



K W Nelson

Interior Design and Contracting Group Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8411

Third Quarterly Report 2023

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This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- During the nine months ended 30 September 2023 (the “Period”), the Group’s revenue decreased by approximately 44.7% to approximately HK\$22.9 million from approximately HK\$41.4 million for the nine months ended 30 September 2022 (the “Previous Period”). The decrease was mainly driven by the decrease in revenue from design and decoration projects for elderly homes and medical centre. The Group’s gross profit decreased to approximately HK\$6.1 million for the Period from approximately HK\$12.5 million for the Previous Period, representing a decrease of approximately 51.7%.
- The Group recorded loss attributable to the owners of the Company of approximately HK\$4.3 million for the Period (Previous Period: profit of HK\$57,000).
- The Directors does not recommend the payment of a dividend for the Period (Previous Period: Nil). The Board has declared payment of an interim dividend of HK5.0 cents for the six months ended 30 June 2022.

UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS

The board of the Directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2023, together with the comparative unaudited figures for the corresponding period in 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2023

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|--|------|------------------------------------|------------------|-----------------------------------|------------------|
| | | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| Revenue | 4 | 1,455 | 5,977 | 22,901 | 41,438 |
| Cost of sales | 6 | (1,069) | (567) | (16,850) | (28,907) |
| Gross profit | | 386 | 5,410 | 6,051 | 12,531 |
| Other income and gains | 5 | 368 | 115 | 1,115 | 372 |
| Selling and distribution expenses | 6 | (362) | (240) | (884) | (538) |
| Administrative expenses | 6 | (2,345) | (2,704) | (9,654) | (12,422) |
| (Provision for)/reversal of impairment of trade receivables | | (881) | (39) | (978) | 512 |
| Operating (loss)/profit | | (2,834) | 2,542 | (4,350) | 455 |
| Finance costs | 7 | (6) | (12) | (22) | (41) |
| (Loss)/profit before income tax | | (2,840) | 2,530 | (4,372) | 414 |
| Income tax (expense)/credit | 8 | (1) | (238) | 63 | (357) |
| (Loss)/profit for the period attributable to the owners of the Company | | (2,841) | 2,292 | (4,309) | 57 |
| (Loss)/earnings per share attributable to the owners of the Company (in HK cents) | | | | | |
| Basic and diluted | 9 | (0.30) | 0.24 | (0.45) | 0.01 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|------------------|-----------------------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| (Loss)/profit for the period | (2,841) | 2,292 | (4,309) | 57 |
| Other comprehensive income for the period | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | |
| Exchange differences on translation of foreign operations | (7) | (169) | (121) | (310) |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | |
| Change in fair value of financial assets at fair value through other comprehensive income | 126 | 246 | – | 286 |
| Other comprehensive income/(loss) for the period, net of tax | 119 | 77 | (121) | (24) |
| Total comprehensive (loss)/income for the period attributable to the owners of the Company | (2,722) | 2,369 | (4,430) | 33 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

