

K W Nelson Interior Design and Contracting Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8411)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

HIGHLIGHTS

- During the year ended 31 December 2021 (the “Year” or “2021”), the Group’s revenue was decreased by approximately 46.5% to approximately HK\$44.1 million from approximately HK\$82.4 million for the year ended 31 December 2020 (the “Previous Year” or “2020”). The decrease was mainly driven by the decrease in revenue from decoration projects for medical centre, gallery, retail stores and warehouse. The Group’s gross profit was decreased to approximately HK\$9.1 million for the Year from approximately HK\$35.6 million for the Previous Year, representing a decrease of approximately 74.4%.
- The Group’s recorded a loss attributable to the owners of the Company of approximately HK\$5.2 million for the Year from a profit of approximately HK\$16.7 million for the Previous Year.
- The Board has recommended a final dividend of HK0.3 cents per share for the Year (Previous Year: HK0.3 cents per share), which is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting of the Company.

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of K W Nelson Interior Design and Contracting Group Limited (the “Company”) hereby present the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	2	44,086	82,365
Cost of sales		<u>(34,952)</u>	<u>(46,728)</u>
Gross profit		9,134	35,637
Other income and gains	3	674	1,278
Administrative expenses		(14,965)	(14,206)
Reversal of/(provision for) impairment of trade receivables		<u>659</u>	<u>(1,852)</u>
Operating (loss)/profit		(4,498)	20,857
Finance costs	4(a)	<u>(46)</u>	<u>(51)</u>
(Loss)/profit before income tax	4	(4,544)	20,806
Income tax expense	5	<u>(622)</u>	<u>(4,058)</u>
(Loss)/profit for the year attributable to the owners of the Company		<u>(5,166)</u>	<u>16,748</u>
(Loss)/earnings per share attributable to owners of the Company (in HK cents)	6		
Basic and diluted		<u>(0.5)</u>	<u>1.7</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit for the year	<u>(5,166)</u>	<u>16,748</u>
Other comprehensive income/(loss)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	107	192
<i>Item that may not be reclassified to profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	<u>(18)</u>	<u>(408)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>89</u>	<u>(216)</u>
Total comprehensive (loss)/income for the year attributable to the owners of the Company	<u><u>(5,077)</u></u>	<u><u>16,532</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		4,099	802
Right-of-use assets		635	605
Financial assets at fair value through other comprehensive income		85	103
Deferred income tax assets		–	533
		4,819	2,043
Current assets			
Trade and other receivables	7	19,646	35,458
Contract assets		215	3,095
Current income tax assets		4,423	1,279
Pledged bank deposits		2,000	2,000
Time deposits with original maturity over three months		38,561	–
Cash and cash equivalents		80,673	113,650
		145,518	155,482
Total assets		150,337	157,525
EQUITY			
Equity attributable to the owners of the Company			
Share capital		10,000	10,000
Reserves		119,515	132,031
		129,515	142,031
Non-controlling interests		5	–
Total equity		129,520	142,031

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		293	122
Deferred income tax liabilities		32	–
		<u>325</u>	<u>122</u>
Current liabilities			
Trade and other payables	8	7,103	13,470
Contract liabilities		13,029	1,393
Lease liabilities		360	509
		<u>20,492</u>	<u>15,372</u>
Total liabilities		<u>20,817</u>	<u>15,494</u>
Total equity and liabilities		<u>150,337</u>	<u>157,525</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to the owners of the Company							
	Share capital	Share premium	Exchange reserve	Fair value reserve	Merger reserve	Capital contribution reserve	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	10,000	33,728	(332)	(7,082)	(380)	5,000	87,065	127,999
Comprehensive income								
Profit for the year	-	-	-	-	-	-	16,748	16,748
Other comprehensive income								
Exchange difference arising on translation of foreign operations	-	-	192	-	-	-	-	192
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(408)	-	-	-	(408)
Total comprehensive income for the year	-	-	192	(408)	-	-	16,748	16,532
Transaction with owners								
Dividend	-	-	-	-	-	-	(2,500)	(2,500)
At 31 December 2020	<u>10,000</u>	<u>33,728</u>	<u>(140)</u>	<u>(7,490)</u>	<u>(380)</u>	<u>5,000</u>	<u>101,313</u>	<u>142,031</u>

