

K W Nelson

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

Stock Code: 8411

Third 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 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 nine months ended 30 September 2020 (the “Period”), the Group’s revenue decreased by approximately 9.5% to approximately HK\$74.5 million from approximately HK\$82.3 million for the nine months ended 30 September 2019 (the “Previous Period”). The decrease was mainly driven by the decrease in revenue from design and decoration projects for commercial premises. The Group’s gross profit decreased to approximately HK\$30.7 million for the Period from approximately HK\$41.4 million for the Previous Period, representing a decrease of approximately 25.8%.
- The Group’s profit attributable to ordinary equity shareholders decreased to approximately HK\$15.9 million for the Period from approximately HK\$24.6 million for the Previous Period.
- The board of directors does not recommend the payment of a dividend for the Period (Previous Period: Nil).

UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS

The board of the Directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 30 September 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	4	24,010	31,587	74,491	82,312
Direct costs		(19,741)	(16,713)	(43,828)	(40,955)
Gross profit		4,269	14,874	30,663	41,357
Other revenue	5	530	400	963	737
General and administrative expenses		(4,786)	(4,807)	(12,246)	(12,495)
Profit from operation		13	10,467	19,380	29,599
Finance costs		(12)	(20)	(42)	(48)
Profit before taxation	6	1	10,447	19,338	29,551
Income tax	7	22	(1,869)	(3,440)	(4,913)
Profit for the period		23	8,578	15,898	24,638
Earnings per share	8				
Basic and diluted		HK0.00 cents	HK0.86 cents	HK1.59 cents	HK2.46 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Profit for the period	23	8,578	15,898	24,638
Other comprehensive income for the period (net of nil tax and reclassification adjustments)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of a subsidiary	125	(250)	62	(129)
<i>Items that will not be reclassified to profit or loss:</i>				
Change in fair value of financial assets at fair value through other comprehensive income	(70)	(6,608)	(399)	(6,361)
Total comprehensive income for the period	78	1,720	15,561	18,148

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Attributable to the ordinary equity shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Merger reserve HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
For the nine months ended								
30 September 2019								
Balance at 1 January 2019	10,000	33,728	(275)	-	(380)	5,000	62,372	110,445
Profit for the period	-	-	-	-	-	-	24,638	24,638
Other comprehensive income								
Exchange difference on translation of financial statements of a subsidiary	-	-	(129)	-	-	-	-	(129)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(6,361)	-	-	-	(6,361)
Total comprehensive income	-	-	(129)	(6,361)	-	-	24,638	18,148
Dividend approved and paid in respect of the previous year	-	-	-	-	-	-	(2,500)	(2,500)
Balance at 30 September 2019	10,000	33,728	(404)	(6,361)	(380)	5,000	84,510	126,093
For the nine months ended								
30 September 2020								
Balance at 1 January 2020	10,000	33,728	(332)	(7,082)	(380)	5,000	87,065	127,999
Profit for the period	-	-	-	-	-	-	15,898	15,898
Other comprehensive income								
Exchange difference on translation of financial statements of a subsidiary	-	-	62	-	-	-	-	62
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(399)	-	-	-	(399)
Total comprehensive income	-	-	62	(399)	-	-	15,898	15,561
Dividend approved and paid in respect of the previous year	-	-	-	-	-	-	(2,500)	(2,500)
Balance at 30 September 2020	10,000	33,728	(270)	(7,481)	(380)	5,000	100,463	141,060

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 in Hong Kong and Mainland China.

2 BASIS OF PREPARATION

This unaudited condensed consolidated results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and Hong Kong Financial Reporting Standard ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated results has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3. In addition, the Group has adopted the accounting policy for government grant in the unaudited condensed consolidated results as follows:

Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

4 REVENUE AND SEGMENT REPORTING

Revenue represents the contract revenue from the provision of interior designs, project management services and fitting-out works in Hong Kong and Mainland China.

The Group has one reportable segment which is the provision of interior designs, project management services and fitting-out works. The Group's chief operating decision maker, which has been identified as the Board, reviews the consolidated results of the Group for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment information has been presented.

The following table sets out information about the geographical location of the Group's revenue. The geographical location of customers is based on the location at which the work was provided.

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong (place of domicile)	24,010	31,001	74,491	79,571
The People's Republic of China (the "PRC") and Macau	–	586	–	2,741
	24,010	31,587	74,491	82,312

5 OTHER REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest Income	134	397	435	724
Government grant	396	–	528	–
Sundry Income	–	3	–	13
	530	400	963	737

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(a) Staff costs (including directors' remuneration)				
Salaries, wages and other benefits	1,233	1,572	4,156	5,104
Contributions to defined contribution retirement plan	60	61	178	179
	1,293	1,633	4,334	5,283

