K W Nelson

Interior Design and Contracting Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8411

Annual Report 2024

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.

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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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Lau King Wai *(Chairman and Chief Executive Officer)*
Ms. Leung May Yan
Mr. Wong Siu Hong Edward

Independent non-executive Directors
Mr. Li Wai Kwan
Mr. Hui Harry Chi (resigned on 1 January 2025)
Mr. Li Wai Leung (appointed on 1 January 2025)
Ms. So Patsy Ying Chi

AUTHORISED REPRESENTATIVES

Mr. Lau King Wai
Mr. Or Kevin

COMPANY SECRETARY

Mr. Or Kevin

AUDIT COMMITTEE MEMBERS

Ms. So Patsy Ying Chi *(Chairlady)*
Mr. Li Wai Kwan
Mr. Hui Harry Chi (resigned on 1 January 2025)
Mr. Li Wai Leung (appointed on 1 January 2025)

REMUNERATION COMMITTEE MEMBERS

Mr. Hui Harry Chi *(Chairman)*
(resigned on 1 January 2025)
Mr. Li Wai Leung *(Chairman)*
(appointed on 1 January 2025)
Mr. Li Wai Kwan
Ms. So Patsy Ying Chi

NOMINATION COMMITTEE MEMBERS

Mr. Li Wai Kwan *(Chairman)*
Ms. So Patsy Ying Chi
Mr. Hui Harry Chi (resigned on 1 January 2025)
Mr. Li Wai Leung (appointed on 1 January 2025)

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law
WE Lawyers

As to Cayman Law
Conyers Dill & Pearman

AUDITOR

Linksfield CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
UBS AG, Hong Kong Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1–1111
Cayman Islands

HEAD OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1703, 17th Floor
Technology Plaza
651 King's Road
Quarry Bay
Hong Kong

PLACE OF BUSINESS IN THE PRC

Unit 181, 30/F, West Lake Commercial Building
12 West Lake Road
Yuexiu District
Guangzhou
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1–1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.kwnelson.com.hk

GEM STOCK CODE

8411

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of K W Nelson Interior Design and Contracting Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am delighted to present the annual report of the Group for the year ended 31 December 2024 (the "Year").

OVERVIEW

During the Year, the Group's revenue decreased by approximately 25.4% from approximately HK$28.9 million for the year ended 31 December 2023 (the "Previous Year") to approximately HK$21.5 million. The decrease was mainly driven by the decrease in revenue from projects for office premises, which partially offset by the increase in revenue from projects for elderly home. The Group's gross profit decreased from approximately HK$8.4 million for the Previous Year to approximately HK$6.8 million for the Year, representing a decrease of approximately 19.7%.

The Group recorded a loss attributable to the owners of the Company of approximately HK$3.3 million for the Year (Previous Year: HK$5.7 million).

FORWARD

During the Year, the Group completed/awarded certain projects of office premises and elderly home. Although the market has gradually recovered since the outbreak of COVID-19, headwinds were encountered in the form of mounting inflationary pressures of the raw materials and subdued consumer sentiment, demand for decoration of office premises were still adversely impacted as our client remain vigilant towards associated risks.

Although the newly awarded contract sum has not yet reached the pre-pandemic levels, we are cautiously confident that the worst is now behind us. With the various market stabilisation measures implemented and the recovering market sentiment, the demand for decoration of office premises are expected to perk up.

In view of the aging population in Hong Kong, the Group believes more health centres, medical clinics and elderly home will be established to meet the health care requirements. The Group will continue to focus more in the medical sector gain various design and decoration projects.

We maintain a cautiously optimistic view on the external economic environment and market developments and will continue to focus on our core business. Despite the rapidly changing external environment, the Company will persistently enhance its competitiveness, aiming to capture market share. During this turbulent period, the Company will seek stability while progressing and maximising the value of the shareholders of the Company.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express our heartfelt gratitude to our shareholders, customers, subcontractors and business partners who trust and remain faithful to the Group through the volatile external operating environment in the past few years. I would also like to express our sincere thanks to our management and staff for their diligence, dedication and contribution throughout the years. We are confident the Company can overcome the turbulence and steer into smooth sailing in the future.

Lau King Wai
Chairman and Chief Executive Officer

Hong Kong, 19 March 2025

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND COMPANY SECRETARY

Biographical details of the Directors and company secretary of the Company are set out as follows:

Executive Directors

Mr. Lau King Wai (劉經緯) ("Mr. Lau"), aged 60, was appointed as an executive Director, the chairman of the Board and the chief executive officer on 7 January 2016. Mr. Lau is the founder of the Group and he is responsible for the overall business development, strategic planning and major decision-making of the Group.

Mr. Lau has over 36 years of experience in the interior design and decoration industry. Mr. Lau started working as an architectural draftsman of King Yip Engineering & Architectural Co., the principal business of which was architectural and building services, from July 1985 to July 1987, and he was responsible for preparing architectural drawings. Mr. Lau then worked as a site co-ordinator of OGLE Contracting Co., the principal business of which was interior design services, from September 1987 to February 1988, and he was responsible for work coordination at construction sites. He worked at Frankwell Commodities Ltd, the principal business was trading of commodities, from April 1988 to July 1989, and his last position was senior sales supervisor responsible for supervising trading accounts of clients. Mr. Lau was a project director, operator and owner of FCS Interior Design & Contracting Co., which was an interior design firm, from October 1989 to December 1990, and he was responsible for project management. He was a project director and operator of FCS Interior Design & Contracting Co., which was engaged in interior design and project management and was a branch office of Further Concept Limited (which was a company controlled by Mr. Lau), from January 1991 to December 1999, and he was responsible for project management. Mr. Lau was a chief executive officer of F.C.S. Interior Design and Contracting Co. Limited, the principal business of which was interior design and project management services, from January 2000 to April 2011, and he was responsible for the overall business development. F.C.S. Interior Design and Contracting Co. Limited (which was deregistered in April 2011) was controlled by Mr. Lau. In February 2009, Mr. Lau established K W Nelson Interior Design and Contracting Limited (formerly known as "K W Nelson Interior Architect Limited" and currently an indirect wholly-owned subsidiary of the Company) ("K W Nelson") which incorporates his name in the company name, both English and Chinese, in order to better position and brand his business in the market as well as to differentiate his business and management team from other players in the industry.

Mr. Lau obtained a certificate in basic site surveying and a certificate in engineering preparatory from Vocational Training Council Hong Kong in July 1984 and July 1985 respectively. He completed a distance learning course approved by Business & Technician Education Council, London at Morrison Hill Technical Institute (currently known as The Hong Kong Institute of Vocational Education (Morrison Hill)) and was awarded a national certificate in building studies by Business & Technician Education Council, London in July 1987.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND COMPANY SECRETARY

Ms. Leung May Yan (梁美恩), aged 49, was appointed as an executive Director on 24 February 2016. She joined the Group in February 2009 and has been a design director of the Group. Ms. Leung is responsible for overseeing the operation of projects of the Group.

Ms. Leung has over 28 years of experience in interior design. Prior to joining the Group, she was an assistant interior designer of FCS Interior Design & Contracting Co., the principal business of which was interior design and project management services, from July 1996 to September 1998, and she was responsible for assisting in the preparation of interior design drawings and floor plan design. She served as an interior designer of F.C.S. Interior Design and Contracting Co. Limited, which was engaged in the provision of interior design and project management services, from January 2000 to February 2009, and she was responsible for developing design concepts and preparing design proposals.

Ms. Leung graduated from Lee Wai Lee Technical Institute (currently known as The Hong Kong Institute of Vocational Education (Lee Wai Lee)) with a diploma degree in design (interior) in August 1996.

Mr. Wong Siu Hong Edward (黃兆康), aged 48, was appointed as an executive Director on 24 February 2016. He joined the Group in February 2009. He has been an interior designer responsible for creating three-dimensional virtual walk-through animations for the Group.

Mr. Wong has approximately 21 years of experience in three-dimensional interior design. Prior to joining to the Group, he was a three-dimensional designer of F.C.S. Interior Design and Contracting Co. Limited, the principal business of which was interior design and project management services, from April 2003 to February 2009, and he was responsible for preparing three-dimensional drawings and graphic design. He was a three-dimensional animator of Flapper Computer Trainer Limited, the principle business of which was the provision of information technology training courses, from January 1999 to May 1999, and he was responsible for preparing three-dimensional drawings.

Mr. Wong graduated from First Institute of Art and Design with a diploma degree in interior & environmental design in August 1998.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND COMPANY SECRETARY

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wai Kwan (李偉君), aged 53, was appointed as an independent non-executive Director on 18 November 2016. He is the chairman of the Group's nomination committee and a member of the Group's audit committee and remuneration committee.

Mr. Li has over 20 years of experience in accounting, finance and investment management. Mr. Li is the chief financial officer of Crystal International Group Limited, which is listed on Main Board (stock code: 2232) and principally engaged in manufacturing of fashion products, since December 2018 where he is responsible for finance matters. From March 2005 to September 2006, he worked for Esprit Holdings Limited, which is listed on the Main Board (stock code: 330) and principally engaged in manufacturing, retail and wholesale distribution of fashion products, and he served as a vice president of operational finance and a vice president of finance in Asia Pacific region from March 2005 to July 2006 and from August 2006 to September 2006 respectively, where he was responsible for finance and operational matters. From October 2006 to September 2010, he was a vice president of China Agri-Industries Holdings Limited, which was previously listed on the Main Board (stock code: 606) and principally engaged in trading on agricultural raw materials, manufacturing and distributing food products, and he was responsible for finance, investment and company secretarial matters. He was a managing director and director of the board of COFCO Agricultural Industrial Investment Fund Management Company Limited, which is principally engaged in asset management, from September 2010 to October 2011, and he was responsible for managing overall business and investment matters. He was a managing director of Origo Partners PLC, whose shares are listed on alternative investment market of the London Stock Exchange and principal business is private equity investment, from November 2011 to January 2013, and he was responsible for investment matters. From August 2013 to October 2018, Mr. Li was the chief financial officer of Zhuhai Dahengqin Company Limited* (珠海大橫琴股份有限公司) and its affiliate Zhuhai Dahengqin Property Company Limited* (珠海大橫琴置業有限公司), which is principally engaged in property investment and development, where he was responsible for finance, investment and fund management matters.

Mr. Li has been an independent non-executive director of Miricor Enterprises Holdings Limited, which is listed on the Main Board (previous stock code: 8358 and current stock code: 1827) and principally engaged in the provision of medical aesthetic services and sale of skin care products to the clients in Hong Kong, since 19 December 2016. From 27 April 2017 to 12 October 2020, he was the independent non-executive director of Enterprise Development Holdings Limited, which is listed on the Main Board (stock code: 1808) and principally engaged in the provision of integrated business software solutions and trading of listed securities. From 1 February 2018 to 30 November 2018, he was an independent non-executive director of China Asia Valley Group Limited, which is listed on the Main Board (stock code: 63) and principally engaged in property related businesses, provision of horticultural services, money lending business, securities trading business, manufacturing and trading of graphene and graphene-related products. From 20 July 2018 to 5 June 2020, he was an independent non-executive director of China Greenfresh Group Co., Ltd., which was previously listed on the Main Board (stock code: 6183) and principally engaged in the cultivation and sales of fresh edible fungi. From 28 June 2017 to 30 September 2021, he was the independent non-executive director of TL Natural Gas Holdings Limited, which is listed on GEM Board (stock code: 8536) and principally engaged in the sale of compressed natural gas.

* *For identification purpose only.*

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND COMPANY SECRETARY

Mr. Li has been a director of Hong Kong Research Institute of Textiles and Apparel Limited since 2022 and a director, executive committee member and honorary treasurer of the Hong Kong-ASEAN Economic Cooperation Foundation since 2015, an Honorary President of the Institute of Certified Management Accountants — Hong Kong & Macau Branch since 2019, a Chairman of Institute of Public Accountants — Hong Kong Branch since 2019, a Committee member, SME committee of ACCA — Hong Kong Branch since 2019, and a General Committee member of the Chamber of Hong Kong Listed Companies since 2020.

Mr. Li was the chairman of Investor Relations Committee of the Chamber of Hong Kong Listed Companies from 2008 to 2010, the honorary vice chairman of China Enterprise Reputation and Credibility Association (Overseas) in 2009, the chairman of Partnership and Promotion Committee of the Hong Kong Investor Relations Association from 2009 to 2010, a member of the Organising Committee of Directors of the Year Awards 2010 organised by The Hong Kong Institute of Directors in 2010, a committee member of the PRC committee of the Hong Kong Venture Capital and Private Equity Association in 2011, a committee member of Public Awareness Committee of Hong Kong Society of Financial Analysts in 2016, and a board member of Chartered Professional Accountants of Canada — Hong Kong Chapter from 2017 to 2020. Mr. Li was a member of Finance Committee of the Hong Kong Housing Authority from 2010 to 2012. Mr. Li was the guest lecturer of the Macau University of Science and Technology in 2016.

Mr. Li graduated from University of Toronto in Canada with a bachelor of commerce degree with distinction in November 1995. He further obtained a master of business administration degree from Schulich School of Business, York University in Canada in November 1996.

Mr. Li was admitted as a member of the Institute of Certified Management Accountants in August 2000, a chartered financial analyst of the Chartered Financial Analysts Institute (formerly known as Association for Investment Management and Research) in September 2001, a certified general accountant of the Certified General Accountants Association of Canada in October 2002, a certified public accountant of the Hong Kong Institute of Certified Public Accountants in October 2004, a member of the Association of Chartered Certified Accountants in May 2005, an associate of the Institute of Chartered Accountants in England and Wales in June 2008, a fellow of the Association of Chartered Certified Accountants in April 2010, a chartered professional accountant of the Chartered Professional Accountants of British Columbia, Canada in June 2015, a member of Hong Kong Business Accountants Association in December 2015, a fellow of the Institute of Certified Management Accountants in April 2016, a member of the Hong Kong Securities and Investment Institute in August 2016, a fellow of the Institute of Chartered Accountant in England & Wales in June 2018, a fellow of the Institute of Public Accountants in July 2019, a fellow of the Institute of Financial Accountants in July 2019, a business and finance professional of the Institute of Chartered Accountant in England & Wales in December 2019, and a member of the Hong Kong Independent Non-Executive Director Association in December 2019.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND COMPANY SECRETARY

Mr. Li Wai Leung (李偉樑), aged 46, was appointed as an independent non-executive Director on 1 January 2025. He is the chairman of the Group's remuneration committee and a member of the Group's audit committee and the nomination committee.

Mr. Li has over 24 years of experience in accounting, finance and business advisory work. Mr. Li has worked as the chief financial officer of various sizable PRC based manufacturing companies and as a senior manager in PricewaterhouseCoopers. Mr. Li obtained his bachelor's degree in Business Administration in Accounting and Finance from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and a member of the Association of Chartered Certified Accountants. Mr. Li was appointed as an executive director of Hengan International Group Company Limited (a company listed on the Main Board of the Stock Exchange with a stock code of 1044) on 21 March 2017, an executive director of Wang-Zeng Berhad (a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203) on 15 June 2017 and an executive committee member of The Canadian Chamber of Commerce in Hong Kong on 30 October 2024.

Ms. So Patsy Ying Chi (蘇瑩枝), aged 65, was appointed as an independent non-executive Director on 18 November 2016. She is the chairlady of the Group's audit committee and a member of the Group's remuneration committee and nomination committee.

Ms. So has approximately 25 years of experience in investment and institutional banking and approximately 12 years of experience in financial management in a listed company. Currently, she is a director of Progressive Consultation Limited which is principally engaged in business advisory services since June 2010, and she is responsible for provision of consultancy services. Ms. So worked at Westpac Banking Corporation from December 1988 to April 2004, the last position she served was the head of operations and finance responsible for overseeing the overall operations. Subsequently, she worked at VXL Capital Limited (currently known as Crown International Corporation Ltd.), which is listed on the Main Board (stock code: 727) and principally engaged in property investment and hotel investment and operations, and she served as a financial controller responsible for financial management and an executive director responsible for overseeing business development from June 2004 to July 2009 and from February 2005 to July 2008, respectively.

