

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 2022

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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 2022 (the “Year” or “2022”), the Group’s revenue decreased by approximately 3.6% to approximately HK\$42.5 million from approximately HK\$44.1 million for the year ended 31 December 2021 (the “Previous Year” or “2021”). The decrease was mainly driven by the decrease in revenue from projects for elderly home, which partially offset by the increase in revenue from projects for office premises and medical centre. The Group’s gross profit increased to approximately HK\$12.0 million for the Year from approximately HK\$9.1 million for the Previous Year, representing an increase of approximately 30.9%.
- The Group’s recorded a loss attributable to the owners of the Company of approximately HK\$3.4 million for the Year (Previous Year: HK\$5.2 million).
- The Board does not recommend the payment of a final dividend for the Year (Previous Year: HK0.3 cent per share).

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 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	42,521	44,086
Cost of sales		<u>(30,568)</u>	<u>(34,952)</u>
Gross profit		11,953	9,134
Other income and gains	4	769	674
Selling and distribution expenses		(865)	(1,129)
Administrative expenses		(15,325)	(13,836)
Reversal of impairment of trade receivables		<u>445</u>	<u>659</u>
Operating loss		(3,023)	(4,498)
Finance costs	5	<u>(52)</u>	<u>(46)</u>
Loss before income tax		(3,075)	(4,544)
Income tax expense	6	<u>(327)</u>	<u>(622)</u>
Loss for the year attributable to the owners of the Company		<u>(3,402)</u>	<u>(5,166)</u>
Loss per share attributable to the owners of the Company (in HK cents)	7		
Basic and diluted		<u>(0.4)</u>	<u>(0.5)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(3,402)</u>	<u>(5,166)</u>
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	(244)	107
<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 (“FVOCI”)	<u>433</u>	<u>(18)</u>
Other comprehensive income for the year, net of tax	<u>189</u>	<u>89</u>
Total comprehensive loss for the year attributable to the owners of the Company	<u><u>(3,213)</u></u>	<u><u>(5,077)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,524	4,099
Right-of-use assets		1,025	635
Financial assets at fair value through other comprehensive income		518	85
		<u>5,067</u>	<u>4,819</u>
Current assets			
Trade and other receivables	8	3,963	19,646
Contract assets		423	215
Current income tax assets		4,423	4,423
Pledged bank deposits		2,647	2,000
Time deposits with original maturity over three months		38,720	38,561
Cash and cash equivalents		25,116	80,673
		<u>75,292</u>	<u>145,518</u>
Total assets		<u>80,359</u>	<u>150,337</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		10,000	10,000
Share premium		33,728	33,728
Share held for share award scheme		(7,589)	(4,439)
Reserves		36,079	90,226
		<u>72,218</u>	<u>129,515</u>
Non-controlling interests		5	5
		<u>72,223</u>	<u>129,520</u>
Total equity		<u>72,223</u>	<u>129,520</u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		277	293
Deferred income tax liabilities		359	32
Provisions	9	<u>535</u>	<u>–</u>
		<u>1,171</u>	<u>325</u>
Current liabilities			
Trade and other payables	9	1,976	7,103
Contract liabilities		4,517	13,029
Lease liabilities		<u>472</u>	<u>360</u>
		<u>6,965</u>	<u>20,492</u>
Total liabilities		<u>8,136</u>	<u>20,817</u>
Total equity and liabilities		<u><u>80,359</u></u>	<u><u>150,337</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to the owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Shares held for share award scheme HK\$'000	Merger reserve HK\$'000	Capital contribution reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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 FVOCI	-	-	-	(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	10,000	33,728	(33)	(7,508)	(4,439)	(380)	5,000	93,147	129,515	5	129,520
At 1 January 2022	10,000	33,728	(33)	(7,508)	(4,439)	(380)	5,000	93,147	129,515	5	129,520
Comprehensive income											
Loss for the year	-	-	-	-	-	-	-	(3,402)	(3,402)	-	(3,402)
Other comprehensive income											
Exchange difference arising on translation of foreign operations	-	-	(244)	-	-	-	-	-	(244)	-	(244)
Change in fair value of financial assets at FVOCI	-	-	-	433	-	-	-	-	433	-	433
Total comprehensive loss for the year	-	-	(244)	433	-	-	-	(3,402)	(3,213)	-	(3,213)
Transactions with owners											
Dividend	-	-	-	-	-	-	-	(50,934)	(50,934)	-	(50,934)
Shares purchased for share award scheme	-	-	-	-	(3,150)	-	-	-	(3,150)	-	(3,150)
At 31 December 2022	10,000	33,728	(277)	(7,075)	(7,589)	(380)	5,000	38,811	72,218	5	72,223

1 GENERAL INFORMATION

K W Nelson Interior Design and Contracting Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961 as consolidated and revised) (now known as the Companies Act (2021 Revision)) of the Cayman Islands.

