



新威斯顿集团有限公司
New Western Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8242

INTERIM REPORT 2018

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

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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 New Western 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.

INTERIM RESULTS

The board of Directors (the “Board”) of the Company hereby announces the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2018 together with comparable figures for the corresponding period in 2017.

Unaudited Condensed Consolidated Statement of Comprehensive Income

		Three months ended 30 June		Six months ended 30 June	
	Notes	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Continuing operations					
Revenue	5	19,316	18,167	37,215	35,043
Cost of sales and services		(6,521)	(6,848)	(13,126)	(12,366)
Gross profit		12,795	11,319	24,089	22,677
Other income	6	195	144	453	181
Other gains and losses	7	12	397	15	336
Staff costs		(4,819)	(4,167)	(9,559)	(7,826)
Depreciation		(370)	(378)	(746)	(754)
Operating lease rental — land and buildings		(624)	(556)	(1,242)	(1,049)
Other operating expenses		(1,832)	(2,426)	(3,277)	(4,496)
Finance cost	8	—	(319)	—	(796)
Profit before income tax		5,357	4,014	9,733	8,273
from continuing operations		5,357	4,014	9,733	8,273
Income tax expense	9	(1,787)	(1,482)	(3,373)	(2,998)
Profit for the period		3,570	2,532	6,360	5,275
from continuing operations		3,570	2,532	6,360	5,275
Discontinued operation					
(Loss)/profit from discontinued operation	11	—	(846)	—	462
Profit for the period		3,570	1,686	6,360	5,737
Other comprehensive (expense)/income, net of income tax					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(1,113)	187	(371)	141
Total comprehensive income for the period		2,457	1,873	5,989	5,878

		Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Notes					
Profit/(loss) for the period attributable to owners of the Company:					
	from continuing operations	3,862	2,532	7,028	5,275
	from discontinued operation	—	(1,290)	—	(571)
		3,862	1,242	7,028	4,704
Non-controlling interest:					
	from continuing operations	(292)	—	(668)	—
	from discontinued operation	—	444	—	1,033
		(292)	444	(668)	1,033
		3,570	1,686	6,360	5,737
Total comprehensive income/(expense) for the period attributable to:					
	Owners of the Company	2,749	1,429	6,657	4,845
	Non-controlling interests	(292)	444	(668)	1,033
		2,457	1,873	5,989	5,878
		HK cents	HK cents	HK cents	HK cents
Earnings per share attributable to owners of the Company					
Basic and diluted					
	For profit for the period	0.276	0.089	0.503	0.337
	For profit for the period from continuing operations	0.276	0.181	0.503	0.377

Unaudited Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	14	2,819	3,254
Goodwill		137,448	137,448
Loans receivables	17	—	3,331
Total non-current assets		140,267	144,033
Current assets			
Inventories	15	3,003	3,567
Trade receivables	16	8,454	4,107
Loans receivables	17	160,952	132,091
Other receivables, deposits and prepayments	18	6,737	2,613
Bank balances and cash		14,319	39,013
Total current assets		193,465	181,391
Current liabilities			
Trade payables	19	416	1,292
Other payables and accruals	20	5,989	5,655
Amount due to a non-controlling interest shareholder of a subsidiary		1,300	—
Tax payables		6,530	5,136
Total current liabilities		14,235	12,083
Net current assets		179,230	169,308
Total assets less current liabilities		319,497	313,341
Capital and reserves			
Share capital	21	139,778	139,778
Reserves		177,513	170,864
Equity attributable to owners of the Company		317,291	310,642
Non-controlling interests		2,206	2,699
Total equity		319,497	313,341

