

K W Nelson

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

Stock Code: 8411

First Quarterly Report 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of 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 three months ended 31 March 2023 (the “Period”), the Group’s revenue decreased by approximately 23.8% to approximately HK\$16.0 million from approximately HK\$21.0 million for the three months ended 31 March 2022 (the “Previous Period”). The decrease was mainly driven by the decrease in revenue from projects for elderly home and medical centre, which partially offset by the increase in revenue from projects for office premises. The Group’s gross profit decreased to approximately HK\$3.6 million for the Period from approximately HK\$5.9 million for the Previous Period.
- The Group’s loss attributable to the owners of the Company amounted to approximately HK\$1.0 million for the Period (Previous Period: HK\$0.8 million).
- The board of directors does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

The board of the directors of the Company (the “Board”) hereby present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2023, together with the relevant comparative unaudited figures as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2023

	Note	Three months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	15,978	20,957
Cost of sales	5	(12,338)	(15,085)
Gross profit		3,640	5,872
Other income and gains		352	22
Selling and distribution expenses	5	(142)	(180)
Administrative expenses	5	(4,820)	(6,982)
(Provision for)/reversal of impairment on trade receivables		(42)	494
Operating loss		(1,012)	(774)
Finance costs		(9)	(16)
Loss before income tax		(1,021)	(790)
Income tax credit/(expense)	6	38	(29)
Loss for the period attributable to the owners of the Company		(983)	(819)
Loss per share attributable to the owners of the Company (in HK cents)			
Basic and diluted	7	(0.1)	(0.1)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss for the period	(983)	(819)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign operations	28	22
<i>Items that will not be reclassified to profit or loss:</i>		
Change in the fair value of financial assets at fair value through other comprehensive income ("FVOCI")	(21)	–
Other comprehensive income for the period, net of tax	7	22
Total comprehensive loss for the period attributable to the owners of the Company	(976)	(797)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 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 earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
					award scheme HK\$'000		contribution reserve HK\$'000				
For the three months ended 31 March 2022											
As 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 period	-	-	-	-	-	-	-	(819)	(819)	-	(819)
Other comprehensive income											
Exchange difference on translation of foreign operations	-	-	22	-	-	-	-	-	22	-	22
Total comprehensive loss for the period	-	-	22	-	-	-	-	(819)	(797)	-	(797)
Transactions with owners											
Shares purchased for share award scheme	-	-	-	-	(1,872)	-	-	-	(1,872)	-	(1,872)
As at 31 March 2022 (Unaudited)	10,000	33,728	(11)	(7,508)	(6,311)	(380)	5,000	92,328	126,846	5	126,851
For the three months ended 31 March 2023											
As at 1 January 2023	10,000	33,728	(277)	(7,075)	(7,589)	(380)	5,000	38,811	72,218	5	72,223
Comprehensive income											
Loss for the period	-	-	-	-	-	-	-	(983)	(983)	-	(983)
Other comprehensive income											
Exchange difference on translation of foreign operations	-	-	28	-	-	-	-	-	28	-	28
Change in fair value of financial assets at FVOCI	-	-	-	(21)	-	-	-	-	(21)	-	(21)
Total comprehensive loss for the period	-	-	28	(21)	-	-	-	(983)	(976)	-	(976)
Transactions with owners											
Shares purchased for share award scheme	-	-	-	-	(917)	-	-	-	(917)	-	(917)
As at 31 March 2023 (Unaudited)	10,000	33,728	(249)	(7,096)	(8,506)	(380)	5,000	37,828	70,325	5	70,330

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 January 2016. The shares of the Company were listed on GEM of the Stock Exchange on 8 December 2016 (the "Listing Date"). The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business is located at Room 1703, 17th Floor, Technology Plaza, 651 King's Road, Quarry Bay, Hong Kong.

The principal activities of the Group are the provision of interior designs, project management services and fitting-out works in Hong Kong.

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2023 have been prepared by the Directors in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2023 are consistent with those adopted in the annual report for the year ended 31 December 2022.

