新威斯頓
NewWestern

新威斯頓集團有限公司
New Western Group Limited

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

THIRD QUARTERLY 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.

THIRD QUARTERLY 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 nine months ended 30 September 2018 together with comparable figures for the corresponding periods in 2017.

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Three months ended 30 September		Nine months ended 30 September	
	Notes	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Continuing operations					
Revenue	4	**19,867**	22,715	**57,082**	57,758
Cost of sales and services		**(6,828)**	(8,066)	**(19,954)**	(20,432)
Gross profit		**13,039**	14,649	**37,128**	37,326
Other income	5	**347**	75	**800**	256
Other gains and losses	6	**(31)**	423	**(16)**	759
Staff costs		**(4,872)**	(5,957)	**(14,431)**	(13,783)
Depreciation		**(384)**	(381)	**(1,130)**	(1,135)
Operating lease rental — land and buildings		**(622)**	(547)	**(1,864)**	(1,596)
Other operating expenses		**(1,885)**	(1,306)	**(5,162)**	(5,802)
Finance cost	7	**—**	(61)	**—**	(857)
Profit before income tax from continuing operations		**5,592**	6,895	**15,325**	15,168
Income tax expense	8	**(1,684)**	(2,028)	**(5,057)**	(5,026)
Profit for the period from continuing operations	9	**3,908**	4,867	**10,268**	10,142
Discontinued operation					
Profit from discontinued operation	10	**—**	—	**—**	462
Profit for the period		**3,908**	4,867	**10,268**	10,604
Other comprehensive (expense)/income, net of income tax					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		**(1,014)**	194	**(1,385)**	335
Total comprehensive income for the period		**2,894**	5,061	**8,883**	10,939

	Notes	Three months ended 30 September 2018 (Unaudited) HK$'000	Three months ended 30 September 2017 (Unaudited) HK$'000	Nine months ended 30 September 2018 (Unaudited) HK$'000	Nine months ended 30 September 2017 (Unaudited) HK$'000
Profit/(loss) for the period attributable to owners of the Company:					
from continuing operations		3,955	4,867	10,983	10,142
from discontinued operation		–	–	–	(571)
		3,955	4,867	10,983	9,571
Non-controlling interest:					
from continuing operations		(47)	–	(715)	–
from discontinued operation		–	–	–	1,033
		(47)	–	(715)	1,033
		3,908	4,867	10,268	10,604
Total comprehensive income/(expense) for the period attributable to:					
Owners of the Company		2,941	5,061	9,598	9,906
Non-controlling interests		(47)	–	(715)	1,033
		2,894	5,061	8,883	10,939
		HK cents	HK cents	HK cents	HK cents
Earnings per share attributable to owners of the Company	12				
Basic and diluted					
For profit for the period		0.283	0.348	0.786	0.685
For profit for the period from continuing operations		0.283	0.348	0.786	0.726

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	–	–	–	–	–	9,571	9,571	1,033	10,604
Other comprehensive income for the period:									
Exchange differences arising on translation on foreign operations	–	–	–	–	335	–	335	–	335
Total comprehensive income for the period	–	–	–	–	335	9,571	9,906	1,033	10,939
Disposal of subsidiaries (Note 13(b))	–	–	–	–	–	–	–	(2,907)	(2,907)
At 30 September 2017	139,778	148,287	17,941	–	295	3,666	309,967	–	309,967
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	**–**	**–**	**–**	**–**	**–**	**10,983**	**10,983**	**(715)**	**10,268**
Other comprehensive expense for the period:									
Exchange differences arising on translation on foreign operations	**–**	**–**	**–**	**–**	**(1,385)**	**–**	**(1,385)**	**–**	**(1,385)**
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**–**	**(1,385)**	**10,983**	**9,598**	**(715)**	**8,883**
Capital injection of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**180**	**180**
At 30 September 2018	**139,778**	**148,287**	**17,941**	**508**	**(839)**	**14,557**	**320,232**	**2,159**	**322,391**

Notes to the Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 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 "新威斯頓集團有限公司" 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 quarterly 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 quarterly financial information has not been audited.