Unaudited Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the Company

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	(Accumulated losses)/ retained profits (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2017	139,778	148,287	17,941	—	(40)	(5,905)	300,061	1,874	301,935
Profit for the period	—	—	—	—	—	4,704	4,704	1,033	5,737
Other comprehensive income for the period:									
Exchange differences arising on translation on foreign operations	—	—	—	—	141	—	141	—	141
Total comprehensive income for the period	—	—	—	—	141	4,704	4,845	1,033	5,878
Disposal of subsidiaries (Note 24(b))	—	—	—	—	—	—	—	(2,907)	(2,907)
At 30 June 2017	139,778	148,287	17,941	—	101	(1,201)	304,906	—	304,906
At 31 December 2017	139,778	148,287	17,941	508	546	3,582	310,642	2,699	313,341
Impact on initial application of HKFRS 9	—	—	—	—	—	(8)	(8)	(5)	(13)
At 1 January 2018 (adjusted)	139,778	148,287	17,941	508	546	3,574	310,634	2,694	313,328
Profit/(loss) for the period	—	—	—	—	—	7,028	7,028	(668)	6,360
Other comprehensive expense for the period:									
Exchange differences arising on translation on foreign operations	—	—	—	—	(371)	—	(371)	—	(371)
Total comprehensive (expense)/income for the period	—	—	—	—	(371)	7,028	6,657	(668)	5,989
Capital injection of a subsidiary	—	—	—	—	—	—	—	180	180
At 30 June 2018	139,778	148,287	17,941	508	175	10,602	317,291	2,206	319,497

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(24,337)	139,833
Net cash from/(used in) investing activities	1	(103,927)
Net cash used in financing activities	—	(26,000)
Net (decrease)/increase in cash and cash equivalents	(24,336)	9,906
Cash and cash equivalents at beginning of the period	39,013	8,005
Effect of foreign exchange rate changes, net	(358)	138
Cash and cash equivalents at end of the period	14,319	18,049
Analysis of cash and cash equivalents at end of the period		
Bank balances and cash	14,319	18,049

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. General Information

The Company was incorporated in the Cayman Islands on 31 March 2011, as an exempted company with limited liability under the Companies Law Cap. 22 of the Cayman Islands. The address of its registered office is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is located at Suite 2101, 21/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

Pursuant to a special resolution passed at the annual general meeting of the Company on 27 April 2018, the English name of the Company has been changed from “Megalogic Technology Holdings Limited” to “New Western Group Limited” and the Chinese name “新威斯顿集團有限公司” has been adopted as the secondary name to replace the existing Chinese name of the Company “宏創高科集團有限公司”.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company referred to as the “Group”) are: (1) the provision of integrated circuit (“IC”) solutions and the design, development and sales of integrated circuits (“ICs”); (2) money lending business in Hong Kong (“HK”) through the provision of unsecured and secured loans to customers, including individuals and corporations under the provisions of the Money Lenders Ordinance; and (3) the provision of investment and planning consulting service, real estate agent, property management services and car parking management services in the People’s Republic of China (the “PRC”).

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollar (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated interim financial information has not been audited.

2. Basis of Preparation

The unaudited condensed consolidated financial interim statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules. The measurement basis used in the preparation of the unaudited condensed consolidated interim financial statements is the historical cost basis.

The unaudited condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

2. Basis of Preparation (Continued)

The preparation of an unaudited condensed consolidated interim financial information 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 unaudited condensed consolidated interim financial information 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 2017 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 HKFRSs.

3. Changes in Accounting Policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

Except for the changes in accounting policies relating to financial instruments due to the initial adoption of HKFRS 9, the adoption of the above revised standards has had no significant financial effect on these unaudited condensed consolidated financial statements.

Initial Adoption of HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

The group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

3. Changes in Accounting Policies (Continued)

Adoption of HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI") as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in other comprehensive income without recycling.

The Group's financial assets currently measure at amortised cost and FVTPL continues with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated as FVPTL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model would result in earlier recognition of credit losses. The Group adopts the new impairment requirements at 1 January 2018, accumulated impairment loss at that date would increase by approximately HK\$13,000 as compared with that recognised under HKAS 39.

4. Segment Information

The chief operating decision maker ("CODM") considers that the Group has three reporting segments, namely IC business, being the design, development and sales of ICs, money lending business and property management business in the PRC. The CODM regularly reviews the nature of their operations and the products and services. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

4. Segment Information (Continued)

The following is an analysis of the Group's revenue and results from continuing operations and assets and liabilities by reportable operating segments:

(i) Segment results

	2018			
	IC HK\$'000	Money Lending HK\$'000	Property Management HK\$'000	Total HK\$'000
Segment revenue				
Revenue from external customers	7,156	10,009	20,050	37,215
Segment results	(1,715)	6,098	9,225	13,608
Bank interest income				8
Finance cost				—
Corporate administration costs				(3,883)
Profit before tax from continuing operations				9,733
Income tax expense				(3,373)
Profit for the period from continuing operations				6,360
As at 30 June 2018				
Segment assets	9,542	156,912	28,087	194,541
Unallocated assets				139,191
Total assets				333,732
Segment liabilities	3,431	5,447	4,805	13,683
Unallocated liabilities				552
Total liabilities				14,235

