transfer dated 13 June 2018 entered into between Mr. Jackson Chan as transferor and KOS International (BVI) as transferee in respect of the transfer of 2,500 shares of KOS Staffing in consideration of HK\$2,500 to be settled by the allotment and issue of 2,475 Shares to KJE Ltd, all credited as fully paid;
- (d) an instrument of transfer dated 13 June 2018 entered into between Mr. Raymond Chow as transferor and KOS International (BVI) as transferee in respect of the transfer of 2,500 shares of KOS Staffing in consideration of HK\$2,500 to be settled by the allotment and issue of 2,475 Shares to Caiden Holdings, all credited as fully paid;
- (e) an instrument of transfer dated 13 June 2018 entered into between Mr. Kevin Chan as transferor and KOS International (BVI) as transferee in respect of the transfer of 2,500 shares of KOS International in consideration of HK\$6,555,043 to be settled by the allotment and issue of 7,500 Shares to KJE Ltd, all credited as fully paid;
- (f) an instrument of transfer dated 13 June 2018 entered into between Mr. Eddie Chan as transferor and KOS International (BVI) as transferee in respect of the transfer of 2,500 shares of KOS International in consideration of HK\$6,555,043 to be settled by the allotment and issue of 7,500 Shares to KJE Ltd, all credited as fully paid;
- (g) an instrument of transfer dated 13 June 2018 entered into between Mr. Jackson Chan as transferor and KOS International (BVI) as transferee in respect of the transfer of 2,500 shares of KOS International in consideration of HK\$6,555,043 to be settled by the allotment and issue of 7,500 Shares to KJE Ltd, all credited as fully paid;
- (h) an instrument of transfer dated 13 June 2018 entered into between Mr. Raymond Chow as transferor and KOS International (BVI) as transferee in respect of the

transfer of 2,500 shares of KOS International in consideration of HK\$6,555,043 to be settled by the allotment and issue of 7,500 Shares to Caiden Holdings, all credited as fully paid;


- (i) an agreement for assignment of quotas dated 15 June 2018 and entered into among KOS Macau (BVI) (the “Assignee”) as assignee, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow (collectively, the “Assignors”) as assignors, pursuant to which each of the Assignors agreed to assign their quotas in KOS Macau to the Assignee in consideration of HK\$371,243.25 each to be settled by the allotment and issue of 2,500 Shares to each of the Assignors;
- (j) the Deed of Indemnity;
- (k) the Deed of Non-competition; and
- (l) the Public Offer Underwriting Agreement.

2. Intellectual property rights


(i) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material in relation to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration Number	Expiry Date
1(a)		KOS International	Hong Kong	35	304300848	12 October 2027
(b)						
(c)						
(d)						
2(a)		KOS International	Hong Kong	35	304348963	27 November 2027
(b)						
(c)						
3(a)		KOS International	Hong Kong	35	304348972	27 November 2027
(b)						
(c)						

No.	Trademark	Registered owner	Place of registration	Class	Registration Number	Expiry Date
4(a)						
(b)		KOS International	Hong Kong	35	304365504	11 December 2027
(c)						
5.		KOS Macau	Macau	35	N/129411	24 April 2025

As at the Latest Practicable Date, our Group had applied for registration of the following trademark in the PRC:

No.	Trademark	Name of applicant	Place of registration	Class	Application number(s)	Date of application
1.		KOS International	PRC	35	27194903	31 October 2017

(ii) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Name of registered owner	Date of registration	Expiry date
www.kos-intl.com	KOS International	13 January 2009	13 January 2021

C. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(i) Interests and short positions of the Directors in the share capital and the associated corporations following the completion of the Capitalisation Issue and Share Offer