The Company’s registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is Room 1703, 17th Floor, Technology Plaza, 651 King’s Road, Quarry Bay, Hong Kong.

The Company is an investment holding company and together with its subsidiaries (collectively, the “Group”) are principally engaged in provision of interior designs, project management services and fitting-out works.

These consolidated financial statements are presented in thousands of Hong Kong Dollars (“HK\$’000”), unless otherwise stated.

2 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 2022:

Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (Amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (Amendments)
HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (Amendments)
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

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
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 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (Amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (Amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (Amendments)	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to 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, amendments and interpretation are not expected to have a material financial impact on the Group in the future reporting periods and on foreseeable future transactions. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements. The Group intends to adopt the above new standards, amendments to existing standards, interpretations and accounting guideline when they become effective.

3 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 2022, the Group had one (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	42,521	43,463
The PRC and Macau	—	623
	<u>42,521</u>	<u>44,086</u>

(b) Non-current assets

The Group's non-current assets other than financial assets at FVOCI by geographic area is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	4,547	4,731
The PRC and Macau	2	3
	<u>4,549</u>	<u>4,734</u>

Key Customers

For the year ended 31 December 2022, there was one customers (2021: two) which individually contributed over 10% of the Group's total revenue, the revenue contributed from each of these customers was as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	26,489	13,776
Customer B	-*	7,010
	<u> </u>	<u> </u>

* The corresponding revenue did not contribute over 10% of the Group's total revenue.

4 OTHER INCOME AND GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	487	114
Government grants (<i>note</i>)	279	-
Interest income from overdue trade receivables	-	166
Gain on disposal of property, plant and equipment	-	99
Others	3	295
	<u> </u>	<u> </u>
	769	674
	<u> </u>	<u> </u>

Note

In 2022, 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. There are no unfulfilled conditions or other contingencies attaching to these grants.

5 FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on lease liabilities	52	46
	<u> </u>	<u> </u>

6 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profit for the years ended 31 December 2022 and 2021.

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 2022 and 2021.

An analysis of the income tax expense is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax		
— Current year	—	—
— Under-provision in prior years	—	57
	<u>—</u>	<u>57</u>
Deferred income tax	327	565
	<u>327</u>	<u>622</u>

7 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the 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.

	2022	2021
Loss attributable to the owners of the Company (<i>HK\$'000</i>)	(3,402)	(5,166)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	964,040	994,133
	<u>(0.4)</u>	<u>(0.5)</u>

(b) Diluted

For the years ended 31 December 2022 and 2021, diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares in existence.

8 TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	2,489	15,026
Less: provision for loss allowance	(543)	(2,806)
	1,946	12,220
Prepayments	1,266	7,102
Deposits, and other receivables	751	324
	3,963	19,646

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK\$97,000 (2021: HK\$43,000). 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	1,000	3,392
31 to 60 days	55	1,698
61 to 90 days	–	27
Over 90 days	891	7,103
	1,946	12,220

The provision for loss allowance of other classes within trade and other receivables is immaterial. The Group does not hold any collateral as security.

9 PROVISIONS, TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current		
Provision for reinstatement cost	449	–
Provision for long service payments	86	–
	<u>535</u>	<u>–</u>
Current		
Trade payables	1,137	3,141
Other payables and accruals	839	3,962
	<u>1,976</u>	<u>7,103</u>
Total	<u><u>2,511</u></u>	<u><u>7,103</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
1 to 30 days	351	376
31 to 90 days	208	517
Over 90 days	578	2,248
	<u>1,137</u>	<u>3,141</u>

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

10 DIVIDENDS

	2022	2021
	HK\$'000	HK\$'000
2020 final dividend paid (HK0.3 cents per share)	–	3,000
2021 final dividend paid (HK0.3 cents per share)	2,903	–
2022 interim dividend paid (HK5.0 cents per share)	48,031	–
	<u>50,934</u>	<u>3,000</u>

The directors did not recommend the payment of final dividend for the year ended 31 December 2022.