4. Segment Information (Continued)

(i) **Segment results (Continued)**

	2017			
	IC HK\$'000	Money Lending HK\$'000	Property Management HK\$'000	Total HK\$'000
Segment revenue				
Revenue from external customers	10,103	10,652	14,288	35,043
Segment results	(820)	7,329	7,346	13,855
Bank interest income				8
Finance cost				(796)
Corporate administration costs				(4,794)
Profit before tax from continuing operations				8,273
Income tax expense				(2,998)
Profit for the period from continuing operations				5,275
As at 31 December 2017				
Segment assets	9,952	153,493	21,036	184,481
Unallocated assets				140,943
Total assets				325,424
Segment liabilities	2,228	4,297	4,545	11,070
Unallocated liabilities				1,013
Total liabilities				12,083

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six month ended 30 June 2018 (six month ended 30 June 2017: Nil).

4. Segment Information (Continued)

(i) Segment results (Continued)

Segment results represent the profit earned/incurred by each segment without allocation of other income and corporate administration costs including directors' emoluments, investment and other income, other gains and losses, and income tax expenses. This is the measure reported to the CODM for the purposed of resources allocation and assessment of segment performance.

The Group's operations are located in Hong Kong and the PRC. The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment. The Group's revenue from external customers by geographical location of customers and information about its non-current assets (other than loans receivables) by geographical location of the assets are set out below:

(ii) Revenue information of continuing operations from external customers

Six months ended 30 June		
	2018	2017
	HK\$'000	HK\$'000
HK (place of domicile)	14,009	12,833
The PRC, excluding HK and Taiwan	22,439	20,894
Taiwan	94	140
Russia	579	816
Korea	94	358
Others	—	2
	37,215	35,043

(iii) Non-current assets information of continuing operations (excluding loans receivables)

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
HK (place of domicile)	137,803	137,999
The PRC, excluding HK and Taiwan	271	341
Taiwan	2,193	2,362
	140,267	140,702

5. Revenue

Revenue represents the net invoice value of goods sold after allowances for returns and trade discounts, the value of services rendered, and interest income from money lending business during the reporting periods. An analysis of the Group's revenue from continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Sale of ICs	3,520	4,222	6,347	8,925
Provision of ASIC Service	422	677	809	1,178
Interest from money lending business	5,080	4,797	10,009	10,652
Provision of property management services	10,294	8,471	20,050	14,288
	19,316	18,167	37,215	35,043

6. Other Income

An analysis of other income from continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest income from:				
— Bank deposit	6	5	8	8
— Others	162	—	330	—
Sundry income	27	139	115	173
	195	144	453	181

7. Other Gains and Losses

An analysis of other gains and losses from continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss on disposal of property, plant and equipment, net	—	—	—	(1)
Exchange gain/(loss), net	6	(22)	9	(82)
Waive of accumulated interest on promissory note	—	419	—	419
Reversal of impairment loss on trade receivables	6	—	6	—
	12	397	15	336

8. Finance Cost

An analysis of finance cost incurred in continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Accumulated interest on promissory note	—	319	—	796
	—	319	—	796

9. Income Tax Expense

An analysis of income tax expense from continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax:				
Charge for the period				
Hong Kong Profits Tax	513	506	1,029	1,167
PRC Enterprise Income Tax	1,274	976	2,344	1,831
	1,787	1,482	3,373	2,998

Hong Kong Profits Tax is provided at a rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

Under the Enterprise Income Tax ("EIT") law of the PRC and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary are subject to 25%.

No deferred tax has been provided as the Group did not have any material temporary differences which gave rise to a deferred tax asset or liability for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

10. Profit Before Tax

The Group's profit before tax from continuing operations is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
(a) Staff costs				
Staff costs including directors' emoluments				
— salaries, allowance and benefits in kind	4,523	3,970	8,946	7,516
— Retirement benefits contributions	296	197	613	310
	4,819	4,167	9,559	7,826
(b) Other items				
Auditor's remuneration	154	117	308	235
Cost of inventories recognised as an expense (Note 15)	2,453	3,008	4,386	6,594
Design and development costs	274	205	495	408

11. Discontinued Operation

On 25 April 2017, the Group entered into a sale and purchase agreement to dispose of 55% of the entire issued share capital of Maximus Venture Holdings Limited (the "Maximus"), which carried out total solutions for information security business. The disposal was completed on 28 June 2017.