Immediately after completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the interests of the Directors and chief executives in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be

required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Name of Director/ Chief executive	Capacity/ Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Kevin Chan	Interest in a controlled corporation and interest held jointly with another person (Note 3)	600,000,000 (L)	75%
Mr. Eddie Chan	Interest in a controlled corporation and interest held jointly with another person (Note 3)	600,000,000 (L)	75%
Mr. Jackson Chan	Interest in a controlled corporation and interest held jointly with another person (Note 3)	600,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes long position of the Shares.
- (2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).
- (3) As at the Latest Practicable Date, KJE Ltd was owned as to approximately 33.33% by Mr. Kevin Chan, 33.33% by Mr. Eddie Chan and 33.33% by Mr. Jackson Chan, which in turn will hold 450,000,000 Shares, representing 56.25% of total issued share capital of our Company, immediately following completion of the Capitalisation Issue and Share Offer while Caiden Holdings is wholly owned by Mr. Raymond Chow which in turn will hold 150,000,000 Shares, representing 18.75% of total issued share capital of our Company, immediately following completion of the Capitalisation Issue and Share Offer. 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. For the purpose of the GEM Listing Rules, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan, Mr. Raymond Chow, KJE Ltd and Caiden Holdings are a group of controlling shareholders. For details, see “History, Reorganisation and Corporate Structure – Concert parties arrangement”.

(ii) *Interests and short positions of the substantial Shareholders in the share capital of our Company following the completion of the Capitalisation Issue and the Share Offer*

So far as the Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the following persons (other than the Directors and chief executive) will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of the subsidiaries:

Name of Shareholders	Capacity/ Nature of interest	Number of Underlying Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Raymond Chow	Interest in a controlled corporation and interest held jointly with another person (Note 3)	600,000,000 (L)	75%
Caiden Holdings	Beneficial owner and interest held jointly with another person (Note 3)	600,000,000 (L)	75%
KJE Ltd	Beneficial owner and interest held jointly with another person (Note 3)	600,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes long position of the Shares.
- (2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).
- (3) As at the Latest Practicable Date, KJE Ltd was owned as to approximately 33.33% by Mr. Kevin Chan, 33.33% by Mr. Eddie Chan and 33.33% by Mr. Jackson Chan which in turn will hold 450,000,000 Shares, representing 56.25% of total issued share capital of our Company, immediately following completion of the Capitalisation Issue and Share Offer, while Caiden Holdings is wholly owned by Mr. Raymond Chow which in turn will hold 150,000,000 Shares, representing 18.75% of total issued share capital of our Company, immediately following completion of the Capitalisation Issue and Share Offer. 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. For the purpose of the GEM Listing Rules, Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan, Mr. Raymond Chow, KJE Ltd and Caiden Holdings are a group of controlling shareholders. For details, see “History, Reorganisation and Corporate Structure – Concert parties arrangement”.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' service contracts**

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial period of three years commencing from the Listing Date which may only be terminated in accordance with the provisions of the service contract or by either our Company or any of our executive Directors giving the other party not less than three months' prior notice in writing.

Each of our executive Directors is entitled to a basic salary as set out below, subject to an annual review by the Remuneration Committee of our Board during the term. The annual remuneration of our executive Directors provided under the service contracts are as follows:

Name	Annual remuneration (HK\$)
<i>Executive Director</i>	
Mr. Kevin Chan	528,000
Mr. Eddie Chan	528,000
Mr. Jackson Chan	528,000

Each of our independent non-executive Directors has entered into an appointment letter with our Company for an initial term of three years commencing from the Listing Date with the following annual remuneration:

Name	Annual remuneration (HK\$)
<i>Independent non-executive Director</i>	
Mr. Tong Kam Piu	120,000
Mr. Poon Kai Kin	120,000
Mr. Wang Ho Pang	120,000

Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

- (a) No emoluments were paid and no benefits in kind were granted by our Group to our Directors in respect of the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2018 are expected to be approximately HK\$1.9 million.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018, as an inducement to join or upon joining our Group or for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in the document:

- (a) none of the Directors or chief executives has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (b) none of the Directors or experts referred to under the paragraph headed "Consents" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which have been or will be granted under the Share Option Scheme, none of the Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) so far as is known to our Directors, save as disclosed in the paragraph headed “Business – Clients” in this prospectus, as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest clients.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of our Shareholders passed on 13 September 2018:

1. Purpose

The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to our Company.

