

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 2017

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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 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 2017 (the “Year” or “2017”), the Group achieved an increase in revenue of approximately 49.1% to approximately HK\$89.3 million from approximately HK\$59.9 million for the year ended 31 December 2016 (the “Previous Year” or “2016”). 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\$38.8 million for the Year from approximately HK\$26.0 million for the Previous Year, representing an increase of approximately 49.2%.
- The Group’s profit attributable to shareholders increased to approximately HK\$26.1 million for the Year from approximately HK\$4.7 million for the Previous Year. The increase in profit attributable to shareholders was mainly due to the increase in gross profit for the Year and the saving of approximately HK\$12.8 million listing expenses incurred during the Previous Year. Excluding such non-recurring listing expenses, the Group’s profit would have been approximately HK\$26.1 million (2016: HK\$17.5 million), representing an increase of approximately 49.1%.
- The Board is pleased to share the Group’s performance with our shareholders and recommends the payment of a final dividend of HK0.2 cent per share for the Year (2016: Nil).

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of K W Nelson Interior Design and Contracting Group Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	3	89,343	59,858
Cost of services		<u>(50,502)</u>	<u>(33,830)</u>
Gross profit		38,841	26,028
Other revenue	4	170	3
General and administrative expenses		(7,708)	(5,059)
Listing expenses		<u>–</u>	<u>(12,782)</u>
Profit before taxation	5	31,303	8,190
Income tax	6	<u>(5,201)</u>	<u>(3,522)</u>
Profit for the year		<u>26,102</u>	<u>4,668</u>
Earnings per share	7		
Basic and diluted		<u>HK2.6 cents</u>	<u>HK0.6 cent</u>

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

For the year ended 31 December 2017

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	26,102	4,668
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item 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	<u>163</u>	<u>(175)</u>
Total comprehensive income for the year	<u>26,265</u>	<u>4,493</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<u>511</u>	<u>971</u>
Current assets			
Gross amount due from customers for contract work		5,762	–
Trade and other receivables	8	19,379	14,069
Tax recoverable		–	1,200
Pledged bank deposits		2,000	2,000
Cash and cash equivalents		71,305	44,219
		<u>98,446</u>	<u>61,488</u>
Current liabilities			
Gross amount due to customers for contract work		2,525	150
Trade and other payables	9	10,955	4,550
Tax payable		1,529	–
		<u>15,009</u>	<u>4,700</u>
Net current assets		<u>83,437</u>	<u>56,788</u>
Total assets less current liabilities		83,948	57,759
Non-current liabilities			
Deferred tax liabilities		<u>84</u>	<u>160</u>
NET ASSETS		<u>83,864</u>	<u>57,599</u>
CAPITAL AND RESERVES			
Share capital		10,000	10,000
Reserves		73,864	47,599
TOTAL EQUITY		<u>83,864</u>	<u>57,599</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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	—*	—	(110)	—	5,000	42,868	47,758
Changes in equity for 2016:							
Profit for the year	—	—	—	—	—	4,668	4,668
Other comprehensive income	—	—	(175)	—	—	—	(175)
Total comprehensive income	—	—	(175)	—	—	4,668	4,493
Dividend declared in respect of the year	—	—	—	—	—	(38,000)	(38,000)
Issuance of new shares	2,500	40,848	—	—	—	—	43,348
Reorganisation and capitalisation issue	7,500	(7,120)	—	(380)	—	—	—
Balance at 31 December 2016 and 1 January 2017	10,000	33,728	(285)	(380)	5,000	9,536	57,599
Changes in equity for 2017:							
Profit for the year	—	—	—	—	—	26,102	26,102
Other comprehensive income	—	—	163	—	—	—	163
Total comprehensive income	—	—	163	—	—	26,102	26,265
Balance at 31 December 2017	10,000	33,728	(122)	(380)	5,000	35,638	83,864