| | 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 | Merger reserve HK\$'000 | Capital | Retained profits HK\$'000 | Total HK\$'000 | Non-controlling interest HK\$'000 | Total HK\$'000 |
| | | | | | award scheme HK\$'000 | | contribution reserve HK\$'000 | | | | |
| For the nine months ended 30 September 2022 | | | | | | | | | | | |
| Balance at 1 January 2022 | 10,000 | 33,728 | (33) | (7,508) | (4,439) | (380) | 5,000 | 93,147 | 129,515 | 5 | 129,520 |
| Profit for the period | - | - | - | - | - | - | - | 57 | 57 | - | 57 |
| Other comprehensive income | | | | | | | | | | | |
| Exchange difference on translation of foreign operations | - | - | (310) | - | - | - | - | - | (310) | - | (310) |
| Change in fair value of financial assets at fair value through other comprehensive income | - | - | - | 286 | - | - | - | - | 286 | - | 286 |
| Total comprehensive income | - | - | (310) | 286 | - | - | - | 57 | 33 | - | 33 |
| Share purchased for share award scheme | - | - | - | - | (3,081) | - | - | - | (3,081) | - | (3,081) |
| Dividend | - | - | - | - | - | - | - | (50,934) | (50,934) | - | (50,934) |
| Balance at 30 September 2022 | 10,000 | 33,728 | (343) | (7,222) | (7,520) | (380) | 5,000 | 42,270 | 75,533 | 5 | 75,538 |
| For the nine months ended 30 September 2023 | | | | | | | | | | | |
| Balance at 1 January 2023 | 10,000 | 33,728 | (277) | (7,075) | (7,589) | (380) | 5,000 | 38,811 | 72,218 | 5 | 72,223 |
| Loss for the period | - | - | - | - | - | - | - | (4,309) | (4,309) | - | (4,309) |
| Other comprehensive income | | | | | | | | | | | |
| Exchange difference on translation of foreign operations | - | - | (121) | - | - | - | - | - | (121) | - | (121) |
| Total comprehensive loss | - | - | (121) | - | - | - | - | (4,309) | (4,430) | - | (4,430) |
| Share purchased for share award scheme | - | - | - | - | (1,031) | - | - | - | (1,031) | - | (1,031) |
| Disposal of non-controlling interests | - | - | - | - | - | - | - | - | - | (5) | (5) |
| Balance at 30 September 2023 | 10,000 | 33,728 | (398) | (7,075) | (8,620) | (380) | 5,000 | 34,502 | 66,757 | - | 66,757 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

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

2 BASIS OF PREPARATION

This unaudited condensed consolidated results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and Hong Kong Financial Reporting Standard (“HKFRSs”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated results has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of unaudited condensed consolidated results requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These unaudited condensed consolidated results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The unaudited condensed consolidated results is unaudited, but has been reviewed by the Company’s audit committee.

The measurement basis used in the preparation of the unaudited condensed consolidated results is the historical cost basis except for financial assets at fair value through other comprehensive income, which are carried at fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this quarterly financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

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 nine months ended 30 September 2023, the Group had one (2022: 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

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:

| | Three months ended 30 September | | Nine months ended 30 September | |
|-----------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Hong Kong | 1,455 | 5,977 | 22,901 | 41,438 |

5 OTHER INCOME AND GAINS

| | Three months ended 30 September | | Nine months ended 30 September | |
|------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Interest Income | 368 | 46 | 1,114 | 111 |
| Sundry Income | – | 2 | 1 | 2 |
| Government grant | – | 67 | – | 259 |
| | 368 | 115 | 1,115 | 372 |

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

6 (LOSS)/PROFIT BEFORE INCOME TAX

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|-------------|-----------------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Material and subcontractor costs | 663 | 62 | 15,582 | 27,024 |
| Advertising and promotion expenses | 28 | 45 | 89 | 93 |
| Auditor's remuneration | | | | |
| — Audit services | — | — | — | — |
| Depreciation of property, plant and equipment | 248 | 248 | 745 | 713 |
| Depreciation of right-of-use assets | 153 | 115 | 459 | 461 |
| Employee benefit costs (including directors' emoluments) | 1,605 | 1,688 | 7,286 | 9,054 |
| Insurance expenses | 66 | 68 | 156 | 428 |
| Legal and professional fees | 440 | 638 | 1,437 | 2,171 |
| Motor vehicle expenses | 65 | 80 | 179 | 247 |
| Travelling expenses | 122 | 140 | 347 | 290 |
| Others | 386 | 427 | 1,108 | 1,386 |
| Total cost of sales, selling and distribution expenses and administrative expense | 3,776 | 3,511 | 27,388 | 41,867 |

7 FINANCE COSTS

| | Three months ended 30 September | | Nine months ended 30 September | |
|---------------------------------------|------------------------------------|-------------|-----------------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Interest expense on lease liabilities | 6 | 12 | 22 | 41 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

8 INCOME TAX (EXPENSE)/CREDIT

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 nine months ended 30 September 2023 and 2022.

No PRC Corporate Income Tax provision was made as the PRC subsidiary has sustained a loss for taxation purpose for the nine months ended 30 September 2023 (2022: same).