	Attributable to the owners of the Company										
	Share capital	Share premium	Exchange reserve	Fair value reserve	Shares held for share award scheme	Merger reserve	Capital contribution reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	10,000	33,728	(140)	(7,490)	-	(380)	5,000	101,313	142,031	-	142,031
Comprehensive income											
Loss for the year	-	-	-	-	-	-	-	(5,166)	(5,166)	-	(5,166)
Other comprehensive income											
Exchange difference arising on translation of foreign operations	-	-	107	-	-	-	-	-	107	-	107
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(18)	-	-	-	-	(18)	-	(18)
Total comprehensive loss for the year	-	-	107	(18)	-	-	-	(5,166)	(5,077)	-	(5,077)
Transactions with owners											
Dividend	-	-	-	-	-	-	-	(3,000)	(3,000)	-	(3,000)
Shares purchased for share award scheme	-	-	-	-	(4,439)	-	-	-	(4,439)	-	(4,439)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	5	5
At 31 December 2021	<u>10,000</u>	<u>33,728</u>	<u>(33)</u>	<u>(7,508)</u>	<u>(4,439)</u>	<u>(380)</u>	<u>5,000</u>	<u>93,147</u>	<u>129,515</u>	<u>5</u>	<u>129,520</u>

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through other comprehensive income, which is carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform (Amendments)
Amendments to HKFRS 16	Covid-19-Related Rent concessions (Amendments)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretations not yet adopted

The following new and amended standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Covid-19 Rent Concession Beyond 30 June 2021	1 April 2021
Annual Improvements Project	Annual Improvements 2018–2020 Cycle (Amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments (Amendments)	1 January 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 — Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-Current (Amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (Amendments)	1 January 2023
HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (Amendments)	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments)	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards, amendments to existing standards, interpretations and accounting guideline when they become effective.

2 SEGMENT INFORMATION

The Group's chief operating decision maker, which has been identified as the Board of Directors, consider the segment from a business perspective and monitor the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

During the year ended 31 December 2021, the Group had one (2020: one) reportable operating segment, which was provision of interior designs, project management services and fitting-out works. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

Geographic Information

(a) Revenue from external customers

The Group's revenue from external customers by geographical area, which is determined by the country/region where the services were provided, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	43,463	82,349
The PRC and Macau	<u>623</u>	<u>16</u>
	<u><u>44,086</u></u>	<u><u>82,365</u></u>

(b) Non-current assets

The Group's non-current assets other than financial assets at fair value through other comprehensive income and deferred income tax assets by geographic area is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	4,731	1,405
The PRC and Macau	<u>3</u>	<u>2</u>
	<u><u>4,734</u></u>	<u><u>1,407</u></u>

Key Customers

For the year ended 31 December 2021, there was two customers (2020: two) which individually contributed over 10% of the Group's total revenue, the revenue contributed from each of these customers was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	13,776	–
Customer B	7,010	–
Customer C	–	27,049
Customer D	–	19,107
	<u> </u>	<u> </u>

3 OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	114	485
Interest income from overdue trade receivables	166	–
Gain on disposal of property, plant and equipment	99	–
Government grants (<i>note</i>)	–	792
Others	295	1
	<u> </u>	<u> </u>
	674	1,278
	<u> </u>	<u> </u>

Note

In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

4 FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on lease liabilities	46	51
	<u> </u>	<u> </u>

5 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the two-tiered rate of 8.25% for the first HK\$2,000,000 of the estimated assessable profit of the qualifying group entity and 16.5% on the remaining estimated assessable profit of the Group for the year ended 31 December 2021 and 2020.

No PRC Corporate Income Tax provision was made as the PRC subsidiary has sustained a loss for taxation purpose for the year ended 31 December 2021 (2020: same).