Ms. So obtained a bachelor of commerce degree in accounting, finance and systems from The University of New South Wales in Australia in October 1982. She became an associate member of Chartered Accountants Australia and New Zealand in December 1986.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND COMPANY SECRETARY

DISCLOSURE PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

Upon enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the Company's last published interim report:

Mr. Li Wai Leung was admitted as a member of the Association of Chartered Certified Accountants in January 2025.

COMPANY SECRETARY

Mr. Or Kevin (柯衍峰), aged 53, was appointed as the company secretary and authorised representative of the Company on 1 April 2018. Mr. Or is primarily responsible for overseeing the overall financial management and company secretarial matters of the Company.

Mr. Or has over 21 years of experience in audit field. He worked for PricewaterhouseCoopers, which is principally engaged in the provision of accounting and auditing services, from November 1996 to December 2016 and his last position was senior manager, where he was responsible for the provision of assurance services and advising small and medium-sized enterprises, entrepreneurs and companies seeking listing in Hong Kong.

Mr. Or is an independent non-executive director of DLC Asia Limited, which is listed on GEM of the Stock Exchange (stock code: 8210) and principally engaged in derivatives brokerage, since 30 July 2018, and Kato (Hong Kong) Holdings Limited, which is listed on the Main Board of the Stock Exchange (stock code: 2189) and principally engaged in the provision of residential care services and day care services for the elderly, since 20 May 2019.

Mr. Or graduated from Royal Melbourne Institute of Technology (currently known as RMIT University) in Australia with a degree of Bachelor of Business in 1994. He was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants in 1997 and a member of the Hong Kong Society of Accountants, which is currently known as the Hong Kong Institute of Certified Public Accountants in 1998.

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 2024 (the "Year" or "2024"), the Group's revenue decreased by approximately 25.4% to approximately HK$21.5 million from approximately HK$28.9 million for the year ended 31 December 2023 (the "Previous Year" or "2023"). The decrease was mainly driven by the decrease in revenue from projects for office premises, which partially offset by the increase in revenue from projects for elderly home. The Group's gross profit decreased to approximately HK$6.8 million for the Year from approximately HK$8.4 million for the Previous Year, representing a decrease of approximately 19.7%.

The Group recorded a loss attributable to the owners of the Company of approximately HK$3.3 million for the Year (Previous Year: HK$5.7 million).

OUTLOOK

During the Year, the Group completed/awarded certain projects of office premises and elderly home. Although the market has gradually recovered since the outbreak of COVID-19, headwinds were encountered in the form of mounting inflationary pressures of the raw materials and subdued consumer sentiment, demand for decoration of office premises were still adversely impacted as our client remain vigilant towards associated risks.

Although the newly awarded contract sum has not yet reached the pre-pandemic levels, we are cautiously confident that the worst is now behind us. 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, 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 Year, the Group's revenue decreased by approximately 25.4% to approximately HK$21.5 million (Previous Year: HK$28.9 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 2024 and 2023:

Use of premises	For the year ended 31 December			
	2024		2023	
	HK$'000	*%*	*HK$'000*	*%*
Office	**17,026**	**79.0**	25,993	90.0
Elderly home	**3,421**	**15.9**	1,179	4.1
Others (Note)	**1,097**	**5.1**	1,723	5.9
Total	**21,544**	**100.0**	28,895	100.0

Note: Others mainly comprise medical centre, restaurant, gallery 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 2024 and 2023:

Project types and locations	For the year ended 31 December					
	2024			2023		
	No. of projects	***HK$'000***	*%*	*No. of projects*	*HK$'000*	*%*
Design & decoration						
Hong Kong	**9**	**18,963**	**88.0**	6	22,062	76.4
	9	**18,963**	**88.0**	6	22,062	76.4
Decoration						
Hong Kong	**2**	**286**	**1.3**	3	4,666	16.1
	2	**286**	**1.3**	3	4,666	16.1
Others						
Hong Kong		**2,295**	**10.7**		2,167	7.5
		2,295	**10.7**		2,167	7.5
Total	**11**	**21,544**	**100.0**	9	28,895	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in revenue of design and decoration projects from HK$22.1 million for the Previous Year to HK$19.0 million for the Year was mainly due to decrease in revenue derived from projects of office premises by HK$4.9 million, which partially offset by increase in revenue from projects of elderly home by HK$2.2 million.

The decrease in revenue of decoration projects by HK$4.4 million during the Year was principally attributed to the decrease in revenue derived from projects of office premises.

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 2024 and 2023:

Use of premises	For the year ended 31 December 2024 Gross Profit HK$'000	2024 Gross Profit Margin %	2023 Gross Profit HK$'000	2023 Gross Profit Margin %
Office	**4,522**	**26.6**	7,627	29.3
Elderly home	**1,876**	**54.8**	56	4.7
Others	**377**	**34.4**	758	44.0
Overall	**6,775**	**31.4**	8,441	29.2

Gross profit margin of the Group's office premises projects decreased from approximately 29.3% in 2023 to approximately 26.6% in 2024 was mainly due to decrease in projects for office premises with relatively higher gross profit margin in 2024.

Gross profit margin of the Group's elderly home projects increased from approximately 4.7% in 2023 to approximately 54.8% in 2024 was mainly due to the fitting-out works in 2024 involved more complex specifications involved which lead to higher gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024 and 2023:

Project types	**For the year ended 31 December**			
	2024		2023	
	Gross Profit HK$'000	***Gross Profit Margin %***	*Gross Profit HK$'000*	*Gross Profit Margin %*
Design & decoration	**6,014**	**31.7**	5,552	25.2
Decoration	**39**	**13.6**	1,937	41.5
Others	**722**	**31.5**	952	43.9
Overall	**6,775**	**31.4**	8,441	29.2

The Group's overall gross profit margin slightly increased from approximately 29.2% for the Previous Year to approximately 31.4% for the Year mainly due to the higher gross profit margin for design and decoration projects of the elderly home which involved more complex fitting-out works.

Selling and distribution expenses

Selling and distribution expenses mainly consisted of (i) staff costs from marketing department; (ii) advertising and marketing expenses to promote the Group's services; and (iii) travelling expenses.

The Group's selling and distribution expenses slightly increased from HK$1.2 million for the Previous Year to HK$1.3 million for the Year mainly attributable to the increase in staff costs by HK$0.2 million as a result of the increase in headcount for exploring business opportunity.

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 decreased to approximately HK$11.1 million for the Year from approximately HK$14.1 million for Previous Year due to the decrease in staff costs and directors remuneration by HK$3.1 million.

Income tax credit

No income tax was recognised during the Year (Previous Year: Income tax credit of HK$0.4 million). The income tax credit 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, loss allowance of trade receivables and tax loss.

Loss for the year

As a result of the foregoing, the Group recorded a loss of approximately HK$3.3 million for the Year (Previous Year: HK$5.7 million).

Provision of loss allowance for trade receivables and contract assets

The Group recognised loss allowances for trade receivables and contract assets 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 and contract assets, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2024, reversal of loss allowance of HK$0.4 million (2023: impairment loss of HK$0.9 million) was recognised with respect to the Group's trade receivables and contract assets of which HK$0.8 million (2023: HK$0.8 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. Reversal of loss allowance during the Year mainly attributed to the recovery of a long overdue trade receivables from customer amounting to approximately HK$0.3 million.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Year, the Group financed its operations by its internal resources. As at 31 December 2024, the Group had net current assets of approximately HK$60.1 million (2023: HK$62.0 million), including cash and cash equivalents balances of approximately HK$9.0 million (2023: HK$19.1 million) mainly denominated in Hong Kong dollars. As at 31 December 2024, the Group had an unutilised banking facility of HK$2.0 million (2023: 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 19.4 times as at 31 December 2024 (2023: 15.7 times). The increase was mainly due to increase in trade and other receivables and contract assets.

As at 31 December 2024, the Group had no outstanding borrowings (2023: 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$61.8 million as at 31 December 2024 (2023: HK$65.3 million).

PLEDGE OF ASSETS

As at 31 December 2024, bank deposits of HK$2.0 million (2023: HK$2.0 million) and nil (2023: 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2024 and 2023, the Group did not have any material capital commitment.

HUMAN RESOURCES MANAGEMENT

As at 31 December 2024, the Group had a total of 13 (2023: 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, 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 2024.

CONTINGENT LIABILITIES

Saved as disclosed in note 29 to the consolidated financial statement, the Group had no material contingent liabilities as at 31 December 2024 and 2023.

DIRECTORS' REPORT

The Board is pleased to present its annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024 (the "Year"). The shares of the Company (the "Shares") were listed on the GEM of the Stock Exchange (the "Listing") on 8 December 2016 (the "Listing Date").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of interior designs, project management services and fitting-out works. The details of principal activities of its principal subsidiaries are set out in Note 14 to the consolidated financial statements.

SEGMENTAL INFORMATION

The Group's segment information and revenue for the Year are set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 65 to 119 of the Annual Report.

The Board recommended a final dividend of HK2.0 cent per share for the Year (Year ended 31 December 2023 (the "Previous Year"): nil) which is subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "AGM") to be held on Friday, 13 June 2025. The expected date of payment of the final dividend is Tuesday, 15 July 2025. The total payout will amount to HK$20.0 million.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 13 June 2025. A circular containing the details of the AGM and the notice of the AGM and form of proxy accompanying thereto is sent to the shareholders of the Company (the "Shareholders") together with this Annual Report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 10 June 2025 to Friday, 13 June 2025, 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 Monday, 9 June 2025.

For determining the entitlement to the proposed final dividend payable to Shareholders, the register of members of the Company will be closed from Thursday, 19 June 2025 to Monday, 23 June 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 18 June 2025.

DIRECTORS' REPORT

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 3 to 4 and pages 11 to 16 of this Annual Report respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition and results of operations would be affected by a number of factors. The principal risks and uncertainties relating to the Group are set out below:

- The Group is dependent on its customers' development plans in Hong Kong. If there is any adverse change in their development plans, the demand for the Group's interior designs, project management services and fitting-out works will decrease and the Group's business and financial conditions may be materially and adversely affected.

- The Group's revenue generated from its five largest customers accounted for over 50% of the total revenue of the Group. Any deterioration of relationships with the major customers or failure to expand the Group's customer base continuously may materially and adversely affect the Group's financial condition and results of operations.

- The Group does not have any long-term contracts with its customers. If the Group's customers choose not to engage the Group in the future, the Group's business operations, financial results and profitability will be adversely affected.

- The Group's growth depends on its key management personnel, marketing executives, designers and project managers. Any failure in retaining the key management personnel or hiring suitable talents may adversely affect the Group's financial condition and results of operations.

- The Group's revenue generated from large projects generally have higher gross profit margin. Any decrease in revenue generated from the Group's large projects may adversely affect its financial results and profitability.

- Any delay in the completion of projects caused by the Group may expose the Group to the risk of paying liquidated damages or compensation. In such case, the Group's business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

- The Group relies on its subcontractors to carry out its fitting-out works and the Group does not enter into long-term contracts with these subcontractors. If the subcontractors engaged by the Group are unavailable or unsuitable, the Group may fail to complete its work on time and/or to the satisfaction of its customers. In such case, the Group's operations, profitability and financial performance would be materially and adversely affected.

- Subcontracting costs payable to the Group's subcontractors and nominated subcontractors are the Group's major costs of services. If the subcontracting costs increase unexpectedly, the Group's financial performance and profitability will be adversely affected.

DIRECTORS' REPORT

- The Group is dependent on its subcontractors for the procurement of decoration materials used to execute the interior design ideas of its projects. Should the Group's subcontractors fail to procure materials the Group need, the Group may fail to complete its work on time and the Group's reputation, financial performance and results of operations could be materially and adversely affected.

- The estimated costs provided by the Group could prove inaccurate and any cost overruns for the Group's projects may reduce the Group's profit and the adversely affect the Group's financial performance.

- The Group's short-term results of operations may not be indicative of the long-term results of operations.

- If the Group was unable to anticipate or respond effectively to its customers' preferences, the Group's financial performance could be adversely affected.

- The Group's performance may be adversely affected by contractual dispute or litigation with its customers or subcontractors.

- The Group incurs time and cost in its design stage. If the Group's potential customers use the Group's interior design proposals without engaging the Group for fitting-out works, the Group's business and financial performance could be adversely affected.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

For details, please refer to "Environmental, Social and Governance Report" in this Annual Report, containing the details of the environmental, social and governance performance of the Group.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the Year, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association ("Articles of Association") of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

CHARITABLE DONATIONS

The Group did not make any charitable donations for the Year.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 30(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$54.6 million (2023: HK$36.0 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the Year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from its consolidated financial statements, is set out on page 120 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital and movements during the Year are set out in Note 22(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the Year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	21.6%	–
Five largest customers in aggregate	76.0%	–
The largest supplier	–	10.1%
Five largest suppliers in aggregate	–	41.1%

At no time during the Year, none of the Directors, their associates or any Shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital (excluding treasury shares)) had any beneficial interest in the five largest customers and suppliers disclosed above.

DIRECTORS

The Directors during the Year and up to the date of this Annual Report are as follows:

Executive Directors

Mr. Lau King Wai *(Chairman and Chief Executive Officer)*
Ms. Leung May Yan
Mr. Wong Siu Hong Edward

Independent non-executive Directors

Mr. Li Wai Kwan
Mr. Hui Harry Chi (resigned on 1 January 2025)
Mr. Li Wai Leung (appointed on 1 January 2025)
Ms. So Patsy Ying Chi

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Pursuant to article 84 of the Articles of Association, one-third of the Directors for the time being, (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting of the Company. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Wong Siu Hong Edward, Mr. Li Wai Kwan and Mr. Li Wai Leung shall retire from office as the Directors by rotation at the AGM and, being eligible, offer themselves for re-election at the AGM as the Directors.

DIRECTORS' AND COMPANY SECRETARY'S BIOGRAPHIES

Biographical details of the Directors and company secretary of the Company are set out on pages 5 to 10 of this Annual Report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

All the executive Directors have entered into a service agreements with the Company for three years and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the respective service agreements.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a fixed term of two years and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, and such letter of appointment may be terminated by either party giving at least three months' notice in writing.

All Directors are subject to retirement by rotation and re-election at the AGM pursuant to the Articles of Association and the GEM Listing Rules.

Save as disclosed above, none of the Directors being proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence. The Company confirmed that all of the independent non-executive Directors are independent and meet the requirements set out in Rules 5.09 of the GEM Listing Rules.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 9 to the consolidated financial statements.

MANAGEMENT CONTRACTS

During the Year, the Company did not enter into or had any management and administration contracts in respect of the whole or any principal business of the Company.

EMOLUMENT POLICY

In order to recruit, develop and retain talented employees, we offer competitive remuneration packages to the staff, including internal promotion opportunities, performance-based commission and bonus. Employees may also be granted share awards under the share award scheme adopted by the Company. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance, seniority, experience, duties and responsibilities within the Group and comparable market statistics. Each executive Director may also receive a discretionary bonus in respect of each completed calendar year of service. The amount of such bonus will be reviewed by the remuneration committee of the Company and approved by the Board.

DIRECTORS' REPORT

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme") on 17 May 2021. The purposes of the Share Award Scheme are to recognise the contributions by certain participants and to provide them with incentives in order to retain them for the continual operation and development of the Group as well as to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption (i.e. 17 May 2021), unless otherwise early terminated by the Board.

According to the Share Award Scheme, the awarded shares shall be satisfied by way of (i) allotment and issue of new shares to the trustee at the subscription price under general mandate; or (ii) acquisition of existing shares through on-market transactions by the trustee and will be held on trust until they are vested.

