



K W Nelson Interior Design and Contracting Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8411

Third Quarterly Report 2017

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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 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 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 2017 (the “Period”), the Group achieved an increase in revenue of approximately 15.1% to approximately HK\$44.2 million from approximately HK\$38.4 million for the nine months ended 30 September 2016 (the “Previous Period”). The growth was mainly driven by the increase in revenue from design & decoration projects for commercial premises. In line with the increase in revenue, the Group’s gross profit increased to approximately HK\$19.9 million for the Period from approximately HK\$16.3 million for the Previous Period, representing an increase of approximately 22.1%.
- The Group’s profit attributable to shareholders increased to approximately HK\$11.2 million for the Period from approximately HK\$4.3 million for the Previous Period. The increase in profit attributable to shareholders was mainly due to the increase in gross profit for the Period and the saving of approximately HK\$6.4 million listing expenses since the Company was successfully listed on GEM of the Stock Exchange on 8 December 2016.
- 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 (the "Board") of the directors (the "Director(s)") of K W Nelson Interior Design and Contracting Group Limited (the "Company") 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 2017, together with the comparative unaudited figures for the corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2017

(Expressed in Hong Kong dollars)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	9,841	9,309	44,178	38,389
Cost of services		(4,643)	(5,363)	(24,318)	(22,136)
Gross profit		5,198	3,946	19,860	16,253
Other revenue	4	58	49	112	91
General and administrative expenses		(2,218)	(1,264)	(6,542)	(3,600)
Listing expenses		–	(528)	–	(6,409)
Profit before taxation	5	3,038	2,203	13,430	6,335
Income tax	6	(500)	(354)	(2,218)	(2,034)
Profit for the period		2,538	1,849	11,212	4,301
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of overseas subsidiary with functional currency other than Hong Kong dollars					
		36	(12)	94	(83)
Total comprehensive income for the period		2,574	1,837	11,306	4,218
Earnings per share					
7					
Basic and diluted					
		HK0.25 cent	HK0.24 cent	HK1.12 cent	HK0.57 cent

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017
(Expressed in Hong Kong dollars)

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Merger reserve HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2016 (Audited)	–*	–	(110)	–	5,000	42,868	47,758
Profit for the period	–	–	–	–	–	4,301	4,301
Other comprehensive income for the period	–	–	(83)	–	–	–	(83)
Total comprehensive income for the period	–	–	(83)	–	–	4,301	4,218
Balance at 30 September 2016 (Unaudited)	–*	–	(193)	–	5,000	47,169	51,976
Balance at 1 January 2017 (Audited)	10,000	33,728	(285)	(380)	5,000	9,536	57,599
Profit for the period	–	–	–	–	–	11,212	11,212
Other comprehensive income for the period	–	–	94	–	–	–	94
Total comprehensive income for the period	–	–	94	–	–	11,212	11,306
Balance at 30 September 2017 (Unaudited)	10,000	33,728	(191)	(380)	5,000	20,748	68,905

* The balance represents an amount less than HK\$1,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)*

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.

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2017 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the nine months ended 30 September 2017 are consistent with those adopted in the annual report for the year ended 31 December 2016. The adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group.

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

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all figures are rounded to the nearest thousand ("HK\$'000") unless otherwise indicated.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

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. 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong	8,243	7,848	42,300	36,928
The PRC	1,598	1,461	1,878	1,461
	9,841	9,309	44,178	38,389

4 OTHER REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest Income	58	1	112	3
Sundry Income	–	48	–	88
	58	49	112	91

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

(a) Staff costs

Salaries, wages and other benefits	1,659	1,153	5,126	3,145
Contributions to defined contribution retirement plan	54	45	170	135
	1,713	1,198	5,296	3,280

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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

(b) Other items

Depreciation	122	120	365	355
Operating lease charges: minimum lease payments				
— property rental	133	132	398	393
Cost of services (<i>note</i>)	4,643	5,363	24,318	22,136

Note: Cost of services for the nine months ended 30 September 2017 includes HK\$2,453,000 (nine months ended 30 September 2016: HK\$1,659,000) relating to staff costs, which is also included in the respective total amounts disclosed separately in note 5(a).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax	520	370	2,273	2,078
Deferred tax	(20)	(16)	(55)	(44)
	500	354	2,218	2,034

The provision for Hong Kong Profits Tax for the nine months ended 30 September 2017 is calculated at 16.5% (nine months ended 30 September 2016: 16.5%) of the estimated assessable profits for the period.