2. Basis of Preparation

The unaudited condensed consolidated quarterly financial statements of the Group for the nine months ended 30 September 2018 have been prepared in accordance with historical cost convention and in accordance with accounting principles general accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated quarterly financial information has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), 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 quarterly financial information 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 quarterly 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 quarterly 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)

Initial 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. Revenue

The Group is principally engaged in the design, development and sales of ICs, money lending business and property management business in the PRC. Revenue represents the amount received and receivable for goods sold and services provided by the Group at invoiced value, net of returns and discounts, and interest income from money lending business is recognised on a time basis by reference to the principal outstanding and at the effective interest rate applicable, during the reporting periods. An analysis of the Group's revenue recognised during the period is as follows:

	Three months ended 30 September		**Nine months ended 30 September**	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Continuing operations				
Sale of ICs	**4,157**	5,014	**10,504**	13,939
Provision of ASIC service	**894**	—	**1,703**	1,178
Interest from money lending business	**5,262**	4,479	**15,271**	15,131
Provision of property management services	**9,554**	13,222	**29,604**	27,510
	19,867	22,715	**57,082**	57,758

5. Other Income

	Three months ended 30 September		**Nine months ended 30 September**	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Continuing operations				
Interest income from:				
— Bank deposit	**2**	5	**10**	13
— Others	**200**	—	**530**	—
Sundry income	**145**	70	**260**	243
	347	75	**800**	256

6. Other Gains and Losses

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Continuing operations				
Loss on disposal of property, plant and equipment, net	**–**	–	**–**	(1)
Waive of accumulated interest on promissory note*	**–**	438	**–**	857
Exchange loss, net	**(38)**	(15)	**(29)**	(97)
Reversal of impairment loss on trade receivables	**7**	–	**13**	–
	(31)	423	**(16)**	759

* On 20 January 2017, the Company issued promissory note ("PN") with an aggregate principal amount of HK$40,000,000 as part of the consideration for acquiring entire issued share capital of Quick Wit Ventures Limited. The principal amount of the PN was, however, early redeemed by the Company before the nine months ended 30 September 2017 and on the same time, the holder of the PN has agreed to waive all accumulated interest payable under the PN to be incurred.

7. Finance Cost

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Continuing operations				
Accumulated interest on promissory note	**–**	61	**–**	857
	–	61	**–**	857

8. Income Tax Expense

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Continuing operations				
Current tax:				
Charge for the period				
Hong Kong Profits Tax	**561**	436	**1,590**	1,603
PRC Enterprise Income Tax	**1,123**	1,592	**3,467**	3,423
	1,684	2,028	**5,057**	5,026

Hong Kong Profits Tax is calculated at 16.5% (nine months ended 30 September 2017: 16.5%) of the estimated assessable profits for the nine months ended 30 September 2018. Provision for Hong Kong Profits Tax is made on the estimated assessable profits for the nine months ended 30 September 2018 for a subsidiary, Easy Loan Finance Limited (nine months ended 30 September 2017: approximately HK$1,603,000).

Save as disclosed above, no provision for Hong Kong Profits Tax is made since the Company and certain subsidiaries have no estimated assessable profits for the nine months ended 30 September 2018.

Under the Law of the PRC on Enterprise Income Tax ("EIT") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (nine months ended 30 September 2017: 25%). Provision for EIT is made on the estimated assessable profit for the nine months ended 30 September 2018 for the subsidiary, 四川威斯頓資產管理有限公司 (nine months ended 30 September 2017: approximately HK$3,423,000).

Save as disclosed above, no provision for EIT is made since the PRC subsidiary has no estimated assessable profit for the nine months ended 30 September 2018.

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 nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

9. Profit Before Tax

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Continuing operations				
Profit for the period has been arrived at after charging:				
(a) Staff costs including directors' emoluments				
— salaries, allowance and benefits in kind	**4,560**	5,690	**13,506**	13,206
— retirement benefits contributions	**312**	267	**925**	577
	4,872	5,957	**14,431**	13,783
(b) Other items				
Auditor's remuneration	**153**	166	**461**	401
Cost of inventories recognised as an expense*	**2,768**	3,541	**7,154**	10,135
Legal and professional fee	**701**	231	**1,550**	2,402
Design and development costs	**258**	212	**753**	620

* including a provision of approximately HK$23,000 for slow-moving and obsolete inventories during the nine months ended 30 September 2018 (nine months ended 30 September 2017: reversal of provision of approximately HK$1,216,000) and write-downs of approximately HK$2,000 for scrapped inventories during the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK$806,000).

10. 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 of the information security business 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 13(b))	(1,833)
Profit for the period from discontinued operation	462

10. 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

11. Dividend

No dividend was declared or paid during the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

12. Earnings Per Share

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit/(loss) for the period attributable to owners of the Company				
from continuing operations	**3,955**	4,867	**10,983**	10,142
from discontinued operation	**—**	—	**—**	(571)
from continuing and discontinued operations	**3,955**	4,867	**10,983**	9,571

	Number of shares (thousands)			
Shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,397,782**	1,397,782	**1,397,782**	1,397,782

The amounts of diluted earnings per share was the same as basic earnings per share because the Group did not have any dilutive potential ordinary shares for the three months and nine months ended 30 September 2018.

