

# K W Nelson

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

Stock Code: 8411

First Quarterly Report 2020

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

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

## HIGHLIGHTS

- During the three months ended 31 March 2020 (the “Period”), the Group’s revenue increased by approximately 15.5% to approximately HK\$26.6 million from approximately HK\$23.0 million for the three months ended 31 March 2019 (the “Previous Period”). The increase was mainly driven by the increase in revenue from decoration projects for medical centre. The Group’s gross profit increased to approximately HK\$11.6 million for the Period from approximately HK\$9.0 million for the Previous Period.
- The Group’s profit attributable to owners of the Company increased to approximately HK\$7.4 million for the Period from approximately HK\$5.0 million for the Previous Period.
- The board of directors does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

## UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

The board of the directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2020, together with the relevant comparative unaudited figures as follows:

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

For the three months ended 31 March 2020

	Note	Three months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>26,551</b>	22,984
Direct costs		<b>(14,989)</b>	(13,990)
<b>Gross profit</b>		<b>11,562</b>	8,994
Other income		<b>165</b>	149
General and administrative expenses		<b>(2,859)</b>	(2,666)
<b>Profit from operations</b>		<b>8,868</b>	6,477
Finance costs		<b>(16)</b>	–
<b>Profit before taxation</b>	5	<b>8,852</b>	6,477
Income tax expense	6	<b>(1,490)</b>	(1,526)
<b>Profit for the period attributable to owners of the Company</b>		<b>7,362</b>	4,951
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of a subsidiary		<b>(70)</b>	212
<i>Items that will not be reclassified to profit or loss:</i>			
Change in the fair value of financial assets at fair value through other comprehensive income		<b>(266)</b>	737
<b>Total comprehensive income for the period attributable to owners of the Company, net of tax</b>		<b>7,026</b>	5,900
<b>Earnings per share</b>			
Basic and diluted	7	<b>HK0.74 cents</b>	HK0.50 cents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Merger reserve HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>For the three months ended</b>								
<b>31 March 2019</b>								
As at 1 January 2019 (Audited)	10,000	33,728	(275)	–	(380)	5,000	62,372	110,445
<b>Comprehensive income</b>								
Profit for the period	–	–	–	–	–	–	4,951	4,951
<b>Other comprehensive income</b>								
Exchange difference on translation of financial statements of a subsidiary	–	–	212	–	–	–	–	212
Change in the fair value of financial assets at fair value through other comprehensive income	–	–	–	737	–	–	–	737
<b>Total comprehensive income for the period</b>	–	–	212	737	–	–	4,951	5,900
As at 31 March 2019 (Unaudited)	10,000	33,728	(63)	737	(380)	5,000	67,323	116,345
<b>For the three months ended</b>								
<b>31 March 2020</b>								
As at 1 January 2020 (Audited)	10,000	33,728	(332)	(7,082)	(380)	5,000	87,065	127,999
<b>Comprehensive income</b>								
Profit for the period	–	–	–	–	–	–	7,362	7,362
<b>Other comprehensive income</b>								
Exchange difference on translation of financial statements of a subsidiary	–	–	(70)	–	–	–	–	(70)
Change in the fair value of financial assets at fair value through other comprehensive income	–	–	–	(266)	–	–	–	(266)
<b>Total comprehensive income for the period</b>	–	–	(70)	(266)	–	–	7,362	7,026
As at 31 March 2020 (Unaudited)	10,000	33,728	(402)	(7,348)	(380)	5,000	94,427	135,025

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2020*

## **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 three months ended 31 March 2020 have been prepared by the Directors in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") 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 unaudited condensed consolidated financial statements for the three months ended 31 March 2020 are consistent with those adopted in the annual report for the year ended 31 December 2019. 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 preparation of the unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis except for financial assets at fair value through other comprehensive income, which are carried at fair value. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all figures are rounded to the nearest thousand ("HK\$'000") unless otherwise indicated.