The profit for the period from the discontinued operation included in the profit for the period is set out below:

	From 1 January 2017 to 28 June 2017 HK\$'000
Revenue	7,594
Cost of sales and services	(1,728)
Gross profit	5,866
Other income	1
Other gains and losses	—
Staff costs	(2,089)
Depreciation and amortisation	(362)
Operating lease rental — land and buildings	(274)
Other operation expenses	(390)
Profit before tax	2,752
Income tax expense	(457)
	2,295
Loss on disposal of operation (Note 24(b))	(1,833)
Profit for the period from discontinued operation	462

11. Discontinued Operation (Continued)

From
1 January 2017 to
28 June 2017
HK\$'000

Profit for the period from discontinued operation is arrived at after charging:	
(a) Staff costs	
— salaries, allowances and benefits in kind	1,998
— contributions to retirement benefits scheme	91
	2,089
(b) Other items	
Auditor's remuneration	38
The net cash flows from discontinued operation is as follows:	
Net cash from operating activities	5,126
Net cash from investing activities	1
Net cash inflow	5,127

12. Dividends

No dividends was declared or paid during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

13. Earnings Per Share

The calculations of basic and diluted earnings per share are based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the periods.

The Group did not have any dilutive potential ordinary shares for the three months and six months ended 30 June 2018 and 2017.

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit/(loss) for the period attributable to owners of the Company				
from continuing operations	3,862	2,532	7,028	5,275
from discontinued operation	—	(1,290)	—	(571)
	3,862	1,242	7,028	4,704

Number of shares (thousands)

Shares				
Weighted average number of ordinary shares in issue during the period	1,397,782	1,397,782	1,397,782	1,397,782

14. Property, Plant and Equipment

During the six months ended 30 June 2018, the Group acquired plant and equipment with a cost of approximately HK\$316,000 (six months ended 30 June 2017: approximately HK\$1,258,000). During the six months ended 30 June 2018, the Group did not dispose any items of property, plant and equipment (six months ended 30 June 2017: HK\$229,000).

15. Inventories

During the six months ended 30 June 2018, the Group made a provision of approximately HK\$24,000 for slow-moving and obsolete inventories (six months ended 30 June 2017: approximately HK\$200,000).

The above amounts were included in "cost of inventories recognized as an expense" for the respective periods.

16. Trade Receivables

The Group normally allows a credit period ranging from "cash on delivery" to 120 days to its trade customers. The following is an ageing analysis of trade receivables at the end of each reporting period, presented based on the invoice date:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
0-30 days	4,101	2,743
31-60 days	2,236	918
61-90 days	1,908	446
More than 90 days	209	—
	8,454	4,107

17. Loans Receivables

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Loans to customers	159,782	134,557
Accrued interest receivables	1,170	865
	160,952	135,422
Analysed as:		
Non-current assets	—	3,331
Current assets	160,952	132,091
	160,952	135,422

17. Loans Receivables (Continued)

Loans receivables arise from the Group's money lending business. They are repayable according to repayment schedules, normally with contractual maturity between 3 months and 12 months as at 30 June 2018 (31 December 2017: between 3 months and 12 years). Loans to customers bear annual interest rates ranging from 6.5% to 18% as at 30 June 2018 (31 December 2017: 6.5%–18%).

Except for loans receivables with a carrying amount of approximately HK\$10,081,000 as at 30 June 2018 (31 December 2017: approximately HK\$16,519,000), which are secured by collaterals provided by customers, all loans receivables as at 30 June 2018 and 31 December 2017 are unsecured.

The following is an ageing analysis of loans receivables at the end of each reporting period, presented based on the remaining period to contractual maturity date:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Within 1 year	160,952	132,091
Over 1 year and up to 5 years	—	—
Over 5 years	—	3,331
	160,952	135,422

The above balances are neither past due nor impaired.

18. Other Receivables, Deposits and Prepayments

As at 30 June 2018, the balance of other receivables, deposits and prepayments mainly represented the deposit of approximately HK\$4,270,000.