The Board may, from time to time, at its absolute discretion select any participant (other than any excluded participant) for participation in the Share Award Scheme as a selected participant, and grant such number of awarded shares to any selected participant at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

During the Year, (i) no share awards had been granted or agreed to be granted under the Share Award Scheme; (ii) there were no unvested share awards; and (iii) no share awards were vested, cancelled nor lapsed.

The Board shall not make any further award of awarded shares which will result in the nominal value of the shares awarded by the Board under the Share Award Scheme exceeding ten per cent (10%) of the issued share capital of the Company from time to time. The maximum numbers of shares which may be awarded to a selected participant under the Share Award Scheme shall not exceed one per cent (1%) of the issued share capital of the Company from time to time.

During the Year, the trustee purchased an aggregate of 990,000 shares of the Company from the market at a total consideration after transaction cost of approximately HK$81,000.

During the Year, (i) there was no participant with share awards granted or to be granted by the Company in excess of the 1% individual limit (as defined under Chapter 23 of the GEM Listing Rules); (ii) there was no service provider with share awards granted or to be granted by the Company exceeding 0.1% of the total issued shares of the Company (excluding treasury shares) in any twelfth-month period; and (iii) the Company have not granted any share awards to any related entity participants or service providers.

The subsidiaries of the Company did not operate any share schemes that are required to be disclosed under chapter 23 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Saved as disclosed under the section "Related Party and Connected Transactions" below, no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which the Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling Shareholders of the Company (the "Controlling Shareholders") 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 Year and up to the date of this Annual Report.

NON-COMPETITION UNDERTAKING

Each of Mr. Lau King Wai and Sino Emperor Group Limited ("Sino Emperor"), which is beneficially and wholly owned by Mr. Lau King Wai, as covenantor (each a "Covenantor", collectively, "Covenantors") entered into a non-competition undertaking dated 18 November 2016 in favour of the Group (the "Non-competition Undertaking").

The Company has received from each of the Covenantors an annual written confirmation on the compliance with the Non-competition Undertaking for the Year. The independent non-executive Directors have reviewed the compliance of the Non-competition Undertaking from the Covenantors and evaluated the effectiveness of the implementation of the Non-competition Undertaking, and were satisfied that the Covenantors have complied with the Non-competition Undertaking for the Year.

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

As at 31 December 2024, the interests or short positions of the Directors and 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 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 the Shares

Name of Director	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. 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 December 2024.

DIRECTORS' REPORT

Saved as disclosed above, as at 31 December 2024, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Award Scheme", at no time during the Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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 December 2024, 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 and Debentures of the Company or 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 the Shares

Name of Shareholders	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 is calculated based on 1,000,000,000 Shares in issue as at 31 December 2024.

DIRECTORS' REPORT

Saved as disclosed above, as at 31 December 2024, 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 and Debentures of the Company or 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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares (including sale of treasury shares) during the Year. As at the end of the Year, no treasury shares were held by the Company.

RELATED PARTY AND CONNECTED TRANSACTIONS

Related party transactions entered into by the Group during the Year are disclosed in Note 28 to the consolidated financial statements. None of the related party transactions as disclosed constituted a non-exempted connected transaction or a non-exempted continuing connected transaction under Chapter 20 of the GEM Listing Rules and the Company had complied with the relevant requirements of Chapter 20 of the GEM Listing Rules 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 2024 and up to the date of this Annual Report.

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.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this Annual Report.

DIRECTORS' REPORT

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its Shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

— the Articles of Association;

— the applicable restrictions and requirements under the laws of the Cayman Islands;

— any banking or other funding covenants by which the Company is bound from time to time;

— the investment and operating requirements of the Company; and

— any other factors that have material impact on the Company.

EQUITY-LINKED AGREEMENT

Other than the Share Award Scheme, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company issuing shares, was entered into by the Company during the Year or subsisted at the end of the reporting year.

SUFFICIENCY OF PUBLIC FLOAT

During the Year and up to the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that the Company maintained the prescribed public float as required under the GEM Listing Rules.

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.

AUDITOR

The consolidated financial statements for the Year have been audited by Linksfield CPA Limited ("Linksfield"), who will retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Linksfield as auditor of the Company will be proposed at the forthcoming AGM.

There is no change in the Company's auditor in any of the preceding three years.

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

Hong Kong, 19 March 2025

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2024 (the "Year").

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 C1 of the GEM Listing Rules as its corporate governance practice. During the Year and up to the date of this Annual Report, the Company has complied with all the code provisions set out in the CG Code except for the deviation from code provision C.2.1 of the CG Code.

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.

BOARD OF DIRECTORS

Board Composition

The Board comprises six members, of which three are executive Directors and three are independent non-executive Directors. The name and office of each of the members of the Board of the Company are as follows:

Board members	Office
Mr. Lau King Wai	Chairman, chief executive officer and executive Director
Ms. Leung May Yan	Executive Director
Mr. Wong Siu Hong Edward	Executive Director
Mr. Li Wai Kwan	Independent non-executive Director
Mr. Hui Harry Chi[(1)]	Independent non-executive Director
Mr. Li Wai Leung[(2)]	Independent non-executive Director
Ms. So Patsy Ying Chi	Independent non-executive Director

The following changes to the Board composition have taken place since the date of the last corporate governance report:

(1) Mr. Hui Harry Chi resigned as an independent non-executive Director on 1 January 2025.

(2) Mr. Li Wai Leung was appointed as an independent non-executive Director on 1 January 2025. Mr. Li Wai Leung has obtained legal advice referred to in Rule 5.02D of the GEM Listing Rules on 23 December 2024 and has confirmed he understood his obligations as a director.

CORPORATE GOVERNANCE REPORT

Each of the Directors' respective biographical details is set out in the section headed "Biographical Details of the Directors and Company Secretary" of this Annual Report. Pursuant to Rules 5.05 and 5.05A of the GEM Listing Rules, the Board included at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the Year. To the best knowledge of the Directors, there is no relationship (including financial, business, family or other material/relevant relationships) between Board members.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the executive Directors have entered into a service agreements with the Company for three years and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the respective service agreements.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a fixed term of two years and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, and such letter of appointment may be terminated by either party giving at least three months' notice in writing.

All Directors are subject to retirement by rotation and re-election at the AGM pursuant to the Articles of Association and the GEM Listing Rules.

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Pursuant to article 84 of the Articles of Association, one-third of the Directors for the time being, (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting of the Company. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Wong Siu Hong Edward, Mr. Li Wai Kwan and Mr. Li Wai Leung will retire by rotation from office and, being eligible, will offer themselves for re-election at the AGM as the Directors.

The Board and the nomination committee of the Company (the "Nomination Committee") recommended their re-appointment at the AGM. The Company's circular containing detailed information of the above recommended persons as required by the GEM Listing Rules is sent to the Shareholders together with this Annual Report.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and CEO of the Company which provides a balance of power and authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of the independent non-executive Directors of his/her independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company confirmed all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the Year.

ROLE AND FUNCTION OF THE BOARD

The Board is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

DELEGATION BY THE BOARD

The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and management. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INSURANCE COVER OF LEGAL ACTION

Appropriate insurance cover in respect of legal actions against the Directors' liability has been arranged by the Company in compliance with the code provision C.1.8 of the CG Code.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness.

For the purpose of implementation of the board diversity policy, the following measurable objectives are adopted:

1. at least one-third of the members of the Board shall be independent non-executive Directors; and

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the board diversity policy during the Year and up to the date of this Annual Report.

As at the date of this Annual Report, the Board comprises six Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

GENDER DIVERSITY

During the Year and as at the date of this Annual Report, the Board has two female Directors, and four male Directors and as such has achieved gender diversity in respect of the Board. The Company will continue to strive to enhance representation of different genders and achieve an appropriate balance of gender diversity with reference to the Shareholders' expectation and international and local recommended best practices.

Details of gender ratio of the workforce (including senior management) for the Year are set out in the "Environmental, Social and Governance Report" in this Annual Report.

CORPORATE GOVERNANCE REPORT

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to the newly appointed Directors before their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code on Directors' training. During the Year, all Directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials to develop and refresh their knowledge and skills and provided a record of training to the Company. These covered a broad range of topics including Directors' duties, corporate governance and recent updates on the GEM Listing Rules.

Name of Directors	Attended seminars or briefing/read materials
Executive Directors	
Mr. Lau King Wai *(Chairman and CEO)*	✓
Ms. Leung May Yan	✓
Mr. Wong Siu Hong Edward	✓
Independent non-executive Directors	
Mr. Li Wai Kwan	✓
Mr. Hui Harry Chi (resigned on 1 January 2025)	✓
Mr. Li Wai Leung (appointed on 1 January 2025)	N/A
Ms. So Patsy Ying Chi	✓

BOARD MEETINGS

The Board meets at least four times a year with at least 14 days' notices and additional Board meetings with reasonable notices are held as and when the Board considers appropriate. Agenda and accompanying meeting materials are sent to all Directors at least three days in advance of the regular Board meetings. Directors may participate in meetings in person, by phone or by other communication means.

The company secretary of the Company (the "Company Secretary") records all matters considered by the Directors, decisions reached and any concerns raised at the meetings. Draft and final versions of the minutes are sent to all Directors for their comments and records respectively within a reasonable time. Also, Directors may approve various matters by way of passing written resolutions.

CORPORATE GOVERNANCE REPORT

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

During the Year, four meetings of the Board were held, Directors are provided with relevant information to make informed decisions. The attendance of the Directors at the Board meetings, annual general meeting and the Board committees' meetings is set out in the table below:

	Number of meetings attended/held				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting held on 7 June 2024
Executive Directors					
Mr. Lau King Wai	4/4	N/A	N/A	N/A	1/1
Ms. Leung May Yan	3/4	N/A	N/A	N/A	1/1
Mr. Wong Siu Hong Edward	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Li Wai Kwan	4/4	2/2	1/1	1/1	1/1
Mr. Hui Harry Chi (resigned on 1 January 2025)	3/4	1/2	0/1	0/1	0/1
Mr. Li Wai Leung (appointed on 1 January 2025)	N/A	N/A	N/A	N/A	N/A
Ms. So Patsy Ying Chi	4/4	2/2	1/1	1/1	1/1

BOARD COMMITTEE

As part of the corporate governance practices, the Board has established the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the Nomination Committee with terms of reference pursuant to the principles set out in the CG Code.

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. During the Year, the Company has fully complied with the requirements under Rule 5.28 of the GEM Listing Rules. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Audit Committee are to, inter alia, 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. The Audit Committee consists of three members, namely Mr. Li Wai Kwan, Mr. Hui Harry Chi (resigned on 1 January 2025), Mr. Li Wai Leung (appointed on 1 January 2025) and Ms. So Patsy Ying Chi. Ms. So Patsy Ying Chi is the chairlady of the Audit Committee.

CORPORATE GOVERNANCE REPORT

During the Year, two meetings of Audit Committee were held for, inter alia, reviewing the Group's interim and annual results, the financial reporting and compliance procedures, the effectiveness of the risk management and internal control systems, considering the re-election of auditor of the Company and discussing with the auditors about the audit plan.

Remuneration Committee

The Company established the Remuneration Committee on 18 November 2016 with written terms of reference in compliance with Rules 5.34 to 5.35 of the GEM Listing Rules and paragraph E.1 of the CG Code. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance-based remuneration; ensure none of the Directors determine their own remuneration; and review and/or approve matters relating to share schemes under Chapter 23 of the GEM Listing Rules. The Remuneration Committee consists of three members, namely Mr. Li Wai Kwan, Mr. Hui Harry Chi (resigned on 1 January 2025), Mr. Li Wai Leung (appointed on 1 January 2025) and Ms. So Patsy Ying Chi. Mr. Li Wai Leung is the chairman of the Remuneration Committee. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management. Details of the remuneration of Directors are set out in Note 9 to the consolidated financial statements. Since there were no shares granted under the Share Award Scheme, no material matters relating to the Share Award Scheme under Chapter 23 of the GEM Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Year.

During the Year, one meeting of Remuneration Committee was held for, reviewing and making recommendation to the Board on the remuneration package of all Directors and other related matters in accordance with the Remuneration Committee's written terms of reference. No Director was involved in deciding his/her own remuneration.

Nomination Committee

The Company established the Nomination Committee on 18 November 2016 with written terms of reference in compliance with paragraph B.3 of the CG Code. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for the Directors. The Nomination Committee consists of three members, namely Mr. Li Wai Kwan, Mr. Hui Harry Chi (resigned on 1 January 2025), Mr. Li Wai Leung (appointed on 1 January 2025) and Ms. So Patsy Ying Chi. Mr. Li Wai Kwan is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

Nomination Procedures and Criteria

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:–

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the business and other relevant sectors relate to the Company and/or its subsidiaries;

(c) commitment in respect of sufficient time and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

Mr. Li Wai Leung was appointed as an independent non-executive Director on 1 January 2025, which his appointment has been reviewed and considered by the Nomination Committee during the Year.

During the Year, one meeting was held by the Nomination Committee, to review the size, structure, composition as well as diversity of the Board, to assess the independence of independent non-executive Directors, to consider the appointment of the Director and to recommend the re-election of the Directors at the annual general meeting of the Company held on 7 June 2024. The Nomination Committee has also reviewed the board diversity policy to ensure its effectiveness and considered that the Group has achieved the objectives of the board diversity policy during the Year.

Corporate Governance Function

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 18 November 2016 which is in compliance with paragraph A.2.1 of the CG Code. The Board has reviewed and performed the corporate governance functions during the Year.

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDITOR'S REMUNERATION

There is no change in the Company's auditor in any of the preceding three years.

During the years ended 31 December 2024 and 2023, the remuneration paid or payable to Linksfield, the auditor of the Company (including their affiliated firms) for their services rendered is summarised as below:

Service rendered	**2024** ***HK$'000***	2023 *HK$'000*
Audit services provided to the Group	**600**	630

Linksfield will retire and being eligible, offer themselves for re-appointment at the AGM.

The re-appointment of Linksfield has been recommended by the Audit Committee and endorsed by the Board, subject to the approval of the Shareholders at the AGM.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the overall responsibility to ensure that sound and effective risk management and internal controls are maintained, while the senior management is charged with the responsibility to design and implement an internal controls system to manage risks. A sound system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Internal Controls

The Group has maintained internal control policies to provide sufficient guidelines for the management staff and employees of the Company to work efficiently under a standardised work procedure. The internal control policies cover various operating processes from risk assessment, financial reporting, cost management, pricing for projects, staff recruitment and training to IT system control. The internal control system is generally overseen by the executive Directors and senior management and is reviewed at least once a year. During the Year, in compliance with code provision D.2.1 of the CG Code, the Group has engaged an independent external consulting firm as the Group's internal control consultant to review the effectiveness of the Group's internal control measures on an annual basis. The review has covered all material controls, including financial, operational and compliance controls and risk management functions. The Board concluded that the Group's risk management and internal control systems are effective and adequate and the Group has maintained effective internal control measures to ensure that the operations of the Group would be in full compliance with the CG Code and the applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

The Board is committed to implementing an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets and the internal control systems would be reviewed annually.

Risk Management

In the course of conducting the business of the Group, the Company is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group and the risk management system is reviewed at least once a year. At operational level, a risk management team is in place to carry out risk identification and monitoring procedures. The risk management team consists of the operation staff, the Company Secretary and Mr. Lau King Wai. The objectives of the risk management process are to ensure that the operations of the Group would be in full compliance with the CG Code and the applicable laws and regulations enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses.

The risk management process of the Group would involve, among others, (i) a quarterly risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) a quarterly review of the implementation of the risk management plans and fine tune when necessary.

During the Year, the risk management process of the Group has been reviewed, and the Board considered that process was effective and adequate for the Year.

