K W Nelson Interior Design and Contracting Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8411)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

HIGHLIGHTS

- During the nine months ended 30 September 2019 (the "Period"), the Group's revenue decreased by approximately 7.5% to approximately HK$82.3 million from approximately HK$89.0 million for the nine months ended 30 September 2018 (the "Previous Period"). The decrease was mainly driven by the decrease in revenue from decoration projects for commercial premises. The Group's gross profit increased to approximately HK$41.4 million for the Period from approximately HK$37.4 million for the Previous Period, representing an increase of approximately 10.7%. The increase was mainly due to project management fee income of HK$3.8 million (Previous Period: Nil) and project cost reversal upon finalisation of accounts with customers, suppliers and subcontractor during the Period.

- The Group's profit attributable to ordinary equity shareholders increased to approximately HK$24.6 million for the Period from approximately HK$19.4 million for the Previous Period.

- The board of directors does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS

The board of the Directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 30 September 2019, together with the comparative unaudited figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2019

		Three months ended 30 September		Nine months ended 30 September	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(Note)		*(Note)*
Revenue	*4*	**31,587**	12,841	**82,312**	88,950
Direct costs		**(16,713)**	(5,322)	**(40,955)**	(51,533)
Gross profit		**14,874**	7,519	**41,357**	37,417
Other revenue	*5*	**400**	–	**737**	148
General and administrative expenses		**(4,807)**	(5,650)	**(12,495)**	(14,228)
Profit from operation		**10,467**	1,869	**29,599**	23,337
Finance costs		**(20)**	–	**(48)**	–
Profit before taxation	*6*	**10,447**	1,869	**29,551**	23,337
Income tax	*7*	**(1,869)**	(378)	**(4,913)**	(3,967)
Profit for the period		**8,578**	1,491	**24,638**	19,370
Earnings per share	*8*				
Basic and diluted		**HK0.86 cents**	HK0.15 cents	**HK2.46 cents**	HK1.94 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2019

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Note)		*(Note)*
Profit for the period	**8,578**	1,491	**24,638**	19,370
Other comprehensive income for the period (net of nil tax and reclassification adjustments)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of a subsidiary	**(250)**	12	**(129)**	(126)
Items that will not be reclassified to profit or loss:				
Change in fair value of financial assets at fair value through other comprehensive income	**(6,608)**	–	**(6,361)**	–
Total comprehensive income for the period	**1,720**	1,503	**18,148**	19,244

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Attributable to the ordinary equity shareholders of the Company							
	Share capital	Share premium	Exchange reserve	Fair value reserve (non-recycling)	Merger reserve	Capital contribution reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the nine months ended 30 September 2018								
Balance at 1 January 2018	10,000	33,728	(122)	–	(380)	5,000	35,638	83,864
Profit for the period	–	–	–	–	–	–	19,370	19,370
Other comprehensive income								
Exchange difference on translation of financial statements of a subsidiary	–	–	(126)	–	–	–	–	(126)
Total comprehensive income	–	–	(126)	–	–	–	19,370	19,244
Dividend approved and paid in respect of the previous year	–	–	–	–	–	–	(2,000)	(2,000)
Balance at 30 September 2018	10,000	33,728	(248)	–	(380)	5,000	53,008	101,108
For the nine months ended 30 September 2019								
Balance at 1 January 2019 *(Note)*	**10,000**	**33,728**	**(275)**	–	**(380)**	**5,000**	**62,372**	**110,445**
Profit for the period	–	–	–	–	–	–	**24,638**	**24,638**
Other comprehensive income								
Exchange difference on translation of financial statements of a subsidiary	–	–	**(129)**	–	–	–	–	**(129)**
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	**(6,361)**	–	–	–	**(6,361)**
Total comprehensive income	**–**	**–**	**(129)**	**(6,361)**	**–**	**–**	**24,638**	**18,148**
Dividend approved and paid in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**–**	**(2,500)**	**(2,500)**
Balance at 30 September 2019	**10,000**	**33,728**	**(404)**	**(6,361)**	**(380)**	**5,000**	**84,510**	**126,093**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION

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

The unaudited condensed consolidated results has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3. In addition, the Group has adopted the accounting policy for investments in equity securities in the unaudited condensed consolidated results as follows:

Investments in equity securities

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Equity Investments

— An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other revenue.