An analysis of the income tax expense is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	–	4,357
Under-provision in prior years	<u>57</u>	<u>148</u>
	57	4,505
PRC Corporate Income Tax		
Over-provision in prior years	–	(4)
Deferred income tax	<u>565</u>	<u>(443)</u>
	<u><u>622</u></u>	<u><u>4,058</u></u>

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding shares purchased by the Company for the share award scheme.

	2021	2020
(Loss)/profit attributable to the owners of the Company (<i>HK\$'000</i>)	(5,166)	16,748
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>994,133</u>	<u>1,000,000</u>
Basic (loss)/earnings per share (<i>HK cents</i>)	<u><u>(0.5)</u></u>	<u><u>1.7</u></u>

(b) Diluted

For the years ended 31 December 2021 and 2020, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there was no potential dilutive ordinary shares in existence.

7 TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	15,026	38,581
Less: provision for loss allowance	(2,806)	(3,880)
	12,220	34,701
Prepayments	7,102	188
Deposits, and other receivables	324	569
	19,646	35,458

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK\$43,000 (2020: HK\$176,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

The carrying amounts of the Group's trade and other receivables are denominated in HK\$.

Trade receivables are generally due within 7 days from the date of billing. Negotiated on a case-by-case basis, the credit terms granted to certain customers could be up to three months. The ageing analysis of the trade receivables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	3,392	6,478
31 to 60 days	1,698	2,188
61 to 90 days	27	749
Over 90 days	7,103	25,286
	12,220	34,701

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

8 TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	3,141	5,312
Other payables and accruals	3,962	8,158
	<u>7,103</u>	<u>13,470</u>

The ageing analysis of the trade payables based on invoice date was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 30 days	376	1,066
31 to 90 days	517	713
Over 90 days	2,248	3,533
	<u>3,141</u>	<u>5,312</u>

The carrying amounts of trade and other payables approximate their fair values and are denominated in HK\$.

9 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend, proposed, of HK0.3 cents (2020: HK0.3 cents) per share	3,000	3,000

The final dividend proposed after the end of the reporting period has not been recognised as a liability in the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is an interior decorator based in Hong Kong, focusing on commercial premises including office and medical centre mainly located in Hong Kong. Our services include provision of interior design proposals by our in-house designers, engaging subcontractors to carry out fitting-out works and coordinating, managing and supervising the fitting-out works by our project managers.

The Group's projects can be broadly categorised into (i) design & decoration projects in which the Group is responsible for the tailor-made interior design proposals, project management and fitting-out works; (ii) decoration projects in which the Group is responsible for project management and fitting-out works; and (iii) other interior design and fitting-out services.

During the year ended 31 December 2021 (the "Year" or "2021"), the Group's revenue decreased by approximately 46.5% to approximately HK\$44.1 million from approximately HK\$82.4 million for the year ended 31 December 2020 (the "Previous Year" or "2020"). The decrease was mainly driven by the decrease in revenue from decoration projects for medical centre, gallery, retail stores and warehouse. The Group's gross profit decreased to approximately HK\$9.1 million for the Year from approximately HK\$35.6 million for the Previous Year, representing a decrease of approximately 74.4%.

The Group recorded a loss attributable to the owners of the Company of approximately HK\$5.2 million for the Year (Previous Year: profit of HK\$16.7 million).

Outlook

During the Year, the Group completed/awarded certain projects of the elderly home and office premises. The unexpected outbreak of COVID-19 has brought unprecedented impact to the economy, the Group's business has been disrupted. The prolonged adverse effect on economy of Hong Kong brought by the COVID-19, in which certain project owners and/or customers have suffered tight cashflow, leading to postponement and/or slowdown in certain projects. In view of the outbreak of COVID-19, the Group have implemented certain precautionary measures to maintain a hygienic working environment include sanitising our workplace regularly and requiring our staff and subcontractors to wear face masks in workplaces and construction sites.

Despite having business contingency plans in place by the Group, the Group will continue to closely monitor our business and operations in connection with the potential impacts of the COVID-19 outbreak. If such outbreak continues, we may be required to take additional measures to minimise its potential impacts on our business and operations.