The preparation of the unaudited condensed consolidated financial statements 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.

This first quarterly report contains 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 measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis except for financial assets at FVOCI, which are carried at fair value. The unaudited condensed consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise indicated.

The condensed consolidated financial statements have not been audited but have been reviewed by the Company's audit committee.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

3 CHANGE 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. The adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group. The Group has not applied any new and amended 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 three months ended 31 March 2023, the Group had one (three months ended 31 March 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.

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	
	31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	15,978	20,957

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

5 EXPENSES BY NATURE

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Materials and subcontractor costs	11,911	14,550
Advertising and promotion expenses	14	33
Auditor's remuneration	–	–
Depreciation of property, plant and equipment	249	230
Depreciation of right-of-use assets	153	173
Employee benefit costs (including directors' emoluments)	4,036	5,682
Expense relating to short-term leases	8	15
Insurance expenses	39	196
Legal and professional fees	397	755
Motor vehicle expenses	57	96
Travelling expenses	26	98
Others	410	419
Total cost of sales, selling and distribution expenses and administrative expenses	17,300	22,247

6 INCOME TAX (CREDIT)/EXPENSE

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax — Hong Kong Profits Tax	–	–
Deferred income tax	(38)	29
	(38)	29

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 three months ended 31 March 2023 and 2022.

No PRC Corporate Income Tax provision was made for the PRC subsidiary as the PRC subsidiary has sustained a loss for taxation purpose for the three months ended 31 March 2023 and 2022.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

7 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to 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	
	31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company (HK\$'000)	(983)	(819)
Weighted average number of ordinary shares in issue (thousands)	956,742	970,503
Basic loss per share (HK cents)	(0.1)	(0.1)

(b) Diluted

The diluted loss per share is the same as the basic loss per share as there were no potential dilutive ordinary shares in existence during the three months ended 31 March 2023 and 2022.

8 DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: Nil).

9 CONTINGENT LIABILITY

As at 31 March 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 and retail space 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 we are responsible for the tailor-made interior design proposals, project management and fitting-out works; (ii) decoration projects in which we are responsible for project management and fitting-out works; and (iii) other interior design and fitting-out services.

During the three months ended 31 March 2023 (the "Period"), the Group's revenue decreased by approximately 23.8% to approximately HK\$16.0 million from approximately HK\$21.0 million for the three months ended 31 March 2022 (the "Previous Period"). The decrease was mainly driven by the decrease in revenue from projects for elderly home and medical centre, which partially offset by the increase in revenue from projects for office premises. The Group's gross profit decreased to approximately HK\$3.6 million for the Period from approximately HK\$5.9 million for the Previous Period.

The Group's loss attributable to the owners of the Company amounted to approximately HK\$1.0 million for the Period (Previous Period: HK\$0.8 million).

OUTLOOK

During the Period, the Group completed/awarded certain projects of office 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 and logistics for delivery of furniture and fixtures products 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, 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 and 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.

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 23.8% to approximately HK\$16.0 million (Previous Period: HK\$21.0 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 three months ended 31 March 2023 and 2022:

Project types and locations	Three months ended 31 March					
	2023			2022		
	<i>No. of projects</i>	<i>HK\$'000</i> (Unaudited)	<i>%</i>	<i>No. of projects</i>	<i>HK\$'000</i> (Unaudited)	<i>%</i>
Design & decoration						
Hong Kong	2	14,907	93.3	5	20,307	96.9
	2	14,907	93.3	5	20,307	96.9
Decoration						
Hong Kong	-	-	-	-	-	-
	-	-	-	-	-	-
Others						
Hong Kong		1,071	6.7		650	3.1
		1,071	6.7		650	3.1
Total	2	15,978	100.0	5	20,957	100.0

The decrease in revenue of design and decoration projects by HK\$5.4 million from HK\$20.3 million for the Previous Period to HK\$14.9 million for the Period was mainly due to decrease in revenue derived from projects of elderly home and medical centre by HK\$10.0 million and HK\$3.1 million respectively, which partially offset by the increase in revenue from projects for office premises by HK\$7.7 million.

