

K W Nelson

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

Stock Code: 8411

Third Quarterly Report 2021

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

HIGHLIGHTS

- During the nine months ended 30 September 2021 (the “Period”), the Group’s revenue decreased by approximately 56.6% to approximately HK\$32.3 million from approximately HK\$74.5 million for the nine months ended 30 September 2020 (the “Previous Period”). The decrease was mainly driven by the decrease in revenue from decoration projects for medical centre, gallery, retail store and warehouse. The Group’s gross profit decreased to approximately HK\$8.4 million for the Period from approximately HK\$30.7 million for the Previous Period, representing a decrease of approximately 72.6%.
- The Group recorded loss attributable to ordinary equity shareholders of approximately HK\$3.6 million for the Period (Previous Period: profit of HK\$15.9 million).
- The Directors does not recommend the payment of a 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 2021, together with the comparative unaudited figures for the corresponding period in 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2021

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	4	891	24,010	32,326	74,491
Direct costs		(778)	(19,741)	(23,924)	(43,828)
Gross profit		113	4,269	8,402	30,663
Other revenue	5	56	530	110	963
General and administrative expenses		(5,369)	(4,786)	(12,156)	(12,246)
(Loss)/profit from operation		(5,200)	13	(3,644)	19,380
Finance costs		(12)	(12)	(36)	(42)
(Loss)/profit before taxation	6	(5,212)	1	(3,680)	19,338
Income tax credit/(expense)	7	310	22	44	(3,440)
(Loss)/profit for the period		(4,902)	23	(3,636)	15,898
(Loss)/earnings per share	8				
Basic and diluted		(HK0.49 cents)	HK0.00 cents	(HK0.36 cents)	HK1.59 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2021

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the period	(4,902)	23	(3,636)	15,898
Other comprehensive income for the period (net of nil tax and reclassification adjustments)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of a subsidiary	14	125	55	62
<i>Items that will not be reclassified to profit or loss:</i>				
Change in fair value of financial assets at fair value through other comprehensive income	–	(70)	(6)	(399)
Total comprehensive (loss)/income for the period	(4,888)	78	(3,587)	15,561

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	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	Treasury shares held under share award scheme HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
For the nine months ended									
30 September 2020									
Balance at 1 January 2020	10,000	33,728	(332)	(7,082)	(380)	-	5,000	87,065	127,999
Profit for the period	-	-	-	-	-	-	-	15,898	15,898
Other comprehensive income									
Exchange difference on translation of financial statements of a subsidiary	-	-	62	-	-	-	-	-	62
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(399)	-	-	-	-	(399)
Total comprehensive income	-	-	62	(399)	-	-	-	15,898	15,561
Dividend approved and paid in respect of the previous year	-	-	-	-	-	-	-	(2,500)	(2,500)
Balance at 30 September 2020	10,000	33,728	(270)	(7,481)	(380)	-	5,000	100,463	141,060
For the nine months ended									
30 September 2021									
Balance at 1 January 2021	10,000	33,728	(140)	(7,490)	(380)	-	5,000	101,313	142,031
Loss for the period	-	-	-	-	-	-	-	(3,636)	(3,636)
Other comprehensive income									
Exchange difference on translation of financial statements of a subsidiary	-	-	55	-	-	-	-	-	55
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(6)	-	-	-	-	(6)
Total comprehensive income	-	-	55	(6)	-	-	-	(3,636)	(3,587)
Share purchased under share award scheme	-	-	-	-	-	(1,745)	-	-	(1,745)
Dividend approved and paid in respect of the previous year	-	-	-	-	-	-	-	(3,000)	(3,000)
Balance at 30 September 2021	10,000	33,728	(85)	(7,496)	(380)	(1,745)	5,000	94,677	133,699

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

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

The measurement basis used in the preparation of the unaudited condensed consolidated results is the historical cost basis except for financial assets at fair value through other comprehensive income, which are carried at fair value. 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 number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this quarterly financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong (place of domicile)	734	24,010	32,012	74,491
The People's Republic of China (the "PRC")	157	–	314	–
	891	24,010	32,326	74,491

5 OTHER REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest Income	40	134	90	435
Sundry Income	16	–	20	–
Government grant	–	396	–	528
	56	530	110	963

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on lease liabilities	12	12	36	42

(b) Staff costs (including directors' remuneration)

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Salaries, wages and other benefits	4,223	1,233	7,779	4,156
Contributions to defined contribution retirement plan	51	60	166	178
	4,274	1,293	7,945	4,334

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

6 (LOSS)/PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation				
— owned property, plant and equipment	46	274	305	824
— right-of-use assets	173	173	518	517
Impairment losses on trade receivables	180	471	724	956
Direct costs (note)	778	19,741	23,924	43,828

Note: Direct costs for the nine months ended 30 September 2021 includes approximately HK\$2,626,000 (nine months ended 30 September 2020: HK\$2,953,000) relating to staff costs, which is also included in the respective total amounts disclosed separately in note 6(b).