Procedures and Internal Controls for Handling and Dissemination of Inside Information

In handing and dissemination of inside information, the Group:

— will conduct immediate dissemination once inside information is available and/or respective decision is made, except the inside information falling into the Safe Harbours of Securities and Futures Commission that allow non-disclosure;

— complies with applicable laws, rules and guidelines on disclosure of inside information issued by Securities and Futures Commission;

— decides and implements monitoring procedures regarding dissemination of inside information; and

— communicates with relevant persons about corporate information disclosure practices with respective training.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. In preparing the consolidated financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

The statement of external auditor of the Company, Linksfield, about their reporting responsibilities for the audit of the consolidated financial statements of the Group is set out in the Independent Auditor's Report in this Annual Report.

INVESTOR RELATIONS AND COMMUNICATION

The Board recognises the importance of good communications with all Shareholders. The Company encourages two-way communications with both its institutional and private investors. A shareholder's communication policy was adopted by the Board at the Board meeting held on 18 November 2016, aiming at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. Extensive information about the Company's activities is provided in its interim report and this Annual Report, which are sent to Shareholders of the Company. The annual general meeting provides a valuable forum for direct communication between the Board and the Company's Shareholders. The Chairman of the Board as well as Chairmen of the Board Committees together with the auditor will present to answer Shareholders' questions. The circulars of the annual general meeting are distributed to all Shareholders at least 21 clear days before the meeting. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the GEM Listing Rules. Any results of the poll are published on both the GEM website and the Company's website. All corporate communication with Shareholders will be posted on the Company's website for Shareholders' information.

During the Year, an annual general meeting was held on 7 June 2024.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office.

During the Year, the Board has reviewed the Shareholders communication policy and confirmed its effectiveness.

COMPANY SECRETARY

Mr. Or Kevin ("Mr. Or") was appointed on 1 April 2018 as the Company Secretary. Mr. Or is an external service provider to assist the Company's secretarial affair. Mr. Or's primary contact person at the Company is the Chairman and the CEO, Mr. Lau King Wai. He is responsible for facilitating the Board meeting process, as well as communications among Board members, with the Shareholders and management. Mr. Or's biography is set out in the "Biographical Details of the Directors and Company Secretary" section in this Annual Report. During the Year, Mr. Or attended not less than 15 hours of professional training pursuant to Rule 5.15 of the GEM Listing Rules to update his skills and knowledge.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Article of Association, an extraordinary general meeting of the Company (the "EGM") may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary at the head office of the Company at Room 1703, 17th Floor, Technology Plaza, 651 King's Road, Quarry Bay, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Article of Association, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward Proposals at a General Meeting

A shareholder shall make a written requisition to the Board or the Company Secretary at the head office of the Company at Room 1703, 17th Floor, Technology Plaza, 651 King's Road, Quarry Bay, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the head office of the Company at Room 1703, 17th Floor, Technology Plaza, 651 King's Road, Quarry Bay, Hong Kong, or send email to info@kwnelson.com.hk. Shareholders may also make enquiries with the Board at the general meetings of the Company.

AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

We are committed to embedding Environmental, Social, and Governance ("ESG") principles into every aspect of our business operations as a provider of interior design services and co-ordinators of interior decoration projects. We understand the critical role we play in promoting sustainable development, enhancing social well-being, and adhering to the highest standards of corporate governance.

In our pursuit of excellence, we strive to create spaces that not only inspire but also respect the environment. By prioritising sustainable material sourcing, energy-efficient solutions, and waste reduction practices, we aim to minimise our environmental footprint. Additionally, we actively collaborate with suppliers and partners who share our commitment to sustainability.

Our dedication to the social dimension of ESG is reflected in our efforts to foster a safe, inclusive, and empowering workplace for our team members while also contributing positively to the communities we serve. We believe in cultivating strong relationships with all stakeholders, ensuring transparency, fairness, and mutual respect in every interaction.

Strong governance remains the cornerstone of our operations. We uphold the principles of accountability, ethical decision-making, and compliance with all applicable regulations to safeguard the trust of our clients, partners, and investors. By integrating ESG considerations into our core business practices, we are confident in our ability to deliver value to stakeholders while contributing to a more sustainable and equitable future.

The Board remains steadfast in its commitment to ESG excellence and will continue to oversee and support initiatives that align with our vision for responsible growth.

ABOUT THIS REPORT

K W Nelson Interior Design and Contracting Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are pleased to present this Environmental, Social and Governance Report (the "ESG Report"). The objective of the ESG Report is to demonstrate the ESG performance of the Group, assisting stakeholders in understanding our ESG principles, development, and practices.

Stakeholders' Feedback

As the Group strives for excellence, stakeholders' feedback is appreciated. Please share your suggestions and views with us via info@kwnelson.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our Governance Structure

The Board has overall responsibility for the Group's ESG strategy and reporting. It is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The management is responsible for effectively coordinating the application of the Group's environment, employment, and service quality assurance policies.

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board regularly reviews ESG affairs, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group. The Board continues to explore ways to strengthen the Group's ESG governance further.

Reporting Standards

The ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") under Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has complied with all "comply or explain" provisions set out in the ESG Reporting Guide.

Reporting Principle

The preparation of the ESG Report has applied the following principles:

Materiality	Important and relevant information to stakeholders on different ESG aspects is covered in the ESG Report. A materiality assessment was conducted to determine material ESG concerns with results approved by the Board.
Quantitative	The relevant standards, methodologies and assumptions used to prepare the quantitative information are disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.
Consistency	Consistent methodologies are used to prepare and present ESG data in the ESG Report, unless otherwise specified, to allow for meaningful comparisons.
Balance	The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

Reporting Boundary

The ESG Report covers the ESG management approaches and focuses on the environmental performance and the social performance of the whole Group in Hong Kong from 1 January 2024 to 31 December 2024 (the "Reporting Period").

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

The Group actively engages with stakeholders to identify ESG issues that need to be addressed. Stakeholder engagement is the process by which an organisation involves parties who may be affected by the decision it makes or can influence the implementation of its decisions. The Management had performed the following:

- Generated a full and complete list of stakeholders by consulting various departments within the Group;
- relied on the ongoing communication channels day-to-day interactions and dedicated meetings (whenever deemed necessary) to engage these stakeholders; and
- reduced the list of stakeholders to a workable size and completed the Stakeholder Influence — Dependency Matrix to identify a list of key stakeholders.

Stakeholders	Expectations and Concerns	Communication channels
Government and regulatory organisations	• Compliance with laws and regulations	• Announcements and other regulatory reports
Shareholders and investors	• Return on investments • Corporate governance mechanism • Sustainable development • Compliance with laws and regulations	• Information disclosed on the Stock Exchange website and the Company's website • Annual general meetings and other shareholders' meetings
Employees	• Employees' compensation and benefits • Career development • Occupational safety and health	• Employee performance evaluation • On-the-job training • Internal email • Regular meetings
Suppliers and sub-contractors	• Creditworthiness • Fulfilment of promises	• Selection and performance assessment • Site visits • Meetings
Customers	• High-quality products and services • Protection of customer rights and personal information	• Corporate website • Customer service hotline
Community and public	• Compliance with laws and regulations • Involvement in communities • Environmental protection awareness	• Industry events • Corporate social responsibility activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

During the Reporting Period, the Group evaluated a number of environmental, social, and operating items and assessed their importance to stakeholders and the group through various channels. This assessment helps ensure that the Group's business objectives and development direction align with stakeholders' expectations and requirements. 22 ESG issues were identified where they mattered the most to the Group's businesses and stakeholders. The ESG issues that fall within the top right-hand quadrant are of the greatest importance.

Stakeholder Materiality Matrix

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environment		Employment		Supply chain management		Product responsibility	
1.	Air Emissions	8.	Labour practices	14.	Selection of suppliers and sub-contractor	17.	Quality of services and products
2.	Treatment of Wastes	9.	Equal opportunity, diversification and anti-discrimination	15.	Environmental friendly procurement	18.	Quality of services and products
3.	Greenhouse Gas Emissions	10.	Employee Welfare	16.	Environmental and social risk management of the supply chain	19.	Advertising and promotions
4.	Use of resources	11.	Occupational health and safety			20.	Intellectual property rights management
5.	Energy and Water Conservation	12.	Staff development and training			21.	Anti-fraud and corruption
6.	Impact on the environment	13.	Labour standards				
7.	Climate change risk Management						
						Community investment	
						22.	Participation in philanthropy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

The operations of the Group do not involve any production or activities that have a substantial effect on the environment, aside from the consumption of resources by the office administrative operations. Nevertheless, the Group pays due consideration and effort towards compliance with applicable laws and regulations in Hong Kong.

The majority of the Group's fitting-out works are conducted by its sub-contractors, and we actively cooperate with them to meet environmental protection requirements. The project team ensures compliance with the applicable provisions of the Environmental Impact Assessment Ordinance, Waste Disposal Ordinance (Chapter 359 of the Laws of Hong Kong) and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) and the Waste Disposal (Chemical Waste) (General) Regulations. During the Reporting Period, the Group strictly abided by the laws and regulations mentioned above.

As part of project delivery, the project team confirms fitting-out works quality and also monitors the environmental performance of its sub-contractors. One of the measures includes regular checks to ensure that environmental protection requirements imposed on various parties, including the construction site, and the Group, are met.

Emissions

As an interior decorator based in Hong Kong, we primarily offer interior design services to our clients and subsequently engage, coordinate, manage, and supervise sub-contractors to carry out the fitting-out works. Our daily operations do not involve any manufacturing facilities and hence do not generate material air, noise, water, physical waste or other types of pollutants.

Air Emissions

The Group utilised passenger cars fuelled by gasoline for daily business operations. The combustion of gasoline in these vehicles resulted in the emission of air pollutants, including nitrogen oxides, sulphur oxides, and respiratory suspended particles. During the Reporting Period, the air emissions generated by the use of motor vehicles are approximately the same as in the previous period.

Greenhouse Gas Emissions

The Group's greenhouse gas ("GHG") emissions mainly arise from indirect emissions resulting from the use of purchased electricity. To ensure the emission management goals are achieved, the Group has adopted the following measures in our office in Hong Kong, to reduce energy consumption and improve overall energy efficiency. The increase in GHG emissions was mainly due to an increase in business travel.

The reported GHG emissions were attributed to the following activities:

- Direct emission (scope 1): combustion of gasoline of 2 motor vehicles owned by the Group;
- Indirect emission (scope 2): purchased electricity; and
- Other indirect emissions (scope 3): business air travel and waste disposal.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The table below provides details of the emissions generated by the Group during the Reporting Period:

	Unit	2024	2023
Air emissions			
Nitrogen oxides	kg	**0.56**	0.51
Sulphur oxide	kg	**0.02**	0.01
Respiratory suspended particles	kg	**0.04**	0.04
GHG emissions			
Scope 1	tCO_2e	**3.89**	2.59
Scope 2	tCO_2e	**10.70**	10.95
Scope 3			
Paper waste disposed at landfills	tCO_2e	**0.53**	0.83
Business air travel[3]	tCO_2e	**17.41**	5.93
Total GHG emissions	tCO_2e	**32.53**	20.30
GHG emission intensity	tCO_2e per million of revenue	**1.51**	0.70

Note 1: Emission factors were referred to Appendix C2 of the Listing Rules and their referred documentation as set out by the Stock Exchange.

Note 2: Emission factor of 0.66 kg CO_{2e}/kWh and 0.71 kg CO_{2e}/kWh was used for purchased electricity in 2024 and 2023 respectively from Hong Kong Electric.

Note 3: The emissions were referred to the methodology developed by a United Nations agency, the International Civil Aviation Organization.

Although the air emissions and GHG emissions that arise from our operations are limited, we encourage our employees to take public transportation wherever possible to reduce emissions from vehicles. The Group plans and schedules the route of its vehicles before commuting. In addition, the Group avoids unnecessary business travel and encourages staff to use low-carbon transportation whenever possible in order to reduce its emissions related to business travel. To minimise the adverse impact on the environment, all vehicles are driven by unleaded petrol. When purchasing new vehicles, priorities will be given to environmentally friendly vehicles hybrid and electric vehicles.

In the coming year, the Group targets to at least maintain and if possible, reduce its air emissions and GHG emissions by 1–2%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Wastes production

The business operations of the Group produce no hazardous waste such as chemical wastes. Thus no data was recorded during the Reporting Period, and no policy has been formulated.

The waste generated by the Group was mainly the domestic waste in the office, construction and demolition (C&D) waste from fitting-out works. In the office building, the building's property management company has appointed a recycling contractor to collect and recycle used papers, plastic bottles, aluminium, fluorescent tubes and computer equipment. We encourage our staff to reduce waste production, and recycle bags/bins are provided for collecting paper, plastic bottles, and glass. Collected papers are collected by the building custodian for further municipal waste treatment.

The C&D waste produced during fitting-out works is collected by our sub-contractors and supervised by our project manager to avoid illicit waste disposal. C&D wastes produced are mainly gypsum board, wooden board, ceiling grid, carpet, and other decoration debris. C&D waste is delivered to the designated landfills for construction waste.

Non-hazardous wastes production	Unit	2024	2023
C&D waste[4]	Tonne	**777.33**	938.14
Domestic waste	Tonne	**0.11**	0.17
Total non-hazardous waste production	Tonne	**777.44**	938.31
Non-hazardous waste production intensity	Tonne per million of revenue	**36.1**	32.5

Note 4: C&D waste was calculated based on the cost of the demolition project.

The Group has implemented various measures to promote sustainability and minimise environmental impacts. As part of these efforts, all newly purchased appliances and office equipment undergo a rigorous selection process to ensure they meet certified energy-efficient standards. By prioritising energy-efficient products, the Group aims to reduce energy consumption and contribute to a greener and more sustainable operation.

Additionally, the Group actively promotes paper reduction and responsible waste management practices. Employees are encouraged to minimise paper usage by adopting digital documentation and communication methods. This paperless office approach helps reduce paper consumption, decrease reliance on physical storage, and minimise the environmental impact associated with paper production and disposal.

Furthermore, while no formal policy is in place to regulate waste reduction among subcontractors, employees are encouraged to adopt waste reduction practices and reuse resources to minimise their environmental footprint. The Group has established a comprehensive recycling program that includes the recycling of used toner cartridges and copier components. By recycling these items, the Group aims to minimise waste and contribute to the circular economy by reducing the need for raw materials and decreasing landfill waste.

To ensure that we uphold our environmental vision, we have set clear reduction targets in waste production by 5% before 2030 from the base year of 2021 (41 tonne per million of revenue). These commitments serve as guiding principles, driving our corporation towards sustainable development. Remarkably, the Group surpassed expectations during the Reporting Period and achieved a waste reduction of approximately 12%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

As a responsible corporation, the Group strives to protect the environment by promoting green operations. To minimise its impacts on the environment, the Group implements green office practices to minimise the use of resources.

Energy consumption

The Group believes that reducing energy use could be mutually beneficial to the environment and the Group by reducing operating costs and creating long-term value for its stakeholders. Electricity in our office is our major source of energy consumption. Several measures have been or will be adopted to reduce its energy consumption:

- Higher priority is given to purchasing electrical appliances with high energy efficiency grade;
- Switching off lights and air-conditioning in respective zones after work; and
- Maintaining constant room temperatures with thermostats in the air-conditioning system.

In the coming year, the Group targets to at least maintain and if possible, reduce our use of energy by 1–2%.

Water

The Group's operations mainly focus on interior design services to customers; water usage is mainly from daily staff use in office. However, the Group still keeps an eye on its total water consumption and aims to further increase its water utilisation efficiency. The following water conservation practices have been implemented in offices:

- Place "saving water resources" posters in prominent places as reminders to cultivate employees' behavioural change; and
- Promote water conservation practices and the associated importance through various communication channels to increase employees' awareness.