19. Trade Payables

An ageing analysis of the Group's trade payables, presented based on the invoice date at the end of each reporting period, is as follows:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
0–30 days	187	799
31–60 days	203	493
61–90 days	26	—
	416	1,292

20. Other Payables and Accruals

As at 30 June 2018, the balance of other payables and accruals mainly represented (i) the accrued expenses of approximately HK\$2,033,000 (31 December 2017: approximately HK\$3,053,000) and (ii) the receipt in advance from customers of approximately HK\$1,896,000 (31 December 2017: approximately HK\$1,206,000).

21. Share Capital

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.1 each		
<i>Authorised:</i>		
At 31 December 2017 and 30 June 2018	10,000,000	1,000,000
<i>Issued and fully paid:</i>		
At 31 December 2017 and 30 June 2018	1,397,782	139,778

22. Capital Commitment

The Group did not have any significant capital commitment as at 30 June 2018 and 31 December 2017.

23. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017.

24. Disposal of Subsidiaries

On 25 April 2017, the Group agreed to dispose of 55% of the entire issued share capital of Maximus for a consideration of HK\$29 million. All of the conditions precedent of the disposal have been fulfilled and the completion of the disposal took place on 28 June 2017. Upon completion, the Group discontinued its total solutions for information security business.

During the period from 1 January 2017 to 28 June 2017, the Maximus and its subsidiaries contributed revenue and incurred a profit of approximately HK\$7,594,000 and HK\$2,295,000 respectively to the Group's results.

24. Disposal of Subsidiaries (Continued)

(a) Analysis of assets and liabilities over which control was lost

The following table summarizes the recognised amounts of identifiable assets and liabilities over which control was lost.

	HK\$'000
Property, plant and equipment	690
Intangible asset	1,635
Trade receivables	3,563
Deposits and prepayments	282
Tax recoverables	122
Bank balances and cash	6,813
Amount due to a former non-controlling interest shareholder of a former subsidiary	(4,303)
Other payables and accruals	(1,935)
Provision	(123)
Deferred tax liabilities	(284)
Net assets disposed	6,460

(b) Loss on disposal of subsidiaries

	HK\$'000
Consideration receivable	29,000
Less: Net assets disposed	(6,460)
Less: Goodwill	(27,280)
Add: Non-controlling interests	2,907
Loss on disposal	(1,833)

(c) Net cash flow on disposal

	HK\$'000
Cash consideration received	29,000
Less: cash and cash equivalent balances disposed	(6,813)
Total	22,187

25. Related Party Disclosures

(a) **Key management personnel remuneration**

Remuneration of key management personnel of the Group is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other short term employee benefits	3,426	2,907
Post-employment benefit	27	18
	3,453	2,925

(b) **Loans to related parties**

The following tables disclose the loan interest income during the six months ended 30 June 2018 and 2017, as well as loans advanced to related parties as at 30 June 2018 and 31 December 2017:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loan interest income from:		
— Key management personnel	160	280

	As at	As at
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Loan advanced to:		
— Key management personnel	7,510	10,900

Loan advanced to related party are repayable according to repayment schedules, with contractual maturity within 12 months and bear annual interest rates at 12%. They are neither past due nor impaired.

26. **Comparative Figures**

The group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2018, the principal activities of the Group are: (1) the provision of IC solutions and the design, development and sales of ICs; (2) money lending business in Hong Kong through the provision of unsecured and secured loans to customers, including individuals and corporations under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong); and (3) the provision of investment and planning consulting service, real estate agent, property management services and car parking management services in the PRC.

Business Review

Continuing operations

IC Business

The Group sells IC under its own brand name “MiniLogic” and provides application specific IC service (the “ASIC Service”) in design and development of tailor-made IC to its customers. The Group also provides tailor-made IC solutions and sells tailor-made ICs to customers under the ASIC Service business section (the “ASIC Section”); and independently develops and sells generically-applicable ICs for sale in the market under the MiniLogic Brand IC business section (the “Standard IC Section”).

During the first half of 2018, the research and development teams deployed 4 more new IC models and 1 new IC models completed and launched. The Group had 17 new IC models under development and customer evaluation. The completion of the development of several new IC models has been extended as the process was prolonged due to customer evaluation, acceptance and modification work. Developing IC products with suitable technology that appeal to the market is essential for the growth of IC business. This can also expand the range of the IC products and maintain our competitiveness.