2. Who may join

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any full-time or part-time employees, executives or officers of our Group;
- (b) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) of our Group; and

- (c) any suppliers, clients, consultants, agents, advisers, franchisees, joint venture partners and related entities to our Group. The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by our Directors from time to time on the basis of the participants contribution to the development and growth of our Group. In order for a person to satisfy our Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as our Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

3. Maximum number of Shares

- (a) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 30% of our Company's issued share capital from time to time. No options may be granted under any schemes of our Company or the subsidiary of our Company if such grant will result in the maximum number being exceeded.
- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange which amounts to 80,000,000 Shares (the "**General Mandate Limit**").
- (c) Subject to (a) above and without prejudice to (d), our Company may issue a circular to its shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek approval of its shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, our Company may issue a circular to its shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek separate shareholders' approval in general meeting to grant options beyond the General Mandate Limit or, if applicable, the limit referred to in (c) above to participants specifically identified by our Company before such approval is sought.

4. Maximum entitlement of each participant and connected persons

- (a) Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue (the “**Individual Limit**”).
- (b) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders in compliance with the Note to Rule 23.03(4) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and the approval of our Shareholders in general meeting with such participant and his close associates abstaining from voting (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders’ approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 23.03(9) of the GEM Listing Rules.
- (c) In addition to our Shareholders’ approval set out in Note (1) to Rule 23.03(3) and Note to Rule 23.03(4) of the GEM Listing Rules, each grant of options to a Director, chief executive or substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (d) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate more than 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders. Our Company must send a circular to our Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

5. Minimum period of holding an option and performance target

The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

6. Subscription price for Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option (which must be a Business Day); (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day); and (iii) the nominal value of the Shares.

A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

7. Rights are personal to grantee

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

8. Time of exercise of option

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

9. Rights on ceasing employment or death

If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Group for any reason other than death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine, in which case the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination, which date shall be the last day on which the grantee was actually at work with our Group, whether salary is paid in lieu of notice or not, failing which it will lapse.

If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Company by reason of death, ill-health or retirement in accordance with his contract of employment, before exercising the option in full, the grantee or, if appropriate his lawful personal representative(s) may exercise the option in whole or in part (to the extent not already exercised) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group, whether salary is paid in lieu of notice or not (or such longer period as the Directors may determine), failing which it will lapse.

10. Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees (or his personal representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme or arrangement is formally proposed to our Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in accordance with the provisions of the Share Option Scheme at any time within fourteen (14) days thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

11. Rights on winding-up

In the event of an effective resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee of an option (or his personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company elect to exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two (2) Business Days prior to the proposed general meeting of our Company considering such winding up, such notice to be accompanied by the subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his options, to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding-up of our Company.

12. Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of our Company's Memorandum of Association and the Articles of Association for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

13. Duration of the Share Option Scheme

Unless terminated by our Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption.

14. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in the relevant provisions of the GEM Listing Rules shall not be altered to the advantage of the grantees or prospective grantees without the prior sanction of any resolution of our Company in general meeting. The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the GEM Listing Rules. Any change to the authority of the Directors or scheme administrators (if applicable) in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

15. Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity

of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

16. Cancellation of options

The Directors may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as the Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancellation. Where our Company cancels any options granted and offer to grant or grant new options to the same grantee, the offer or grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in the sub-paragraph headed “Maximum Number of Shares” above.

17. Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (a) the Share Option Scheme being approved and adopted by our Shareholders in a general meeting or by way of written resolution of our Shareholders;
- (b) the granting of the approval by the Stock Exchange for the Listing of, and permission to deal in, the Shares on GEM being obtained and the commencement of dealings in the Shares on GEM; and
- (c) the Listing Department granting the Listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

18. Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the operation of Share Option Scheme and in such event no further options will be offered but the provisions of Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to such termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

19. Status of the GEM Listing Rules

The Share Option Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

20. Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Department for the Listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme, as described above.

F. OTHER INFORMATION**1. Tax and other indemnity**

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for its subsidiaries), pursuant to which the Indemnifiers shall jointly and severally indemnify each of the members of our Group against, among other things, (a) taxation falling on any member of our Group in respect of or by reference to any income, profits or gains earned, accrued or received (or alleged to have been earned, accrued or received) on or before the date on which the Underwriting Agreements becomes unconditional and all reasonable costs, expenses and losses which any member of our Group may properly incur in connection therewith; (b) all claims, liabilities, damages, charges, fees, fines and reasonable costs, expenses and losses incurred by any member of our Group resulting from or in respect of any non-compliance (other than those committed more than three years against the Companies (Winding Up and Miscellaneous Provisions) Ordinance) with the applicable laws, rules and regulations by any member of our Group on or before the date on which the Underwriting Agreements become unconditional; and (c) all claims, liabilities, damages, charges, fees, fines and reasonable costs, expenses and losses suffered or incurred by any members of our Group as a result of or in connection with any intellectual property claim, litigation, arbitration and/or legal proceedings against any members of our Group.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in section headed “Business – Legal proceedings” in this prospectus, neither our Company nor any of the subsidiaries are involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

3. The Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Offer Shares and any Shares falling to be issued pursuant to the Capitalisation Issue or pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules.

4. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately HK\$44,000 and are payable by our Company.

5. Sole Sponsor’s fees

The Sole Sponsor’s fees of our Company are HK\$4.0 million and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualifications of experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Ever-Long Securities Company Limited	A corporation licenced by the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants

Name	Qualifications
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law
Mr. Jon K.H. Wong	Barrister-at-law, Hong Kong
Rato, Ling, Lei & Cortés – Advogados	Legal advisers to our Company as to Macau law
GFE Law Office	Legal advisers to our Company as to PRC law
SHINEWING Tax and Business Advisory Limited	Macau tax advisers
Lau & Au Yeung C.P.A. Limited	Internal Control Consultant
Frost & Sullivan Limited	Industry consultant

8. Consents of experts

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters, all of which are dated the date of this prospectus, and/or the references to their names in the form and context in which they are respectively included in this prospectus, all of which are dated the date of this prospectus.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Sole Sponsor will receive a documentation and advisory fee, as referred to under “Underwriting – Underwriting arrangements, commissions and expenses – Commission and expenses”.

10. Material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 May 2018 (being the date to which the latest audited combined financial statements of our Group were made up as set out in the Accountants’ Report in Appendix I of this prospectus) and up to the date of this prospectus.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of the Directors nor any of the parties listed in “Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of our Company or any of the subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;
- (b) none of the Directors nor any of the parties listed in “Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business;
- (c) none of the parties listed in “Qualifications of experts” in this Appendix:
 - (i) is interested legally or beneficially in any of the Shares or any shares in any of the subsidiaries;
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities;
- (d) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (e) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (f) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares;
- (g) our Company has no outstanding convertible debt securities;
- (h) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and our Company has not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (i) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;

- (j) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of the promoters of our Company nor is any such securities or amount or benefit intended to be paid or allotted or given;
- (k) there has been no material adverse change in the financial or trading position or prospects of our Company since 31 May 2018, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus;
- (l) there is no arrangement under which future dividends are waived or agreed to be waived;
- (m) as at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;
- (n) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial positions of our Company in the 24 months preceding the date of this prospectus;
- (o) the English text of this prospectus shall prevail over the Chinese text; and
- (p) none of our Company or any of the subsidiaries is presently listed on any stock exchange or traded on any trading system.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “F. Other Information – 8. Consents of experts” in Appendix IV to this prospectus, copies of the material contracts referred to in the section headed “B. Further Information About the Business of Our Group – 1. Summary of material contracts” in Appendix IV to this prospectus and the statement of adjustments for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stephenson Harwood of 18th Floor, United Centre, 95 Queensway, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report prepared by Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
- (d) the statement of adjustments for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018;
- (e) the audited financial statements of the companies now comprising our Group for the years ended 31 December 2016 and 2017, if any;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (g) the legal opinion prepared by Rato, Ling, Lei & Cortés – Advogados in respect of certain aspects of our Group in Macau;
- (h) the legal opinion prepared by Mr. Jon K. H. Wong in respect of certain aspects of our Group in Hong Kong;
- (i) the legal opinion prepared by GFE Law Office in respect of certain aspects of our Group in the PRC;
- (j) the internal control report prepared by the Internal Control Consultant;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (k) the F&S Report;
- (l) the tax opinion prepared by SHINEWING Tax and Business Advisory Limited;
- (m) the Share Option Scheme;
- (n) the Companies Law;
- (o) the service agreements and letters of appointment referred to in “D. Further information about our Directors – 1. Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (p) the material contracts referred to in “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
and
- (q) the written consents referred to in “F. Other Information – 8. Consents of experts” in Appendix IV to this prospectus.

KOS INTERNATIONAL HOLDINGS LIMITED
高奧士國際控股有限公司