

# **K W Nelson Interior Design and Contracting Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8411)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **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.**

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

## HIGHLIGHTS

- During the year ended 31 December 2020 (the “Year” or “2020”), the Group’s revenue was decreased by approximately 21.5% to approximately HK\$82.4 million from approximately HK\$104.9 million for the year ended 31 December 2019 (the “Previous Year” or “2019”). The decrease was mainly driven by the decrease in revenue from design and decoration projects for office, medical centre, shopping mall and restaurant which was offset by an increase in revenue derived from decoration projects of retail stores. The Group’s gross profit was decreased to approximately HK\$35.6 million for the Year from approximately HK\$48.6 million for the Previous Year, representing a decrease of approximately 26.7%.
- The Group’s profit attributable to shareholders was decreased to approximately HK\$16.7 million for the Year from approximately HK\$27.2 million for the Previous Year.
- The Board is pleased to share the Group’s performance with our shareholders and recommends the payment of a final dividend of HK0.30 cent per share for the Year (Previous Year: HK0.25 cent).

## ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of K W Nelson Interior Design and Contracting Group Limited (the “Company”) hereby present the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2020*

		<b>2020</b>	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	2	<b>82,365</b>	104,884
Direct costs		<u>(46,728)</u>	<u>(56,253)</u>
<b>Gross profit</b>		<b>35,637</b>	48,631
Other revenue	3	<b>1,278</b>	1,196
General and administrative expenses		<u>(16,058)</u>	<u>(16,877)</u>
<b>Profit from operations</b>		<b>20,857</b>	32,950
Finance costs	4(a)	<u>(51)</u>	<u>(67)</u>
<b>Profit before taxation</b>	4	<b>20,806</b>	32,883
Income tax	5	<u>(4,058)</u>	<u>(5,690)</u>
<b>Profit for the year</b>		<u><b>16,748</b></u>	<u>27,193</u>
<b>Earnings per share</b>	6		
Basic and diluted		<u><b>HK1.7 cents</b></u>	<u>HK2.7 cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>16,748</b>	27,193
<b>Other comprehensive income for the year</b> <b>(net of nil tax and reclassification adjustments)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of a subsidiary	<b>192</b>	(57)
<i>Item that will not be reclassified to profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	<b>(408)</b>	(7,082)
<b>Other comprehensive income for the year</b>	<b>(216)</b>	(7,139)
<b>Total comprehensive income for the year</b>	<b>16,532</b>	20,054

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,407</b>	3,186
Financial assets at fair value through other comprehensive income		<b>103</b>	511
Deferred tax assets		<b>533</b>	90
		<u><b>2,043</b></u>	<u>3,787</u>
<b>Current assets</b>			
Contract assets		<b>3,095</b>	1,907
Trade and other receivables	7	<b>35,458</b>	73,346
Tax recoverable		<b>1,279</b>	–
Pledged bank deposits		<b>2,000</b>	2,000
Cash and cash equivalents		<b>113,650</b>	90,955
		<u><b>155,482</b></u>	<u>168,208</u>
<b>Current liabilities</b>			
Contract liabilities		<b>1,393</b>	16,979
Trade and other payables	8	<b>13,470</b>	19,629
Lease liabilities		<b>509</b>	688
Tax payable		<b>–</b>	6,069
		<u><b>15,372</b></u>	<u>43,365</u>
<b>Net current assets</b>		<u><b>140,110</b></u>	<u>124,843</u>
<b>Total assets less current liabilities</b>		<b>142,153</b>	128,630
<b>Non-current liabilities</b>			
Lease liabilities		<u><b>122</b></u>	<u>631</u>
		<u><b>122</b></u>	<u>631</u>
<b>NET ASSETS</b>		<u><b>142,031</b></u>	<u>127,999</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>10,000</b>	10,000
Reserves		<b>132,031</b>	117,999
<b>TOTAL EQUITY</b>		<u><b>142,031</b></u>	<u>127,999</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to the ordinary equity shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Merger reserve HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2019</b>	10,000	33,728	(275)	–	(380)	5,000	62,372	110,445
<b>Changes in equity for 2019:</b>								
Profit for the year	–	–	–	–	–	–	27,193	27,193
<b>Other comprehensive income</b>								
Exchange differences on translation of financial statements of a subsidiary	–	–	(57)	–	–	–	–	(57)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(7,082)	–	–	–	(7,082)
<b>Total comprehensive income</b>	–	–	(57)	(7,082)	–	–	27,193	20,054
Dividend approved and paid in respect of the previous year	–	–	–	–	–	–	(2,500)	(2,500)
<b>Balance at 31 December 2019 and 1 January 2020</b>	10,000	33,728	(332)	(7,082)	(380)	5,000	87,065	127,999
<b>Changes in equity for 2020:</b>								
Profit for the year	–	–	–	–	–	–	16,748	16,748
<b>Other comprehensive income</b>								
Exchange differences on translation of financial statements of a subsidiary	–	–	192	–	–	–	–	192
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(408)	–	–	–	(408)
<b>Total comprehensive income</b>	–	–	192	(408)	–	–	16,748	16,532
Dividend approved and paid in respect of the previous year	–	–	–	–	–	–	(2,500)	(2,500)
<b>Balance at 31 December 2020</b>	10,000	33,728	(140)	(7,490)	(380)	5,000	101,313	142,031