ASIC Section

Under the ASIC Section, the major products are Electronic Cigarette ICs, DVD Player ICs, Power Management ICs, CCD Surveillance System ICs and Motor Driver ICs. 3 new IC models launched for the first half of 2018. Due to the downward pressure in the IC industry, revenue from all major products decreased when compared to the same period last year. Revenue from the ASIC products decreased from approximately HK\$6.8 million for the first half of 2017 to approximately HK\$4.2 million for that of 2018.

At the same time, revenue from the provision of ASIC Service decreased from approximately HK\$1.2 million for the first half of 2017 to approximately HK\$0.8 million for that of 2018. Due to the decrease in revenue from the ASIC products, including Power Management IC, DVD player IC, Electronic Cigarette ICs and CCD Surveillance System ICs, the overall revenue from the ASIC Section dropped from approximately HK\$8 million for the first half of 2017 to approximately HK\$5 million for that of 2018.

Standard IC Section

Under the Standard IC Section, the major products are LCD Driver ICs for instrument panel and Power Management ICs. A new IC model was launched for the first half of 2018. The overall revenue from the Standard IC Section was approximately HK\$2.1 million for the first half of 2018, similar to that of the corresponding period in previous year of approximately HK\$2.1 million.

Money Lending Business

The Group has engaged in the money lending business, such as providing secured and unsecured loans to customers comprising individuals and corporations to earn interest income. The revenue from the money lending business for the first half of 2018 was approximately HK\$10 million, similar to that in 2017 of approximately HK\$10.7 million.

Property Management Business in the PRC

The Group has also entered into the property management industry in the PRC and provides a broad range of property management services to property developers and property owners since 20 January 2017.

Property Management Services

Through providing the property management services to property owners and residents such as pre-delivery services, move-in assistance services, security, cleaning, gardening, repair and maintenance, the revenue of this section increased significantly from approximately HK\$10.1 million for the first half of 2017 to approximately HK\$14.8 million for that of 2018.

As at 30 June 2018, The Group has managed residential and non-residential properties with an aggregate contracted gross floor area ("GFA") of approximately 57,000 and 155,000 square meters respectively. The total contracted GFA means the sum of revenue-bearing GFA, undelivered GFA and common area GFA.

Revenue-bearing GFA represented contracted GFA in relation to which the collection of property management fees has started when a property has been delivered or is ready to be delivered. In properties that have been delivered or are ready to be delivered after delivery notices have been given to the first group of property owners in such properties, property developers would pay property management fees on unsold units until such units are sold.

Undelivered GFA means contracted GFA in relation to which the collection of property management fees has not started because the relevant property is not ready to be delivered.

Common area GFA includes pathways, garden, parking lots, and advertisement bulletin boards.

Property Real Estate Agency Services

The property management team has provided the property real estate agency services in respect of commercial and residential buildings in the PRC. The revenue of this section increased significantly from approximately HK\$0.1 million for the first half of 2017 to approximately HK\$1.2 million for that of 2018.

Property Consulting Services

The property management team has also provided the property management consultancy services to other property management companies such as standardised operation, cost control and consultation. The revenue of this section was approximately HK\$4.1 million for the first half of 2018, similar to that of the corresponding period in previous year of approximately HK\$4.1 million.

Financial Review

Revenue, Cost of Sales and Services and Gross Profit

The total revenue of the Group from continuing operations slightly increased from approximately HK\$35 million for the first half of 2017 to approximately HK\$37 million for that of 2018. The increase was mainly due to the revenue generated from the property management business in PRC.

Cost of sales and services of the Group from continuing operations mainly incurred from the IC business and the property management business in PRC, which were increased from approximately HK\$12.4 million for the first half of 2017 to approximately HK\$13.1 for that of 2018.

The Group's gross profit margin as a percentage of turnover from continuing operations for the first half of 2018 was approximately 64.7%, similar to that in 2017 of approximately 64.7%. Gross profit for the first half of 2018 totaled approximately HK\$24.1 million up from approximately HK\$22.7 million recorded in the first half of 2017.

Expenses

Staff costs from continuing operations increased from approximately HK\$7.9 million for the first half of 2017 to approximately HK\$9.5 million for that of 2018. While the general increment of salaries and wages for the Group's employees was largely in line with the market trend and general inflation, remuneration adjustments are based on the performance of individual staff and financial performance of the Group.

Depreciation and amortisation from continuing operations for the first half of 2018 was approximately HK\$0.7 million, similar to that in 2017 of HK\$0.8 million.

Operating lease rental from continuing operations increased from approximately HK\$1 million for the first half of 2017 to approximately HK\$1.2 million for that of 2018, which was mainly due to the move to new offices in PRC during 2018.