An analysis of the income tax (expense)/credit is as follows:

| | Three months ended | | Nine months ended | |
|-------------------------------------|--------------------|--------------|-------------------|--------------|
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Current tax — Hong Kong Profits Tax | — | — | — | — |
| Deferred tax | (1) | (238) | 63 | (357) |
| | (1) | (238) | 63 | (357) |

There were no material unrecognised deferred tax assets and liabilities as at 30 September 2023 (31 December 2022: Nil).

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

| | Three months ended | | Nine months ended | |
|--|--------------------|-------------|-------------------|-------------|
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| (Loss)/profit for the period attributable to the owners of the Company (HK\$'000) | (2,841) | 2,292 | (4,309) | 57 |
| Weighted average number of ordinary shares in issue (thousand shares) | 953,303 | 960,636 | 954,437 | 965,277 |
| Basic (loss)/earnings per share (HK cents) | (0.30) | 0.24 | (0.45) | 0.01 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

9 (LOSS)/EARNINGS PER SHARE (Continued)

(b) Diluted

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the nine months ended 30 September 2023 and 2022.

10 DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: Nil).

On 29 July 2022, the Board declared the payment of an interim dividend of HK5.0 cent per share for the six months ended 30 June 2022 in an aggregate amount of HK\$50,000,000.

11 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The directors of the Company are of the view that the following parties/companies were related parties with transactions or balances with the Group during the nine months ended 30 September 2023 and 2022:

| Name of related party | Relationship with the Group |
|----------------------------|---|
| Mr. Lau King Wai | Director and the controlling shareholder of the Company |
| Ms. Chan Pui Shan, Jessica | Personal Assistant to Chief Executive Officer and spouse of the controlling shareholder |
| Mr. Lau Tin Nok | Overseas business assistant and son of the controlling shareholder |
| Further Concept Limited | Controlled by the controlling shareholder |

Other than those disclosed below and elsewhere in the condensed consolidated financial statements, the Group had no significant transactions or balances with related parties during the nine months ended 30 September 2023 (2022: same).

(b) Transactions with related parties

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|----------|-----------------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest expenses on lease liabilities paid to Further Concept Limited | 4 | 6 | 14 | 22 |

During the nine months ended 30 September 2023, repayment of principal and interest portion of lease liabilities to the related party was HK\$180,000 (2022: HK\$180,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

11 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

The above-mentioned transactions were conducted in the normal course of business and was charged at terms mutually agreed by the relevant parties.

The related party transactions in respect of rental expenses above constitutes continuing connected transaction as defined in Chapter 20 of the GEM Listing Rules. However, these transactions are exempt from the disclosure requirements in Chapter 20 of the GEM Listing Rules as they are below the de minimis threshold under Rule 20.74(1).

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is the amounts paid to the Company's directors as set out below:

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Emoluments, salaries and other benefits | 644 | 733 | 4,575 | 6,243 |
| Contributions to defined contribution retirement plan | 10 | 14 | 31 | 41 |
| | 654 | 747 | 4,606 | 6,284 |

(d) Remuneration of the spouse and son of the controlling shareholder

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Salaries and other benefits | 176 | 163 | 564 | 463 |
| Contributions to defined contribution retirement plan | 6 | 5 | 19 | 14 |
| | 182 | 168 | 583 | 477 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

12 CONTINGENT LIABILITY

As at 30 September 2023, performance bond of HK\$647,000 (31 December 2022: HK\$647,000) 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

The Group is an interior decorator based in Hong Kong, focusing on commercial premises including office, retail store and restaurant mainly 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 are 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 Period, the Group's revenue decreased by approximately 44.7% to approximately HK\$22.9 million from approximately HK\$41.4 million for the Previous Period. The decrease was mainly driven by the decrease in revenue from design and decoration projects for elderly homes and medical centre. The Group's gross profit decreased to approximately HK\$6.1 million for the Period from approximately HK\$12.5 million for the Previous Period, representing a decrease of approximately 51.7%.

The Group recorded loss attributable to the owners of the Company of approximately HK\$4.3 million for the Period (Previous Period: profit of HK\$57,000).

OUTLOOK

During the Period, the Group completed/awarded certain projects of offices premises. The unexpected outbreak of COVID-19 has brought unprecedented impact to the economy, the Group's business has been disrupted. Even the market has gradually recovered since the outbreak of COVID-19, demand for decoration of office premises were still adversely impacted by the conservative approach of our clients as a consequence of their capital liquidity control and precautionary measures against COVID-19.