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in the financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets at fair value through other comprehensive income are stated at their fair value.

### (c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these 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 these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 REVENUE AND SEGMENT REPORTING

### (a) Revenue and business segment

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.

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

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 of Directors, reviews the consolidated results of the Group for the purposes of resource allocation and performance assessment and focuses on the operating results of the Group as a whole. Therefore, no additional reportable segment information has been presented.

The Group's customer base includes two (2019: three) customers with whom transactions has exceeded 10% of the Group's revenue for the year ended 31 December 2020. Contract revenue earned from these customers amounted to HK\$46,156,000 (2019: HK\$54,645,000) for the year ended 31 December 2020.

#### *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its construction contracts such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the construction contracts as all contract works have an original expected duration of one year or less.

### (b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the work was provided. The geographical location of the specified non-current assets is based on the physical location of the operation to which they are allocated.

	Revenue from		Specified	
	external customers		non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	82,349	100,906	1,405	3,184
Mainland China	16	3,978	2	2
	<u>82,365</u>	<u>104,884</u>	<u>1,407</u>	<u>3,186</u>

### 3 OTHER REVENUE

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income	<b>485</b>	972
Loss on disposal of property, plant and equipment	–	(150)
Government grants ( <i>note</i> )	<b>792</b>	–
Others	<b>1</b>	374
	<u><b>1,278</b></u>	<u>1,196</u>

*Note:* In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

### 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

#### (a) Finance costs

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	<b>51</b>	67

#### (b) Staff costs

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, wages and other benefits	<b>6,414</b>	7,120
Contributions to defined contribution retirement plan	<b>238</b>	234
	<u><b>6,652</b></u>	<u>7,354</u>

(c) Other items

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation		
— owned property, plant and equipment	1,099	1,097
— right-of-use assets	689	574
Impairment losses on trade receivables	1,852	2,028
Auditor's remuneration		
— audit services	800	1,000
— other services	970	285
Direct costs ( <i>note</i> )	<u>46,728</u>	<u>56,253</u>

*Note:* Direct costs includes HK\$3,966,000 (2019: HK\$3,869,000) relating to staff costs, which is also included in the respective total amounts disclosed separately in note 4(b).

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	4,357	5,468
Under-provision in respect of prior years	<u>148</u>	<u>333</u>
	4,505	5,801
<b>Current tax — PRC Corporate Income Tax</b>		
Provision for the year	—	27
(Over)/under-provision in respect of prior years	<u>(4)</u>	<u>6</u>
	(4)	33
<b>Deferred tax</b>		
Reversal of temporary differences	<u>(443)</u>	<u>(144)</u>
	<u>4,058</u>	<u>5,690</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 8.25% (2019: 8.25%) of the first HK\$2,000,000 and 16.5% (2019: 16.5%) of the remaining estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 100% (2019: 100%) of the tax payable for the year of assessment 2019-20 subject to a maximum reduction of HK\$20,000 for each business (2019: a maximum reduction of HK\$20,000 was granted for the year of assessment 2018-19 and was taken into account in calculating the provision for 2019).

In 2020, no PRC Corporate Income Tax provision was made for the PRC subsidiary as the PRC subsidiary has sustained a loss for taxation purpose for the year. In 2019, taxation for the PRC subsidiary was charged at a reduced rate for small and low-profit enterprise at 5% of the estimated profits for the year.

## 6 EARNINGS PER SHARE

### (a) Basic earnings per share

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

	<b>2020</b>	2019
Profit for the year attributable to the ordinary equity shareholders of the Company ( <i>HK\$'000</i> )	<b>16,748</b>	27,193
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<b>1,000,000</b>	1,000,000
Basic earnings per share attributable to ordinary equity shareholders of the Company ( <i>HK cents</i> )	<b>1.7</b>	2.7

### (b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no diluted potential ordinary shares in existence during the years ended 31 December 2020 and 2019.