Other operating expenses from continuing operations decreased from approximately HK\$4.4 million for the first half of 2017 to approximately HK\$3.3 million for that of 2018. The decrease was mainly due to the absence this period of certain legal and professional fees which were incurred in 2017 in relation to the acquisition of the property management services in PRC.

Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company from continuing operations for the six months ended 30 June 2018 was approximately HK\$7 million, up from HK\$5.3 million in the previous period. The improvement was mainly due to the continued steady growth of the property management business.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider hedging against significant foreign exchange exposure should the need arise.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2018, the Group had bank and cash balances of approximately HK\$14.3 million (31 December 2017: approximately HK\$39 million) and did not have any borrowings, banking facilities or any loan arrangement containing any covenant. The current ratio of the Group calculated as the ratio of total current assets to total current liabilities was 1,359.1% as at 30 June 2018 (31 December 2017: 1,051.2%), reflecting the fact that the liquidity of the Group remained healthy. The gearing ratio calculated as the ratio of total interest-bearing debt to total asset was nil as at 30 June 2018 (31 December 2017: nil). The Group's financial position is healthy, enabling the Group advantageously to expand its core business and to achieve its business objectives.

Charges on Assets

As at 30 June 2018 and 31 December 2017, the Group did not have any charges on its assets.

Contingent Liabilities and Capital Commitment

The Group did not have any material contingent liabilities or capital commitment as at 30 June 2018 and 31 December 2017.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

On 13 June 2018, the Company and a vendor entered into a memorandum of understanding ("MOU") in relation to a proposed acquisition of a target company which is principally engaged in provision of network technology, computer hardware and software technology development, technology transfer, technical consulting; sales of computer hardware and software; web design; corporate image planning, market information consulting; computer system integration services; market research; corporate marketing planning; conference and exhibition display services; real estate agent; business consulting (not including the investment consulting) and engineering survey and design services in the PRC. Details of the MOU is set out in the announcement of the Company dated 13 June 2018. The proposed acquisition has not yet been completed as at the date of this Report.

Apart from those disclosed in the sections headed "Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets" in this report, the Group did not have any other material acquisition, disposal and significant investment during the period ended 30 June 2018.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Employees and Remuneration Policies

The Group has approximately 42 employees as at 30 June 2018 (31 December 2017: 40 employees). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. We have recognised the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. Other benefits include training and discretionary bonus.

Outlook

We intend to continue taking efforts in developing and upgrading our products and services with a generic growth of the business in order to broaden our income sources. The Group will continue to seek potential investment opportunities to bring growth and additional value to the shareholders of the Company.

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

As at 30 June 2018, the interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

Long and Short Position

Ordinary shares and underlying share of the Company

Name of Directors	Capacity/ Nature of interests	Number of the Company's issued ordinary shares held (Note 1)	Approximate percentage of total issued shares capital of the Company (Note 2)
Executive Directors			
Mr. Zhang Qing	Personal interest	4,000,000(L)	0.29%
Dr. Sung Tak Wing Leo	Personal interest	10,000,000(L)	0.72%
Mr. Lau Mo	Interest of a controlled corporation (Note 3)	415,000,000(L)	29.69%

Notes:

1. The number of the Company's total issued ordinary shares as at 30 June 2018 was 1,397,782,400. The letter "L" denotes long positions in the shares and underlying shares of the Company.
2. The percentages are calculated on the basis of 1,397,782,400 ordinary shares of the Company in issues as at 30 June 2018.
3. Mr. Lau Mo is the beneficial owner of all of the issued share capital of Champsword Limited, and is therefore deemed to be interested in the 415,000,000 ordinary shares of the Company in which Champsword Limited is beneficially interested.