Wastewater generated from the offices was directly discharged into the municipal drainage system, which was then handled by the respective property management of buildings. During the Reporting Period, there were no issues in sourcing water and no sewage was discharged.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The consumption of natural resources from the office has been collected and listed in the table below:

Natural resources consumption	Unit	2024	2023
Energy			
Electricity	kWh	**16,218**	16,101
Gasoline	kWh	**16,878**	9,400
Total energy consumption	kWh	**33,096**	25,501
Energy consumption intensity	kWh per million of revenue	**1,536.2**	882.5
Water consumption	Tonne	**12.71**	8.56
Water consumption intensity	Tonne per million of revenue	**0.59**	0.30

The Environment and Natural Resources

The Group's business operations have minimal impact on the environment and natural resources. To reduce the effects of renovation activities, as well as construction and fitting-out works, the Group's designers and marketing managers offer clients a selection of eco-friendly material options.

The Group's activities do not generate significant environmental impacts, aside from minor effects arising from electricity consumption in office operations. Indirect environmental impacts are mitigated through the adoption of Green Office Practices and the promotion of an energy-saving culture among employees. In addition to monitoring air emissions and solid waste generation, the Group will continue to review its current practices and policies, seeking alternative solutions to further reduce emissions.

Looking forward, the Group remains committed to identifying and addressing the potential impacts of its operations on the environment and natural resources. The Group will also strive to minimise environmental nuisances during its operations. To standardise daily operational practices, training opportunities will be provided to employees, and GHG emission mitigation measures will be implemented more rigorously.

Climate Change

Climate change represents one of the major challenges faced by society in recent decades. Extreme weather events, such as typhoons and floods, can cause significant damage to buildings and disrupt the daily operations of businesses. Various components of society, including businesses, are actively responding to this issue and promoting a sustainable culture to mitigate the impacts of climate change.

The interior design of a building plays a crucial role in sustainability. As a company focused on providing interior design services and co-ordinating interior decoration projects, the Group recognises that renovation efforts have a substantial impact on the environment. To help minimise this impact, the Group offers customers a range of environmentally friendly products and services whenever possible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Moreover, the Group is aware that climate change may significantly affect its operations. The Group has assessed climate-related risks in accordance with the recommendations of the Task Force on Climate-related Financial Risks Disclosure. These risks are categorised into two primary types: physical risks and transition risks. To evaluate their materiality and potential impacts on the Group's operations, metrics have been developed to measure the risk level by assessing both the likelihood and severity of each risk. Overall, the Group maintains a lower risk profile concerning climate change.

Risk	Time Horizon	Impact to business
Physical risk		
Acute	Short term	Increased severity and frequency of extreme weather affects daily operations and may cause damage to raw materials. It reduces revenue and increases maintenance costs.
Chronic	Medium to long term	Rising temperatures increase energy use and equipment maintenance cost.
Transition risk		
Technology	Medium to long term	Increased operation cost from the substitution of existing equipment and services.
Legal and policy	Long term	Increased operation cost from increased GHG emission pricing.
Market	Long term	Reduced demand for services from the shift of customer and market preference.
Reputation	Long term	Reduced revenue from decreased demand for services.

Considering the risk of business interruption due to extreme weather events, the Group evaluates potential weather conditions that may disrupt operations. As part of its contingency policies, the Group instructs employees on how to manage situations where essential equipment or services may be unavailable due to severe weather. Additionally, the Group maintains comprehensive insurance coverage for assets susceptible to damage from extreme weather conditions, thereby minimising potential maintenance and repair costs.

The Group is more vulnerable to transition risks, particularly market and technology risks. As the transition to a low-carbon economy progresses, production costs may increase due to shifts in customer and market preferences for more eco-friendly building materials. In response to the growing demand for environmentally friendly products, the Group prioritises suppliers with superior environmental performance when selecting partners. The Group will continue to monitor climate-related risks and their potential financial impacts on its operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

Labour Practices And Labour Standards

The Group believes that a motivated and balanced workforce is crucial for building a sustainable business model and delivering long-term returns. The Group is firmly committed to diligently fostering a nurturing and all-encompassing work environment that encourages and empowers its employees to flourish, thereby enabling them to make the utmost valuable contributions towards the Group's continued prosperity and advancement.

To ensure staff clearly understand their rights and obligations, the employee handbook and other policies and guidelines are in place covering the areas of compensation and dismissal, recruitment, working hours, rest periods, equal opportunity, anti-discrimination and other fringe benefits, etc. The Group reviews its related policies from time to time to ensure compliance with the latest statutory requirements.

The Group also prohibits any form of forced labour. In the recruitment process, the Group implements appropriate procedures to ensure that employment adheres to minimum age provisions of applicable laws. The Group stringently verifies applicants' information with documents, including identity cards and academic certificates, during the recruitment process to guard against child labour. We would contact the parents of the under-aged interviewee to bring their child home. Furthermore, the employment contract clearly states that the employment terms and conditions are in accordance with essential legal requirements. Upon discovering any child labour, the human resources department would immediately remove the child from the workplace.

During the Reporting Period, there were no recorded labour disputes between the Group and our staff. The Group strictly abides by related laws and regulations, including but not limited to:

- Employment Ordinance;
- Employees' Compensation Ordinance;
- Mandatory Provident Fund Schemes Ordinance;
- Construction Workers Registration Ordinance;
- Minimum Wage Ordinance;
- Sex Discrimination Ordinance;
- Disability Discrimination Ordinance;
- Family Status Discrimination Ordinance;
- Race Discrimination Ordinance; and
- Protection of Children and Juveniles Ordinance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 December 2024, the Group had 13 (2023: 12) staff. The data on staff distribution and turnover rate in the Reporting Period are listed below:

Staff type		2024	Staff turnover rate
Total		**13**	30%
Gender	Male	**5**	36%
	Female	**8**	25%
Employment type	Full-time	**13**	30%
	Part time	**–**	–
Age group	18–25	**2**	200%
	26–35	**2**	–
	36–45	**5**	–
	46–55	**–**	–
	56 or above	**4**	25%
Region	Hong Kong	**13**	30%

Remuneration and dismissal
The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically to ensure consistency with the employment market. Laws and regulations on minimum wage and statutory social benefits are complied with. Dismissal must also comply with the relevant employment laws and regulations, as well as internal policies and procedures, including policies preventing dismissal based solely on employees' gender, marital status, pregnancy, disability, age or family status.

Recruitment and promotion
The Group attracts talent through a fair, flexible and transparent recruitment strategy. The recruitment process includes application submission, position description, collection of job applications, interviews, selection, approval, and job offers. Based on the annual performance evaluation result, the Group offers rewards and promotion opportunities to employees with outstanding performances.

Working hours, rest periods, benefits and welfare
Employees' working hours, rest periods, benefits, and welfare (including social security benefits, mandatory provident fund and labour pension) are required to comply with employment or labour laws and regulations. Selected benefit programs, including medical coverage, are also provided.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Equal opportunities, diversity and anti-discrimination

The Group is an equal opportunity employer. The Group endeavours to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, age, or other measures of diversity. To promote equal opportunities for career development, employees are required to disclose any relatives employed by the Group during the job application process.

Employee Health and Safety

The Group strictly follows relevant laws and regulations such as the Occupational Safety and Health Ordinance. During the Reporting Period, all employees of the Group had completed the occupational health and safety training. In addition, there was no material non-compliance with the applicable laws and regulations relating to occupational health and safety which had a material impact on the Group.

The Group's project managers have been trained and awarded with a Certificate for Safety & Health Supervisors (Construction) issued by the government. They are responsible for coordinating, managing, and supervising the fitting out works carried out by the sub-contractors, and ensuring that they observe laws and regulations relating to health and safety. The Group understands that preventive measures are much more important than reactive measures. Therefore, sufficient first-aid boxes have been equipped in the office area in case of any emergencies.

To avoid ergonomic hazards caused by prolonged use of computers, the Group has provided employees with appropriate-height desks and height-adjustable chairs and encourages our staff to pay attention to the usual sitting posture, take breaks, and do stretching exercises regularly.

To protect our employees' health, safety equipment including first-aid boxes and trolleys for heavy goods are available in the office. Due to the nature of our business activities, our employees are rarely exposed to high-risk hazards that may cause serious physical injuries. Any work-related injuries and personal accidents occurring during and outside of office hours are required to be reported to the human resources department.

The Group has established and stringently implemented its internal safety and health policies in line with the relevant laws and regulations during the year, including but not limited to the Occupational Safety and Health Ordinance. Looking ahead, the Group would continue to promote occupational health and safety to its employees and avoid any work injury or accident by all means.

The data of the Group's work-related injuries and fatalities during the Reporting Period and the past two reporting periods is as follows:

Occupational health and safety statistics	2024	2023	2022
Number of lost days due to work injuries	**Nil**	Nil	Nil
Number of work-related fatalities	**Nil**	Nil	Nil

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

The Group values employee training and considers it an important means to improve the Group's overall operational efficiency. The Group focuses on the ability requirements of each level of employee to ensure that employees are growing with the Group at the same time.

The Group regularly identifies and assesses the training needs of its employees by collecting and analysing feedback from employees through systematic evaluation. When necessary, the Group will provide internal training for its employees to enhance their skills and knowledge. During the Reporting Period, all of our employees attended training about anti-corruption. However, the Group encourages its employees to apply for external training courses. Subsidies will be provided to the employees upon the completion of the accredited program.

	Staff type	Average training hours attended	Percentage of staff attended training
Gender	Male	1	100%
	Female	1	100%
Employee category	Frontline and general staff	1	100%
	Senior management	1	100%

OPERATING PRACTICES

Supply Chain Management

The Group understands that supply chain management is of great importance to the Group's quality control. The Group has a strict supplier and sub-contractor selection process in place to ensure that high-quality products and services are delivered.

When assessing suppliers, the Group considers various factors, including brand reputation, product quality, and environmental and social responsibility performance, which are critical in establishing strategic relationships. Suppliers with certified environmental management systems, such as ISO 14001, receive higher scores in the assessment and evaluation process.

Throughout the procurement process, project managers of the Group are responsible for selecting suppliers and reviewing the performance of their products and services. More environmentally friendly products or services should be procured whenever possible, with a view to minimising negative impacts to the environment and human health and conserving natural resources.

For existing qualified suppliers and sub-contractors, the Group conducts annual performance reviews and maintains efficient communication channels regarding the latest requirements. The project team also regularly visits the sites to inspect the quality of the project and the environmental, health, and safety conditions, and also to ensure the project is performed in accordance with the relevant specifications of the customers. The objectives are to strengthen collaborative relationships with strategic suppliers and create competitive advantages within the value chain, ensuring that suppliers share a commitment to sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The strategic screening mechanism for suppliers allows the Group to ensure compliance with its performance standards, which is vital for developing long-term partnerships and maintaining an effective supply chain management system. Suppliers and sub-contractors on the approved list are continuously reviewed through site inspections, lead time, quality of works and products and after-sales services. Suppliers and sub-contractors with unsatisfactory performance may be removed from the approved list.

As of 31 December 2024, the Group has 6 material suppliers and 65 sub-contractors in Hong Kong.

Product Responsibility

The Group understands that maintaining good relationships with customers is key to success. Customer feedback on our services and products is essential as it helps us continuously improve. By receiving suggestions from our customers, we gain valuable insights that enable us to enhance our offerings and better meet their needs.

Quality Work and Services

The Group understands that maintaining good relationships with customers is key to success. Customer feedback on our services and products is essential as it helps us continuously improve. By receiving suggestions from our customers, we gain valuable insights that enable us to enhance our offerings and better meet their needs.

During the fitting-out work project execution process, the project managers monitor and supervise across all stages. Before commencing work, we review the scope of work, and project duration, and highlight specific parts and risk areas. This ensures that the Group is well prepared to undertake the project. The project managers also coordinate with sub-contractors to ensure adequate resources and materials are in place before work begins. All building materials, such as gypsum board, wood board, and ceiling grid, were environmentally friendly materials that meet European Union standards.

Our project managers regularly inspect and keep track of the progress of the fitting-out work project. This inspection ensures that the project follows the plan and standards and helps to prevent significant issues. All parties involved in the project meet to review safety, environmental, schedule, design, and site coordination matters. Upon any discovery of works that are not up to standard or not align with the operating procedures, the project manager would follow up and arrange rectification works with the sub-contractors.

During the Reporting Period, we did not receive any complaints about our services and the quality of the fitting-out works and did not identify any of our products that had to be recalled due to safety and health reasons.

Products Return and Recall Policy

In our commitment to sustainability and responsibility, our project managers maintain close contact with our customers and sub-contractors for fitting-out works. We actively engage with customers to understand their needs and concerns, and reflect customer feedback to management and the sub-contractors. This collaborative approach not only fosters a culture of responsiveness but also emphasises our dedication to customer satisfaction, as we continuously strive to enhance our products and services based on the insights gathered from our valued customers. We did not receive any complaints about our services during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data Protection

The Group acknowledges the importance of protecting the privacy and confidentiality of relevant stakeholders and prohibits the misuse of any personal information of customers and employees. Personal data of our staff is either password-protected or stored in secure locations accessible solely to authorised staff members.

The staff handbook emphasises the critical importance of confidentiality among employees, stating that all workers are responsible for safeguarding sensitive information related to the company's operations. This includes personnel matters, contracts, customer data, statistical information, technical details, management strategies, and accounting records. The handbook clearly warns that any breach of confidentiality, particularly concerning the company's operational and confidential information, as well as violations of the intellectual property rights of the Group, may result in immediate termination.

During the Reporting Period, no cases of non-compliance related to confidentiality, privacy, or data protection were recorded, which would have had a significant impact on the Group. We will continue to act in accordance with the relevant laws and regulations, such as the Personal Data (Privacy) Ordinance.

Intellectual Property

The Group attaches great importance to the protection of intellectual property rights. In order to ensure only safe genuine computer software and system are installed, any unauthorised installation of software is prohibited. The Group also protects its intellectual property rights by the use and registration of domain names.

All employees shall protect the Group's intellectual property rights, including, but not limited to all concepts, ideas, plans, drafts, sketches, designs, drawings, layouts, images, charts, models, artworks, development or improvement, and any other intellectual achievements whether or not copyrighted, or any other intellectual property rights subsist or are capable of subsisting in respect of the same.

During the Reporting Period, no cases of non-compliance related to intellectual property rights were recorded that would have had a significant impact on the Group. We will continue to act in accordance with the relevant laws and regulations, such as the Trade Marks Ordinance.

Product Labelling and Advertising

The Group does not rely heavily on marketing and advertising, and the official website serves as the Group's primary channel for advertising. We maintain the highest integrity in promoting our products and services in ways that do not mislead customers and regularly review the information disclosed on the website to ensure that the information is accurate and proper for use. Due to our business nature, recall procedures for safety and health reasons are not applicable to us. Therefore, no such disclosure on relevant policies is disclosed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group is dedicated to upholding the highest standards of business integrity and accountability, as we recognise that maintaining the trust of our employees, business partners, and customers is paramount. We have implemented stringent measures to prevent any forms of business misbehaviour, ensuring our long-term growth and sustainability.

We maintain a zero-tolerance policy towards corrupt practices such as bribery, extortion, fraud, and money laundering. From the onset of employment, we communicate this policy to all our employees, and new hires are required to sign an integrity commitment letter. To provide clear guidance and prevent any breaches of our codes and national anti-corruption laws, we have included comprehensive guidelines on business integrity and expectations in the Staff Handbook. We explicitly forbid them from exploiting their positions for unauthorised personal benefits.

Whistle-Blowing

The Group is committed to achieving and maintaining the highest standards of openness, integrity, and accountability. Employees are strongly encouraged to promptly report suspicious activity to the senior management or the directors while preserving anonymity. The senior management and the director would take due care in responding to all reports of suspected cases of fraud and conduct thorough investigations with the utmost confidentiality. The result of the investigation will be reported directly to the Chief Executive Officer. Corrective action and disciplinary action (including dismissal in certain instances) would be imposed if required. All suspicious transactions detected during the investigations shall be reported to the relevant authority in a timely manner by the responsible party.

To the best of our understanding, there were no concluded legal cases regarding corrupt practices brought against us or our employees during the Reporting Period. Also, the Group was not aware of any non-compliance of relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

Directors and staff had access to the online training video provided by the Independent Commission Against Corruption to refresh their knowledge and skills and ensure that their ethics and values are in alignment with the Group, including in the area of anti-corruption.

