

K W Nelson

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

Stock Code: 8411

Interim Report 2023

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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.

FINANCIAL HIGHLIGHTS

- During the six months ended 30 June 2023 (the "Period"), the Group's revenue decreased by approximately 39.5% to approximately HK\$21.4 million (six months ended 30 June 2022 (the "Previous Period"): HK\$35.5 million). The decrease was mainly driven by the decrease in revenue from design and decoration projects for elderly home and medical centre. The Group's gross profit decreased to approximately HK\$5.7 million for the Period (Previous Period : HK\$7.1 million).
- The Group's loss attributable to the owners was approximately HK\$1.5 million for the Period (Previous Period: HK\$2.2 million).
- The board of directors does not recommend the payment of an interim dividend for the Period (Previous Period: HK5.0 cents per share).

UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS

The board of the Directors of the Company (the "Board") is pleased to present the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023, together with the comparative unaudited figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Note	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	5,468	14,504	21,446	35,461
Cost of sales	6	(3,443)	(13,255)	(15,781)	(28,340)
Gross profit		2,025	1,249	5,665	7,121
Other income and gains	5	395	235	747	257
Selling and distribution expenses	6	(380)	(118)	(522)	(298)
Administrative expenses	6	(2,489)	(2,736)	(7,309)	(9,718)
(Provision for)/reversal of impairment of trade receivables		(55)	57	(97)	551
Operating loss		(504)	(1,313)	(1,516)	(2,087)
Finance costs	7	(7)	(13)	(16)	(29)
Loss before income tax		(511)	(1,326)	(1,532)	(2,116)
Income tax credit/(expense)	8	26	(90)	64	(119)
Loss for the period attributable to the owners of the Company		(485)	(1,416)	(1,468)	(2,235)
Loss per share attributable to the owners of the Company (in HK cents)					
Basic and diluted	9	(0.05)	(0.15)	(0.15)	(0.23)

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss for the period	(485)	(1,416)	(1,468)	(2,235)
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference arising from translation of foreign operations	(142)	(163)	(114)	(141)
<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	(105)	40	(126)	40
Other comprehensive loss for the period, net of tax	(247)	(123)	(240)	(101)
Total comprehensive loss for the period attributable to the owners of the Company	(732)	(1,539)	(1,708)	(2,336)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	3,027	3,524
Right-of-use assets	12	719	1,025
Financial assets at fair value through other comprehensive income		392	518
		4,138	5,067
Current assets			
Trade and other receivables	13	7,412	3,963
Contract assets		127	423
Current income tax assets		4,423	4,423
Pledged bank deposits		2,647	2,647
Time deposits with original maturity over three months		91	38,720
Cash and cash equivalents		55,197	25,116
		69,897	75,292
Total assets		74,035	80,359
EQUITY			
Equity attributable to the owners of the Company			
Share capital		10,000	10,000
Share premium		33,728	33,728
Shares held for share award scheme		(8,506)	(7,589)
Reserves		34,371	36,079
		69,593	72,218
Non-controlling interests		–	5
Total equity		69,593	72,223
LIABILITIES			
Non-current liabilities			
Lease liabilities		118	277
Deferred income tax liabilities		295	359
Provisions	14	537	535
		950	1,171
Current liabilities			
Trade and other payables	14	3,095	1,976
Contract liabilities		–	4,517
Lease liabilities		397	472
		3,492	6,965
Total liabilities		4,442	8,136
Total equity and liabilities		74,035	80,359