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

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2017 comprise K W Nelson Interior Design and Contracting Group Limited (the “Company”) and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The Company was incorporated in the Cayman Islands on 7 January 2016. Pursuant to a reorganisation of the Group (the “Reorganisation”) which was completed on 17 November 2016 to rationalise the corporate structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group. The Company’s shares were listed on GEM of the Stock Exchange on 8 December 2016. Details of the Reorganisation are set out in the prospectus of the Company dated 29 November 2016 (the “Prospectus”). The Reorganisation has been accounted for in accordance with paragraph 5 of Accounting Guideline 5, *Merger accounting for common control combinations*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which requires the use of a principle similar to that for a reverse acquisition as set out in Hong Kong Financial Reporting Standard 3, *Business combinations*. The issue of shares of the Company in exchange for the entire interest in Golden Icon Group Limited (“Golden Icon”) resulted in the Company becoming the holding of Golden Icon and the assets and liabilities of Golden Icon and its subsidiaries are recognised and measured at their historical carrying values prior to the Reorganisation.

The Company’s shares were listed on the Stock Exchange on 8 December 2016 (the “Listing”).

The annual results set out in the announcement do not constitute the Group’s financial statements for the year ended 31 December 2017 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 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 the GEM of the Stock Exchange.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

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. Therefore, no additional reportable segment information has been presented.

4 OTHER REVENUE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income	<u>170</u>	<u>3</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<i>(a) Staff costs</i>		
Salaries, wages and other benefits	5,222	4,599
Contributions to defined contribution retirement plan	<u>218</u>	<u>216</u>
	<u>5,440</u>	<u>4,815</u>
<i>(b) Other items</i>		
Depreciation	487	476
Operating lease charges: minimum lease payments		
— motor vehicle	107	–
— property rental	533	526
Net foreign exchange loss/(gain)	20	(50)
Auditors' remuneration		
— audit services	850	830
— other services	–	2,450
Cost of services (<i>note</i>)	<u>50,502</u>	<u>33,830</u>

Note: Cost of services includes HK\$3,312,000 (2016: HK\$2,671,000) relating to staff costs, which is also included in the respective total amounts disclosed separately in note 5(a).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	5,129	3,465
Under-provision in respect of prior years	129	120
	<u>5,258</u>	<u>3,585</u>
Current tax — the People's Republic of China ("PRC") Corporate Income Tax		
Provision for the year	19	–
Deferred tax		
Reversal of temporary differences	(76)	(63)
	<u>5,201</u>	<u>3,522</u>

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Taxation for the PRC subsidiary in 2017 was charged at a reduced rate for small and low-profit enterprise at 10% of the estimated profits for the year (2016: 10%).

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$26,102,000 (2016: HK\$4,668,000) and the weighted average of 1,000,000,000 ordinary shares (2016: 766,393,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 December 2016 was calculated based on the assumption that 750,000,000 shares were in issue throughout the entire year, taking into consideration of the effect of Reorganisation and the capitalisation issue.

Weighted average number of ordinary shares

	2017 <i>'000</i>	2016 <i>'000</i>
Issued ordinary shares at the beginning of the year	1,000,000	750,000
Effect of shares issued pursuant to the placing on 8 December 2016	–	16,393
	<u>1,000,000</u>	<u>766,393</u>

(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 2017 and 2016.

8 TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	13,061	12,304
Retention receivables	2,980	1,380
Deposits, prepayments and other receivables	3,338	385
	<u>19,379</u>	<u>14,069</u>

The amount of deposits, prepayments and other receivables expected to be recovered or recognised as expense after more than one year is HK\$174,000 (2016: HK\$165,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	8,153	9,529
Over 1 month to 2 months	1,737	302
Over 2 months to 3 months	1,699	501
Over 3 months	1,472	1,972
	<u>13,061</u>	<u>12,304</u>

Trade receivables are generally due within 7 to 21 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.

As at 31 December 2017, none (2016: none) of the Group's trade receivables was individually or collectively considered to be impaired. The Group does not hold any collateral over these balances.

9 TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	3,531	2,401
Receipt in advance	2,018	–
Other payables and accruals	5,406	2,149
	<u>10,955</u>	<u>4,550</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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	2,076	1,824
Over 1 month to 3 months	1,266	490
Over 3 months	189	87
	<u>3,531</u>	<u>2,401</u>

10 DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividend declared	–	38,000
Final dividend proposed after the end of the reporting period of HK0.2 cent per share (2016: nil)	2,000	–
	<u>2,000</u>	<u>38,000</u>

For the year ended 31 December 2016, the dividend represented dividend declared by a subsidiary of the Company prior to the Reorganisation. The rate of dividend per share is not presented as it does not indicate the rate which future dividend will be declared.