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

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

2 BASIS OF PREPARATION *(Continued)*

The measurement basis used in the preparation of the unaudited condensed consolidated results is the historical cost basis except for financial assets at fair value through other comprehensive income, which are carried at fair value. The unaudited condensed consolidated results is presented in Hong Kong dollars ("HK$") and all figures are rounded to the nearest thousand ("HK$'000") unless otherwise indicated.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this quarterly financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC)-Int 4, *Determining whether an arrangement contains a lease*, HK(SIC)-Int 15, *Operating leases — incentives*, and HK(SIC)-Int 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balances of right-of-use assets and lease liabilities at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 10(a).

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.13%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

— The Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as disclosed in note 19 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019 *HK$'000*
Operating lease commitments at 31 December 2018	756
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(210)
	546
Less: total future interest expenses	(30)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	516
Add: finance lease liabilities recognised as at 31 December 2018	–
Total lease liabilities recognised at 1 January 2019	516

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *HK$'000*	Capitalisation of operating lease contracts *HK$'000*	Carrying amount at 1 January 2019 *HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	2,842	516	3,358
Total non-current assets	2,842	516	3,358
Lease liabilities (current)	–	231	231
Current liabilities	32,215	231	32,446
Net current assets	107,657	231	107,888
Total assets less current liabilities	110,499	285	110,784
Lease liabilities (non-current)	–	285	285
Total non-current liabilities	54	285	339
Net assets	110,445	–	110,445

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019 ***HK$'000***	At 1 January 2019 *HK$'000*
Included in "Property, plant and equipment":		
Properties leased for own use, carried at depreciated cost	**1,466**	516

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 January 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	679	739	231	252
After 1 year but within 2 years	566	592	243	252
After 2 years but within 5 years	241	246	42	42
	807	838	285	294
	1,486	1,577	516	546
Less: total future interest expenses		(91)		(30)
Present value of lease liabilities		1,486		516

(d) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the condensed consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the condensed consolidated cash flow statement.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result for the nine months ended 30 September 2019, by adjusting the amounts reported under HKFRS 16 in this unaudited condensed consolidated results to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	Add back: HKFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note i) (C)	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B–C)	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial result for the nine months ended 30 September 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**29,599**	**402**	**(431)**	**29,570**	23,337
Finance costs	**(48)**	**48**	**–**	**–**	–
Profit before taxation	**29,551**	**450**	**(431)**	**29,570**	23,337
Profit for the period	**24,638**	**450**	**(431)**	**24,657**	19,370

4 REVENUE AND SEGMENT REPORTING

Revenue represents the contract revenue from the provision of interior designs, project management services and fitting-out works in Hong Kong and Mainland China.

The Group has one reportable segment which is the provision of interior designs, project management services and fitting-out works. The Group's chief operating decision maker, which has been identified as the Board, reviews the consolidated results of the Group for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment information has been presented.

The following table sets out information about the geographical location of the Group's revenue. The geographical location of customers is based on the location at which the work was provided.

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Hong Kong (place of domicile)	**31,001**	10,297	**79,571**	86,406
The People's Republic of China (the "PRC") and Macau	**586**	2,544	**2,741**	2,544
	31,587	12,841	**82,312**	88,950

5 OTHER REVENUE

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest Income	**397**	–	**724**	144
Sundry Income	**3**	–	**13**	4
	400	–	**737**	148

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
(a) Staff costs (including directors' remuneration)				
Salaries, wages and other benefits	**1,572**	1,539	**5,104**	4,481
Contributions to defined contribution retirement plan	**61**	76	**179**	177
	1,633	1,615	**5,283**	4,658