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Unaudited Attributable to the owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Shares held for share award scheme HK\$'000	Merger reserve HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
For the six months ended											
30 June 2022											
Balance at 1 January 2022	10,000	33,728	(33)	(7,508)	(4,439)	(380)	5,000	93,147	129,515	5	129,520
Loss for the period	-	-	-	-	-	-	-	(2,235)	(2,235)	-	(2,235)
Other comprehensive income											
Exchange difference arising from translation of foreign operations	-	-	(141)	-	-	-	-	-	(141)	-	(141)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	40	-	-	-	-	40	-	40
Total comprehensive income	-	-	(141)	40	-	-	-	(2,235)	(2,336)	-	(2,336)
Dividend	-	-	-	-	-	-	-	(3,000)	(3,000)	-	(3,000)
Shares purchased for share award scheme	-	-	-	-	(2,791)	-	-	-	(2,791)	-	(2,791)
Balance at 30 June 2022	10,000	33,728	(174)	(7,468)	(7,230)	(380)	5,000	87,912	121,388	5	121,393
For the six months ended											
30 June 2023											
Balance at 1 January 2023	10,000	33,728	(277)	(7,075)	(7,589)	(380)	5,000	38,811	72,218	5	72,223
Loss for the period	-	-	-	-	-	-	-	(1,468)	(1,468)	-	(1,468)
Other comprehensive income											
Exchange difference arising from translation of foreign operations	-	-	(114)	-	-	-	-	-	(114)	-	(114)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(126)	-	-	-	-	(126)	-	(126)
Total comprehensive income	-	-	(114)	(126)	-	-	-	(1,468)	(1,708)	-	(1,708)
Shares purchased for share award scheme	-	-	-	-	(917)	-	-	-	(917)	-	(917)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	-	(5)	(5)
Balance at 30 June 2023	10,000	33,728	(391)	(7,201)	(8,506)	(380)	5,000	37,343	69,593	-	69,593

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30 June 2023 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	(8,013)	(6,510)
Hong Kong Profits Tax paid	–	–
Net cash used in operating activities	(8,013)	(6,510)
Cash flows from investing activities		
Increase/(decrease) in time deposit with original maturity over three months	38,629	(44)
Interest received	746	65
Purchase of property, plant and equipment	–	(385)
Net cash generated from/used in investing activities	39,375	(364)
Cash flows from financing activities		
Principal elements of lease payments	(234)	(343)
Interest elements of lease payments	(16)	(29)
Repurchase of shares under share award scheme	(917)	(2,791)
Dividend paid	–	(3,000)
Net cash used in financing activities	(1,167)	(6,163)
Net increase/(decrease) in cash and cash equivalents	30,195	(13,037)
Cash and cash equivalents at 1 January	25,116	80,673
Effect of foreign exchange rate changes	(114)	(141)
Cash and cash equivalents at 30 June	55,197	67,495

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

1 GENERAL INFORMATION

K W Nelson Interior Design and Contracting Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961 as consolidated and revised) (now known as the Companies Act (2021 Revision)) of the Cayman Islands.

The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is Room 1703, 17th Floor, Technology Plaza, 651 King's Road, Quarry Bay, Hong Kong.

The Company is an investment holding company and together with its subsidiaries (collectively, the "Group") are principally engaged in provision of interior designs, project management services and fitting-out works.

The unaudited interim financial report is presented in thousands of Hong Kong Dollars ("HK\$'000"), unless otherwise stated.

2 BASIS OF PREPARATION

The interim financial report 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, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited but has been reviewed by the Company's audit committee.

The measurement basis used in the preparation of the unaudited interim financial report is the historical cost basis except for financial assets at fair value through other comprehensive income, which are carried at fair value.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

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 interim financial report. 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

The Group's chief operating decision maker, which has been identified as the Board of Directors, consider the segment from a business perspective and monitor the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

During the six months ended 30 June 2023, the Group had one (2022: one) reportable operating segment, which was provision of interior designs, project management services and fitting-out works. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

Geographic Information

(a) Revenue from external customers

The Group's revenue from external customers by geographical area, which is determined by the country/region where the services were provided, is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	5,468	14,504	21,446	35,461

(b) Non-current assets

The Group's non-current assets other than financial assets at fair value through other comprehensive income by geographic area is as follows:

	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	3,744	4,547
The PRC and Macau	2	2
	3,746	4,549

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

5 OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income	395	43	746	65
Government grant (note)	–	192	–	192
Others	–	–	1	–
	395	235	747	257

Note: In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There are no unfulfilled conditions or other contingencies attaching to these grants.