13. 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.

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

The following table summarises 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

13. Disposal of Subsidiaries (Continued)

(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

14. Comparative Figures

(i) 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.

(ii) Certain comparative figures have been reclassified. The changes included the reclassification of certain expenses previously classified under staff costs to other operating expenses in accordance with the audited financial statements for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first three quarters 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 three quarters of 2018, the research and development teams deployed 6 more new IC models and 1 new IC models completed and launched. The Group had 19 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. 5 new IC models launched for the first three quarters 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$10.9 million for the first three quarters of 2017 to approximately HK$7.2 million for that of 2018.

At the same time, revenue from the provision of ASIC Service increased from approximately HK$1.2 million for the first three quarters of 2017 to approximately HK$1.7 million for that of 2018. Due to the decrease in revenue from the ASIC products, including Power Management ICs, DVD Player ICs, Electronic Cigarette ICs and CCD Surveillance System ICs, the overall revenue from the ASIC Section dropped from approximately HK$12.1 million for the first three quarters of 2017 to approximately HK$8.9 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 three quarters of 2018. Due to the increase in revenue from LCD Driver ICs for instrument panel, the overall revenue from the Standard IC Section increased from approximately HK$3 million for the first three quarters of 2017 to approximately HK$3.3 million for that of 2018.

Money Lending Business

Through its indirect wholly-owned subsidiary, Easy Loan Finance Limited, which owned a money lender license in Hong Kong, the Group engages in the money lending business, such as secured and unsecured loans to customers comprising individuals and corporations to earn interest income. During the first three quarters of 2018, the Group continues to put efforts and resources to develop this business. With the provision of efficient customer services and variety of loan products, the Group's loans receivables, which are repayable according to repayment schedules with contractual maturity ranging from 5 months to 1 year, increased from approximately HK$135.4 million as at 31 December 2017 to approximately HK$169.6 million as at 30 September 2018. Accordingly, the revenue was increased by 1.3% from approximately HK$15.1 million for the first three quarters of 2017 to approximately HK$15.3 million for that of 2018.

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 from approximately HK$17.6 million for the first three quarters of 2017 to approximately HK$22.1 million for that of 2018.

As at 30 September 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 (nine months ended 30 September 2017: 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 decreased significantly from approximately HK$3.9 million for the first three quarters of 2017 to approximately HK$1.3 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$6.2 million for the first three quarters of 2018, similar to that of the corresponding period in previous year of approximately HK$6 million.

Financial Review

Revenue, Cost of Sales and Services and Gross Profit

The total revenue of the Group from continuing operations for the first three quarters of 2018 was approximately HK$57.1 million, similar to that in 2017 of approximately HK$57.8 million.

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 slightly decreased from approximately HK$20.4 million for the first three quarters of 2017 to approximately HK$20 million for that of 2018.

The Group's overall gross profit margin as a percentage of turnover from continuing operations for the first three quarters of 2018 was approximately 65%, similar to that in 2017 of approximately 64.6%. Gross profit for the first three quarters of 2018 was approximately HK$37.1 million, similar to that in 2017 of approximately HK$37.3 million.

Expenses

Staff costs from continuing operations increased from approximately HK$13.8 million for the first three quarters of 2017 to approximately HK$14.4 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 from continuing operations for the first three quarters of 2018 was approximately HK$1.1 million, similar to that in 2017 of approximately HK$1.1 million.

Operating lease rental from continuing operations increased from approximately HK$1.6 million for the first three quarters of 2017 to approximately HK$1.9 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$5.8 million for the first three quarters of 2017 to approximately HK$5.2 million for that of 2018. The decrease, for this period, was mainly due to the absence 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 the continuing operations increased from approximately HK$10.1 million for the first three quarters of 2017 to approximately HK$11 million for that of 2018. The increase was mainly attributable to the rise in overall revenue and gross profit as a result of revenue and profit generated from the money lending business and property management business of the Group respectively.

Termination of Memorandum of Understanding for the Proposed Acquisition

On 13 June 2018, the Company as prospective purchaser and Loong Construction Development Company Limited as the prospective vendor and being an independent third party of the Group entered into a memorandum of understanding ("MOU") in relation to a proposed acquisition of 100% of the issued share capital of Uyou Technology Co., Limited (the "Target Company") (the "Proposed Acquisition"). The Target Company 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. On 14 August 2018, the Company and the prospective vendor entered into an agreement to terminate the MOU (the "Termination of MOU") with immediate effect as the Company was not satisfied with the result of due diligence in relation to the Target Company and its subsidiaries.