Community Investment

While the Group has not implemented formal policies on community investment, it actively promotes corporate social responsibility and encourages employee participation in charitable activities during both work and personal time. The Group firmly believes that engaging in initiatives that give back to society not only enhances employees' civic awareness but also helps inculcate the right values. By fostering a culture of social responsibility, the Group aims to make a positive impact on the community and contribute to the betterment of society. The Group would, from time to time make charitable donations as deemed necessary. In the future, the Group will seek opportunities to contribute to the community.

INDEPENDENT AUDITOR'S REPORT

LINKSFIELD
CPA LIMITED

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF K W NELSON INTERIOR DESIGN AND CONTRACTING GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of K W Nelson Interior Design and Contracting Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 119, which comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

— revenue recognition for provision of interior designs, project management services and fitting-out works; and
— impairment for trade receivables and contract assets.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Revenue recognition for provision of interior designs, project management services and fitting-out works

Refer to Note 4(a) and Note 6 to the consolidated financial statements.

For the year ended 31 December 2024, the Group recognised revenue from provision for interior designs, project management services and fitting-out works of approximately HK$21,544,000.

Revenue from fixed price contract work is recognised progressively over time using the output method, based on direct measurement of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract or surveys of work performed.

The Group generally takes one to four months to complete a project, with majority of the projects being completed within three months. The determination of the estimated value of contract work completed to date for different projects involved significant management's judgment and estimates which may have significant impact on the account and timing of revenue recognised.

We focused on this area because the magnitude of revenue as recognised from provision for interior designs, project management services and fitting-out works are significant and determining the value of the contract work completed to date for the purpose of recognising revenue from provision for interior designs, project management services and fitting-out works over time involved significant management's judgment and estimates.

How our audit addressed the Key Audit Matters

We performed the following procedures to address the key audit matter:

- Obtained an understanding of management's internal controls on the revenue recognition for provision of interior designs, project management services and fitting-out works and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors;

- Evaluated and validated, on a sample basis, the key controls over the revenue recognition for interior designs, project management services and fitting-out works;

- Tested, on a sample basis, revenue transactions recorded during the year with the underlying contracts and variation orders (if any), progress reports and/or letter of completion, invoices and bank-in slips for settled balances and assessed the business substance of the underlying transactions and whether the related revenue had been recognised in accordance with the Group's revenue recognition policies;

- Obtained confirmations, on a sample basis, from major customers of the Group to confirm revenue recognised during the year and, for unreturned confirmations, performed alternative procedures by comparing details with contracts, bank-in slips and other underlying project related documentation; and

- Conducted site visits to projects in progress as at the year end to inspect the progress of individual projects. Discussed with management and project managers regarding the physical status of the projects in progress with reference to the specifications in the project service agreements.

Based on the procedures performed, we found that the judgments and estimates adopted by management in the revenue recognition for provision of interior designs, project management services and fitting-out works was supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Impairment for trade receivables and contract assets

Refer to Note 3.1(c), Note 4(b), Note 18 and Note 19 to the consolidated financial statements.

As at 31 December 2024, the Group had gross trade receivables and contract assets of approximately HK$9,385,000 and provision for impairment of trade receivables and contract assets of approximately HK$887,000. Loss allowance is made for lifetime expected credit losses ("ECLs") on trade receivables and contract assets.

Management applied judgment in assessing the ECLs. Receivables relating to customers with known financial difficulties or significant doubts on collection of receivables are assessed individually for provision for loss allowance. ECLs are also estimated by grouping the remaining trade receivables and contract assets based on customers' shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying ECLs rates to the respective gross carrying amounts of the trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales over a period of two years and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables and contract assets.

We focused on this area due to the magnitude of the trade receivables and contract assets, the estimation and judgment involved in determining the ECLs of trade receivables and contract assets.

How our audit addressed the Key Audit Matters

We performed the following procedures to address the key audit matter:

- Understood, evaluated and validated, on a sample basis, the key control procedures over management's estimation of ECLs and periodic review of aged receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with estimating the ECLs;

- Evaluated the significant judgments and assumptions involved in the ECLs of trade receivables and contract assets, including management's assessment of credit risks of the debtors, considering their payment profiles of sales over a period of two years, historical repayment patterns, correspondence with the customers and forward-looking factors such as macroeconomic factors and historical default rates used in management's assessment, and assessed the reasonableness of the judgments and assumptions adopted;

- Involved our internal valuation expert to develop an auditor's point estimate in assessing the ECLs including forward-looking information;

- Tested, on a sample basis, the accuracy of ageing profile of trade receivables and contract assets by checking to the underlying sales invoices; and

- Tested, on a sample basis, the subsequent settlement of trade receivables and contract assets against bank receipts.

Based upon the above, we found that the estimation and judgment made by management in respect of the ECLs and the collectability of trade receivables and contract assets were supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Ho Kwong.

Linksfield CPA Limited
Certified Public Accountants
Au Ho Kwong
Practising Certificate Number: P08240

Hong Kong, 19 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Note	**2024** **HK$'000**	2023 HK$'000
Revenue	*6*	**21,544**	28,895
Cost of sales	*8*	**(14,769)**	(20,454)
Gross profit		**6,775**	8,441
Other income	*7*	**1,930**	1,675
Selling and distribution expenses	*8*	**(1,301)**	(1,192)
Administrative expenses	*8*	**(11,087)**	(14,058)
Reversal of/(provision for) impairment of trade receivables and contract assets	*18*	**371**	(884)
Operating loss		**(3,312)**	(6,018)
Finance costs	*10*	**(25)**	(27)
Loss before income tax		**(3,337)**	(6,045)
Income tax credit	*11*	**–**	359
Loss for the year attributable to the owners of the Company		**(3,337)**	(5,686)
Loss per share attributable to the owners of the Company (in HK cents)			
Basic and diluted	*12*	**(0.4)**	(0.6)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 **HK$'000**	2023 HK$'000
Loss for the year	**(3,337)**	(5,686)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	**(17)**	(15)
Item that may not be reclassified to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")	**(66)**	(63)
Other comprehensive loss for the year	**(83)**	(78)
Total comprehensive loss for the year attributable to the owners of the Company	**(3,420)**	(5,764)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	**2024** **HK$'000**	2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**1,675**	2,533
Right-of-use assets	*16*	**928**	413
Financial assets at fair value through other comprehensive income	*17*	**–**	455
Rental deposits	*18*	**106**	–
		2,709	3,401
Current assets			
Trade and other receivables	*18*	**8,001**	3,987
Contract assets	*19*	**2,671**	567
Pledged bank deposits	*20(a)*	**2,000**	2,647
Time deposits with original maturity over three months	*20(b)*	**41,694**	39,970
Cash and cash equivalents	*20(c)*	**9,040**	19,062
		63,406	66,233
Total assets		**66,115**	69,634
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*22(a)*	**10,000**	10,000
Share premium	*22(b)*	**33,728**	33,728
Shares held for share award scheme	*24*	**(8,824)**	(8,743)
Reserves	*23*	**26,895**	30,315
Total equity		**61,799**	65,300

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*16*	**494**	–
Provisions	*25*	**548**	102
		1,042	102
Current liabilities			
Trade and other payables	*25*	**2,834**	3,418
Provisions	*25*	**–**	449
Contract liabilities	*19*	**–**	88
Lease liabilities	*16*	**440**	277
		3,274	4,232
Total liabilities		**4,316**	4,334
Total equity and liabilities		**66,115**	69,634

The consolidated financial statements on pages 65 to 119 were approved by the Board of Directors on 19 March 2025 and were signed on its behalf.

Lau King Wai
Director

Wong Siu Hong Edward
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	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 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 year	–	–	–	–	–	–	–	(5,686)	(5,686)	–	(5,686)
Other comprehensive income											
Exchange difference arising on translation of foreign operations	–	–	(15)	–	–	–	–	–	(15)	–	(15)
Change in fair value of financial assets at FVOCI	–	–	–	(63)	–	–	–	–	(63)	–	(63)
Total comprehensive loss for the year	–	–	(15)	(63)	–	–	–	(5,686)	(5,764)	–	(5,764)
Transactions with owners											
Shares purchased for share award scheme *(Note 24)*	–	–	–	–	(1,154)	–	–	–	(1,154)	–	(1,154)
Disposal of non-controlling interests	–	–	–	–	–	–	–	–	–	(5)	(5)
At 31 December 2023	10,000	33,728	(292)	(7,138)	(8,743)	(380)	5,000	33,125	65,300	–	65,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	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*
At 1 January 2024	10,000	33,728	(292)	(7,138)	(8,743)	(380)	5,000	33,125	65,300
Comprehensive income									
Loss for the year	–	–	–	–	–	–	–	(3,337)	(3,337)
Other comprehensive income									
Exchange difference arising on translation of foreign operations	–	–	(17)	–	–	–	–	–	(17)
Change in fair value of financial assets at FVOCI	–	–	–	(66)	–	–	–	–	(66)
Realised upon disposal of financial assets at FVOCI	–	–	–	7,204	–	–	–	(7,204)	–
Total comprehensive income/(loss) for the year	–	–	(17)	7,138	–	–	–	(10,541)	(3,420)
Transactions with owners									
Shares purchased for share award scheme *(Note 24)*	–	–	–	–	(81)	–	–	–	(81)
At 31 December 2024	**10,000**	**33,728**	**(309)**	**–**	**(8,824)**	**(380)**	**5,000**	**22,584**	**61,799**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Cash used in operations	27(a)	**(10,550)**	(9,234)
Hong Kong profits tax refunded		**–**	4,423
Net cash used in operating activities		**(10,550)**	(4,811)
Cash flows from investing activities			
Decrease in pledged bank deposits		**647**	–
Increase in time deposits with original maturity over three months		**(1,724)**	(1,250)
Interest received		**1,927**	1,656
Purchase of property, plant and equipment		**(132)**	–
Proceeds from disposal of financial assets at FVOCI		**389**	–
Net cash generated from investing activities		**1,107**	406
Cash flows from financing activities			
Principal elements of lease payments	27(b)	**(456)**	(453)
Interest elements of lease payments	27(b)	**(25)**	(27)
Repurchase of shares under share award scheme	24	**(81)**	(1,154)
Net cash used in financing activities		**(562)**	(1,634)
Net decrease in cash and cash equivalents		**(10,005)**	(6,039)
Cash and cash equivalents at the beginning of the year		**19,062**	25,116
Effect of foreign exchange rate changes		**(17)**	(15)
Cash and cash equivalents at the end of the year	20(c)	**9,040**	19,062

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The consolidated financial statements are prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

(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 2024:

HKAS 1	Classification of Liabilities as Current or Non-current (amendments)
HKAS 1	Non-current Liabilities with Covenants (amendments)
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)
HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)

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

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

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

		Effective for annual periods beginning on or after
HKAS 21 and HKFRS 1	Lack of Exchangeability (amendments)	1 January 2025
HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments (amendments)	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (new standard)	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (new standard)	1 January 2027
HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)	1 January 2027
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

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

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss and other comprehensive income, which will affect how the Group present and disclose financial performance in the consolidated financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

Except from the above, 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 and interpretations. These standards, amendments and interpretations are not expected to have a material 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 requirements. The Group intends to adopt the above new standards, amendments to existing standards and interpretations when they become effective.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to price risk, market risk (including foreign exchange and interest rate), credit risk and liquidity risk. The Group's overall risk management programme focuses on the analysis, evaluation, acceptance and monitoring of such risks which are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Group's financial performance.

(a) Price risk

The Group held listed equity investments, which can be affected by fluctuations in share price and is exposed to other price risk on share price of the listed investments.

As at 31 December 2024, the Group held no equity investment.

As at 31 December 2023, if the market price of the investment had been 5% higher/lower, with all other variables held constant, other components of equity would have increased/decreased by HK$23,000.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group mainly operates in Hong Kong and the People's Republic of China (the "PRC"). The majority of the transactions at each location are settled in the respective local currencies, namely Hong Kong dollar ("HK$") and Renminbi ("RMB"). The directors are of the opinion that the Group does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. Accordingly, no sensitivity analysis is performed.

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure as management considers its exposure is not significant.

(ii) Interest rate risk

The Group has no significant interest-bearing assets and liabilities except for pledged bank deposits, time deposits and cash at banks.

In the opinions of the directors, the interest income derived from the pledged bank deposits and bank balances are insignificant and the Group's income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, no sensitivity analysis is performed.

At 31 December 2024, if interest rate on time deposits with original maturity over three months had been 50 basis points (2023: 50 basis points) higher/lower with all other variables held constant, loss for the year would have been approximately HK$208,000 lower/higher (2023: HK$200,000), as a result of higher/lower interest income on time deposits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk

Credit risk refer to the risk that the counter-party fails to meet its contractual obligations resulting in financial loss to the Group. The credit risk of the Group mainly arises from trade and other receivables, contract assets, pledged bank deposits, time deposit with original maturity over three months and cash at banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group applies the general approach in HKFRS 9 to measure the expected credit losses ("ECLs") for balances not qualified for simplified approach. The general approach which uses a three-stage model to calculate the loss allowances. According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECLs by three stages:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECLs is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime ECLs is recognised as loss allowance.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime ECLs is recognised as loss allowance.

Assessment of significant increase in credit risk

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). "Significant" does not mean statistically significant nor is it reflective of the extent of the impact on the Group's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, e.g. payment being past due by more than 30 days.

Assessment of credit-impaired

Credit-impaired financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are unlikely to pay, such as bankruptcy, fraud or death of the debtor. This definition is consistent with internal credit risk management and the regulatory definition of default.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) ***Credit risk*** *(Continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Bank balances

The credit risk on pledged bank deposits, time deposits with original maturity over three months and cash at banks is limited because the counterparties are several reputable and creditworthy banks. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past. Therefore, expected credit loss rate of pledged bank deposits, time deposits with original maturity over three months and cash at bank is assessed to be immaterial and no provision was made as at 31 December 2024 and 2023.

Trade receivables and contract assets

The Group is exposed to concentration of credit as the revenue from largest customer and the five largest customers constituted 21.6% and 76.0% (2023: 51.0% and 88.8%) of the Group's revenue for the year ended 31 December 2024, respectively. They accounted for approximately 13.3% and 95.9% (2023: 42.9% and 83.8%) of the total trade receivables and contract assets after impairment as at 31 December 2024. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are 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. Normally, the Group does not obtain collateral from customers.

The Group applies HKFRS 9 simplified approach for measuring the ECLs, which use a lifetime expected loss allowance for all trade receivables and contract assets. The Group measures the ECLs on a combination of both individual and collective basis. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) ***Credit risk*** *(Continued)*

Trade receivables and contract assets (Continued)

The expected loss rates are based on the payment profiles of sales over a period of two years and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Receivables relating to customers with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. The following table presents the balances of gross carrying amount and loss allowance in respect of the individually assessed receivables as at 31 December 2024 and 2023:

	2024 ***HK$'000***	2023 *HK$'000*
Gross carrying amount	**828**	828
Loss allowance	**(828)**	(828)
Net carrying amount	**–**	–

The loss allowance for trade receivables and contract assets as at 31 December 2024 and 2023 was determined as follows:

	Expected loss rate	**Gross carrying amount** ***HK$'000***	**Expected credit loss** ***HK$'000***	**Net carrying amount** ***HK$'000***
As at 31 December 2024				
Not yet due or within 180 days	**0.6%**	**8,388**	**(48)**	**8,340**
181–360 days past due	**5.7%**	**167**	**(10)**	**157**
361–720 days past due	**50.0%**	**2**	**(1)**	**1**
More than 720 days past due	**100.0%**	**828**	**(828)**	**–**
		9,385	**(887)**	**8,498**
As at 31 December 2023				
Not yet due or within 180 days	1.3%	1,085	(14)	1,071
181–360 days past due	11.0%	903	(99)	804
361–720 days past due	–	–	–	–
More than 720 days past due	100.0%	1,145	(1,145)	–
		3,133	(1,258)	1,875

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) ***Credit risk*** *(Continued)*

Trade receivables and contract assets (Continued)

Impairment losses on trade receivables and contract assets are presented as "provision for impairment of trade receivables and contract assets" in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised as "reversal of impairment of trade receivables and contract assets" in the consolidated statement of profit or loss.