6 EXPENSE BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Material and subcontractor costs	3,008	12,412	14,919	26,962
Advertising and promotion expenses	47	15	61	48
Auditor's remuneration				
— Audit services	–	–	–	–
Depreciation of property, plant and equipment	248	235	497	465
Depreciation of right-of-use assets	153	173	306	346
Employee benefit costs (including directors' emoluments)	1,645	1,684	5,681	7,366
Insurance expenses	51	164	90	360
Legal and professional fees	600	778	997	1,533
Motor vehicle expenses	57	71	114	167
Travelling expenses	199	52	225	150
Others	304	525	722	959
Total cost of sales, selling and distribution expenses and administrative expenses	6,312	16,109	23,612	38,356

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

7 FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest expense on lease liabilities	7	13	16	29

8 INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax has been made in the financial statements as the Company did not derive any assessable profit for the six months ended 30 June 2023 and 2022.

No PRC Corporate Income Tax provision was made as the PRC subsidiary has sustained a loss for taxation purpose for the six months ended 30 June 2023 and 2022.

An analysis of the income tax credit/(expense) is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax — Hong Kong Profits Tax	—	—	—	—
Deferred tax	26	(90)	64	(119)
	26	(90)	64	(119)

There were no material unrecognised deferred tax assets and liabilities as at 30 June 2023 (31 December 2022: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

9 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period excluding shares purchased by the Company for the share award scheme.

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company (HK\$'000)	(485)	(1,416)	(1,468)	(2,235)
Weighted average number of ordinary shares in issue (thousand shares)	953,500	964,802	955,112	967,637
Basic loss per share (HK cents)	(0.05)	(0.15)	(0.15)	(0.23)

(b) Diluted

For the six months ended 30 June 2023 and 2022, diluted loss per share is the same as the basic loss per share as there was no potential dilutive ordinary shares in existence.

10 DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: HK5.0 cents per share).

11 PROPERTY, PLANT AND EQUIPMENT

	HK\$'000 (Unaudited)
As at 1 January 2023	3,524
Additions	–
Depreciation	(497)
As at 30 June 2023	3,027
As at 1 January 2022	4,099
Additions	385
Depreciation	(465)
As at 30 June 2022	4,019

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

12 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, there was no addition to right-of-use assets (2022: addition to office premises of HK\$667,000).

13 TRADE AND OTHER RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables	5,280	2,489
Less: provision for loss allowance	(640)	(543)
Trade receivables, net of loss allowance	4,640	1,946
Prepayments	562	1,266
Deposits and other receivables	2,210	751
	7,412	3,963

As at 30 June 2023, the amount of deposits, prepayments and other receivables expected to be recovered or recognised as expense after more than one year is HK\$54,000 (31 December 2022: HK\$97,000). All of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

Trade receivables are generally due within 7 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. The ageing analysis of trade receivables based on the invoice date is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 30 days	130	1,000
31 to 60 days	80	55
61 to 90 days	1,125	–
Over 90 days	3,305	891
	4,640	1,946

The provision for loss allowance of other classes within trade and other receivables is immaterial. The Group does not hold any collateral as security.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

14 TRADE AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current		
Provision for reinstatement cost	449	449
Provision for long service payments	88	86
	537	535
Current		
Trade payables	2,633	1,137
Other payables and accruals	462	839
	3,095	1,976
Total	3,632	2,511

The ageing analysis of trade payables based on the invoice date is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
1 to 30 days	842	351
31 to 90 days	609	208
Over 90 days	1,182	578
	2,633	1,137

The carrying amounts of provisions, trade and other payables approximate their fair values and are denominated in HK\$.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

15 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2023 and 31 December 2022.

	Level 1	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Financial assets at fair value through other comprehensive income		
— Listed equity securities	392	518

There was no transfer of financial assets and liabilities between the fair value hierarchy classifications during the six months ended 30 June 2023 (2022: same).

The carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values. The fair value for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The directors of the Company are of the view that the following parties/companies were related parties with transactions or balances with the Group during the six months ended 30 June 2023 and 2022:

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	Personal Assistant to Chief Executive Officer and spouse of the controlling shareholder
Mr. Lau Tin Nok	Overseas business assistant and son of the controlling shareholder
Further Concept Limited	Controlled by the controlling shareholder

(b) Transactions and balance with related parties

Other than those disclosed below and elsewhere in the interim financial report, the Group had no significant transactions or balances with related parties during the six months ended 30 June 2023 (2022: same).

	Amount due to a related party		Related interest expense			
	30 June 2023	31 December 2022	Three months ended 30 June		Six months ended 30 June	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Lease liabilities due to a related company						
— Further Concept Limited	346	456	5	8	10	16

During the six months ended 30 June 2023, repayment of principal and interest portion of lease liabilities to the related party was HK\$120,000 (2022: HK\$120,000).

The above-mentioned transactions were conducted in the normal course of business and was charged at terms mutually agreed by the relevant parties.

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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is the amounts paid to the Directors as set out below:

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Emoluments, salaries and other benefits	763	755	3,931	5,510
Contributions to defined contribution retirement plan	9	12	21	27
	772	767	3,951	5,537

(d) Remuneration of the spouse and the son of the controlling shareholder

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and other benefits	189	150	388	300
Contributions to defined contribution retirement plan	7	4	13	9
	196	154	401	309

17 CONTINGENT LIABILITY

As at 30 June 2023, performance bond of HK\$647,000 (31 December 2022: HK\$647,000) was given by a bank in favour of the Group's customer as security for the due performance and observance of the Group's obligation under the contract entered into between the Group and the customer. The Group has pledged bank deposits for the above performance bond. If the Group fails to provide satisfactory performance to the customer to whom performance bond has been given, the customer may demand the bank to pay to the customer the sum stipulated in the demand. The Group will then become liable to compensate the bank accordingly. The performance bond will be released upon completion of the contract work. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Group.

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 the Group is 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 six months ended 30 June 2023 (the "Period"), the Group's revenue decreased by approximately 39.5% to approximately HK\$21.4 million (six months ended 30 June 2022 (the "Previous Period"): HK\$35.5 million). The decrease was mainly driven by the decrease in revenue from design and decoration projects for elderly home and medical centre. The Group's gross profit decreased to approximately HK\$5.7 million for the Period (Previous Period: HK\$7.1 million).

The Group's loss attributable to the owners decreased to approximately HK\$1.5 million for the Period (Previous Period: HK\$2.2 million).

OUTLOOK

During the Period, the Group completed/awarded certain projects of offices premises. The unexpected outbreak of COVID-19 has brought unprecedented impact to the economy, the Group's business has been disrupted. Even the market has gradually recovered since the outbreak of COVID-19, demand for decoration of office premises and logistics for delivery of furniture and fixtures products were still adversely impacted by the conservative approach of our clients as a consequence of their capital liquidity control and precautionary measures against COVID-19.

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. We are cautiously confident that the worst is now behind us. The lifting of many pandemic measures, including the elimination of onerous quarantine requirements, has injected new life in the economy. With the various market stabilisation measures implemented and the recovering market sentiment, the demand for decoration of office premises are expected to perk up.

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 decreased to approximately HK\$21.4 million (Previous Period: HK\$35.5 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 six months ended 30 June 2023 and 2022:

Project types and locations	Six months ended 30 June					
	2023			2022		
	No. of projects	HK\$'000 (Unaudited)	%	No. of projects	HK\$'000 (Unaudited)	%
Design & decoration						
Hong Kong	3	20,348	94.9	7	34,158	96.3
	3	20,348	94.9	7	34,158	96.3
Decoration						
Hong Kong	–	–	–	1	221	0.6
	–	–	–	1	221	0.6
Others						
Hong Kong		1,098	5.1		1,082	3.1
		1,098	5.1		1,082	3.1
Total	3	21,446	100.0	8	35,461	100.0

The decrease in revenue of design and decoration projects by HK\$13.8 million from approximately HK\$34.2 million for the Previous Period to approximately HK\$20.3 million for the Period was mainly due to decrease in revenue derived from projects of elderly home and medical centre by approximately HK\$20.8 million and approximately HK\$3.5 million respectively, which partially offset by increase in revenue derived from office premises by approximately HK\$10.3 million.