Details of the MOU for Proposed Acquisition and Termination of MOU were disclosed in the Company's announcements dated 13 June 2018 and 14 August 2018 respectively.

Voluntary Conditional Cash Offer

On 24 August 2018 Zhongtai International Securities Limited for and on behalf of Champsword Limited (Mr. Lau Mo, the executive director of the Company, is the sole beneficial owner of all of the issued shares capital of the Champsword Limited) (the "Offeror") made the voluntary conditional cash offer (the "Offer") to acquire all of the issued shares of the Company other than those already owned by the Offeror and the concert parties. The Offer was closed on 25 October 2018 and the valid acceptances under the Offer were 385,400,526 shares. The Offeror, therefore, held an aggregate of 800,400,526 shares, representing approximately 57.26% of the entire issued share capital of the Company on 25 October 2018.

Details of the Offer and the close of Offer were disclosed in the Company's announcements dated 24 August 2018, 5 September 2018, 21 September 2018, 11 October 2018 and 25 October 2018 respectively.

Outlook

The overall global stock market and economies continued to behave unstable as there is an ongoing trade conflict between the United States of America and PRC. Facing the challenging environment in Hong Kong and PRC, we will continue to enhance the operational efficiency in IC business by closely monitoring the development of the products and optimizing our resource allocation. As the market competition of the money lending business is still keen and highly competitive, we will be maintaining our focus on high net worth customers to minimize the overall credit risk. We are also going to divert more attention and resource to develop the property management business in the PRC.

Looking forward, the global economies and operation environment is full of challenges, the management will continue to exercise prudency in looking for any suitable business opportunities in future, so as to broaden the source of our revenues and cash flows, taking into account the funding requirement and associated business risk.

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

As at 30 September 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)	454,907,500(L)	32.54%

Notes:

1. The number of the Company's total issued ordinary shares as at 30 September 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 September 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 454,907,500 ordinary shares of the Company in which Champsword Limited is beneficially interested.

On 24 August 2018, Zhongtai International Securities Limited for and on behalf of Champsword Limited made the voluntary conditional cash offer to acquire all of the issued share of the Company other than those already owned by Champsword Limited and its concert parties.

On 28 September 2018, Champsword Limited received valid acceptance in respect of 39,907,500 shares under voluntary conditional cash offer, representing approximately 2.86% of the issued share capital of the Company. As a result, Champsword Limited was interested in 454,907,500 shares, representing approximately 32.54% of the entire issued share capital of the Company as at 30 September 2018 and the offer was closed on 25 October 2018 and the total valid acceptance under the offer were 385,400,526 shares, representing approximately 27.57% of the issued share capital of the Company. Champsword Limited, therefore, held an aggregate of 800,400,526 shares, representing approximately 57.26% of the entire issued share capital of the Company on 25 October 2018.

Save as disclosed above, as at 30 September 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 September 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)	454,907,500(L)	32.54%
Mr. Lau Mo	Interest of a controlled corporation (Note 3)	454,907,500(L)	32.54%

Notes:

1. The number of the Company's total issued ordinary shares as at 30 September 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 September 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 454,907,500 ordinary shares of the Company in which Champsword Limited is beneficially interested.

   On 24 August 2018, Zhongtai International Securities Limited for and on behalf of Champsword Limited made the voluntary conditional cash offer to acquire all of the issued share of the Company other than those already owned by Champsword Limited and its concert parties.

   On 28 September 2018, Champsword Limited received valid acceptance in respect of 39,907,500 shares under voluntary conditional cash offer, representing approximately 2.86% of the issued share capital of the Company. As a result, Champsword Limited was interested in 454,907,500 shares, representing approximately 32.54% of the entire issued share capital of the Company as at 30 September 2018 and the offer was closed on 25 October 2018 and the total valid acceptance under the offer were 385,400,526 shares, representing approximately 27.57% of the issued share capital of the Company. Champsword Limited, therefore, held an aggregate of 800,400,526 shares, representing approximately 57.26% of the entire issued share capital of the Company on 25 October 2018.

Save as disclosed above, as at 30 September 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.

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 nine months ended 30 September 2018.

INTEREST IN A COMPETING BUSINESS

During the nine months ended 30 September 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 the Directors during the nine months ended 30 September 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 nine months ended 30 September 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is currently composed of 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 nine months ended 30 September 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, 9 November 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.