The allowance for expected credit loss on trade receivables and contract assets of the Group decreased to HK$0.9 million as at 31 December 2024 (2023: HK$1.3 million) mainly due to the recovery of a long overdue trade receivables from customer amounting to approximately HK$0.3 million during the year ended 31 December 2024.

Other receivables

The Group adopted general approach for expected credit loss of other receivables. The Group considered these financial assets have not significantly increased in credit risk from initial recognition. Thus, these financial assets are classified in stage one and only considered 12-month ECLs. Considering the history of default, current conditions and forward-looking factor, the expected credit loss is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents which are generated from internal operations and having adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Undiscounted cash flows				
	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Total	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2024					
Trade and other payables	**2,834**	**–**	**–**	**2,834**	**2,834**
Undiscounted lease liabilities	**480**	**280**	**240**	**1,000**	**934**
	3,314	**280**	**240**	**3,834**	**3,768**
As at 31 December 2023					
Trade and other payables	3,418	–	–	3,418	3,418
Undiscounted lease liabilities	283	–	–	283	277
	3,701	–	–	3,701	3,695

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged throughout the year.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management *(Continued)*

The capital structure of the Group represents equity attributable to the owners of the Company, comprising issued share capital, retained earnings, and other reserves. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the member, return capital to the members, issue new shares or sell assets to reduce debt.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. At 31 December 2024, the ratio of the Group's total liabilities over its total assets was 6.5% (2023: 6.2%).

The Group is not subject to externally imposed capital requirements during the years ended 31 December 2024 and 2023.

3.3 Fair value estimation and judgments

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2024 and 2023.

	Level 1	
	2024	2023
	HK$'000	*HK$'000*
Financial assets at fair value through other comprehensive income	–	455

There was no transfer of financial assets and liabilities between the fair value hierarchy classifications during the year ended 31 December 2024 (2023: Same).

The carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values. The fair value for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Accounting for contracts for provision of interior designs, project management services and fitting-out works

Revenue from provision of interior designs, project management services and fitting-out works is recognised over time by measuring the progress towards completion of the Group's performance obligations as set out in respective contracts. The Group has used the output method to estimate the progress of each performance obligation satisfied over time by reference to the value of construction works completed to date as a proportion of the total contract value of the relevant service contracts. The Group regularly reviews and revises the estimation of service contract progresses whenever there is any change in circumstances.

The actual outcomes in terms of revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue recognised in future as an adjustment to the amounts recorded to date.

(b) Loss allowance of trade receivables and contract assets

The Group applies the simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables and contract assets. For trade receivables and contract assets from customers who have financial difficulties, the Group assessed individually and provided for credit losses allowance. If no reasonable and supportable information is available without undue cost for ECLs measurement, the trade receivables and contract assets were grouped by reference to the credit risk characteristics and assessed collectively for credit losses allowance. When measuring expected credit loss, the Group considers the credit loss experience, ageing of overdue trade receivables and contract assets, customers' repayment history and customers' financial position, and adjusts by taking into consideration current conditions and forward-looking factors.

The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the debtor's historical repayment history and forward-looking information at the year end. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowance to the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

5 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 2024, the Group had one (2023: 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:

	2024 ***HK$'000***	2023 *HK$'000*
Hong Kong	**21,544**	28,895

(b) Non-current assets

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

	2024 ***HK$'000***	2023 *HK$'000*
Hong Kong	**2,599**	2,944
The PRC and Macau	**4**	2
	2,603	2,946

Key customers

For the year ended 31 December 2024, there were four customers (2023: three) which individually contributed over 10% of the Group's total revenue, the revenue contributed from each of these customers was as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Customer A	**4,662**	–*
Customer B	**3,513**	–*
Customer C	**3,421**	–*
Customer D	**3,134**	–*
Customer E	**–***	14,726
Customer F	**–***	4,236
Customer G	**–***	4,116

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with external customers

	2024 **HK$'000**	2023 HK$'000
Recognised over time		
— Provision for interior designs, project management services and fitting-out works	**21,544**	28,895

As permitted under HKFRS 15, the transaction price allocated to those unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point of time.

Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

Accounting policies of revenue recognition *(Continued)*

(a) Revenue from provision for interior designs, project management services and fitting-out works

The Group has to identify the performance obligations in contract. A performance obligation is a promise in a contract to transfer a good or service to a customer. Generally, contract for provision of interior designs, project management services and fitting out works will provide a significant integration service including purchase of materials, arrangement of subcontractor and labour for the provision of services and the goods and services within the contract will be highly dependent on or highly integrated with other goods or services. As such, different elements of contract for provision of interior designs, project management services and fitting out works are accounted as a single performance obligation. The Group treated all of contracts for provision of interior designs, project management services and fitting out works as a single performance obligation and not capable of being distinct.

Revenue from individual contracts is recognised according to progress of the project towards complete satisfaction of performance obligation. The Group recognises revenue using output method, which is measured based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract or surveys of work performed, provided that the value of contract work performed can be measured reliably.

The Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customers to the contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

The payment terms differed for different customers due to the variety of projects. The Group does not intend to give a financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

6 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

Accounting policies of revenue recognition *(Continued)*

(b) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. In the consolidated statement of financial position, the contract assets mainly consist of unbilled revenue arising from the contracts for provision of interior designs, project management services and fitting-out works. Contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

7 OTHER INCOME

	2024 ***HK$'000***	2023 *HK$'000*
Interest income	**1,927**	1,656
Sundry income	**3**	19
	1,930	1,675

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

8 EXPENSES BY NATURE

	2024 **HK$'000**	2023 HK$'000
Materials and subcontractor costs	**13,622**	18,835
Advertising and promotion expenses	**51**	96
Auditor's remuneration		
— Audit services	**600**	630
Depreciation of property, plant and equipment *(Note 15)*	**990**	991
Depreciation of right-of-use assets *(Note 16)*	**601**	612
Employee benefit costs (including directors' emoluments) *(Note 9)*	**7,034**	10,456
Exchange loss	**48**	58
Insurance expenses	**79**	289
Legal and professional fees	**1,849**	2,011
Motor vehicle expenses	**479**	233
Travelling expenses	**456**	485
Expenses rating to short-term leases	**148**	48
Others	**1,200**	960
Total cost of sales, selling and distribution expenses and administrative expenses	**27,157**	35,704

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2024 **HK$'000**	2023 HK$'000
Wages and salaries	**5,269**	5,606
Directors' fee	**360**	360
Staff welfare and benefits	**1,250**	4,295
Contribution to defined contribution plans	**158**	179
Provision for long service payments	**(3)**	16
	7,034	10,456

As at 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) Benefits and interest of directors

(i) Directors' emoluments

The remuneration of directors for each of the years ended 31 December 2024 and 2023 are set out below:

	Fees HK$'000	Salaries, allowances, and benefits HK$'000	Discretionary bonuses HK$'000	Employer's contribution to defined contribution plans HK$'000	Other emoluments paid or receivables HK$'000	Total HK$'000
For the year ended 31 December 2024						
Executive directors						
Mr. Lau King Wai	**–**	**1,800**	**–**	**18**	**979**	**2,797**
Ms. Leung May Yan	**–**	**37**	**–**	**2**	**–**	**39**
Mr. Wong Siu Hong Edward	**–**	**382**	**–**	**18**	**–**	**400**
Independent non-executive directors						
Ms. So Patsy Ying Chi	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Li Wai Kwan	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Hui Harry Chi *(Note (i))*	**120**	**–**	**–**	**–**	**–**	**120**
	360	**2,219**	**–**	**38**	**979**	**3,596**
For the year ended 31 December 2023						
Executive directors						
Mr. Lau King Wai	–	1,800	–	18	4,202	6,020
Ms. Leung May Yan	–	71	–	4	–	75
Mr. Wong Siu Hong Edward	–	380	–	18	–	398
Independent non-executive directors						
Ms. So Patsy Ying Chi	120	–	–	–	–	120
Mr. Li Wai Kwan	120	–	–	–	–	120
Mr. Hui Harry Chi *(Note (i))*	120	–	–	–	–	120
	360	2,251	–	40	4,202	6,853

Notes:

(i) Mr. Hui Harry Chi was resigned as independent non-executive director of the Company on 1 January 2025.

(ii) Mr. Li Wai Leung was appointed as independent non-executive director of the Company on 1 January 2025.

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) Benefits and interest of directors *(Continued)*

(i) Directors' emoluments *(Continued)*

The remunerations shown above represent remunerations received from the Company and subsidiaries of the Company by these directors in their capacity as employees to the Company and no directors waived any emolument during the year ended 31 December 2024 (2023: Nil).

No emoluments were paid by the subsidiaries of the Company to the directors as an inducement to join the subsidiaries of the Company, or as compensation for loss of office during the year ended 31 December 2024 (2023: Nil).

(ii) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 December 2024 (2023: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 December 2024 (2023: Nil).

(iii) Consideration provided to third parties for making available directors' services

The Company did not pay consideration to any third parties for making available directors' services for the year ended 31 December 2024 (2023: Nil).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2024, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2023: Same).

(v) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the Note 28(b), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of the subsidiaries of the Company was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2024 (2023: Same).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one (2023: one) director, whose emoluments were reflected in the analysis presented in Note 9(a) during the year ended 31 December 2024. The emoluments paid/payable to the remaining include four individuals (2023: four) are as follows:

	2024	2023
	HK$'000	*HK$'000*
Wages and salaries	**1,850**	1,918
Staff welfare and benefits	**62**	11
Contribution to defined contribution plans	**70**	72
	1,982	2,001

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Emolument band		
Nil to HK$1,000,000	**4**	4

During the year ended 31 December 2024, no emoluments have been paid by the Group to the directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Group, or as compensation for loss of office (2023: Nil).

Accounting policies of employee benefits

(i) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the MPF Scheme.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

Accounting policies of employee benefits *(Continued)*

(i) Retirement benefit costs *(Continued)*

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on certain percentage of the wages for the year of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group. Contributions to these retirement benefits schemes are charged to the consolidated statement of profit or loss as incurred.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the consolidated statement of financial position date.

(iii) Share-based compensation

The Group operates equity-settled, share-based compensation plans, namely the share award scheme. The fair value of the employee services received in exchange for the grant of the share awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share awards granted:

- including any market performance conditions;

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

Non-market vesting conditions are included in assumptions about the number of awarded shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated profit or loss, with a corresponding adjustment to equity.

For the share award scheme, the Group may purchase its own shares through the trustee of the share award scheme from the open market for the shares to be vested under the share award scheme. The shares purchased by the Group that are not yet vested for this share award scheme were recorded as treasury shares and recorded as "Shares held for share award scheme" as a deduction under equity. Upon vesting of the awarded shares, the related costs of the purchased shares are reduced from the "Shares held for share award scheme".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

Accounting policies of employee benefits *(Continued)*

(iv) Long service payments

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees upon the termination of their employment or retirement on ground of old age when the employee fulfils certain conditions, and the termination meets the required circumstances. Further, where accrued benefits (excluding any part attributable to the employee's contributions) have been paid to the employee, or is being held in a mandatory provident fund scheme by the employee, which is the case for most of the eligible employees of the Group, the long service payment is offset against the aforementioned amount of benefits to the extent that they relate to the employee's years of service for which the long service payment is payable.

The Group makes its estimates of its obligations to make long service payments to its employees in the event of termination of their employment or retirement. The Group's obligations to make such long service payments are recognised in the consolidated statement of profit or loss as long service payment liabilities at the present value (where the effect of discounting is material) of the long service payment obligations, which are estimated after deducting the entitlements accrued under the Group's defined contribution retirement scheme that are attributable to contributions made by the Group. Service cost, net interest on the long service payment liabilities (where discounting to present value is adopted because the effect of discounting is material) and remeasurements of the long service payment liabilities are recognised in consolidated statement of profit or loss.

10 FINANCE COSTS

	2024 ***HK$'000***	2023 *HK$'000*
Interest expense on lease liabilities	**25**	27

11 INCOME TAX CREDIT

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 2024 and 2023.

No PRC Corporate Income Tax ("CIT") provision was made as the PRC subsidiary has sustained a loss for taxation purpose for the years ended 31 December 2024 and 2023.

An analysis of the income tax credit is as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Hong Kong Profits Tax		
— Current year	**–**	–
Deferred income tax *(Note 21)*	**–**	(359)
	–	(359)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

11 INCOME TAX CREDIT *(Continued)*

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to loss before income tax of the consolidated entities as follows:

	2024 **HK$'000**	2023 HK$'000
Loss before income tax	**(3,337)**	(6,045)
Calculated at the application taxation rate of the jurisdictions concerned	**(531)**	(979)
Income not subject to taxation	**(593)**	(272)
Expense not deductible for taxation purpose	**317**	370
Utilisation of previously unrecognised tax losses	**–**	(320)
Tax losses not recognised	**807**	842
	–	(359)

Accounting policies of current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

11 INCOME TAX CREDIT *(Continued)*

Accounting policies of current and deferred income tax *(Continued)*

(ii) Deferred income tax *(Continued)*

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

12 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.

	2024	2023
Loss attributable to the owners of the Company *(HK$'000)*	**(3,337)**	(5,686)
Weighted average number of ordinary shares in issue *(thousands)*	**950,538**	953,834
Basic loss per share *(HK cents)*	**(0.4)**	(0.6)

(b) Diluted loss per share

For the years ended 31 December 2024 and 2023, diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares in existence.

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For the year ended 31 December 2024

13 DIVIDENDS

	2024 **HK$'000**	2023 HK$'000
Final dividend, proposed, of HK2.0 cents (2023: nil) per share	**20,000**	–

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

14 SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2024 and 2023 are as follows. Unless otherwise stated, they have share capital consisting solely of ordinary shares and the proportion of ownership interests held equals the voting rights held by the Group.

Name of subsidiaries	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Equity interest attributable to the Group		Principal activities
			2024	2023	
Indirectly held by the Company:					
K W Nelson Interior Design and Contracting Limited	Hong Kong, limited liability company	HK$10,000	**100%**	100%	Provision of interior designs, project management services and fitting-out works
Guangzhou Nelson Decoration Limited (廣州市立以遜裝飾有限公司) *(note (ii))*	The PRC, limited liability company	HK$1,000,000	**100%**	100%	Provision of fitting-out and interior designs works

Notes:

(i) Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

(ii) The English name represent the best effort by the Group's management to translate its Chinese name, as this subsidiary does not have official English name.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2023				
Cost	1,729	422	4,729	6,880
Accumulated depreciation	(1,729)	(305)	(1,322)	(3,356)
Net book amount	–	117	3,407	3,524
Year ended 31 December 2023				
Opening net book amount	–	117	3,407	3,524
Depreciation	–	(44)	(947)	(991)
Closing net book amount	–	73	2,460	2,533
At 31 December 2023 and 1 January 2024				
Cost	1,729	422	4,729	6,880
Accumulated depreciation	(1,729)	(349)	(2,269)	(4,347)
Net book amount	–	73	2,460	2,533
Year ended 31 December 2024				
Opening net book amount	**–**	**73**	**2,460**	**2,533**
Addition	**80**	**52**	**–**	**132**
Depreciation	**(16)**	**(34)**	**(940)**	**(990)**
Closing net book amount	**64**	**91**	**1,520**	**1,675**
At 31 December 2024				
Cost	**1,809**	**472**	**4,729**	**7,010**
Accumulated depreciation	**(1,745)**	**(381)**	**(3,209)**	**(5,335)**
Net book amount	**64**	**91**	**1,520**	**1,675**

Depreciation expense of approximately HK$990,000 (2023: HK$991,000) has been charged in administrative expenses.