The decrease in revenue of decoration projects by approximately HK\$0.2 million during the Period was principally attributed to decrease in revenue derived from office premises.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales and Gross Profit Margin

The Group's cost of sales mainly comprised subcontracting costs, direct staff costs, material purchase costs and insurance costs.

The following table sets forth the breakdown of the Group's gross profit margin by project types for the six months ended 30 June 2023 and 2022:

Project types	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Design & decoration	26.4%	20.7%
Decoration	–	22.6%
Others	25.8%	0.3%
Overall	26.4%	20.1%

The Group's overall gross profit margin increased from approximately 20.1% for the Previous Period to approximately 26.4% for the Period, mainly due to the lower gross profit margin for design and decoration projects of the elderly home in Previous Period for the purpose of expanding the Group's client portfolio.

General and Administrative Expenses

The Group's general and administrative expenses mainly consisted of (i) staff costs; (ii) legal and professional fee; (iii) depreciation; and (iv) other administrative expenses.

General and administrative expenses decreased from approximately HK\$9.7 million for the Previous Period to approximately HK\$7.3 million for the Period, which was mainly due to decrease in (i) discretionary bonus and staff welfare for staff and directors by approximately HK\$1.4 million; and (ii) legal and professional fee and insurance expense by HK\$0.6 million.

Income Tax Credit/(Expenses)

Income tax credit for the Period was approximately HK\$64,000 (Previous Period: income tax expense of HK\$119,000). The income tax credit/(expense) for the Period and the Previous Period was mainly attributed by the recognition of deferred tax liabilities in relation to accelerated tax depreciation on property, plant and equipment and loss allowance of trade receivables.

Loss for the period

As a result of the foregoing, the Group recorded a loss of approximately HK\$1.5 million for the Period (Previous Period: HK\$2.2 million).

Dividend

The Board does not recommend the payment of any dividend for the Period (Previous Period: HK5.0 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Provision of loss allowance for trade receivables

The Group recognised loss allowances for trade receivables based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions.

As at 30 June 2023, loss allowance of approximately HK\$0.6 million (31 December 2022: HK\$0.5 million) was recognised with respect to the Group's trade receivables of which HK\$0.2 million (31 December 2022: HK\$0.2 million) were related to trade receivables due from customers with known financial difficulties or significant doubt on collection that are individually assessed to be fully impaired.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 30 June 2023, the Group had net current assets of approximately HK\$66.4 million (31 December 2022: HK\$68.3 million), including cash and cash equivalents balances of approximately HK\$55.2 million (31 December 2022: HK\$25.1 million) mainly denominated in Hong Kong dollars. As at 30 June 2023, the Group had an unutilised banking facility of HK\$2.0 million (31 December 2022: 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 20.0 times as at 30 June 2023 (31 December 2022: 10.8 times). The increase was mainly due to decrease in trade payable.

As at 30 June 2023, the Group had no outstanding borrowings (31 December 2022: 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.

There has been no material change in capital structure of the Company since the date of listing. The capital of the Company comprise solely ordinary shares. The equity attributable to the owners of the Company amounted to approximately HK\$69.6 million as at 30 June 2023 (31 December 2022: HK\$72.2 million).

PLEDGE OF ASSETS

As at 30 June 2023, bank deposits of HK\$2.0 million (31 December 2022: HK\$2.0 million) and HK\$0.6 million (31 December 2022: HK\$0.6 million) were pledged to secure the banking facilities and a performance bond, respectively. Save for the above, the Group did not have any charges on its assets.

MANAGEMENT DISCUSSION AND ANALYSIS

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 June 2023 and 31 December 2022, the Group had no material capital commitment.