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. We are cautiously confident that the worst is now behind us. The lifting of many pandemic measures, including the elimination of onerous quarantine requirements, has injected new life in the economy. With the various market stabilisation measures implemented and the recovering market sentiment, the demand for decoration of office premises are expected to perk up.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Period, the Group's revenue decreased by approximately 44.7% to approximately HK\$22.9 million (Previous Period: HK\$41.4 million).

The following table sets forth a breakdown of the Group's revenue and number of projects by project types and geographical locations for the nine months ended 30 September 2023 and 2022:

| Project types and locations | Nine months ended 30 September | | | | | |
|--------------------------------|--------------------------------|----------------------|--------------|-----------------|----------------------|--------------|
| | 2023 | | | 2022 | | |
| | No. of projects | HK\$'000 (Unaudited) | % | No. of projects | HK\$'000 (Unaudited) | % |
| Design & decoration | | | | | | |
| Hong Kong | 4 | 20,740 | 90.6 | 8 | 39,239 | 94.7 |
| Decoration | | | | | | |
| Hong Kong | 2 | 465 | 2.0 | 2 | 609 | 1.5 |
| Others | | | | | | |
| Hong Kong | | 1,696 | 7.4 | | 1,590 | 3.8 |
| Total | 6 | 22,901 | 100.0 | 10 | 41,438 | 100.0 |

The decrease in revenue of design and decoration projects from HK\$39.2 million for the Previous Period to HK\$20.7 million for the Period was mainly due to decrease in revenue derived from projects of elderly homes and medical centre by HK\$25.9 million and HK\$3.5 million respectively, which partially offset by increase in revenue derived from office premises by approximately HK\$10.4 million.

The decrease in revenue of decoration projects by approximately HK\$0.1 million during the Period was principally attributed to the decrease in revenue derived from medical centre.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales and Gross Profit Margin

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 margin by project types for the nine months ended 30 September 2023 and 2022:

| Project types | Nine months ended 30 September | |
|---------------------|--------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Design & decoration | 25.5% | 30.2% |
| Decoration | 25.2% | 50.7% |
| Others | 37.9% | 22.7% |
| Overall | 26.4% | 30.2% |

The Group's overall gross profit margin decreased from approximately 30.2% for the Previous Period to approximately 26.4% for the Period, mainly due to the decrease in design and decoration projects for elderly home with relatively higher gross profit margin during the Previous Period.

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.

Administrative expenses decreased from approximately HK\$12.4 million for the Previous Period to approximately HK\$9.7 million for the Period, which was mainly due to (i) decrease in legal professional fee by HK\$0.6 million; and (ii) decrease in discretionary bonus and other staff benefits for staff and directors by approximately HK\$1.5 million.

Income Tax

Income tax credit amounted to HK\$63,000 for the Period and income tax expense amounted to HK\$0.4 million for the Previous Period. The income tax credit for the Period 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)/profit for the Period

As a result of the foregoing, the Group recorded loss of approximately HK\$4.3 million for the Period (Previous Period: profit of HK\$57,000).

Dividend

The Board does not recommend the payment of a dividend for the Period (Previous Period: Nil).

The Board has declared the payment of an interim dividend of HK5.0 cent per share for the six months ended 30 June 2022, totalling HK\$50,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 September 2023, loss allowance of HK\$1.4 million (31 December 2022: HK\$0.5 million) was recognised with respect to the Group's trade receivables of which HK\$0.8 million (31 December 2022: HK\$0.2 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 Period, the Group financed its operations by its internal resources. As at 30 September 2023, the Group had net current assets of approximately HK\$63.8 million (31 December 2022: HK\$68.3 million), including cash and cash equivalents balances of approximately HK\$18.3 million (31 December 2022: HK\$25.1 million) mainly denominated in Hong Kong dollars. As at 30 September 2023, the Group had an unutilised banking facility of HK\$2.0 million (31 December 2022: 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 13.4 times as at 30 September 2023 (31 December 2022: 10.8 times).

