

K W Nelson Interior Architect Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8411)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of K W Nelson Interior Architect 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 2016 (the “Year” or “2016”), the Group achieved an increase in revenue of approximately 23.3% to approximately HK\$59.9 million from approximately HK\$48.6 million for the year ended 31 December 2015 (the “Previous Year” or “2015”). The growth was mainly driven by the increase in revenue from design & decoration projects for office premises. In line with the increase in revenue, the Group’s gross profit increased to approximately HK\$26.0 million for the Year from approximately HK\$19.7 million for the Previous Year.
- The Group’s profit attributable to shareholders decreased to approximately HK\$4.7 million for the Year from approximately HK\$12.9 million for the Previous Year. The decrease in profit attributable to shareholders was mainly due to the one-off listing expenses of approximately HK\$12.8 million (2015: HK\$0.7 million) incurred during the Year. Excluding such non-recurring expenses, the Group’s profit would have been approximately HK\$17.5 million (2015: HK\$13.6 million).
- The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of K W Nelson Interior Architect 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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	59,858	48,612
Cost of services		<u>(33,830)</u>	<u>(28,936)</u>
Gross profit		26,028	19,676
Other revenue	4	3	79
Other net income	5	—	669
General and administrative expenses		(5,059)	(4,116)
Listing expenses		<u>(12,782)</u>	<u>(701)</u>
Profit before taxation	6	8,190	15,607
Income tax	7	<u>(3,522)</u>	<u>(2,681)</u>
Profit for the year		<u>4,668</u>	<u>12,926</u>
Earnings per share	8		
Basic and diluted		<u>HK0.6 cent</u>	<u>HK1.7 cent</u>

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

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	4,668	12,926
Other comprehensive income for the year (after tax and reclassification adjustments)		
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	<u>(175)</u>	<u>(225)</u>
Total comprehensive income for the year	<u>4,493</u>	<u>12,701</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		<u>971</u>	<u>1,354</u>
Current assets			
Trade and other receivables	9	14,069	5,872
Tax recoverable		1,200	—
Amount due from a director		—	45,658
Pledged bank deposits		2,000	—
Cash and cash equivalents		<u>44,219</u>	<u>1,910</u>
		<u>61,488</u>	<u>53,440</u>
Current liabilities			
Gross amounts due to customers for contract work		150	—
Trade and other payables	10	4,550	3,587
Amount due to a director		—	407
Tax payable		—	2,819
		<u>4,700</u>	<u>6,813</u>
Net current assets		<u>56,788</u>	<u>46,627</u>
Total assets less current liabilities		57,759	47,981
Non-current liabilities			
Deferred tax liabilities		<u>160</u>	<u>223</u>
NET ASSETS		<u>57,599</u>	<u>47,758</u>
CAPITAL AND RESERVES			
Share capital		10,000	—*
Reserves		<u>47,599</u>	<u>47,758</u>
TOTAL EQUITY		<u>57,599</u>	<u>47,758</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital contribution reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2015	—*	—	115	—	—	29,942	30,057
Changes in equity for 2015:							
Profit for the year	—	—	—	—	—	12,926	12,926
Other comprehensive income	—	—	(225)	—	—	—	(225)
Total comprehensive income	—	—	(225)	—	—	12,926	12,701
Contribution from the controlling shareholder	—	—	—	—	5,000	—	5,000
Balance at 31 December 2015 and 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 current year (<i>note 11</i>)	—	—	—	—	—	(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	10,000	33,728	(285)	(380)	5,000	9,536	57,599

* 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 2016 comprise the Company and its subsidiaries.

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. 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 Standards 3, *Business combinations*. The issue of shares of the Company in exchange for the entire interest in Golden Icon Group Limited resulted in the Company becoming the holding of Golden Icon Group Limited and the assets and liabilities of Golden Icon Group Limited 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 this announcement do not constitute the Group’s financial statements for the year ended 31 December 2016 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 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

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

(a) Revenue and business segment

The principal activities of the Group are the provision of interior designs, project management services and fitting-out works in Hong Kong and the People’s Republic of China (“PRC”).