7 EARNINGS PER SHARE

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

Earnings	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to the ordinary equity shareholders of the Company	2,538	1,849	11,212	4,301

Weighted average number of ordinary shares	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period	1,000,000	750,000	1,000,000	750,000

The weighted average number of ordinary shares in issue during the nine months ended 30 September 2016 is calculated based on the assumption that 750,000,000 shares were in issue throughout the entire period, taking into consideration of the effect of reorganisation and the capitalisation issue.

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 periods ended 30 September 2017 and 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

9 SHARE CAPITAL

	30 September 2017		31 December 2016	
	Number of shares (Unaudited)	HK\$'000 (Unaudited)	Number of shares (Audited)	HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	1,000,000,000	10,000	1,000,000,000	10,000

10 COMMITMENTS

At 30 September 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 1 year	608	468
After 1 year but within 5 years	317	544
	925	1,012

The Group is the lessee in respect of a number of properties and a vehicle held under operating leases. The leases typically run for an initial period of 1 to 3 years with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)

11 RELATED PARTY TRANSACTIONS

During the nine months ended 30 September 2017, 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Emoluments, salaries and other benefits	365	215	975	645
Contributions to defined contribution retirement plan	14	11	35	32
	379	226	1,010	677

(b) Remuneration of the spouse of the controlling shareholder

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Salaries and other benefits	63	–	147	–
Contributions to defined contribution retirement plan	3	–	7	–
	66	–	154	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)

11 RELATED PARTY TRANSACTIONS (Continued)

(c) Other related party transactions

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Office rental paid to Further Concept Limited	54	54	162	162
Car rental paid to Target King Limited	42	–	65	–

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 EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after 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.

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

During the nine months ended 30 September 2017 (the "Period"), the Group achieved an increase in revenue of approximately 15.1% to approximately HK\$44.2 million from approximately HK\$38.4 million for the nine months ended 30 September 2016 (the "Previous Period"). The growth was mainly driven by the increase in revenue from design & decoration projects for commercial premises. In line with the increase in revenue, the Group's gross profit increased to approximately HK\$19.9 million for the Period from approximately HK\$16.3 million for the Previous Period, representing an increase of approximately 22.1%.

The Group's profit attributable to shareholders increased to approximately HK\$11.2 million for the Period from approximately HK\$4.3 million for the Previous Period. The increase in profit attributable to shareholders was mainly due to the increase in gross profit for the Period and the saving of approximately HK\$6.4 million listing expenses since the Company was successfully listed on GEM of the Stock Exchange on 8 December 2016.

Looking forward, the Group is positive about the prospects of the interior design and decoration market and will continue to focus on our core business. In order to maximise the long term returns of our shareholders, the Group will devote more resources towards the development of our interior design and decoration business for commercial premises.

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 increased by approximately 15.1% to approximately HK\$44.2 million (Previous Period: HK\$38.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017 and 2016:

Project types and locations	Nine months ended 30 September					
	2017			2016		
	No. of projects	HK\$'000 (Unaudited)	%	No. of projects	HK\$'000 (Unaudited)	%
Design & decoration						
Hong Kong	17	37,712	85.4	17	28,994	75.5
PRC	1	1,593	3.6	1	1,461	3.8
	18	39,305	89.0	18	30,455	79.3
Decoration						
Hong Kong	3	610	1.4	8	6,005	15.7
PRC	–	–	–	–	–	–
	3	610	1.4	8	6,005	15.7
Others^(Note)						
Hong Kong		3,978	9.0		1,929	5.0
PRC		285	0.6		–	–
		4,263	9.6		1,929	5.0
Total	21	44,178	100.0	26	38,389	100.0

Note: We provided our customers at over 30 premises and over 30 premises for the nine months ended 30 September 2017 and 2016, respectively, with other interior design and fitting-out services including (i) handling fitting-out works for variation orders of our customers; (ii) handling maintenance works; (iii) provision of interior design proposals and/or project management services and (iv) handling various miscellaneous fitting-out works.