Accounting policies of property, plant and equipment

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

Leasehold improvements	Over the shorter of remaining lease term or 20% per annum
Office equipment	5 years
Motor vehicles	5 years

See note 31.6 for other accounting policies relevant to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases in respect of office premises where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

	2024 **HK$'000**	2023 HK$'000
Right-of-use assets		
Non-current	**928**	413
Lease liabilities		
Non-current	**494**	–
Current	**440**	277
	934	277

Additions to the right-of-use assets during the year ended 31 December 2024 were approximately HK$1,116,000 (2023: Nil).

(b) Amounts charged in the consolidated statement of profit or loss

	2024 **HK$'000**	2023 HK$'000
Depreciation of right-of-use assets	**(601)**	(612)
Interest expenses on lease liabilities *(Note 10)*	**(25)**	(27)
Expenses relating to short-term leases (included in administrative expenses)	**(148)**	(48)

The total cash outflow for leases liabilities and expense relating to short-term leases during the year ended 31 December 2024 was HK$629,000 (2023: HK$528,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases office premises. Rental contracts for office premises are typically made for fixed periods ranging from 1 to 3 years without extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There is no securities or covenants on these lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

Accounting policies of leases

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes any adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-valued assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

See note 31.18 for the other accounting policies relevant to leases.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise of equity securities which held for strategic purpose. The Group has irrevocably elected at initial recognition to recognise in this category as these are strategic investments and the Group considers this classification to be more relevant.

(b) Equity investments at fair value through other comprehensive income

	2024 *HK$'000*	2023 *HK$'000*
Equity investments listed in Hong Kong	–	455

During the year ended 31 December 2024, the Group disposed all equity investment and held no equity investment as of year end.

(c) Amount recognised in other comprehensive income

	2024 *HK$'000*	2023 *HK$'000*
Change in fair value of financial assets at fair value through other comprehensive income	**(66)**	(63)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

18 TRADE AND OTHER RECEIVABLES

	2024 **HK$'000**	2023 HK$'000
Trade receivables	**6,714**	2,566
Less: provision for loss allowance	**(887)**	(1,258)
	5,827	1,308
Prepayments	**1,327**	652
Deposits and other receivables	**953**	2,027
	8,107	3,987
Less: Non-current portion		
Rental deposit	**(106)**	–
Current portion	**8,001**	3,987

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:

	2024 **HK$'000**	2023 HK$'000
Within 30 days	**2,451**	284
31 to 60 days	**3,218**	143
61 to 90 days	**–**	76
Over 90 days	**158**	805
	5,827	1,308

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

The movement in provision for loss allowance on trade receivables are as follows:

	2024 **HK$'000**	2023 HK$'000
At beginning of the year	**1,258**	543
(Reversal of)/provision for impairment	**(371)**	884
Written-off	**–**	(169)
At end of the year	**887**	1,258

19 CONTRACT ASSETS/(LIABILITIES)

The Group has recognised the following assets and liabilities related to contracts in relation to provision for interior designs, project management services and fitting-out works with customers:

	2024	2023
	HK$'000	*HK$'000*
Current		
Contract assets	**2,671**	567
Contract liabilities	**–**	(88)

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon the construction services performed/recognised.

Contract liabilities decreased as less prepayments were received from customers ahead of the construction services performed/recognised.

(a) Revenue recognised in relation to contract liabilities

Revenue of HK$88,000 (2023: HK$4,517,000) was recognised in the current reporting period relating to carried-forward contract liabilities of contracts in relation to provision for interior designs, project management services and fitting-out works.

20 PLEDGED BANK DEPOSITS, TIME DEPOSITS WITH MATURITY OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS

(a) Pledged bank deposits

As at 31 December 2024, fixed deposits denominated in HK$ and bore interest rates at 2.3% (2023: 1.5%) per annum were pledged to secure the banking facility of HK$2,000,000 (2023: HK$2,000,000) and performance bond of nil (2023: HK$647,000) (Note 29). As at 31 December 2024 and 2023, no banking facility was utilised.

(b) Time deposits with original maturity over three months

As at 31 December 2024, bank deposits with original maturity over three months are denominated in HK$ and bore interest rates ranging from 2.3% to 4.15% per annum (2023: 1.50% to 4.79%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

20 PLEDGED BANK DEPOSITS, TIME DEPOSITS WITH MATURITY OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS *(Continued)*

(c) Cash and cash equivalents

	2024 ***HK$'000***	2023 *HK$'000*
Cash at banks	**9,040**	19,062

The Group's cash and cash equivalents are denominated in the following currencies:

	2024 ***HK$'000***	2023 *HK$'000*
HK$	**7,233**	16,922
RMB	**1,807**	2,140
	9,040	19,062

As at 31 December 2024, the cash and cash equivalents of the Group amounted to HK$1,807,000 (2023: HK$2,141,000), were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control.

21 DEFERRED INCOME TAX LIABILITIES

	2024 ***HK$'000***	2023 *HK$'000*
Deferred income tax liabilities:		
— To be settled within one year	**–**	–
— To be settled after one year	**–**	–
	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

21 DEFERRED INCOME TAX LIABILITIES *(Continued)*

The movements in deferred income tax liabilities during the year are as follows:

	Accelerated depreciation *HK$'000*	Loss allowance *HK$'000*	Tax loss recognised *HK$'000*	Total *HK$'000*
At 1 January 2023	(449)	90	–	(359)
Credited/(charged) to profit or loss	58	(19)	320	359
At 31 December 2023 and 1 January 2024	**(391)**	**71**	**320**	**–**
Credited/(charged) to profit or loss	**276**	**(61)**	**(215)**	**–**
At 31 December 2024	**(115)**	**10**	**105**	**–**

At 31 December 2024, the Group has unused tax losses of approximately HK$18,574,000 (2023: HK$13,570,000) available for offset against future profits. Tax losses of HK$891,000 (2023: HK$721,000) will expire from 2025 to 2029 (2023: 2025 to 2028) and HK$17,682,000 (2023: HK$12,844,000) can be carried forward indefinitely under current tax legislation. No deferred income tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

As at 31 December 2024 and 2023, deferred income tax liabilities have not been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of the PRC subsidiary of the Company amounting to approximately HK$246,000 (2023: HK$419,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	2024 ***HK$'000***	2023 *HK$'000*
Authorised		
10,000,000,000 shares at HK$0.01 each	**100,000**	100,000
Issued and fully paid		
1,000,000,000 shares at HK$0.01 each	**10,000**	10,000

(b) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

23 RESERVES

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of an entity with functional currency other than Hong Kong dollars.

(b) Fair value reserve

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period.

(c) Merger reserve

The merger reserve represented the difference between the nominal value of the share capital of the subsidiary acquired as a result of a reorganisation and the nominal value of the share capital of the Company issued in exchange thereof.

(d) Capital contribution reserve

The capital contribution reserve represents contribution from the controlling shareholder.

24 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. Subject to the terms of the share award scheme and the Listing Rules, the Company may, at its discretion, award eligible participants the Company's shares. The participants of the Share Award Scheme will be granted an award in the form of award shares for nil consideration.

The Share Award Scheme is managed by an independent trustee (the "Trustee") appointed by the Group. The Trustee purchases the award shares under the direction of the Company for the purpose of the Share Award Scheme. Existing shares of the Company will be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust until such shares are awarded and vested in accordance with the provisions of the share award scheme. The shares of the Company held by the trustee are referred to as treasury shares and each treasury share represents one ordinary share of the Company.

No shares shall be purchased pursuant to the Share Award Scheme, nor any amounts paid to the trustee for the purpose of making such a purchase, if as a result of such purchase, the number of shares administered under the share award scheme shall exceed 10% of the issued capital of the Company.

24 SHARE AWARD SCHEME *(Continued)*

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date.

During the year ended 31 December 2024 and 2023, the Group purchased its own shares through the trustee of the share award scheme from open market and the total amount paid after transaction costs to acquire the shares has been deducted from the owners' equity. The movement of shares held for share award scheme is as follows:

	Number of shares *(in thousand)*	*HK$'000*
As at 1 January 2023	40,040	7,589
Shares repurchased	8,570	1,154
As at 31 December 2023 and 1 January 2024	**48,610**	**8,743**
Shares repurchased	**990**	**81**
As at 31 December 2024	**49,600**	**8,824**

As at 31 December 2024 and 2023, shares repurchased were recorded as treasury shares of the Company. During the year ended 31 December 2024 and 2023, no award shares have been granted under the Share Award Scheme.

25 PROVISIONS, TRADE AND OTHER PAYABLES

	2024 ***HK$'000***	2023 *HK$'000*
Provision		
Provision for reinstatement cost	**449**	449
Provision for long service payments	**99**	102
	548	551
Less: Non-current portion	**(548)**	(102)
Current portion	**–**	449
Trade and other payables		
Trade payables	**1,950**	1,868
Other payables and accruals	**884**	1,550
	2,834	3,418

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

25 PROVISIONS, TRADE AND OTHER PAYABLES *(Continued)*

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

	2024 **HK$'000**	2023 HK$'000
1 to 30 days	**196**	245
31 to 90 days	**389**	349
Over 90 days	**1,365**	1,274
	1,950	1,868

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

26 FINANCIAL INSTRUMENTS BY CATEGORY

	2024 **HK$'000**	2023 HK$'000
Financial assets		
At fair value		
— Financial assets at FVOCI	**–**	455
At amortised cost		
— Trade and other receivables	**6,780**	3,335
— Pledged bank deposits	**2,000**	2,647
— Time deposits with original maturity over three months	**41,694**	39,970
— Cash and cash equivalents	**9,040**	19,062
	59,514	65,014
	59,514	65,469
Financial liabilities		
At amortised cost		
— Trade and other payables	**2,834**	3,418
— Lease liabilities	**934**	277
	3,768	3,695

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	2024 HK$'000	2023 HK$'000
Loss before income tax	**(3,337)**	(6,045)
Adjustments for:		
Depreciation of property, plant, and equipment	**990**	991
Depreciation of right-of-use assets	**601**	612
Interest income	**(1,927)**	(1,656)
Finance costs	**25**	27
Provision for long service payments	**(3)**	16
(Reversal of)/provision for impairment losses on trade receivables	**(371)**	884
Sundry income	**(3)**	(19)
Operating loss before working capital changes	**(4,025)**	(5,190)
Changes in working capital:		
Trade and other receivables	**(3,749)**	(913)
Contract assets	**(2,104)**	(144)
Trade and other payables	**(584)**	1,442
Contract liabilities	**(88)**	(4,429)
Cash used in operations	**(10,550)**	(9,234)

(b) Net debt reconciliation

This section sets out the movements in liabilities arising from financing activities for each of the years presented.

	Lease liabilities	
	2024 HK$'000	2023 HK$'000
As at 1 January	**277**	749
Non-cash movements		
— Addition on lease liabilities	**1,116**	–
— Interest expenses *(Note 10)*	**25**	27
— Sundry income	**(3)**	(19)
Net cash outflows	**(481)**	(480)
As at 31 December	**934**	277

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

28 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa.

The ultimate holding company of the Company is Sino Emperor Group Limited ("Sino Emperor"), a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling party of Sino Emperor is Mr. Lau King Wai, who is also the director of the Company.

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 years ended 31 December 2024 and 2023:

Name of related parties	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

(b) Transactions and balance with related parties

Other than those disclosed below and elsewhere in the consolidated financial statements, the Group had no significant transactions or balances with related parties during the year ended 31 December 2024 (2023: same).

	Amount due to the related company		Related interest expense	
	As at 31 December		For the year ended 31 December	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lease liabilities to a related company				
— Further Concept Limited	**665**	234	**6**	18

28 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions and balance with related parties *(Continued)*

During the year ended 31 December 2024, repayment of principal and interest portion of lease liabilities to the related party was HK$240,000 (2023: HK$240,000).

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 arrangement above constitute 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 compensation

The executive directors of the Company are regarded as key management. Details of the key management compensation are disclosed in Note 9(a) to the consolidated financial statements.

(d) Other related party transactions

Remuneration of HK$700,000 (2023: HK$758,000) was paid to the spouse and the son of the controlling shareholder during the year ended 31 December 2024.

29 CONTINGENT LIABILITIES

As at 31 December 2023, performance bond of 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. As at 31 December 2024, there was no such performance bond outstanding. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**380**	380
Amount due from a subsidiary		**27,000**	–
		27,380	380
Current assets			
Other receivables		**460**	441
Amount due from a subsidiary		**24,502**	32,902
Cash and cash equivalents		**3,410**	3,487
		28,372	36,830
Total assets		**55,752**	37,210
EQUITY			
Share capital	*22(a)*	**10,000**	10,000
Share premium	*30(b)*	**33,728**	33,728
Shares held for share award scheme	*30(b)*	**(8,824)**	(8,743)
Retained earnings	*30(b)*	**20,848**	2,225
Total equity		**55,752**	37,210

The statement of financial position of the Company was approved by the Board of Directors on 19 March 2025 and was signed on its behalf.

Lau King Wai
Director

Wong Siu Hong Edward
Director

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Movement for share premium, shares held for share award scheme and retained earnings of the Company

	Share premium *HK$'000*	Shares held for share award scheme *HK$'000*	Retained earnings *HK$'000*
As at 1 January 2023	33,728	(7,589)	3,156
Loss and total comprehensive loss for the year	–	–	(931)
Shares purchased for share award scheme *(Note 24)*	–	(1,154)	–
As at 31 December 2023 and 1 January 2024	**33,728**	**(8,743)**	**2,225**
Profit and total comprehensive income for the year	**–**	**–**	**18,623**
Shares purchased for share award scheme *(Note 24)*	**–**	**(81)**	**–**
As at 31 December 2024	**33,728**	**(8,824)**	**20,848**

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

31.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(Continued)

31.2 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired entity,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(Continued)

31.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

31.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, who makes strategic decisions.

31.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the presentation currency of the Group and the functional currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "administrative expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

31.5 Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

31.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "other income" in the consolidated statement of profit or loss.

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(Continued)

31.7 Impairment of non-financial assets

Properties, plant and equipment which are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

31.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(Continued)

31.8 Investments and other financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established.

When the equity investments measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is transferred within equity.

Changes in the fair value of financial assets at FVPL are recognised in "other income" in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The Group assesses on a forward-looking basis the ECLs associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

31.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Group or the counterparty.

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES
(Continued)

31.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

31.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

31.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

31.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

31.14 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(Continued)

31.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

31.16 Interest income

Interest income is recognised using the effective interest method, on a time-proportion basis.

31.17 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

31.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

31 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

31.18 Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

31.19 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the consolidated financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as a liability at the end of the reporting period.

31.20 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised as "other income" over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set as below:

RESULTS

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**21,544**	28,895	42,521	44,086	82,365
Cost of sales	**(14,769)**	(20,454)	(30,568)	(34,952)	(46,728)
Gross profit	**6,775**	8,441	11,953	9,134	35,637
Other income	**1,930**	1,675	769	674	1,278
Expenses and impairment	**(12,017)**	(16,134)	(15,745)	(14,306)	(16,058)
(Loss)/profit from operations	**(3,312)**	(6,018)	(3,023)	(4,498)	20,857
Finance costs	**(25)**	(27)	(52)	(46)	(51)
(Loss)/profit before income tax	**(3,337)**	(6,045)	(3,075)	(4,544)	20,806
Income tax credit/(expense)	**–**	359	(327)	(622)	(4,058)
(Loss)/profit for the year	**(3,337)**	(5,686)	(3,402)	(5,166)	16,748

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**66,115**	69,634	80,359	150,337	157,525
Total liabilities	**(4,316)**	(4,334)	(8,136)	(20,817)	(15,494)
Total equity	**61,799**	65,300	72,223	129,520	142,031