7 INCOME TAX (CREDIT)/EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax	(101)	2	—	3,427
Current tax — PRC Corporate Income Tax	—	(4)	—	(4)
Deferred tax	(209)	(20)	(44)	17
	(310)	(22)	(44)	3,440

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 2021 (nine months ended 30 September 2020: same).

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 nine months ended 30 September 2021 (nine months ended 30 September 2020: 5%).

There were no material unrecognised deferred tax assets and liabilities as at 30 September 2021 (31 December 2020: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

8 (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the following information:

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
(Loss)/profit for the period attributable to the ordinary equity shareholders of the Company (HK\$'000)	(4,902)	23	(3,636)	15,898
Weighted average number of ordinary shares in issue less shares held for the share award scheme (thousand shares)	992,899	1,000,000	997,490	1,000,000
Basic (loss)/earnings per share attributable to ordinary equity shareholders of the Company (HK cents)	(0.49)	0.00	(0.36)	1.59

(b) Diluted

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the nine months ended 30 September 2021 and 2020.

9 DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

10 RELATED PARTY TRANSACTIONS

During the nine months ended 30 September 2021 and 2020, 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

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

10 RELATED PARTY TRANSACTIONS (Continued)

(a) Key management personnel remuneration

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Emoluments, salaries and other benefits	3,255	365	4,160	1,095
Contributions to defined contribution retirement plan	14	12	39	36
	3,269	377	4,199	1,131

(b) Remuneration of the spouse of the controlling shareholder

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Salaries and other benefits	150	63	405	189
Contributions to defined contribution retirement plan	5	3	12	9
	155	66	417	198

(c) Financing arrangement

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Interest expenses on lease liabilities paid to Further Concept Limited	1	4	6	15

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the Period, the Group's revenue decreased by approximately 56.6% to approximately HK\$32.3 million from approximately HK\$74.5 million for the Previous Period. The decrease was mainly driven by the decrease in revenue from decoration projects for medical centre, gallery, retail store and warehouse. The Group's gross profit decreased to approximately HK\$8.4 million for the Period from approximately HK\$30.7 million for the Previous Period, representing a decrease of approximately 72.6%.

The Group recorded loss attributable to shareholders of approximately HK\$3.6 million for the Period (Previous Period: profit of HK\$15.9 million).

OUTLOOK

During the Period, the Group completed/awarded certain projects of residential care homes for the elderly and office premises. The unexpected outbreak of COVID-19 in 2020 has brought unprecedented impact to the economy, the Group's business has been disrupted. The prolonged adverse effect on economy of Hong Kong brought by the COVID-19, in which certain project owners and/or customers have suffered tight cashflow, leading to postponement and/or slowdown in certain projects. In view of the outbreak of COVID-19, the Group have 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.

Looking forward, the Group is optimistic with the prospects of the interior design and decoration market, especially on commercial premises and medical centres. In view of the increasing public awareness in health issues and ageing population in Hong Kong, the Group believes more health centres, medical clinics and health-related facilities will be established to meet the health care demand. The Group will continue to benefit from the increasing demand on design and decoration projects. The Group will also enhance its responsiveness to market trends so as to strengthen its position in the current market and continue its business expansion plan. In order to maximise the long term returns of our shareholders, the Group will continue to devote more resources to further develop its interior design and decoration by undertaking more sizeable projects and to explore new business opportunities through leveraging its experience in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from (i) design & decoration projects; (ii) decoration projects; and (iii) other interior design and fitting-out services. During the Period, the Group's revenue decreased by approximately 56.6% to approximately HK\$32.3 million (Previous Period: HK\$74.5 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 2021 and 2020:

Project types and locations	Nine months ended 30 September					
	2021			2020		
	No. of projects	HK\$'000 (Unaudited)	%	No. of projects	HK\$'000 (Unaudited)	%
Design & decoration						
Hong Kong	8	27,276	84.4	8	14,800	19.9
Decoration						
Hong Kong	2	3,919	12.1	16	57,222	76.8
Others						
Hong Kong		817	2.5		2,469	3.3
The PRC		314	1.0		–	–
		1,131	3.5		2,469	3.3
Total	10	32,326	100.0	24	74,491	100.0

The increase in revenue of design and decoration projects from HK\$14.8 million for the Previous Period to HK\$27.3 million for the Period was mainly due to increase in revenue derived from projects of residential care homes for the elderly and office premises by HK\$7.8 million and HK\$5.5 million respectively.