As shown in above table, our design & decoration projects contributed to approximately 89.0% and 79.3% of the Group's total revenue for the nine months ended 30 September 2017 and 2016, respectively. Revenue from design & decoration projects increased to approximately HK\$39.3 million for the nine months ended 30 September 2017 from approximately HK\$30.5 million for the nine months ended 30 September 2016, representing an increase of approximately 28.9%. The increase in revenue from design & decoration projects was mainly driven by two major design & decoration projects, each with over HK\$5.0 million revenue, for the nine months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Services and Gross Profit Margin

The Group's cost of services mainly comprised subcontracting costs and direct staff costs; the increase in cost of services was generally in line with the rise in revenue for the Period.

The following table sets forth the breakdown of the Group's gross profit margin by project types for the nine months ended 30 September 2017 and 2016:

Project types	Nine months ended 30 September	
	2017 <i>Gross Profit Margin</i> (Unaudited)	2016 <i>Gross Profit Margin</i> (Unaudited)
Design & decoration	41.9%	42.8%
Decoration	20.7%	38.9%
Others	76.8%	46.1%
Overall	45.0%	42.3%

The Group's overall gross profit margin increased to approximately 45.0% for the nine months ended 30 September 2017 from approximately 42.3% for the nine months ended 30 September 2016, mainly due to the increase of gross profit margin for others projects to approximately 76.8% for the Period (Previous Period: 46.1%). The increase in gross profit margin for others projects was mainly driven by four design projects of approximately HK\$2.4 million design fee revenue for the Period (Previous Period: Nil).

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately HK\$6.5 million and approximately HK\$3.6 million for the nine months ended 30 September 2017 and 2016 respectively, representing an increase of approximately 80.6%. Such increase was primarily due to the increase in staff costs and other administrative expenses during the Period.

Income Tax

Income tax of the Group for the Period was approximately HK\$2.2 million (Previous Period: HK\$2.0 million) and such growth was consistent with the increase in assessable profits during the Period as compared to the Previous Period. Listing expenses incurred during the Previous Period were not deductible for tax purpose.

Profit for the period

Profit for the period of the Group increased to approximately HK\$11.2 million for the Period from approximately HK\$4.3 million for the Previous Period, mainly due to the increase in gross profit for the Period and the saving of approximately HK\$6.4 million listing expenses incurred during the Previous Period.

Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the Company's prospectus dated 29 November 2016 (the "Prospectus") with the Group's actual business progress up to 30 September 2017:

Business objectives up to 31 December 2017 as set out in the Prospectus

Actual business progress up to 30 September 2017

Establish an international team with corresponding expansion of Hong Kong office and improvement of our equipment and facilities

- | | |
|--|---|
| <ul style="list-style-type: none"> — Recruit staff, rent and decorate a new office, procure new projects for the international team | <p>The Group has appointed a consultant to coordinate and negotiate in the process of staff recruitment, office rental and decoration and equipment procurement.</p> <p>The Group has recruited a marketing director to conduct overseas travelling to explore business opportunities.</p> <p>The Group is at the stage of exploring and identifying the location for a new office in a prudent manner.</p> |
| <ul style="list-style-type: none"> — Purchase equipment for interior design and technical use, office facilities and a vehicle | <p>The Group is in the process of exploring and identifying suitable interior design and technical use equipment, office facilities and vehicle.</p> |
| <ul style="list-style-type: none"> — Expand and renovate Hong Kong office | <p>The Group is at the stage of exploring and identifying the location for a new office in a prudent manner.</p> |

Maintain and strengthen our market position in Hong Kong and the PRC and focus on reputable customers

- | | |
|--|--|
| <ul style="list-style-type: none"> — Participate in industry related exhibitions, fairs and networking events | <p>The Group has been participating in industry related exhibitions, fairs and networking events.</p> |
| <ul style="list-style-type: none"> — Establish a showroom for visual display of design and decoration | <p>The Group is at the stage of exploring and identifying the location for a new office in a prudent manner.</p> |
| <ul style="list-style-type: none"> — Provide trainings to our staff | <p>The Group has been providing trainings to our staff.</p> |
| <ul style="list-style-type: none"> — Recruit marketing staff | <p>The Group has recruited one marketing executive and is looking for more experienced marketing staff.</p> |
| <ul style="list-style-type: none"> — Prepare and distribute marketing materials | <p>The Group has been preparing and distributing marketing materials.</p> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives up to 31 December 2017 as set out in the Prospectus

Actual business progress up to 30 September 2017

Increase our capacity to capture more business opportunities

- Recruit designers and project managers The Group has recruited one designer and one project manager and is looking for more experienced design and project management staff.