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiary in the PRC participates in a defined contribution retirement benefit scheme (the "Scheme") organised by the local authorities whereby the subsidiary is required to make contributions to the Scheme based on a percentage of the eligible employees' salaries. Contributions to the Scheme vest immediately. Under the Scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(b) Other items				
Depreciation				
— owned property, plant and equipment	274	275	824	822
— right-of-use assets	173	172	517	402
Impairment losses on trade receivables and contract assets	471	(83)	956	1,772
Direct costs (note)	19,741	16,713	43,828	40,955

Note: Direct costs for the nine months ended 30 September 2020 includes approximately HK\$2,953,000 (nine months ended 30 September 2019: HK\$3,031,000) relating to staff costs, which is also included in the respective total amounts disclosed separately in note 6(a).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

7 INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax	2	1,852	3,427	4,844
Current tax — PRC Corporate Income Tax	(4)	25	(4)	77
Deferred tax	(20)	(8)	17	(8)
	(22)	1,869	3,440	4,913

The provision for Hong Kong Profits Tax is calculated at 8.25% of the first HK\$2,000,000 and 16.5% of the remaining estimated assessable profits for the nine months ended 30 September 2020 (nine months ended 30 September 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 nine months ended 30 September 2020 (nine months ended 30 September 2019: 5%).

8 EARNINGS PER SHARE

(a) Basic

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

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Profit for the period attributable to the ordinary equity shareholders of the Company (HK\$'000)	23	8,578	15,898	24,638
Weighted average number of ordinary shares in issue (thousand shares)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share attributable to ordinary equity shareholders of the Company (HK cents)	0.00	0.86	1.59	2.46

(b) Diluted

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the nine months ended 30 September 2020 and 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

9 DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

10 RELATED PARTY TRANSACTIONS

During the nine months ended 30 September 2020 and 2019, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Lau King Wai	Director and the controlling shareholder of the Company
Ms. Chan Pui Shan, Jessica	Spouse of the controlling shareholder
Further Concept Limited	Controlled by the controlling shareholder

The following transactions were carried out between the Group and its related parties during the period. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Key management personnel remuneration

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Emoluments, salaries and other benefits	365	364	1,095	1,159
Contributions to defined contribution retirement plan	12	13	36	38
	377	377	1,131	1,197

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

10 RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of the spouse of the controlling shareholder

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries and other benefits	63	62	189	388
Contributions to defined contribution retirement plan	3	4	9	10
	66	66	198	398

(c) Financing arrangement

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Interest expenses on lease liabilities paid to Further Concept Limited	4	7	15	23

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the Period, the Group's revenue decreased by approximately 9.5% to approximately HK\$74.5 million from approximately HK\$82.3 million for the Previous Period. The decrease was mainly driven by the decrease in revenue from design and decoration projects for commercial premises. The Group's gross profit decreased to approximately HK\$30.7 million for the Period from approximately HK\$41.4 million for the Previous Period, representing a decrease of approximately 25.8%.

The Group's profit attributable to shareholders decreased to approximately HK\$15.9 million for the Period from approximately HK\$24.6 million for the Previous Period.

OUTLOOK

During the Period, the Group had certain decoration projects with medical centres, offices and retail store. 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. On 13 August 2020, the Company has submitted a new formal application to the Stock Exchange for the transfer of listing. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from (i) design & decoration projects; (ii) decoration projects; and (iii) other interior design and fitting-out services. During the Period, the Group's revenue decreased by approximately 9.5% to approximately HK\$74.5 million (Previous Period: HK\$82.3 million).

The following table sets forth a breakdown of the Group's revenue and number of projects by project types and geographical locations for the nine months ended 30 September 2020 and 2019:

Project types and locations	Nine months ended 30 September					
	2020			2019		
	No. of projects	HK\$'000 (Unaudited)	%	No. of projects	HK\$'000 (Unaudited)	%
Design & decoration						
Hong Kong	8	14,800	19.9	14	43,968	53.4
Decoration						
Hong Kong	16	57,222	76.8	12	34,570	42.0
The PRC and Macau	-	-	-	5	2,741	3.3
	16	57,222	76.8	17	37,311	45.3
Others						
Hong Kong		2,469	3.3		1,033	1.3
Total	24	74,491	100.0	31	82,312	100.0

The overall decrease in revenue during the Period was principally attributed to decrease in revenue from design and decoration projects of office premises, medical centre, restaurant and shopping mall from approximately HK\$38.3 million in the Previous Period to approximately HK\$14.8 million in the Period, which offset by increase in revenue to approximately HK\$51.8 million (Previous Period: HK\$33.3 million) derived from decoration projects of medical centre, office premises, retail store and warehouse during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Services and Gross Profit Margin

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

The following table sets forth the breakdown of the Group's gross profit margin by project types for the nine months ended 30 September 2020 and 2019:

Project types	Nine months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Design & decoration	46.7%	47.8%
Decoration	39.3%	53.7%
Others	50.5%	29.4%
Overall	41.2%	50.2%

The Group's overall gross profit margin decreased to approximately 41.2% for the Period (Previous Period: 50.2%), which was mainly due to (i) lower average gross profit margin for decoration projects of a retail store during the Period; (ii) no project management fee income for projects during the Period (Previous Period: HK\$3.8 million); and (iii) project cost reversal upon finalisation of accounts with customers, suppliers and subcontractors which led to favourable financial impact to the Group in the Previous Period.