The decrease in revenue of decoration projects by HK\$53.3 million during the Period was principally attributed to absent of project of medical centre, gallery, retail store and warehouse during the Period (Previous Period: HK\$49.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Services and Gross Profit Margin

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 margin by project types for the nine months ended 30 September 2021 and 2020:

Project types	Nine months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)
Design & decoration	24.8%	46.7%
Decoration	33.3%	39.3%
Others	29.4%	50.5%
Overall	26.0%	41.2%

The Group's overall gross profit margin decreased from approximately 41.2% for the Previous Period to approximately 26.0% for the Period, mainly due to (i) the lower gross profit margin for design and decoration projects of residential care homes for the elderly for the purpose of expanding the Group's client portfolio; and (ii) the absent of decoration projects for medical centre with relatively higher gross profit margin during the Period.

General and Administrative Expenses

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

General and administrative expenses remained stable at HK\$12.2 million for the Previous Period and the Period.

Income Tax

Income tax expenses amounted to HK\$3.4 million for the Previous Period and income tax credit amounted to HK\$44,000 for the Period. The income tax credit for the Period was mainly attributed by the recognition of deferred tax assets in relation to decelerated tax depreciation on property, plant and equipment and loss allowance of trade receivables.

Profit for the Period

As a result of the foregoing, the Group recorded loss of approximately HK\$3.6 million for the Period (Previous Period: profit of HK\$15.9 million).

Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Provision of loss allowance for trade receivables

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

As at 30 September 2021, loss allowance of HK\$4.6 million (31 December 2020: HK\$3.9 million) was recognised with respect to the Group's trade receivables.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 30 September 2021, the Group had net current assets of approximately HK\$128.3 million (31 December 2020: HK\$140.1 million), including cash and cash equivalents balances of approximately HK\$117.5 million (31 December 2020: HK\$113.7 million) mainly denominated in Hong Kong dollars. As at 30 September 2021, the Group had an unutilised banking facility of HK\$2.0 million (31 December 2020: 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 8.5 times as at 30 September 2021 (31 December 2020: 10.1 times).

As at 30 September 2021, the Group had no outstanding borrowings (31 December 2020: 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. 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\$133.7 million as at 30 September 2021 (31 December 2020: HK\$142.0 million).

PLEDGE OF ASSETS

As at 30 September 2021, bank deposits of HK\$2.0 million (31 December 2020: HK\$2.0 million) was 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 Period, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Period.

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 September 2021 and 31 December 2020, the Group did not have any material capital commitment.

HUMAN RESOURCES MANAGEMENT

As at 30 September 2021, the Group had a total of 15 (31 December 2020: 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. Employees may also be granted share awards under the share award scheme adopted by the Company.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

The Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Period, nor there was any future plans for material investments or additions of capital assets as at 30 September 2021.

CONTINGENT LIABILITIES

As at 30 September 2021 and 31 December 2020, the Group did not have any material contingent liability.

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 2021, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which 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 (<i>Note</i>)	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 2021, 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 2021, 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 (<i>Note 1</i>)	Beneficial owner	750,000,000	75%
Ms. Chan Pui Shan, Jessica (<i>Note 2</i>)	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 2021, 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 2021 and up to the date of this quarterly report.

EQUITY-LINKED AGREEMENTS

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

OTHER INFORMATION

Share Award Scheme

The Company has adopted a share award scheme (the “Share Award Scheme”) on 17 May 2021 (the “Adoption Date”) for the purpose of retaining participants and encouraging them to make contributions to the growth and development of the Group.

Pursuant to the rules of the Share Award Scheme (the “Scheme Rules”), the Board may grant an award to anyone (other than any excluded participant) who is an employee, non-executive director, supplier, customer or consultant etc. of any member of the Group for participation in the Share Award Scheme and determine the terms of the award. The Share Award Scheme is subject to the administration of the Board in accordance with the Scheme Rules. The Board may engage one or more trustees to administer the Share Award Scheme as the Board thinks fit. The Share Award Scheme will terminate on the tenth anniversary of the Adoption Date or such earlier date as the Board may determine. The Board shall not grant any further awards if such award would cause the aggregate number of shares underlying such award and all other outstanding awards (taken together with all unvested awarded shares granted under the Scheme Rules) to exceed 10% of the number of issued shares at the date of grant. The Board may, from time-to-time remit funds to the trustee for the purposes of the Share Award Scheme, and such money will form part of the trust fund. The Board may instruct the trustee to purchase the number of shares underlying the award from the open market (either on-market or off-market) and the trustee shall hold such shares on trust for the participants until they are vested in accordance with the Scheme Rules.

During the Period, the trustee purchased a total number of 10,040,000 shares (the “Share Purchase”) on the market at a total consideration of approximately HK\$1.7 million for the purpose of the Share Award Scheme. During the Period, no share awards have been granted under the Share Award Scheme.

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

Except as disclosed in elsewhere in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the Period.

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 2021, 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.

OTHER INFORMATION

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 2021. The Company was not aware of any non-compliance during the nine months ended 30 September 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 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.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2021 and this quarterly report and is of the view that such statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

By order of the Board

K W Nelson Interior Design and Contracting Group Limited

Lau King Wai

Chairman and Chief Executive Officer

Hong Kong, 11 November 2021

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