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

### 3 CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this unaudited condensed consolidated financial statement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4 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, 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 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong	26,551	22,648
People's Republic of China (the "PRC") and Macau	–	336
	<b>26,551</b>	<b>22,984</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

### 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Three months ended	
	31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	1,493	2,107
Contributions to defined contribution retirement plan	56	62
	<b>1,549</b>	<b>2,169</b>

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	
	31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(b) Other items		
Depreciation		
— owned property, plant and equipment	276	273
— right-of-use assets	172	—
Direct costs (note)	<b>14,989</b>	<b>13,990</b>

Note: Direct costs for the three months ended 31 March 2020 included approximately HK\$880,000 (three months ended 31 March 2019: HK\$1,517,000) 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 three months ended 31 March 2020

### 6 INCOME TAX EXPENSE

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax — Hong Kong Profits Tax	1,490	1,440
Current tax — PRC Corporate Income Tax	–	86
	<b>1,490</b>	<b>1,526</b>

The provision for Hong Kong Profits Tax is calculated at 8.25% of the first HK\$2,000,000 and 16.5% of the remaining estimated assessable profits for the three months ended 31 March 2020 (three months ended 31 March 2019: same).

Taxation for the PRC subsidiary was charged at a reduced rate for small and low-profit enterprise at 5% of the estimated profits for the three months ended 31 March 2020 (three months ended 31 March 2019: 5%).

There were no material unrecognised deferred tax assets and liabilities as at 31 March 2020 (31 December 2019: Nil).

### 7 EARNINGS PER SHARE

#### (a) Basic

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

	Three months ended 31 March	
	2020 (Unaudited)	2019 (Unaudited)
Profit for the period attributable to the ordinary equity shareholders of the Company (HK\$'000)	7,362	4,951
Weighted average number of ordinary shares in issue (thousand shares)	1,000,000	1,000,000
Basic earnings per share attributable to ordinary equity shareholders of the Company (HK cents)	<b>0.74</b>	0.50

#### (b) Diluted

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 three months ended 31 March 2020 and 2019.

### 8 DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

The Group's projects can be broadly categorised into (i) design & decoration projects in which 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 three months ended 31 March 2020 (the "Period"), the Group's revenue increased by approximately 15.5% to approximately HK\$26.6 million from approximately HK\$23.0 million for the three months ended 31 March 2019 (the "Previous Period"). The increase was mainly driven by the increase in revenue from decoration projects for medical centre. The Group's gross profit increased to approximately HK\$11.6 million for the Period from approximately HK\$9.0 million for the Previous Period.

The Group's profit attributable to owners of the Company increased to approximately HK\$7.4 million for the Period from approximately HK\$5.0 million for the Previous Period.

### OUTLOOK

During the Period, the Group had certain decoration projects with medical centres and offices. In view of the recent outbreak of COVID-19, the Group implemented certain precautionary measures to maintain a hygienic working environment include sanitising our workplace regularly and requiring our staff and subcontractors to wear face masks in workplaces and construction sites.

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

The Company has submitted a formal application to the Stock Exchange on 7 February 2018 for the proposed transfer of the listing of the ordinary shares of the Company (the "Shares") from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules. The application has automatically lapsed as the process of the application has taken more than six months since the submission of the application. On 27 August 2018, the Company re-submitted the application (the "Resubmission") to renew the application. Such application has automatically lapsed as the process has taken more than six months since the Resubmission. The Company has already appointed a sponsor to consider to make a new application. The Board believes that the transfer of listing will enhance the profile of the Group, strengthen its recognition among public investors and hence increase the trading liquidity of the Shares. This will strengthen the Group's position in the industry and enhance the Group's competitive strengths in retaining and attracting the Group's professional staff and customers. The Board also considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group, and it will create a long-term value to the shareholders.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

The Group's revenue is principally generated from (i) design & decoration projects; (ii) decoration projects; and (iii) other interior design and fitting-out services. During the Period, the Group's revenue increased by approximately 15.5% to approximately HK\$26.6 million (Previous Period: HK\$23.0 million).

The following table sets forth a breakdown of the Group's revenue and number of projects by project types and geographical locations for the three months ended 31 March 2020 and 2019:

Project types and locations	Three months ended 31 March					
	2020			2019		
	No. of projects	HK\$'000 (Unaudited)	%	No. of projects	HK\$'000 (Unaudited)	%
<b>Design &amp; decoration</b>						
Hong Kong	5	5,086	19.2	9	10,422	45.3
	<b>5</b>	<b>5,086</b>	<b>19.2</b>	9	10,422	45.3
<b>Decoration</b>						
Hong Kong	6	19,653	74.0	4	11,576	50.4
PRC	–	–	–	1	336	1.5
	<b>6</b>	<b>19,653</b>	<b>74.0</b>	5	11,912	51.9
<b>Others</b>						
Hong Kong		1,813	6.8		650	2.8
		<b>1,813</b>	<b>6.8</b>		650	2.8
<b>Total</b>	<b>11</b>	<b>26,551</b>	<b>100.0</b>	14	22,984	100.0

The overall increase in revenue during the Period was principally attributed to increase in revenue from decoration projects of medical centre from approximately HK\$8.3 million in the Previous Period to approximately HK\$19.6 million in the Period, which offset by decrease in revenue derived from design and decoration and decoration projects of office premises and gallery to approximately HK\$5.2 million for the Period from HK\$12.7 million for the Previous Period.