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

	2016 HK\$'000	2015 <i>HK\$'000</i>
Interest Income	3	77
Sundry Income	—	2
	<u>3</u>	<u>79</u>

5 OTHER NET INCOME

	2016 HK\$'000	2015 <i>HK\$'000</i>
Net gain on disposal of property, plant and equipment	—	669

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2016 HK\$'000	2015 <i>HK\$'000</i>
<i>(a) Staff costs</i>		
Salaries, wages and other benefits	4,599	4,180
Contributions to defined contribution retirement plan	216	160
	<u>4,815</u>	<u>4,340</u>
	2016 HK\$'000	2015 <i>HK\$'000</i>
<i>(b) Other items</i>		
Depreciation	476	463
Operating lease charges: minimum lease payments	526	301
— property rental		
Auditors' remuneration	830	39
Cost of services (<i>Note</i>)	33,830	28,936

Note: Cost of services includes HK\$2,671,000 (2015: HK\$2,732,000) relating to staff costs, which is also included in the respective total amounts disclosed separately in note 6(a).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	3,465	2,774
Under-provision in respect of prior years	<u>120</u>	<u>—</u>
	3,585	2,774
Current tax — PRC Corporate Income Tax		
Provision for the year	—	9
Deferred tax		
Reversal of temporary differences	<u>(63)</u>	<u>(102)</u>
	<u>3,522</u>	<u>2,681</u>

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. Taxation for the PRC subsidiary in 2015 was charged at a reduced rate for small and low-profit enterprise at 10% of the estimated profits.

8 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\$4,668,000 (2015: HK\$12,926,000) and the weighted average of 766,393,000 ordinary shares (2015: 750,000,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares in issue during the years ended 31 December 2015 and 2016 is calculated based on the assumption that 750,000,000 shares were in issue throughout the entire years, taking into consideration of the effect of Reorganisation and the capitalisation issue.

Weighted average number of ordinary shares

	2016 <i>'000</i>	2015 <i>'000</i>
Reorganisation and capitalisation issue	750,000	750,000
Effect of shares issued pursuant to placing on 8 December 2016	<u>16,393</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<u>766,393</u>	<u>750,000</u>

(b) **Diluted earnings per share**

Diluted earnings per share is the same as basic earnings per share as there were no diluted potential ordinary shares in existence during the years ended 31 December 2016 and 2015.

9 TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	12,304	2,379
Retention receivables	1,380	457
Deposits, prepayments, and other receivables	385	3,036
	<u>14,069</u>	<u>5,872</u>

The amount of deposits, prepayments and other receivables expected to be recovered or recognised as expense after more than one year is HK\$165,000 (2015: HK\$360,000). 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	9,529	197
Over 1 month to 2 months	302	625
Over 2 months to 3 months	501	403
Over 3 months	1,972	1,154
	<u>12,304</u>	<u>2,379</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 2016, none (2015: 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.

10 TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	2,401	2,113
Receipt in advance	—	872
Other payables and accruals	2,149	602
	<u>4,550</u>	<u>3,587</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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	1,824	837
Over 1 month to 3 months	490	383
Over 3 months	87	893
	<u>2,401</u>	<u>2,113</u>

11 DIVIDEND

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend declared	<u>38,000</u>	<u>—</u>

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.

12 COMMITMENTS

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 year	468	247
After 1 year but within 5 years	544	107
	<u>1,012</u>	<u>354</u>

The Group is the lessee in respect of a number of properties 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. Our design & decoration projects contributed to approximately 78.1% and 73.1% of our total revenue for the years ended 31 December 2016 and 2015, respectively. Our decoration projects contributed to approximately 13.2% and 23.4% of our total revenue for the years ended 31 December 2016 and 2015, respectively.

Looking forward, the Group will continue to devote more resources towards the development of our interior design and decoration business for commercial premises. The Group will focus on the following business strategies: (i) establish an international team with corresponding expansion of Hong Kong office and improvement of our equipment and facilities; (ii) maintain and strengthen our market position in Hong Kong and the PRC and focus on reputable customers; (iii) increase our capacity to capture more business opportunities; and (iv) expand our business in the PRC market. Details of the business strategies have been disclosed in the prospectus of the Company dated 29 November 2016.

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 23.3% to approximately HK\$59.9 million (2015: HK\$48.6 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 2016 and 2015:

Use of premises	For the year ended 31 December			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Office	44,924	75.1	37,412	77.0
Retail	5,566	9.3	6,324	13.0
Others (<i>Note</i>)	9,368	15.6	4,876	10.0
Total	<u>59,858</u>	<u>100.0</u>	<u>48,612</u>	<u>100.0</u>

Note: Others mainly comprise a restaurant, a medical centre and schools.