Looking forward, the Group is optimistic with the prospects of the interior design and decoration market, especially on commercial premises and medical centres. In view of the increasing public awareness in health issues and ageing population in Hong Kong, the Group believes more health centres, medical clinics and health-related facilities will be established to meet the health care demand. The Group will continue to benefit from the increasing demand on design and decoration projects. The Group will also enhance its responsiveness to market trends so as to strengthen its position in the current market and continue its business expansion plan. In order to maximise the long term returns of our shareholders, the Group will continue to devote more resources to further develop its interior design and decoration by undertaking more sizeable projects and to explore new business opportunities through leveraging its experience in the industry.

Financial Review

Revenue

The Group's revenue is principally generated from (i) design & decoration projects; (ii) decoration projects; and (iii) other interior design and fitting-out services. During the Year, the Group's revenue decreased by approximately 46.5% to approximately HK\$44.1 million (Previous Year: HK\$82.4 million).

The following table sets forth a breakdown of the Group's revenue by use of premises of the projects for the years ended 31 December 2021 and 2020:

Use of premises	For the year ended 31 December			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Office and elderly home	42,254	95.8	28,778	34.9
Medical centre	2,012	4.6	27,543	33.4
Retail, restaurant and shopping mall	104	0.2	18,230	22.1
Others ^(Note)	(284)	(0.6)	7,814	9.6
Total	<u>44,086</u>	<u>100.0</u>	<u>82,365</u>	<u>100.0</u>

Note: Others mainly comprise warehouses, consulate, gallery and residential premises.

Negative balance of HK\$284,000 during the Year mainly represented discount offered to customers upon finalisation of accounts.

The following table sets forth a breakdown of the Group's revenue and number of projects by project types and geographical locations for the years ended 31 December 2021 and 2020:

Project types and locations	For the year ended 31 December					
	2021			2020		
	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>
Design & decoration						
Hong Kong	14	39,321	89.2	12	17,940	21.8
The PRC and Macau	1	309	0.7	–	–	–
	<u>15</u>	<u>39,630</u>	<u>89.9</u>	<u>12</u>	<u>17,940</u>	<u>21.8</u>
Decoration						
Hong Kong	2	2,967	6.7	17	60,189	73.1
	<u>2</u>	<u>2,967</u>	<u>6.7</u>	<u>17</u>	<u>60,189</u>	<u>73.1</u>
Others						
Hong Kong		1,175	2.7		4,220	5.1
The PRC and Macau		314	0.7		16	–
		<u>1,489</u>	<u>3.4</u>		<u>4,236</u>	<u>5.1</u>
Total	<u>17</u>	<u>44,086</u>	<u>100.0</u>	<u>29</u>	<u>82,365</u>	<u>100.0</u>

The increase in revenue of design and decoration projects from HK\$17.9 million for the Previous Year to HK\$39.6 million for the Year was mainly due to increase in revenue derived from projects of elderly home and office premises by HK\$12.0 million and HK\$9.7 million respectively.

The decrease in revenue of decoration projects by HK\$57.2 million during the Year was principally attributed to absent of major projects of medical centre, gallery, retail store and warehouse during the Year (Previous Year: HK\$51.2 million).

Cost of Sales and Gross Profit

The Group's costs of sales mainly comprised subcontracting costs, direct staff costs, material purchase costs and insurance costs.

The following table sets forth the breakdown of the Group's gross profit and gross profit margin by use of premises of the projects for the years ended 31 December 2021 and 2020:

Use of premises	For the year ended 31 December			
	2021		2020	
	<i>Gross Profit</i>		<i>Gross Profit</i>	
	<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>	<i>Margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Office and elderly home	8,850	20.9	12,631	43.9
Medical centre	785	39.0	17,633	64.0
Retail, restaurant and shopping mall	(131)	N/A	3,262	17.9
Others	(370)	N/A	2,111	27.0
Overall	9,134	20.7	35,637	43.3

Gross profit margin of the Group's office and elderly home projects decreased from approximately 43.9% in 2020 to approximately 20.9% in 2021 was mainly due to the lower gross profit margin for the elderly home for the purpose of expanding the Group's client portfolio.