HUMAN RESOURCES MANAGEMENT

As at 30 June 2023, the Group had a total of 14 (31 December 2022: 12) 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. Employees may also be granted share awards under the share award scheme adopted by the Company.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

The Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Period, nor there was any future plans for material investments or additions of capital assets as at 30 June 2023.

CONTINGENT LIABILITIES

Save as disclosed in note 17 to the unaudited interim financial statements, the Group had no material contingent liabilities as at 30 June 2023 and 31 December 2022.

OTHER INFORMATION

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

As at 30 June 2023, 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, were as follows:

Long Position in Shares of the Company (the "Shares")

Name	Capacity/Nature of interest	Interests in Shares	Approximate percentage shareholding (Note 2)
Mr. Lau King Wai	Interest of a controlled corporation (Note 1)	750,000,000	75%

Notes:

- 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.
- The approximate percentages were calculated based on 1,000,000,000 Shares in issue as at 30 June 2023.

Saved as disclosed above, as at 30 June 2023, 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 June 2023, 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 and Its Associated Corporations" above, the following person has an interest or short position in the Shares or underlying Shares 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 Shares are listed as follows:

Long Positions in Shares

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage shareholding (Note 3)
Sino Emperor (Note 1)	Beneficial owner	750,000,000	75%
Ms. Chan Pui Shan, Jessica (Note 2)	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 wholly owned 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.
3. The approximate percentages were calculated based on 1,000,000,000 Shares in issue as at 30 June 2023.

Saved as disclosed above, as at 30 June 2023, 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 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 expected, directly or indirectly, to be interested in 5% or more of the issued shares of the Company.

COMPETING BUSINESS

None of the Directors or the controlling 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 Period and up to the date of this interim report.

OTHER INFORMATION

EQUITY-LINKED AGREEMENTS

Other than the “Share Award Scheme” as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Period or subsisted at the end of the Period.

Share Award Scheme

The Company has adopted a share award scheme (the “Share Award Scheme”) on 17 May 2021 (the “Adoption Date”) for the purpose of retaining participants and encouraging them to make contributions to the growth and development of the Group.

Pursuant to the rules of the Share Award Scheme (the “Scheme Rules”), the Board may grant an award to anyone (other than any excluded participant) who is an employee, non-executive director, supplier, customer or consultant etc. of any member of the Group for participation in the Share Award Scheme and determine the terms of the award. The Share Award Scheme is subject to the administration of the Board in accordance with the Scheme Rules. The Board may engage one or more trustees to administer the Share Award Scheme as the Board thinks fit. The Share Award Scheme will terminate on the tenth anniversary of the Adoption Date or such earlier date as the Board may determine. The Board shall not grant any further awards if such award would cause the aggregate number of shares underlying such award and all other outstanding awards (taken together with all unvested awarded shares granted under the Scheme Rules) to exceed 10% of the number of issued shares at the date of grant. The Board may, from time-to-time remit funds to the trustee for the purposes of the Share Award Scheme, and such money will form part of the trust fund. The Board may instruct the trustee to purchase the number of shares underlying the award from the open market (either on-market or off-market) and the trustee shall hold such shares on trust for the participants until they are vested in accordance with the Scheme Rules.

During the Period, the trustee did not purchase any Share on the market for the purpose of the Share Award Scheme. During the Period, no share awards have been granted under the Share Award Scheme.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Except as disclosed in elsewhere in this interim report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the Period.

CORPORATE GOVERNANCE

The Company has applied and adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. During the Period, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision C.2.1 of the CG Code.

Pursuant to code provision C.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.

OTHER INFORMATION

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 Period. The Company was not aware of any non-compliance during the Period.

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 5.29 of the GEM Listing Rules and paragraph D.3 of the CG 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 auditors; review financial statements and material advice in respect of financial reporting; and oversee risk management and internal control procedures of the Company. As at the date of this interim report, 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 the unaudited consolidated interim financial results of the Group for the Period and this interim 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, 10 August 2023

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.