## 7 TRADE AND OTHER RECEIVABLES

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<b>38,581</b>	74,124
Less: loss allowance	<b>(3,880)</b>	(2,028)
	<hr/>	<hr/>
Trade receivables, net of loss allowance	<b>34,701</b>	72,096
Deposits, prepayments and other receivables	<b>757</b>	1,250
	<hr/>	<hr/>
	<b>35,458</b>	73,346
	<hr/> <hr/>	<hr/> <hr/>

The amount of deposits, prepayments and other receivables expected to be recovered or recognised as expense after more than one year is HK\$176,000 (2019: HK\$220,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

### Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	<b>6,478</b>	29,463
Over 1 month to 2 months	<b>2,188</b>	15
Over 2 months to 3 months	<b>749</b>	7,833
Over 3 months	<b>25,286</b>	34,785
	<hr/>	<hr/>
	<b>34,701</b>	72,096
	<hr/> <hr/>	<hr/> <hr/>

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.

## 8 TRADE AND OTHER PAYABLES

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	<b>5,312</b>	4,905
Other payables and accruals	<b>8,158</b>	14,724
	<u><b>13,470</b></u>	<u>19,629</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	<b>1,066</b>	630
Over 1 month to 3 months	<b>713</b>	1,312
Over 3 months	<b>3,533</b>	2,963
	<u><b>5,312</b></u>	<u>4,905</u>

## 9 DIVIDENDS

### Dividend payable to ordinary equity shareholders of the Company attributable to the year

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK0.30 cent per share (2019: HK0.25 cent per share)	<u><b>3,000</b></u>	<u>2,500</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 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 retail space mainly located in Hong Kong. Our services include provision of interior design proposals by our in-house designers, engaging subcontractors to carry out fitting-out works and coordinating, managing and supervising the fitting-out works by our project managers.

The Group's projects can be broadly categorised into (i) design & decoration projects in which 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 2020 (the "Year"), the Group's revenue was decreased by approximately 21.5% to approximately HK\$82.4 million from approximately HK\$104.9 million for the year ended 31 December 2019 (the "Previous Year"). The decrease was mainly driven by the decrease in revenue from design and decoration projects for office, medical centre, shopping mall and restaurant which was offset by an increase in revenue derived from decoration projects of retail stores. The Group's gross profit was decreased to approximately HK\$35.6 million for the Year from approximately HK\$48.6 million for the Previous Year, representing a decrease of approximately 26.7%.

The Group's profit attributable to shareholders was decreased to approximately HK\$16.7 million for the Year from approximately HK\$27.2 million for the Previous Year.

### Outlook

During the Year, the Group completed certain projects of medical centres, office premises and a famous retail store, and awarded project for residential care homes for the elderly. In view of the outbreak of COVID-19, the Group implemented certain precautionary measures to maintain a hygienic working environment include sanitising our workplace regularly and requiring our staff and subcontractors to wear face masks in workplaces and construction sites.

Despite having business contingency plans in place by the Group, the Group will continue to closely monitor our business and operations in connection with the potential impacts of the COVID-19 outbreak. If such outbreak continues, we may be required to take additional measures to minimise its potential impacts on our business and operations.

The Company has appointed a sponsor and submitted a formal application to the Stock Exchange for the proposed transfer of the listing of the ordinary shares of the Company (the “Shares”) from GEM to the Main Board. 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 and medical centres. In view of the increasing public awareness in health issues and ageing population in Hong Kong, the Group believes more health centres, medical clinics and health-related facilities will be established to meet the health care demand. The Group will continue to benefit from the increasing demand on design and decoration projects. The Group will also enhance its responsiveness to market trends so as to strengthen its position in the current market and continue its business expansion plan. In order to maximise the long term returns of our shareholders, the Group will continue to devote more resources to further develop its interior design and decoration by undertaking more sizeable projects and to explore new business opportunities through leveraging its experience in the industry.