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.

11 COMMITMENTS

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 year	643	468
After 1 year but within 5 years	166	544
	<u>809</u>	<u>1,012</u>

The Group is the lessee in respect of a number of properties and a motor 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.

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 Year, the Group achieved an increase in revenue of approximately 49.1% to approximately HK\$89.3 million from approximately HK\$59.9 million for the Previous Year. 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\$38.8 million for the Year from approximately HK\$26.0 million for the Previous Year, representing an increase of approximately 49.2%.

The Group's profit attributable to shareholders increased to approximately HK\$26.1 million for the Year from approximately HK\$4.7 million for the Previous Year. The increase in profit attributable to shareholders was mainly due to the increase in gross profit for the Year and the saving of approximately HK\$12.8 million listing expenses incurred during the Previous Year. Excluding such non-recurring listing expenses, the Group's profit would have been approximately HK\$26.1 million (2016: HK\$17.5 million), representing an increase of approximately 49.1%.

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 Year, the Group's revenue increased by approximately 49.1% to approximately HK\$89.3 million (2016: HK\$59.9 million).

The following table sets forth a breakdown of the Group's revenue by use of premises of our projects for the years ended 31 December 2017 and 2016:

Use of premises	For the year ended 31 December			
	2017		2016	
	HK\$'000	%	HK\$'000	%
Office	56,238	63.0	44,924	75.0
Retail and restaurant	17,092	19.1	11,416	19.1
Others (Note)	16,013	17.9	3,518	5.9
Total	89,343	100.0	59,858	100.0

Note: Others mainly comprise schools, medical centres and residential.

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 2017 and 2016:

Project types and locations	For the year ended 31 December					
	2017			2016		
	No. of projects	HK\$'000	%	No. of projects	HK\$'000	%
Design & decoration						
Hong Kong	22	65,756	73.6	21	45,304	75.7
Mainland China	1	1,508	1.7	1	1,461	2.4
	23	67,264	75.3	22	46,765	78.1
Decoration						
Hong Kong	8	16,208	18.1	8	7,921	13.2
Others (Note)						
Hong Kong		5,590	6.3		5,172	8.7
Mainland China		281	0.3		–	–
		5,871	6.6		5,172	8.7
Total	31	89,343	100.0	30	59,858	100.0

Note: We provided our customers at 31 and 30 premises for the years ended 31 December 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.

For the Year, the Group's revenue was approximately HK\$89.3 million, representing an increase of approximately 49.1% as compared to the revenue of approximately HK\$59.9 million for the Previous Year. Such increase in revenue was principally attributed to (i) increase of approximately HK\$11.3 million in office revenue from approximately HK\$44.9 million in 2016 to approximately HK\$56.2 million in 2017; (ii) increase of approximately HK\$5.7 million in retail and restaurant revenue from approximately HK\$11.4 million in 2016 to approximately HK\$17.1 million in 2017; and (iii) increase of approximately HK\$4.9 million in medical centre revenue from approximately HK\$3.0 million in 2016 to approximately HK\$7.9 million in 2017.

Cost of Services and Gross Profit

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 Year.

The following table sets forth the breakdown of the Group's gross profit and gross profit margin by use of premises for the years ended 31 December 2017 and 2016:

Use of premises	For the year ended 31 December			
	2017		2016	
	<i>Gross Profit</i> <i>HK\$'000</i>	<i>Gross Profit</i> <i>Margin</i> %	<i>Gross Profit</i> <i>HK\$'000</i>	<i>Gross Profit</i> <i>Margin</i> %
Office	24,826	44.1	18,982	42.3
Retail and restaurant	8,978	52.5	3,895	34.1
Others	5,037	31.5	3,151	89.6
Total	38,841	43.5	26,028	43.5

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 2017 and 2016:

Project types	For the year ended 31 December			
	2017		2016	
	<i>Gross Profit</i> <i>HK\$'000</i>	<i>Gross Profit</i> <i>Margin</i> %	<i>Gross Profit</i> <i>HK\$'000</i>	<i>Gross Profit</i> <i>Margin</i> %
Design & decoration	27,815	41.4	20,052	42.9
Decoration	6,974	43.0	1,962	24.8
Others	4,052	69.0	4,014	77.6
Total	38,841	43.5	26,028	43.5

The overall gross profit increased by approximately HK\$12.8 million or 49.2% from approximately HK\$26.0 million in 2016 to approximately HK\$38.8 million in 2017, which was primarily attributable to the increase in gross profit of both (i) design & decoration projects from approximately HK\$20.0 million to approximately HK\$27.8 million; and (ii) decoration projects from approximately HK\$2.0 million to approximately HK\$7.0 million.

Gross profit margin of the Group's office projects increased from approximately 42.3% in 2016 to approximately 44.1% in 2017, which was mainly due to a project management project for an office with approximately HK\$1.9 million project management fee revenue in 2017. Gross profit margin of the Group's retail and restaurant projects increased from approximately 34.1% in 2016 to approximately 52.5% in 2017, which was mainly due to a premium decoration project for a restaurant with over 50.0% gross profit margin in 2017. Gross profit margin of the Group's other projects decreased from approximately 89.6% in 2016 to approximately 31.5% in 2017, which was mainly due to a design project for a medical centre with higher gross profit margin in 2016.

Gross profit margin of the Group's design & decoration projects decreased from approximately 42.9% in 2016 to approximately 41.4% in 2017, which was mainly due to a below-average gross profit margin for a major design & decoration project for an office with approximately 37.5% gross profit margin in 2017. Gross profit margin of the Group's decoration projects increased from approximately 24.8% in 2016 to approximately 43.0% in 2017, which was mainly due to a premium decoration project for a restaurant with over 50.0% gross profit margin in 2017. Gross profit margin of the Group's other projects decreased from approximately 77.6% in 2016 to approximately 69.0% in 2017, which was mainly due to more miscellaneous projects with below-average gross profit margin in 2017.

Considering that (i) a decrease in gross profit margin of the Group's design & decoration projects and (ii) a significant increase in gross profit margin of the Group's decoration projects, the Group's overall gross profit margin remained stable at approximately 43.5% for the years ended 31 December 2017 and 2016.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately HK\$7.7 million and approximately HK\$5.1 million for the years ended 31 December 2017 and 2016 respectively, representing an increase of approximately 51.0%. Such increase was primarily due to the increase in compliance advisory fees, printing costs for financial reports, company secretarial costs and other administrative expenses during the Year.

Income tax

Income tax of the Group for the Year was approximately HK\$5.2 million (2016: HK\$3.5 million) and such growth was consistent with the increase in assessable profits during the Year as compared to the Previous Year. Listing expenses incurred during the Previous Year were not deductible for tax purpose.

Profit for the year

Profit for the year of the Group increased from approximately HK\$4.7 million for the Previous Year to approximately HK\$26.1 million for the Year mainly due to the increase in gross profit for the Year and the saving of approximately HK\$12.8 million listing expenses incurred during the Previous Year. Excluding the one-off listing expenses, the Group's profit for the year would have been approximately HK\$26.1 million for the Year (2016: HK\$17.5 million), representing an increase of approximately 49.1%.

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 with the Group's actual business progress up to 31 December 2017:

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

Actual business progress up to 31 December 2017

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

- | | |
|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| — Recruit staff, rent and decorate a new office, procure new projects for the international team | The Group has appointed two consultants to coordinate and negotiate in the process of staff recruitment, office rental and decoration and equipment procurement.

The Group has recruited a marketing director to conduct overseas travelling to explore business opportunities.

The Group is at the stage of exploring and identifying the location for a new office in a prudent manner. |
| — Purchase equipment for interior design and technical use, office facilities and a vehicle | The Group is in the process of exploring and identifying suitable interior design and technical use equipment, office facilities and vehicle. |
| — Expand and renovate Hong Kong office | The Group is at the stage of exploring and identifying the location for a new office in a prudent manner. |

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

- | | |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| — Participate in industry related exhibitions, fairs and networking events | The Group has been participating in industry related exhibitions, fairs and networking events. |
| — Establish a showroom for visual display of design and decoration | The Group is at the stage of exploring and identifying the location for a new office in a prudent manner. |
| — Provide trainings to our staff | The Group has been providing trainings to our staff. |
| — Recruit marketing staff | The Group has recruited a senior marketing executive to participate in marketing activities. |

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

Actual business progress up to 31 December 2017

- Prepare and distribute marketing materials The Group has been preparing and distributing marketing materials.