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiary in the PRC participates in a defined contribution retirement benefit scheme (the "Scheme") organised by the local authorities whereby the subsidiary is required to make contributions to the Scheme based on a percentage of the eligible employees' salaries. Contributions to the Scheme vest immediately. Under the Scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
(b) Other items				
Loss allowance	**(83)**	–	**1,772**	–
Depreciation				
— owned property, plant and equipment	**275**	356	**822**	864
— right-of-use assets	**172**	–	**402**	–
Direct costs *(note i)*	**16,713**	5,322	**40,955**	51,533

Note i: Direct costs for the nine months ended 30 September 2019 includes approximately HK$3,031,000 (nine months ended 30 September 2018: HK$2,922,000) relating to staff costs, which is also included in the respective total amounts disclosed separately in note 6(a).

7 INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax — Hong Kong Profits Tax	**1,852**	378	**4,844**	3,997
Current tax — PRC Corporate Income Tax	**25**	–	**77**	–
Deferred tax	**(8)**	–	**(8)**	(30)
	1,869	378	**4,913**	3,967

The provision for Hong Kong Profits Tax is calculated at 8.25% of the first HK$2,000,000 and 16.5% of the remaining estimated assessable profits for the nine months ended 30 September 2019 (nine months ended 30 September 2018: same).

Taxation for the PRC subsidiary was charged at a reduced rate for small and low-profit enterprise at 10% of the estimated profits for the nine months ended 30 September 2019 (nine months ended 30 September 2018: 10%).

8 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the following information:

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
Profit for the period attributable to the ordinary equity shareholders of the Company *(HK$'000)*	**8,578**	1,491	**24,638**	19,370
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Basic earnings per share attributable to ordinary equity shareholders of the Company *(HK cents)*	**0.86**	0.15	**2.46**	1.94

(b) Diluted

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the nine months ended 30 September 2019 and 2018.

9 DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

10 COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 *HK$'000* (Audited)
Within 1 year	462
After 1 year but within 5 years	294
	756

The Group is the lessee in respect of a number of properties and a motor vehicle held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3.

11 RELATED PARTY TRANSACTIONS

During the nine months ended 30 September 2019, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Lau King Wai	Director and the controlling shareholder of the Company
Ms. Chan Pui Shan, Jessica	Spouse of the controlling shareholder
Further Concept Limited	Controlled by the controlling shareholder
Target King Limited	Controlled by the controlling shareholder

The following transactions were carried out between the Group and its related parties during the period. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Key management personnel remuneration

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

	Three months ended 30 September		**Nine months ended 30 September**	
	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited)	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited)
Emoluments, salaries and other benefits	**364**	364	**1,159**	1,179
Contributions to defined contribution retirement plan	**13**	12	**38**	36
	377	376	**1,197**	1,215

11 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Remuneration of the spouse of the controlling shareholder

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries and other benefits	**62**	63	**388**	189
Contributions to defined contribution retirement plan	**4**	3	**10**	9
	66	66	**398**	198

(c) Other related party transactions

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Office rental paid to Further Concept Limited	**60**	54	**180**	162
Car rental paid to Target King Limited	**–**	28	**–**	112

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

12 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the Period, the Group's revenue decreased by approximately 7.5% to approximately HK$82.3 million from approximately HK$89.0 million for the Previous Period. The decrease was mainly driven by the decrease in revenue from decoration projects for commercial premises. The Group's gross profit increased to approximately HK$41.4 million for the Period from approximately HK$37.4 million for the Previous Period, representing an increase of approximately 10.7%.

The Group's profit attributable to shareholders increased to approximately HK$24.6 million for the Period from approximately HK$19.4 million for the Previous Period.

OUTLOOK

During the Period, the Group had certain decoration projects with medical centres and offices, and had completed decoration project for a famous professional medical tower in Central. Although the recent protests and marches in Hong Kong may have an impact on the business of the Group, the management believes that the Group will be able to perform multidimension design and decoration services to different sectors of clients in Hong Kong, Macau and the PRC.