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 2016 and 2015:

Project types and locations	For the year ended 31 December					
	2016			2015		
	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>
Design & decoration						
Hong Kong	21	45,304	75.7	14	35,528	73.1
PRC	1	1,461	2.4	—	—	—
	<u>22</u>	<u>46,765</u>	<u>78.1</u>	<u>14</u>	<u>35,528</u>	<u>73.1</u>
Decoration						
Hong Kong	8	7,921	13.2	18	10,663	21.9
PRC	—	—	—	1	715	1.5
	<u>8</u>	<u>7,921</u>	<u>13.2</u>	<u>19</u>	<u>11,378</u>	<u>23.4</u>
Others (Note)						
Hong Kong		5,172	8.7		1,706	3.5
Total	<u>30</u>	<u>59,858</u>	<u>100.0</u>	<u>33</u>	<u>48,612</u>	<u>100.0</u>

Note: We provided our customers at over 30 premises and over 25 premises for the years ended 31 December 2016 and 2015, 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 tables, revenue from office projects increased to approximately HK\$44.9 million for the year ended 31 December 2016 from approximately HK\$37.4 million for the year ended 31 December 2015, representing an increase of approximately 20.1%. Revenue from office projects contributed over 75.0% of the Group's total revenue for the two years ended 31 December 2016. Revenue from design & decoration projects increased to approximately HK\$46.8 million for the year ended 31 December 2016 from approximately HK\$35.5 million for the year ended 31 December 2015, representing an increase of approximately 31.8%. Revenue from design & decoration projects contributed over 70% of the Group's total revenue for both the years ended 31 December 2016 and 2015. The increases in both office projects and design & decoration projects were mainly driven by two major premium design & decoration projects for office premises, each with over HK\$5.0 million revenue, for the year ended 31 December 2016.

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 year ended 31 December 2016.

The following table sets forth the breakdown of the Group's gross profit margin by use of premises for the years ended 31 December 2016 and 2015:

Use of premises	For the year ended 31 December	
	2016	2015
	<i>Gross Profit Margin</i>	<i>Gross Profit Margin</i>
Office	42.3%	41.0%
Retail	28.8%	41.3%
Others	58.1%	35.7%
Overall	43.5%	40.5%

The following table sets forth the breakdown of the Group's gross profit margin by project types for the years ended 31 December 2016 and 2015:

Project types	For the year ended 31 December	
	2016	2015
	<i>Gross Profit Margin</i>	<i>Gross Profit Margin</i>
Design & decoration	42.9%	41.1%
Decoration	24.8%	39.2%
Others	77.6%	35.1%
Overall	43.5%	40.5%

The Group's gross profit margin for office projects and design & decoration projects generally increased to around 42.5% for 2016 from around 41.0% for 2015 mainly due to the aforementioned two major premium design & decoration projects for office premises, each with around 50.0% gross profit margin, for the year ended 31 December 2016.

The Group's gross profit margin for retail projects and decoration projects generally decreased to around 27.0% for 2016 from around 40.0% for 2015 mainly due to a below average gross profit margin for a retail and decoration project in order to retain the existing customer with approximately 28.8% gross profit margin for the year ended 31 December 2016. The Group's gross profit margin for others projects generally increased to over 58.0% for 2016 from around 35.0% for 2015 mainly due to a design project for a medical centre with HK\$3.0 million design fee revenue for the year ended 31 December 2016.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately HK\$5.1 million and approximately HK\$4.1 million for the years ended 31 December 2016 and 2015 respectively, representing an increase of approximately 24.4%. Such increase was primarily due to the increase in staff costs, rental expenses and other administrative expenses during the year ended 31 December 2016.

Income Tax

Income tax of the Group for the year ended 31 December 2016 was approximately HK\$3.5 million (2015: HK\$2.7 million) and such growth was consistent with the increase in assessable profits during the year ended 31 December 2016 as compared to the previous year. Listing expenses incurred during the year ended 31 December 2016 were not deductible for tax purpose, resulting in a rise in effective tax rate for the year ended 31 December 2016.

Profit for the year

Profit for the year ended 31 December 2016 of the Group decreased to approximately HK\$4.7 million from approximately HK\$12.9 million for the previous year. Excluding the one-off listing expenses of approximately HK\$12.8 million (2015: HK\$0.7 million), the Group's profit for the year ended 31 December 2016 would have been approximately HK\$17.5 million (2015: HK\$13.6 million) and the increase of profit for the year ended 31 December 2016 would be approximately 28.7% over the previous year.