Expand our business in the PRC market

- Expand our office facilities and recruit marketing staff in the PRC The Group has been pitching for projects continuously, and plans to expand our office facilities and recruit marketing staff after securing new business in the PRC.

USE OF PROCEEDS FROM THE PLACING

The following table sets forth the status of the use of proceeds from the placing up to 30 September 2017:

	Planned use of proceeds as stated in the Prospectus up to 31 December 2017 <i>HK\$ million</i>	Actual use of proceeds up to 30 September 2017 <i>HK\$ million</i>
Establish an international team with corresponding expansion of Hong Kong office and improvement of our equipment and facilities	12.2	0.5
Maintain and strengthen our market position in Hong Kong and the PRC and focus on reputable customers	3.7	1.0
Increase our capacity to capture more business opportunities	2.2	0.6
Expand our business in the PRC market	1.8	0.2
General working capital	1.7	1.7

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the nine months ended 30 September 2017, the Group financed its operations by its internal resources. As at 30 September 2017, the Group had net current assets of approximately HK\$68.4 million (31 December 2016: HK\$56.8 million), including cash and cash equivalents balances of approximately HK\$56.1 million (31 December 2016: HK\$44.2 million) mainly denominated in Hong Kong dollars. As at 30 September 2017, the Group had an unutilised banking facility of HK\$2.0 million (31 December 2016: 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 9.5 times as at 30 September 2017 (31 December 2016: 13.1 times). The decrease was mainly due to the increase in gross amounts due to customers for contract work of approximately HK\$4.5 million. The gearing ratio of the Group as at 30 September 2017 was nil (31 December 2016: Nil) as the Group was not in need of any material debt financing during the Period. 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 the Listing Date. The equity attributable to owners of the Company amounted to approximately HK\$68.9 million as at 30 September 2017 (31 December 2016: HK\$57.6 million).

PLEDGE OF ASSETS

As of 30 September 2017, the Group had pledged bank deposits of HK\$2.0 million (31 December 2016: HK\$2.0 million) to secure the banking facilities granted to the Group. 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 2017 and 31 December 2016, the Group did not have any material capital commitment.

HUMAN RESOURCES MANAGEMENT

As at 30 September 2017, the Group had a total of 13 (31 December 2016: 13) 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 2017 and 31 December 2016, the Group did not have any material contingent liability.

OTHER INFORMATION

CHANGE OF COMPANY NAME

Pursuant to the resolution of the Board passed on 10 July 2017, the Company announced the proposed change of the Company's name from "K W Nelson Interior Architect Group Limited" to "K W Nelson Interior Design and Contracting Group Limited" (the "Change of Name"). The Change of Name has been approved by passing of a special resolution by the shareholders of the Company at the extraordinary general meeting of the Company held on 18 August 2017. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 21 August 2017. Following the Change of Name becoming effective on 21 August 2017, the English stock short name of the Company for trading in the Shares on the Stock Exchange would remain unchanged as "K W NELSON GP". The stock code of the Company on the Stock Exchange would remain unchanged as "8411". The website of the Company would remain unchanged as "www.kwnelson.com.hk".

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 2017, 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 (<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 2017, 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 2017, 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 2017, 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 2017 and up to the date of this quarterly report.

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 2017, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision A.2.1, A.6.7 and E.1.2 of the CG Code.

OTHER INFORMATION

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.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The whole Board and the auditor of the Company had attended the 2017 annual general meeting of the Company held on 8 June 2017 (the "2017 AGM") to answer questions of the shareholders of the Company except that Mr. Hui Harry Chi (the chairman of remuneration committee of the Company) could not attend the 2017 AGM due to other business engagement but he had appointed the other attended Directors as his representative to answer questions of the shareholders of the Company. In the future, the Company will try its best to encourage the independent non-executive Directors to attend the general meetings.

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 2017. The Company was not aware of any non-compliance during the nine months ended 30 September 2017.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 September 2017, as notified by the Company's compliance adviser, Sunfund Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 18 November 2016, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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 2017.

OTHER INFORMATION

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 2017 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, 3 November 2017

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.