General and Administrative Expenses

The Group's general and administrative expenses for the Period amounted to approximately HK\$12.2 million (Previous Period: HK\$12.5 million), representing a slight decrease of approximately 2.0%. Such decrease was primarily due to (i) increase in impairment losses on trade receivables and contract assets; and (ii) increase in non-recurring expenses relating to transfer of listing during the Period, which offset by decrease in discretionary bonus to directors and staff.

Income Tax

Income tax of the Group for the Period was approximately HK\$3.4 million (Previous Period: HK\$4.9 million) and such decrease was consistent with the decrease in assessable profits. Expenses relating to transfer of listing incurred were not deductible for tax purpose.

Profit for the Period

Profit for the period of the Group decreased to approximately HK\$15.9 million for the Period from approximately HK\$24.6 million for the Previous Period, which was mainly due to decrease in gross profit in design and decoration projects and increase in transfer of listing expenses.

Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 30 September 2020, the Group had net current assets of approximately HK\$139.3 million (31 December 2019: HK\$124.8 million), including cash and cash equivalents balances of approximately HK\$98.2 million (31 December 2019: HK\$91.0 million) mainly denominated in Hong Kong dollars. As at 30 September 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 7.3 times as at 30 September 2020 (31 December 2019: 3.9 times).

As at 30 September 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\$141.1 million as at 30 September 2020 (31 December 2019: HK\$128.0 million).

PLEDGE OF ASSETS

As at 30 September 2020, bank deposits of HK\$2.0 million (31 December 2019: HK\$2.0 million) was pledged to secure the banking facilities. Save for the above, the Group did not have any charges on its assets.

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICY

The majority of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. During the Period, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Period.

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

CAPITAL COMMITMENTS

As at 30 September 2020 and 31 December 2019, the Group did not have any material capital commitment.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES MANAGEMENT

As at 30 September 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

As at 30 September 2020 and 31 December 2019, the Group did not have any material contingent liability.

OTHER INFORMATION

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

As at 30 September 2020, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, will be as follows:

Long Positions in Shares of the Company

Name	Company/name of associated corporation	Capacity/Nature of interest	Interests in Shares	Approximate percentage shareholding
Mr. Lau King Wai	The Company	Interest of a controlled corporation (<i>Note</i>)	750,000,000	75%

Note: Mr. Lau King Wai beneficially owns 100% of the issued share capital of Sino Emperor Group Limited ("Sino Emperor"). By virtue of the SFO, Mr. Lau King Wai is deemed to be interested in all the Shares held by Sino Emperor.

Saved as disclosed above, as at 30 September 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 30 September 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 and Debentures of the Company or Its Associated Corporations" above, the following person has an interest or short position in the shares or underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the issued shares of the Company are listed as follows:

Long Positions in Shares of the Company

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage shareholding
Sino Emperor (<i>Note 1</i>)	Beneficial owner	750,000,000	75%
Ms. Chan Pui Shan, Jessica (<i>Note 2</i>)	Interest of spouse	750,000,000	75%

Notes:

1. Sino Emperor is beneficially and wholly owned by Mr. Lau King Wai. By virtue of the SFO, Mr. Lau King Wai is deemed to be interested in all the Shares held by Sino Emperor.
2. 750,000,000 Shares are held by Sino Emperor, which is a company controlled by Mr. Lau King Wai. By virtue of the SFO, Ms. Chan Pui Shan, Jessica, who is the spouse of Mr. Lau King Wai, is taken to be interested in these Shares.

Saved as disclosed above, as at 30 September 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 and Debentures of the Company or Its Associated Corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued shares of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial shareholders of the Company (the "Substantial Shareholders") or their respective close associates (as defined in the GEM Listing Rules) has interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the nine months ended 30 September 2020 and up to the date of this quarterly 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 nine months ended 30 September 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 is benefit to the business prospect and operational efficiency of the Group that Mr. Lau King Wai acts as the chairman of the Board (the “Chairman”) and continues to act as the Chief Executive Officer (the “CEO”).

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the nine months ended 30 September 2020. The Company was not aware of any non-compliance during the nine months ended 30 September 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 nine months ended 30 September 2020.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 18 November 2016 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee risk management and internal control procedures of the Company. The Audit Committee currently consists of three members, namely Mr. Li Wai Kwan, Mr. Hui Harry Chi and Ms. So Patsy Ying Chi. Ms. So Patsy Ying Chi is the chairlady of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2020 and this quarterly report and is of the view that such statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

By order of the Board

K W Nelson Interior Design and Contracting Group Limited

Lau King Wai

Chairman and Chief Executive Officer

Hong Kong, 11 November 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.