#### Direct Costs and Gross Profit Margin

The Group's direct costs mainly comprised subcontracting costs and direct staff costs.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the breakdown of the Group's gross profit margin by project types for the three months ended 31 March 2020 and 2019:

Project types	Three months ended 31 March	
	2020 <i>Gross Profit Margin</i> (Unaudited)	2019 <i>Gross Profit Margin</i> (Unaudited)
Design & decoration	39.6%	31.3%
Decoration	44.4%	46.7%
Others	45.1%	26.2%
<b>Overall</b>	<b>43.5%</b>	<b>39.1%</b>

The Group's overall gross profit margin increased to approximately 43.5% for the Period from approximately 39.1% for the Previous Period, mainly due to the higher gross profit margin for design and decoration and decoration projects which contributed approximately 19.2% of total revenue of the Period.

### General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately HK\$2.9 million and approximately HK\$2.7 million for the Period and Previous Period respectively, representing an increase of approximately 7.2%. Such increase was primarily due to the increase in transfer of listing expenses during the Period.

### Income Tax Expense

Income tax of the Group for the Period was approximately HK\$1.5 million (Previous Period: HK\$1.5 million) and the decrease was consistent with the decrease in assessable profits during the Period as compared to the Previous Period. Expenses relating to transfer of listing incurred were not deductible for the tax purpose.

### Profit for the period

Profit for the Period of the Group increased to approximately HK\$7.4 million for the Period from approximately HK\$5.0 million for the Previous Period, mainly due to the increase in gross profit from decoration projects for the Period.

### Dividend

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

## LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 31 March 2020, the Group had net current assets of approximately HK\$132.4 million (31 December 2019: HK\$124.8 million), including cash and cash equivalents balances of approximately HK\$96.3 million (31 December 2019: HK\$91.0 million) mainly denominated in Hong Kong dollars. As at 31 March 2020, the Group had an unutilised banking facility of HK\$2.0 million (31 December 2019: HK\$2.0 million) which was secured by pledged bank deposits.

The current ratio, being the ratio of current assets to current liabilities, was approximately 4.6 times as at 31 March 2020 (31 December 2019: 3.9 times). The increase was mainly due to the decrease in trade and other payables.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2020, the Group had no outstanding borrowings (31 December 2019: Nil) as the Group was not in need of any material debt financing during the Period, and hence no gearing ratio was presented. The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

The shares of the Company (the "Shares") were listed on GEM of the Stock Exchange on 8 December 2016 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 then. The equity attributable to owners of the Company amounted to approximately HK\$135.0 million as at 31 March 2020 (31 December 2019: HK\$128.0 million).

### PLEDGE OF ASSETS

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

### FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICY

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

### CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no material capital commitment.

### HUMAN RESOURCES MANAGEMENT

As at 31 March 2020, the Group had a total of 20 (31 December 2019: 20) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Period.

### CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2020.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2020, the interests or short positions of the Directors or 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 would 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 would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would 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, were 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 31 March 2020, 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 31 March 2020, 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 or Debentures of the Company and 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**

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage shareholding</b>
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 31 March 2020, 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 or Debentures of the Company and 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 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 three months ended 31 March 2020 and up to the date of this report.

## OTHER INFORMATION

### **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 three months ended 31 March 2020, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. In view of Mr. Lau King Wai, being the founder of the Group and his experience and his roles in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Lau King Wai acts as the chairman of the Board (the “Chairman”) and continues to act as the Chief Executive Officer (the “CEO”).

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

### **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 three months ended 31 March 2020. The Company was not aware of any non-compliance during the three months ended 31 March 2020.

### **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 three months ended 31 March 2020.

### **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 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 auditor; 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 chairperson of the Audit Committee.

## OTHER INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 and the 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, 12 May 2020

*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.*