Costs of Sales and Gross Profit Margin

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the breakdown of the Group's gross profit margin by project types for the three months ended 31 March 2023 and 2022:

Project types	Three months ended 31 March	
	2023 <i>Gross Profit Margin</i> (Unaudited)	2022 <i>Gross Profit Margin</i> (Unaudited)
Design & decoration	23.4%	27.6%
Decoration	–	–
Others	14.7%	39.7%
Overall	22.8%	28.0%

The Group's overall gross profit margin decreased from approximately 28.0% for the Previous Period to approximately 22.8% for the Period, mainly due to decrease in design and decoration projects for medical centre with relatively higher gross profit margin during the Period.

General and Administrative Expenses

The Group's general and administrative expenses mainly consisted of (i) staff costs; (ii) legal and professional fee; (iii) depreciation; and (iv) other administrative expenses.

Administrative expenses decreased from HK\$7.0 million for the Previous Period to HK\$4.8 million for the Period, which was mainly due to decrease in (i) discretionary bonus and staff welfare and benefits for staff and directors by HK\$1.5 million; and (ii) legal and professional fee of HK\$0.2 million during the Period.

Income Tax Credit/(Expense)

Income tax credit for the Period was approximately HK\$38,000 (Previous Period: expense of HK\$29,000). The income tax credit/(expense) for the Period and the Previous 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 for the period

As a result of the foregoing, loss for the Period of the Group was approximately HK\$1.0 million (Previous Period: HK\$0.8 million).

Dividend

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

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 31 March 2023, loss allowance of HK\$0.6 million (31 December 2022: HK\$0.5 million) was recognised with respect to the Group's trade receivables.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 31 March 2023, the Group had net current assets of approximately HK\$66.7 million (31 December 2022: HK\$68.3 million), including cash and cash equivalents balances of approximately HK\$16.8 million (31 December 2022: HK\$25.1 million) mainly denominated in Hong Kong dollars. As at 31 March 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 12.7 times as at 31 March 2023 (31 December 2022: 10.8 times). The increase in current ratio was mainly due to the decrease in contract liabilities.

As at 31 March 2023, the Group had no outstanding borrowings (31 December 2022: same) 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\$70.3 million as at 31 March 2023 (31 December 2022: HK\$72.2 million).

PLEDGE OF ASSETS

As at 31 March 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) 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 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 31 March 2023, the Group had no material capital commitment.

HUMAN RESOURCES MANAGEMENT

As at 31 March 2023, the Group had a total of 12 (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 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 31 March 2023.

CONTINGENT LIABILITIES

Saved as disclosed in note 9 to the unaudited consolidated financial statements, the Group had no material contingent liabilities as at 31 March 2023.

OTHER INFORMATION

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

As at 31 March 2023, the interests or short positions of the Directors or chief executives 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 SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Name	Capacity/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:

1. 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.
2. The approximate percentage is calculated based on 1,000,000,000 shares in issue as at 31 March 2023.

Saved as disclosed above, as at 31 March 2023, none of the Directors and chief executives 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 31 March 2023, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above, the following person has an interest or short position in the Shares or underlying shares of the Company which has 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 of the Company are listed as follows:

Long Positions in 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 controlled 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 is calculated based on 1,000,000,000 shares in issue as at 31 March 2023.

Saved as disclosed above, as at 31 March 2023, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has 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 of the Company.

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) has 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 three months ended 31 March 2023 and up to the date of this report.

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 to 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 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 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 three months ended 31 March 2023. The Company was not aware of any non-compliance during the three months ended 31 March 2023.

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.

OTHER INFORMATION

During the Period, the trustee purchased a total number of 6,460,000 shares (the “Share Purchase”) on the market at a total consideration after transaction cost of approximately HK\$0.9 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 shares during the Period.

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 auditor; 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 report, 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 the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2023 and the 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, 15 May 2023

As at the date of this 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.