11 CONTINGENT LIABILITY

As at 31 December 2022, performance bond of HK\$647,000 (2021: Nil) was given by a bank in favour of the Group's customer as security for the due performance and observance of the Group's obligation under the contract entered into between the Group and the customer. The Group has pledged bank deposits for the above performance bond. If the Group fails to provide satisfactory performance to the customer to whom performance bond has been given, the customer may demand the bank to pay to the customer the sum stipulated in the demand. The Group will then become liable to compensate the bank accordingly. The performance bond will be released upon completion of the contract work. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Group.

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 2022 (the "Year" or "2022"), the Group's revenue decreased by approximately 3.6% to approximately HK\$42.5 million from approximately HK\$44.1 million for the year ended 31 December 2021 (the "Previous Year" or "2021"). The decrease was mainly driven by the decrease in revenue from projects for elderly home, which partially offset by the increase in revenue from projects for office premises and medical centre. The Group's gross profit increased to approximately HK\$12.0 million for the Year from approximately HK\$9.1 million for the Previous Year, representing an increase of approximately 30.9%.

The Group recorded a loss attributable to the owners of the Company of approximately HK\$3.4 million for the Year (Previous Year: HK\$5.2 million).

Outlook

During the Year, the Group completed/awarded certain projects of elderly home, office premises and medical centre. 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, medical centres and elderly home. In view of the increasing public awareness in health issues and ageing population in Hong Kong, the Group believes more health centres, medical clinics, elderly home 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 3.6% to approximately HK\$42.5 million (Previous Year: HK\$44.1 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 2022 and 2021:

Use of premises	For the year ended 31 December			
	2022		2021	
	HK\$'000	%	HK\$'000	%
Office and elderly home	37,881	89.1	42,254	95.8
Medical centre and others ^(Note)	4,640	10.9	1,832	4.2
Total	42,521	100.0	44,086	100.0

Note: Others mainly comprise retail stores, restaurant, shopping mall and residential premises.

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 2022 and 2021:

Project types and locations	For the year ended 31 December					
	2022			2021		
	<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	9	40,305	94.8	14	39,321	89.2
The PRC and Macau	–	–	–	1	309	0.7
	<u>9</u>	<u>40,305</u>	<u>94.8</u>	<u>15</u>	<u>39,630</u>	<u>89.9</u>
Decoration						
Hong Kong	2	340	0.8	2	2,967	6.7
	<u>2</u>	<u>340</u>	<u>0.8</u>	<u>2</u>	<u>2,967</u>	<u>6.7</u>
Others						
Hong Kong		1,876	4.4		1,175	2.7
The PRC and Macau		–	–		314	0.7
		<u>1,876</u>	<u>4.4</u>		<u>1,489</u>	<u>3.4</u>
Total	<u>11</u>	<u>42,521</u>	<u>100.0</u>	<u>17</u>	<u>44,086</u>	<u>100.0</u>

The slight increase in revenue of design and decoration projects from HK\$39.6 million for the Previous Year to HK\$40.3 million for the Year was mainly due to increase in revenue derived from projects of elderly home and medical centre by HK\$14.1 million and HK\$2.7 million respectively, which partially offset by decrease in revenue from projects by office premises by HK\$15.3 million.

The decrease in revenue of decoration projects by HK\$2.6 million during the Year was principally attributed to the decrease in revenue derived from office premises and retail stores by HK\$2.9 million.

Cost of Sales and Gross Profit

The Group's cost 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 2022 and 2021:

Use of premises	For the year ended 31 December			
	2022		2021	
	<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	10,288	27.2	8,850	20.9
Medical centre and others	<u>1,665</u>	35.9	<u>284</u>	15.5
Overall	<u><u>11,953</u></u>	28.1	<u><u>9,134</u></u>	20.7

Gross profit margin of the Group's office and elderly home projects increased from approximately 20.9% in 2021 to approximately 27.2% in 2022 was mainly due to the lower gross profit margin for the elderly home for the purpose of expanding the Group's client portfolio in 2021, while there is increase in projects for office premises with relatively higher gross profit margin in 2022.

Gross profit margin of the Group's medical centre and others projects increased from approximately 15.5% in 2021 to approximately 35.9% in 2022 was mainly attributable by the increase in projects for medical centre during the Year with higher gross profit margin due to involvement of more complex specifications 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 antigermes and anti-dust requirements.