## **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 was decreased by approximately 21.5% to approximately HK\$82.4 million (Previous Year: HK\$104.9 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 2020 and 2019:

Use of premises	For the year ended 31 December			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Medical centre	27,543	33.4	33,407	31.9
Office	26,478	32.1	34,244	32.6
Retail, restaurant and shopping mall	18,230	22.2	23,227	22.1
Others <sup>(Note)</sup>	10,114	12.3	14,006	13.4
<b>Total</b>	<b>82,365</b>	<b>100.0</b>	<b>104,884</b>	<b>100.0</b>

*Note:* Others mainly comprise warehouses, residential care homes for the elderly, consulate, hotel 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 2020 and 2019:

Project types and locations	For the year ended 31 December					
	2020			2019		
	No. of projects	HK\$'000	%	No. of projects	HK\$'000	%
<b>Design &amp; decoration</b>						
Hong Kong	12	17,940	21.8	17	58,797	56.1
	12	17,940	21.8	17	58,797	56.1
<b>Decoration</b>						
Hong Kong	17	60,189	73.1	14	40,416	38.5
The PRC and Macau	–	–	–	5	3,978	3.8
	17	60,189	73.1	19	44,394	42.3
<b>Others</b>						
Hong Kong		4,220	5.1		1,693	1.6
The PRC and Macau		16	–		–	–
		4,236	5.1		1,693	1.6
<b>Total</b>	<b>29</b>	<b>82,365</b>	<b>100.0</b>	<b>36</b>	<b>104,884</b>	<b>100.0</b>

The overall decrease in revenue during the Year was principally attributed to the decrease in revenue from design and decoration projects of HK\$40.9 million from approximately HK\$58.8 million for the Previous Year to approximately HK\$17.9 million for the Year, which principally offset by the increase in revenue from decoration projects of retail store of HK\$16.3 million during the Year.

### *Cost of Services and Gross Profit*

The Group's direct costs 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 2020 and 2019:

Use of premises	For the year ended 31 December			
	2020		2019	
	<i>Gross Profit</i>		<i>Gross Profit</i>	
	<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>	<i>Margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Medical centre	<b>17,633</b>	<b>64.0</b>	17,125	51.3
Office	<b>10,400</b>	<b>39.3</b>	15,294	44.7
Retail, restaurant and shopping mall	<b>3,262</b>	<b>17.9</b>	12,489	53.8
Others	<b>4,342</b>	<b>42.9</b>	3,723	26.6
<b>Overall</b>	<b>35,637</b>	<b>43.3</b>	48,631	46.4

Gross profit margin of the Group's medical centre projects was increased from approximately 51.3% in 2019 to approximately 64.0% in 2020 which was mainly due to more complex specifications involved for building surgery rooms, installation of specific air-conditioning and mechanical ventilation system, medical gas system, anesthetic gas scavenging system, and thus require more dedicated technical skills for decoration in terms of structural layout, selection of decoration materials and craftsmanship to meet a high standard of compliance to sanitation with anti-germs and anti-dust requirements.

Gross profit margin of the Group's office projects decreased from approximately 44.7% in 2019 to approximately 39.3% in 2020 was mainly due to two major projects with higher gross profit margin of 41% and 48% were recognised during the Previous Year.

The lower gross profit margins of retail, restaurant and shopping malls projects achieved at approximately 17.9% in 2020 as compared to that of approximately 53.8% in 2019 was mainly due to (i) lower gross profit margin of approximately 13.1% contributed by a retail project for expanding the Group's client portfolio; and (ii) the Group recorded a revenue of approximately HK\$4.1 million in 2019 generated from certain retail and shopping malls projects which the Group only performed the overall project management without direct material costs/sub-contracting costs incurred, resulting high gross profit margins achieved for these projects.

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 2020 and 2019:

<b>Project types</b>	<b>For the year ended 31 December</b>			
	<b>2020</b>		<b>2019</b>	
	<i>Gross Profit</i>		<i>Gross Profit</i>	
	<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>	<i>Margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Design & decoration	<b>9,174</b>	<b>51.1</b>	26,147	44.5
Decoration	<b>23,565</b>	<b>39.2</b>	21,939	49.4
Others	<b>2,898</b>	<b>68.4</b>	545	32.2
<b>Overall</b>	<b>35,637</b>	<b>43.3</b>	48,631	46.4

The overall gross profit margin decreased to approximately 43.3% for the Year from approximately 46.4% for the Previous Year, which was mainly due to (i) the lower gross profit margin for decoration projects of retail store, warehouse and gallery for the purpose of expanding the Group's client portfolio; (ii) no revenue recognised from project management projects for the Year (Previous Year: HK\$4.2 million); and (iii) the reversal of project costs over-provided for prior years recorded during the Previous Year which did not happen during the Year.

#### ***General and Administrative Expenses***

The Group's general and administrative expenses mainly consisted of (i) staff costs; (ii) impairment on trade receivables; (iii) transfer of listing expenses; and (iv) legal and professional fee, which remained relatively stable at approximately HK\$16.1 million and approximately HK\$16.9 million for the Year and Previous Year respectively.