Gross profit margin of the Group's medical centre projects decreased from approximately 64.0% in 2020 to approximately 39.0% in 2021 which was mainly due to the major project with higher gross profit margin in 2020 involved more complex specifications involved for building surgery rooms, installation of specific air-conditioning and mechanical ventilation system, medical gas system, anesthetic gas scavenging system, which require more dedicated technical skills to meet a high standard of compliance to sanitation with antigerms and anti-dust requirements.

The gross loss for retail, restaurant and shopping malls, and other projects mainly represented discount offered upon finalisation of accounts with customers which led to unfavourable financial impact to the Group in the Year.

The following table sets forth the breakdown of the Group's gross profit and gross profit margin by project types for the years ended 31 December 2021 and 2020:

Project types	For the year ended 31 December			
	2021		2020	
	<i>Gross Profit</i>		<i>Gross Profit</i>	
	<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>	<i>Margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Design & decoration	8,080	20.4	9,174	51.1
Decoration	392	13.2	23,565	39.2
Others	662	44.4	2,898	68.4
Overall	9,134	20.7	35,637	43.3

The Group's overall gross profit margin decreased from approximately 43.3% for the Previous Year to approximately 20.7% for the Year, mainly due to (i) the lower gross profit margin for design and decoration projects of the elderly home for the purpose of expanding the Group's client portfolio; and (ii) the absent of a major decoration project for medical centre with relatively higher gross profit margin during the Year.

Administrative Expenses

The Group's administrative expenses mainly consisted of (i) staff costs; (ii) legal and professional fee; (iii) depreciation; and (iv) other administrative expenses, which remained relatively stable at approximately HK\$15.0 million and approximately HK\$14.2 million for the Year and Previous Year respectively.

Income tax

Income tax expense for the Year was approximately HK\$0.6 million (Previous Year: HK\$4.1 million). The income tax expense for the Year was mainly attributed by the recognition of deferred tax liabilities in relation to accelerated tax depreciation on property, plant and equipment and loss allowance of trade receivables.

Profit for the Year

As a result of the foregoing, the Group recorded a loss of approximately HK\$5.2 million for the Year (Previous Year: profit of HK\$16.7 million).

Provision of loss allowance for trade receivables

The Group recognised loss allowances for trade receivables based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions.

As at 31 December 2021, loss allowance of HK\$2.8 million (2020: HK\$3.9 million) was recognised with respect to the Group's trade receivables of which HK\$0.4 million (2020: HK\$1.0 million) were related to trade receivables due from customers with known financial difficulties or significant doubt on collection that are individually assessed to be fully impaired.

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

During the Year, the Group financed its operations by its internal resources. As at 31 December 2021, the Group had net current assets of approximately HK\$125.0 million (2020: HK\$140.1 million), including cash and cash equivalents balances of approximately HK\$80.7 million (2020: HK\$113.7 million) mainly denominated in Hong Kong dollars. As at 31 December 2021, the Group had an unutilised banking facility of HK\$2.0 million (2020: HK\$2.0 million) which was secured by pledged bank deposits.

The current ratio, being the ratio of current assets to current liabilities, was approximately 7.1 times as at 31 December 2021 (2020: 10.1 times). The decrease was mainly due to the decrease in trade and other receivables of approximately HK\$15.8 million.

As at 31 December 2021, the Group had no outstanding borrowings (2020: Nil) as the Group was not in need of any material debt financing during the Year, and hence no gearing ratio was presented. The gearing ratio is calculated as total debt divided by total equity as at the respective year end.

There has been no material change in capital structure of the Company since the date of listing. The capital of the Company comprise solely ordinary shares. The equity attributable to the owners of the Company amounted to approximately HK\$129.5 million as at 31 December 2021 (2020: HK\$142.0 million).

Pledge of Assets

As at 31 December 2021, bank deposits of HK\$2.0 million (2020: HK\$2.0 million) were pledged to secure the banking facilities. Save for the above, the Group did not have any charges on its assets.