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 2022 and 2021:

Project types	For the year ended 31 December			
	2022		2021	
	<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	11,535	28.6	8,080	20.4
Decoration	36	10.6	392	13.2
Others	382	20.4	662	44.4
Overall	<u>11,953</u>	28.1	<u>9,134</u>	20.7

The Group's overall gross profit margin increased from approximately 20.7% for the Previous Year to approximately 28.1% for the Year, mainly due to increase in design and decoration projects for office premises with relatively higher gross profit margin during the Year.

Administrative Expenses

The Group's administrative expenses mainly consisted of (i) staff costs and directors' remuneration; (ii) legal and professional fee; (iii) depreciation; and (iv) other administrative expenses, which increased to approximately HK\$13.8 million for the Year from approximately HK\$15.3 million for Previous Year due to the increase in the discretionary bonus to staff and directors of HK\$1.3 million.

Income tax

Income tax expense for the Year was approximately HK\$0.3 million (Previous Year: HK\$0.6 million). The income tax expense for the Year and the Previous 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.

Loss for the Year

As a result of the foregoing, the Group recorded a loss of approximately HK\$3.4 million for the Year (Previous Year: HK\$5.2 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 2022, loss allowance of HK\$0.5 million (2021: HK\$2.8 million) was recognised with respect to the Group's trade receivables of which HK\$0.2 million (2021: HK\$0.4 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 2022, the Group had net current assets of approximately HK\$68.3 million (2021: HK\$125.0 million), including cash and cash equivalents balances of approximately HK\$25.1 million (2021: HK\$80.7 million) mainly denominated in Hong Kong dollars. As at 31 December 2022, the Group had an unutilised banking facility of HK\$2.0 million (2021: 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 10.8 times as at 31 December 2022 (2021: 7.1 times). The increase was mainly due to the decrease % in current assets (48.3%) is lower than that for current liabilities (66.0%).

As at 31 December 2022, the Group had no outstanding borrowings (2021: 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 equity attributable to the owners of the Company amounted to approximately HK\$72.2 million as at 31 December 2022 (2021: HK\$129.5 million).

Pledge of Assets

As at 31 December 2022, bank deposits of HK\$2.0 million (2021: HK\$2.0 million) and HK\$0.6 million (2021: Nil) were pledged to secure the banking facilities and a performance bond, respectively. 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 2022 and 2021, the Group did not have any material capital commitment.

Human Resources Management

As at 31 December 2022, the Group had a total of 12 (2021: 15) 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, Associates and Joint Ventures, 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, associates and joint ventures during the Year, nor there were any future plans for material investments or additions of capital assets as at 31 December 2022.

Contingent Liabilities

Saved as disclosed in note 11 to this announcement, the Group had no material contingent liabilities as at 31 December 2022 and 2021.

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 and adopted the principles and the Code Provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) as its corporate governance practice. During the Year, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate 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 adopted a share award scheme (the “Share Award Scheme”) on 17 May 2021 (the “Adoption Date”) in order to recognise and reward the eligible participants for their contributions to the business 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 ended 31 December 2022, the Group purchased 16,400,000 (2021: 23,640,000) of its own shares through the trustee of the share award scheme from open market. The total amount paid after transaction costs to acquire the shares was approximately HK\$3,150,000 (2021: HK\$4,439,000) and has been deducted from the owners’ equity. As at 31 December 2022 and 2021, such shares were recorded as treasury shares of the Company. During the year ended 31 December 2022 and 2021, no award shares 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 2022.

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 the 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. The Company was not aware of any non-compliance during the Year.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

ANNUAL GENERAL MEETING

An annual general meeting of the Company (the "AGM") will be held on Thursday, 25 May 2023. A circular containing the details of AGM and the notice of the AGM and form of proxy accompanying thereto will be despatched to the Shareholders 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 Monday, 22 May 2023 to Thursday, 25 May 2023, 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 19 May 2023.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 November 2016 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and paragraph D.3 of the CG Code. 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 2022, 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, 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, consolidated statement of changes in equity and the related notes thereto for the Year as set out in the preliminary announcement have been compared by the Group's auditor, Linksfeld CPA Limited ("Linksfeld"), 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 Linksfeld 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, 22 March 2023

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 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.

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