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.

The Group is at the stage of exploring to set up a new office in Hengqin, 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 31 December 2017:

	Planned use of proceeds as stated in the Prospectus up to 31 December 2017 HK\$ million	Actual use of proceeds up to 31 December 2017 HK\$ million
Establish an international team with corresponding expansion of Hong Kong office and improvement of our equipment and facilities	12.2	0.7
Maintain and strengthen our market position in Hong Kong and the PRC and focus on reputable customers	3.7	1.3
Increase our capacity to capture more business opportunities	2.2	0.8
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.

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

During the Year, the Group financed its operations by its internal resources. As at 31 December 2017, the Group had net current assets of approximately HK\$83.4 million (31 December 2016: HK\$56.8 million), including cash and cash equivalents balances of approximately HK\$71.3 million (31 December 2016: HK\$44.2 million) mainly denominated in Hong Kong dollars. As at 31 December 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 6.6 times as at 31 December 2017 (31 December 2016: 13.1 times). The decrease was mainly due to (i) the increase in gross amount due to customers for contract work of approximately HK\$2.4 million, (ii) the increase in trade and other payables of approximately HK\$6.4 million and (iii) the increase in tax payable of approximately HK\$1.5 million.

The gearing ratio of the Group as at 31 December 2017 was nil (31 December 2016: Nil) as the Group was not in need of any material debt financing during the Year. The gearing ratio is calculated as total debt divided by total equity as at the respective year end.

The shares of the Company 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. The equity attributable to owners of the Company amounted to approximately HK\$83.9 million as at 31 December 2017 (31 December 2016: HK\$57.6 million).

Pledge Of Assets

As of 31 December 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 was 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 2017 and 2016, the Group did not have any material capital commitment.

Human Resources Management

As at 31 December 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 Year.

Contingent Liabilities

As at 31 December 2017 and 2016, the Group did not have any material contingent liability.

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 ended 31 December 2017, the Company has complied with the code provisions set out in the CG Code except for the deviations from code provision A.2.1, A.6.7 and E.1.2 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 of the Company (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. For the extraordinary general meeting of the Company held on 18 August 2017 (the “EGM”), the whole Board had attended the EGM 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.

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.

DIVIDEND

The Board recommended a final dividend of HK0.2 cent per share for the year ended 31 December 2017 to the shareholders on the register of members on Thursday, 3 May 2018. The proposed final dividend of HK\$2.0 million for the Year is calculated on the basis of 1,000,000,000 ordinary shares in issue at the date of this announcement. The proposed final dividend has been approved at the Company’s Board meeting on 23 January 2018, but is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

During the year ended 31 December 2016, interim dividend of HK\$38.0 million was declared and paid prior to the Listing of the Group.

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 2017.

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 2017. The Company was not aware of any non-compliance during the year ended 31 December 2017.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2017

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of approval of this announcement.

ANNUAL GENERAL MEETING

The 2018 annual general meeting of the Company (the "2018 AGM") will be held on Monday, 23 April 2018. A circular containing the details of 2018 AGM and the notice of 2018 AGM and form of proxy accompanying thereto will soon be published and despatched to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Wednesday, 18 April 2018 to Monday, 23 April 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the 2018 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 17 April 2018.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2017 (subject to approval by the shareholders at the 2018 AGM) payable to the shareholders of the Company whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 3 May 2018, being the record date for determination of entitlement to the final dividend, the Company's register of members will be closed from Monday, 30 April 2018 to Thursday, 3 May 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 April 2018. The expected date of payment of the final dividend is Friday, 8 June 2018.

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 2017, 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 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 annual results for the year ended 31 December 2017, with the external auditor. There were no disagreements from 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 2017 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, 23 January 2018

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 will remain on the “Latest Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.kwnelson.com.hk.