The Company has submitted a formal application to the Stock Exchange on 7 February 2018 for the proposed transfer of the listing of Shares from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules. The application has automatically lapsed as the process of the application has taken more than six months since the submission of the application. On 27 August 2018, the Company re-submitted the application (the "Resubmission") to renew the application. Such application has automatically lapsed as the process has taken more than six months since the Resubmission. The Company has already appointed a sponsor to consider to make a new application. The Board believes that the transfer of listing will enhance the profile of the Group, strengthen its recognition among public investors and hence increase the trading liquidity of the Shares. This will strengthen the Group's position in the industry and enhance the Group's competitive strengths in retaining and attracting the Group's professional staff and customers. The Board also considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group, and it will create a long-term value to the Shareholders.

Looking forward, the Group is optimistic with the prospects of the interior design and decoration market, especially on commercial premises. In light of the strong support of the Hong Kong Government on infrastructure projects, the Group will continue to benefit from the increasing demand on design and decoration projects. The Group will also enhance its responsiveness to market trends so as to strengthen its position in the current market and continue its business expansion plan. In order to maximise the long term returns of our shareholders, the Group will continue to devote more resources to further develop its interior design and decoration by undertaking more sizeable projects and to explore new business opportunities through leveraging its experience in the industry.

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from (i) design & decoration projects; (ii) decoration projects; and (iii) other interior design and fitting-out services. During the Period, the Group's revenue decreased by approximately 7.5% to approximately HK$82.3 million (Previous Period: HK$89.0 million).

The following table sets forth a breakdown of the Group's revenue and number of projects by project types and geographical locations for the nine months ended 30 September 2019 and 2018:

Project types and locations	Nine months ended 30 September 2019 No. of projects	 HK$'000 (Unaudited)	 %	 2018 No. of projects	 HK$'000 (Unaudited)	 %
Design & decoration						
Hong Kong	**14**	**43,968**	**53.4**	17	23,510	26.4
Macau	**–**	**–**	**–**	1	2,544	2.9
	14	**43,968**	**53.4**	18	26,054	29.3
Decoration						
Hong Kong	**12**	**34,570**	**42.0**	3	61,995	69.7
The PRC and Macau	**5**	**2,741**	**3.3**	–	–	–
	17	**37,311**	**45.3**	3	61,995	69.7
Others						
Hong Kong		**1,033**	**1.3**		901	1.0
		1,033	**1.3**		901	1.0
Total	**31**	**82,312**	**100.0**	21	88,950	100.0

The overall decrease in revenue during the Period was principally attributed to decrease in revenue from decoration projects of office premises from approximately HK$38.2 million in the Previous Period to approximately HK$13.7 million in the Period, which offset by increase in revenue of approximately HK$15.9 million derived from design and decoration projects of restaurant and shopping malls during the Period.

Cost of Services and Gross Profit Margin

The Group's direct costs mainly comprised subcontracting costs and direct staff costs.

The following table sets forth the breakdown of the Group's gross profit margin by project types for the nine months ended 30 September 2019 and 2018:

Project types	Nine months ended 30 September 2019 (Unaudited)	2018 (Unaudited)
Design & decoration	**47.8%**	41.7%
Decoration	**53.7%**	42.7%
Others	**29.4%**	6.0%
Overall	**50.2%**	42.1%

The Group's overall gross profit margin increased to approximately 50.2% for the Period (Previous Period: 42.1%), which was mainly due to (i) the higher gross profit margin for decoration projects of medical centres; (ii) during the Period, there was project management fee income for shopping malls and restaurant of approximately HK$3.8 million (Previous Period: Nil); and (iii) project cost reversal upon finalisation of accounts with customers, suppliers and subcontractors which led to favourable financial impact to the Group in the Period.

General and Administrative Expenses

The Group's general and administrative expenses for the Period amounted to approximately HK$12.5 million (Previous Period: HK$14.2 million), representing a decrease of approximately 12.0%. Such decrease was primarily due to the decrease in legal and professional fees and marketing expenses during the Period.