Save as disclosed above, as at 30 June 2018, so far as is known to the Directors or Chief Executive Officer of the Company, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of 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 and 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 Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, so far as is known to the Directors or Chief Executive Officer of the Company, the following persons or corporations (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to 336 of the SFO:

Long and Short Positions

Ordinary shares of the Company

Name of shareholders	Capacity/ Nature of interests	Total number of the Company's issued ordinary shares held (Note 1)	Approximate percentage of total issued share capital of the Company (Note 2)
Champsword Limited	Beneficial owner (Note 3)	415,000,000(L) 278,000,000(S)	29.69% 19.89%
Mr. Lau Mo	Interest of a controlled corporation (Note 3)	415,000,000(L) 278,000,000(S)	29.69% 19.89%
U Credit (HK) Limited	Beneficial owner of security interest (Notes 3 and 4)	278,000,000(L)	19.89%
China Strategic Financial Holdings Limited	Interest of a controlled corporation (Note 4)	278,000,000(L)	19.89%
China Strategic Asset Holdings Limited	Interest of a controlled corporation (Note 4)	278,000,000(L)	19.89%
China Strategic Holdings Limited	Interest of a controlled corporation (Note 4)	278,000,000(L)	19.89%

Notes:

- The number of the Company's total issued ordinary shares as at 30 June 2018 was 1,397,782,400. The letter "L" denotes long positions in the shares and underlying shares of the Company and the letter "S" denotes short positions in the shares and underlying shares of the Company.
- The percentages are calculated on the basis of 1,397,782,400 ordinary shares of the Company in issues as at 30 June 2018.

3. Mr. Lau Mo is the beneficial owner of all of the issued share capital of Champsword Limited, and is therefore deemed to be interested in the 415,000,000 ordinary shares of the Company in which Champsword Limited is beneficially interested. As disclosed in the announcement of the Company dated 11 September 2017, Champsword Limited has pledged the 278,000,000 ordinary shares of the Company in favour of U Credit (HK) Limited as security for a term loan facility provided to Champsword Limited. U Credit (HK) Limited thus has security interest over these shares.
4. U Credit (HK) Limited is wholly-owned by China Strategic Financial Holdings Limited. China Strategic Financial Holdings Limited is wholly-owned by China Strategic Asset Holdings Limited which in turn is wholly-owned by China Strategic Holdings Limited. Thus China Strategic Financial Holdings Limited, China Strategic Asset Holdings Limited and China Strategic Holdings Limited are deemed to be interested in the 278,000,000 ordinary shares of the Company in which U Credit (HK) Limited has security interest.

Save as disclosed above, as at 30 June 2018, so far as is known to the Directors and Chief Executive Officer of the Company, and based on the public records filed on the website of Hong Kong Exchanges and Clearing Limited and records kept by the Company, no other persons or corporations (other than Directors and Chief Executive Officer of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “Scheme”) on 16 May 2012 which will remain in force for a period of 10 years from the effective date of the Scheme and will expire on 9 July 2022. The principal terms of the Scheme are summarized in the section headed “Summary of the Principal Terms of the Share Option Scheme” in Appendix III to the Company’s circular dated 30 March 2012.

The refreshment of scheme mandate limit of the Scheme (the “Refreshment of Scheme Mandate Limit”) was approved by the shareholders of the Company at the Company’s annual general meeting held on 27 April 2018 and with effect from 9 May 2018. Details of the Refreshment of Scheme Mandate Limit are set out in the section headed “Letter from the Board” to the circular of the Company dated 29 March 2018.

For the six months ended 30 June 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the scheme.

CHANGE IN INFORMATION OF DIRECTOR

Upon specific enquiry by the Company and following confirmations from Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the Company's last published annual report.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2018, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group and any other conflicts of interest with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiry made to all the Directors, the Company was not aware of any non-compliance with the Model Code regarding securities transactions by Directors during the six months ended 30 June 2018.

CORPORATE GOVERNANCE PRACTICES

The Group has committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Group.

The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance. The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules as its own code and has complied with the CG Code for the six months ended 30 June 2018, except the following deviation:

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

- Mr. Liu Kam Lung (being a non-executive Director at the relevant time) was unable to attend the annual general meeting of the Company held on 27 April 2018 as he was obliged to be away for his business matter.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) is currently composed of the 3 independent non-executive Directors, namely Mr. Cheung Chi Man Dennis, Mr. Chiu Yu Wang and Mr. Ko Yin Wai, and chaired by Mr. Cheung Chi Man Dennis, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018, which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

By Order of the Board
New Western Group Limited
Mr. Zhang Qing
Chairman

Hong Kong, 3 August 2018

As at the date of this report, the executive Directors are Mr. Zhang Qing, Dr. Sung Tak Wing Leo and Mr. Lau Mo; the non-executive Director is Mr. Liu Kam Lung and the independent non-executive Directors are Mr. Cheung Chi Man Dennis, Mr. Chiu Yu Wang and Mr. Ko Yin Wai.