Comparison of the Business Objectives with the Actual Business Progress

The Shares of the Company were listed on GEM of the Stock Exchange on 8 December 2016 shortly before the year ended 31 December 2016. The business objectives as listed in the prospectus of the Company dated 29 November 2016 (the "Prospectus") were prepared to a latest practicable date at 21 November 2016. The Board confirms that between 21 November 2016 and 31 December 2016, there was no significant progress as to the business objectives prescribed in the Prospectus. The unutilised net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong. The Directors had evaluated the Group's business strategies and considered that, as at the date of this announcement, no modification of the business strategies regarding the use of proceeds as described in the Prospectus was required.

The following table sets forth the status of the use of proceeds from the placing subsequent to the listing of the Group and up to 31 December 2016:

Use of proceeds	Net proceeds <i>HK\$ million</i>	Utilised proceeds <i>HK\$ million</i>	Unutilised proceeds <i>HK\$ million</i>
Establish an international team with corresponding expansion of Hong Kong office and improvement of our equipment and facilities	13.8	—	13.8
Maintain and strengthen our market position in Hong Kong and the PRC and focus on reputable customers	6.0	—	6.0
Increase our capacity to capture more business opportunities	4.6	—	4.6
Expand our business in the PRC market	3.1	—	3.1
General working capital	3.1	—	3.1
	<u>30.6</u>	<u>—</u>	<u>30.6</u>

Liquidity, Financial Resources, Gearing Ratio And Capital Structure

During the year ended 31 December 2016, the Group financed its operations by its internal resources. As at 31 December 2016, the Group had net current assets of approximately HK\$56.8 million (2015: HK\$46.6 million), including cash and cash equivalents balances of approximately HK\$44.2 million (2015: HK\$1.9 million) mainly denominated in Hong Kong dollars. As at 31 December 2016, the Group had an unutilised banking facility of HK\$2.0 million (2015: Nil) which was secured by pledged bank deposits.

The current ratio, being the ratio of current assets to current liabilities, was approximately 13.1 times as at 31 December 2016 (2015: 7.8 times). The increase was mainly due to (i) the increase in trade and other receivables of approximately HK\$8.2 million and (ii) the decrease in tax payable of approximately HK\$2.8 million.

The gearing ratio of the Group as at 31 December 2016 was nil (2015: 0.9%) as the Group was not in need of any material debt financing during the year ended 31 December 2016. 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 date. The equity attributable to owners of the Company amounted to approximately HK\$57.6 million as at 31 December 2016 (2015: HK\$47.8 million).

Pledge Of Assets

As of 31 December 2016, the Group had pledged bank deposits of HK\$2.0 million (2015: Nil) 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

The majority of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. During the year ended 31 December 2016, 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 ended 31 December 2016.

Capital Commitments

As at 31 December 2016 and 2015, the Group did not have any material capital commitment.

Human Resources Management

As at 31 December 2016, the Group had a total of 13 (2015: 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 ended 31 December 2016.

Contingent Liabilities

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

CORPORATE GOVERNANCE PRACTICES

The Company places high value on our corporate governance practice and our Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of our 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. As the Company's ordinary shares of HK\$0.01 each (the "Shares") were initially listed on the GEM on 8 December 2016 (the "Listing Date"), before the Listing Date, the CG Code was not applicable to the Company. During the period from the Listing Date to 31 December 2016, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. In view of Mr. Lau King Wai being the founder of the Group and his experience and his roles in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Lau 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.

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 and the CG Code and align with the latest developments.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the period from the Listing Date to 31 December 2016.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by 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 period from the Listing Date to 31 December 2016. The Company was not aware of any non-compliance during the period from the Listing Date to 31 December 2016.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2016

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2016 and up to the date of approval of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “2017 AGM”) will be held on Thursday, 8 June 2017. A notice convening the 2017 AGM will be published and issued to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the 2017 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 Friday, 2 June 2017.

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 internal control procedures of the Company. The Audit Committee consists of three members, namely Mr. Li Wai Kwan, Mr. Hui Harry Chi and Ms. So Patsy Ying Chi. Ms. So Patsy Ying Chi is the chairlady of the Audit Committee.

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the draft consolidated financial statements for the year ended 31 December 2016, with external auditor. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

SCOPE OF WORK OF AUDITORS

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 2016 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 Architect Group Limited
Lau King Wai
Chairman and Chief Executive Officer

Hong Kong, 16 March 2017

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.