Income Tax

Income tax of the Group for the Period was approximately HK$4.9 million (Previous Period: HK$4.0 million) and such growth was consistent with the increase in assessable profits during the Period as compared to the Previous Period.

Profit for the Period

Profit for the period of the Group increased to approximately HK$24.6 million for the Period from approximately HK$19.4 million for the Previous Period, mainly due to the increase in gross profit during the Period.

Dividend

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

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 30 September 2019, the Group had net current assets of approximately HK$121.4 million (31 December 2018: HK$107.7 million), including cash and cash equivalents balances of approximately HK$91.4 million (31 December 2018: HK$69.1 million) mainly denominated in Hong Kong dollars. As at 30 September 2019, the Group had an unutilised banking facility of HK$2.0 million (31 December 2018: 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 5.2 times as at 30 September 2019 (31 December 2018: 4.3 times).

As at 30 September 2019, the Group had no outstanding borrowings (31 December 2018: nil) as the Group was not in need of any material debt financing during the Period, and hence no gearing ratio was presented. The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

The shares of the Company (the "Shares") were listed on GEM of the Stock Exchange on 8 December 2016 by way of placing and 250,000,000 new shares offered by the Company at a placing price of HK$0.2 per share were issued under the placing. There has been no change in capital structure of the Company since then. The equity attributable to owners of the Company amounted to approximately HK$126.1 million as at 30 September 2019 (31 December 2018: HK$110.4 million).

PLEDGE OF ASSETS

As at 30 September 2019, bank deposits of HK$2.0 million (31 December 2018: HK$2.0 million) and nil (31 December 2018: HK$6.7 million) were pledged to secure the banking facilities and a performance bond respectively. Save for the above, the Group did not have any charges on its assets.

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICY

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

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

CAPITAL COMMITMENTS

As at 30 September 2019 and 31 December 2018, the Group did not have any material capital commitment.

HUMAN RESOURCES MANAGEMENT

As at 30 September 2019, the Group had a total of 23 (31 December 2018: 19) 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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Period.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liability.

As at 31 December 2018, performance bond of HK$6,670,000 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 of HK$6,670,000 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 would then become liable to compensate the bank accordingly. The performance bond was released upon completion of the contract work during the Period.

OTHER INFORMATION

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

As at 30 September 2019, 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 SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, will be as follows:

Long Positions in Shares of the Company

Name	Company/name of associated corporation	Capacity/Nature of interest	Interests in Shares	Approximate percentage shareholding
Mr. Lau King Wai	The Company	Interest of a controlled corporation *(Note)*	750,000,000	75%

Note:. Mr. Lau King Wai beneficially owns 100% of the issued share capital of Sino Emperor Group Limited ("Sino Emperor"). By virtue of the SFO, Mr. Lau King Wai is deemed to be interested in all the Shares held by Sino Emperor.

Saved as disclosed above, as at 30 September 2019, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

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

So far as the Directors are aware, as at 30 September 2019, 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 Shares of the Company

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

Notes:

1. Sino Emperor is beneficially and wholly owned by Mr. Lau King Wai. By virtue of the SFO, Mr. Lau King Wai is deemed to be interested in all the Shares held by Sino Emperor.

2. 750,000,000 Shares are held by Sino Emperor, which is a company controlled by Mr. Lau King Wai. By virtue of the SFO, Ms. Chan Pui Shan, Jessica, who is the spouse of Mr. Lau King Wai, is taken to be interested in these Shares.

Saved as disclosed above, as at 30 September 2019, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial shareholders of the Company (the "Substantial 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 nine months ended 30 September 2019 and up to the date of this quarterly result announcement.

CORPORATE GOVERNANCE

The Company adopted the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. During the nine months ended 30 September 2019, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code.

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the nine months ended 30 September 2019. The Company was not aware of any non-compliance during the nine months ended 30 September 2019.

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 during the nine months ended 30 September 2019.

AUDIT COMMITTEE

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

OTHER INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 and this quarterly result announcement and is of the view that such statements and announcement have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

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

Hong Kong, 11 November 2019

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

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

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