### ***Income tax***

Income tax for the Year was approximately HK\$4.1 million (Previous Year: HK\$5.7 million) and such decrease was consistent with the decrease in assessable profits during the Year as compared to the Previous Year. Expenses relating to transfer of listing incurred were not deductible for tax purpose.

### ***Profit for the Year***

As a result of the foregoing, profit for the Year of the Group was decreased from approximately HK\$27.2 million for the Previous Year to approximately HK\$16.7 million for the Year which was mainly due to the decrease in gross profit from design and decoration projects.

### ***Provision of loss allowance for trade receivables***

The Group recognised loss allowances for trade receivables based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions.

As at 31 December 2020, loss allowance of HK\$3.9 million (2019: HK\$2.0 million) was recognised with respect to the Group's trade receivables of which HK\$1.0 million (2019: HK\$1.3 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. The rest of the loss allowance was calculated using a provision matrix.

### ***Dividend***

The Board recommended a final dividend of HK0.30 cent per share for the Year (2019: HK0.25 cent per share) which is subject to the approval of shareholders at the forthcoming annual general meeting of the Company. The total payout will amount to HK\$3.0 million (2019: HK\$2.5 million). Conditional upon the passing of an ordinary resolution by the shareholders at the annual general meeting of the Company to be held on 15 June 2021, the proposed final dividend will be payable on or around 7 July 2021 to the shareholders of the Company whose names appear on the register of members of the Company on 22 June 2021, being the record date for determining shareholders' entitlement to the proposed final dividend.

## **Liquidity, Financial Resources, Gearing Ratio and Capital Structure**

During the Year, the Group financed its operations by its internal resources. As at 31 December 2020, the Group had net current assets of approximately HK\$140.1 million (2019: HK\$124.8 million), including cash and cash equivalents balances of approximately HK\$113.7 million (2019: HK\$91.0 million) mainly denominated in Hong Kong dollars. As at 31 December 2020, the Group had an unutilised banking facility of HK\$2.0 million (2019: HK\$2.0 million) which was secured by pledged bank deposits.

The current ratio, being the ratio of current assets to current liabilities, was approximately 10.1 times as at 31 December 2020 (2019: 3.9 times). The decrease was mainly due to the decrease in contract liabilities of approximately HK\$15.6 million and trade and other payables of approximately HK\$6.2 million.

As at 31 December 2020, the Group had no outstanding borrowings (2019: 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 capital of the Company comprise solely ordinary shares. The equity attributable to owners of the Company amounted to approximately HK\$142.0 million as at 31 December 2020 (2019: HK\$128.0 million).

### **Pledge of Assets**

As at 31 December 2020, bank deposits of HK\$2.0 million (2019: HK\$2.0 million) were pledged to secure the banking facilities. Save for the above, the Group did not have any charges on its assets.

### **Foreign Exchange Exposure and Treasury Policy**

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

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

### **Capital Commitments**

As at 31 December 2020 and 2019, the Group did not have any material capital commitment.

### **Human Resources Management**

As at 31 December 2020, the Group had a total of 20 (2019: 20) 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 Year.

### **Contingent Liabilities**

The Group had no material contingent liabilities as at 31 December 2020.

## **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 the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. During the Year, 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 beneficial to the business prospect and operational efficiency of the Group that Mr. Lau King Wai acts as the chairman of the Board (the “Chairman”) and continues to act as the chief executive officer (the “CEO”).

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

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

## **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 year ended 31 December 2020.

## **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 ended 31 December 2020. The Company was not aware of any non-compliance during the year ended 31 December 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 9.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Tuesday, 15 June 2021. A circular containing the details of AGM and the notice of the AGM and form of proxy accompanying thereto will be despatched to shareholders of the Company in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 9 June 2021 to Tuesday, 15 June 2021, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 8 June 2021.

For determining the entitlement to the proposed final dividend payable to Shareholders, the register of members of the Company will be closed from Monday, 21 June 2021 to Tuesday, 22 June 2021, 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, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 June 2021. The expected date of payment of the final dividend is Wednesday, 7 July 2021.

## **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 terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee risk management and internal control procedures of the Company. As at 31 December 2020, the Audit Committee consists of three members, namely Mr. Li Wai Kwan, Mr. Hui Harry Chi and Ms. So Patsy Ying Chi. Ms. So Patsy Ying Chi is the chairlady of the Audit Committee.

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2020, with external auditor. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

## **SCOPE OF WORK OF AUDITOR**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

Hong Kong, 31 March 2021

*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>.*