As at 30 September 2023, the Group had no outstanding borrowings (31 December 2022: nil) as the Group was not in need of any material debt financing during the Period, and hence no gearing ratio was presented. The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

There has been no 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\$66.8 million as at 30 September 2023 (31 December 2022: HK\$72.2 million).

PLEDGE OF ASSETS

As at 30 September 2023, bank deposits of HK\$2.0 million (31 December 2022: HK\$2.0 million) and HK\$0.6 million (31 December 2022: HK\$0.6 million) was 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 Period, 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 Period.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 September 2023 and 31 December 2022, the Group did not have any material capital commitment.

HUMAN RESOURCES MANAGEMENT

As at 30 September 2023, the Group had a total of 15 (31 December 2022: 12) 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 Period, nor there was any future plans for material investments or additions of capital assets as at 30 September 2023.

CONTINGENT LIABILITIES

Save as disclosed in note 12 to the condensed consolidated financial statements, the Group did not have any material contingent liability as at 30 September 2023 and 31 December 2022.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 September 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, is as follows:

Long Positions in Shares of the Company (the "Shares")

| Name | Nature of Interest | Interests in Shares | Approximate percentage shareholding (Note 2) |
|------------------|--|---------------------|---|
| Mr. Lau King Wai | Interest of a controlled corporation (Note 1) | 750,000,000 | 75% |

Notes:

- Mr. Lau King Wai beneficially owns 100% of the issued share capital of Sino Emperor Group Limited ("Sino Emperor"). By virtue of the SFO, Mr. Lau King Wai is deemed to be interested in all the Shares held by Sino Emperor.
- The approximate percentage is calculated based on 1,000,000,000 Shares in issue as at 30 September 2023.

Saved as disclosed above, as at 30 September 2023, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 September 2023, other than the Directors or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executive' Interests and Short Positions in the Shares, Underlying shares and Debentures of the Company or Its Associated Corporations" above, the following persons has an interest or short position in the Shares or underlying shares of the Company which had to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the issued Shares are listed as follows:

Long Positions in the Shares

| Name of Shareholder | Nature of Interest | Number of Shares | Approximate percentage shareholding (Note 3) |
|-------------------------------------|--------------------|------------------|---|
| Sino Emperor (Note 1) | Beneficial owner | 750,000,000 | 75% |
| Ms. Chan Pui Shan, Jessica (Note 2) | Interest of spouse | 750,000,000 | 75% |

Notes:

1. Sino Emperor is beneficially and wholly owned by Mr. Lau King Wai. By virtue of the SFO, Mr. Lau King Wai is deemed to be interested in all the Shares held by Sino Emperor.
2. 750,000,000 Shares are held by Sino Emperor, which is a company wholly owned by Mr. Lau King Wai. By virtue of the SFO, Ms. Chan Pui Shan, Jessica, who is the spouse of Mr. Lau King Wai, is taken to be interested in these Shares.
3. The approximate percentage are calculated based on 1,000,000,000 shares in issue as at 30 September 2023.

Saved as disclosed above, as at 30 September 2023, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and Chief Executive' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations" above) who had, or were deemed to have, interests or short positions in the Shares, underlying shares or debentures of the Company which had to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued Shares.

COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Period and up to the date of this quarterly report.

OTHER INFORMATION

EQUITY-LINKED AGREEMENTS

Other than the “Share Award Scheme” as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Period or subsisted at the end of the Period.

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 Period, the trustee purchased a total number of 7,420,000 shares (the “Share Purchase”) on the market at a total consideration after transaction costs of approximately HK\$1.0 million for the purpose of the Share Award Scheme. During the Period, 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 report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Period.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has applied and adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. During the Period, 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 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 is 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.

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

OTHER INFORMATION

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 5.29 of the GEM Listing Rules and paragraph D.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. 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 the date of this quarterly report, the Audit Committee currently 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 the unaudited condensed consolidated financial statements of the Group for the Period and this quarterly report and is of the view that such statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

By order of the Board

K W Nelson Interior Design and Contracting Group Limited

Lau King Wai

Chairman and Chief Executive Officer

Hong Kong, 13 November 2023

As at the date of this quarterly report, 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.