Foreign Exchange Exposure and Treasury Policy

The majority of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. During the Year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital Commitments

As at 31 December 2021 and 2020, the Group did not have any material capital commitment.

Human Resources Management

As at 31 December 2021, the Group had a total of 15 (2020: 20) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance. Employees may also be granted share awards under the share award scheme adopted by the Company.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Future Plans for Material Investments or Additions of Capital Assets

The Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Year, nor there were any future plans for material investments or additions of capital assets as at 31 December 2021.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2021 and 2020.

CORPORATE GOVERNANCE PRACTICES

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company (the “Shareholders”).

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules. During the Year, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. In view of Mr. Lau King Wai, being the founder of the Group and his experience and his roles in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Lau King Wai acts as the chairman of the Board (the “Chairman”) and continues to act as the chief executive officer (the “CEO”).

The Directors consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and CEO is necessary.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

Share Award Scheme

The Company has adopted a share award scheme (the “Share Award Scheme”) on 17 May 2021 (the “Adoption Date”) for the purpose of retaining participants and encouraging them to make contributions to the growth and development of the Group.

Pursuant to the rules of the Share Award Scheme (the “Scheme Rules”), the Board may grant an award to anyone (other than any excluded participant) who is an employee, non-executive director, supplier, customer or consultant etc. of any member of the Group for participation in the Share Award Scheme and determine the terms of the award. The Share Award Scheme is subject to the administration of the Board in accordance with the Scheme Rules. The Board may engage one or more trustees to administer the Share Award Scheme as the Board thinks fit. The Share Award Scheme will terminate on the tenth anniversary of the Adoption Date or such earlier date as the Board may determine. The Board shall not grant any further awards if such award would cause the aggregate number of shares underlying such award and all other outstanding awards (taken together with all unvested awarded shares granted under the Scheme Rules) to exceed 10% of the number of issued shares at the date of grant. The Board may, from time-to-time remit funds to the trustee for the purposes of the Share Award Scheme, and such money will form part of the trust fund. The Board may instruct the trustee to purchase the number of shares underlying the award from the open market (either on-market or off-market) and the trustee shall hold such shares on trust for the participants until they are vested in accordance with the Scheme Rules.

During the Year, the trustee purchased a total number of 23,640,000 shares (the “Share Purchase”) on the market at a total consideration after transaction cost of approximately HK\$4.4 million for the purpose of the Share Award Scheme. During the Year, no share awards have been granted under the Share Award Scheme.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Except as disclosed in elsewhere in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the year ended 31 December 2021.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the year ended 31 December 2021. The Company was not aware of any non-compliance during the year ended 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 6 May 2022. A circular containing the details of AGM and the notice of the AGM and form of proxy accompanying thereto will be despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 3 May 2022 to Friday, 6 May 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 29 April 2022.

For determining the entitlement to the proposed final dividend payable to Shareholders, the register of members of the Company will be closed from Monday, 16 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 May 2022. The expected date of payment of the final dividend is Thursday, 2 June 2022.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 18 November 2016 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The terms of reference setting out the Audit Committee’s authority, duties and responsibilities are available on both the GEM website and the Company’s website. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee risk management and internal control procedures of the Company. As at 31 December 2021, the Audit Committee consists of three members, namely Mr. Li Wai Kwan, Mr. Hui Harry Chi and Ms. So Patsy Ying Chi. Ms. So Patsy Ying Chi is the chairlady of the Audit Committee.

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2021, with external auditor. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been compared by the Group’s auditor, Linksfield CPA Limited (“Linksfield”), Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Linksfield in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

By order of the Board of
K W Nelson Interior Design and Contracting Group Limited
Lau King Wai
Chairman and Chief Executive Officer

Hong Kong, 24 March 2022

As at the date of this announcement, the Board comprises Mr. Lau King Wai, Ms. Leung May Yan and Mr. Wong Siu Hong Edward as executive Directors, and Mr. Li Wai Kwan, Mr. Hui Harry Chi and Ms. So Patsy Ying Chi as independent non-executive Directors.

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.kwnelson.com.hk>.