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新威斯顿集團有限公司
NEW WESTERN GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8242)

PROFIT WARNING

This announcement is made by New Western Group Limited (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary review and assessment of the information currently available, including the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020, it is expected that the Group would record a consolidated net loss for the six months ended 30 June 2020 in a range of approximately HK\$67 million – HK\$68 million, as compared to a consolidated net profit for the corresponding period in 2019 of approximately HK\$4 million.

Based on the information currently available, the Board is of the view that such expected loss was mainly attributable to the outbreak of the novel coronavirus epidemic which has caused:

- (i) the reduction in revenue contribution from the Group’s property management business and integrated circuit solutions and the design, development and sales of ICs during the six months ended 30 June 2020;
- (ii) an increase in the impairment loss on receivables including interest receivables for the six months ended 30 June 2020 of approximately HK\$25 million measured under expected credit loss model in accordance with HKFRS 9; and
- (iii) the decrease in the carrying amount of goodwill and an impairment loss of approximately HK\$40.6 million is expected to be provided.

Being hampered by the harsh business environment for the past few months and the market conditions ahead are still unclear, the Group has been, and will be, closely monitoring the market conditions and adopting stringent measures on cost control such as rental and labour cost, with the aim to minimize the negative impact on the Group so as to maximize the returns to its shareholders.

As at the date of this announcement, the Company is still in the process of preparing and finalising the consolidated results of the Group for the six months ended 30 June 2020. The information contained in this announcement is only based on the preliminary assessment made by the Board on the information currently available to it, including the unaudited consolidated management accounts of the Group, which have not been audited or reviewed by the auditors of the Company or the audit committee of the Company. Therefore, the actual results of the Group for the six months ended 30 June 2020 may be different from the information contained and disclosed in this announcement.

Shareholders and potential investors of the Company are advised to read carefully to the announcement of the Group's unaudited financial results for the six months ended 30 June 2020 which is expected to be published in mid-August 2020.

Reference is made to (i) the announcement published by the Company on 4 May 2020 in relation to the appointment of receiver in respect of 800,400,526 ordinary shares of the Company (the “**Receivership**”), representing approximately 47.72% of the total issued share capital of the Company as at the date of the announcement; and (ii) the announcements of the Company dated 5 May 2020, 8 June 2020, 6 July 2020 and 5 August 2020 made pursuant to Rule 3.2 and 3.7 of the Takeovers Code (collectively, the “**Rule 3.7 Announcements**”).

The profit warning included in this announcement (“**Profit Warning**”) constitutes a profit forecast under Rule 10 of The Code on Takeovers and Mergers of Hong Kong (“**Takeovers Code**”) issued by the Securities and Futures Commission of Hong Kong and should be reported on by the Company's financial adviser and auditors in accordance with Rule 10.4 of the Takeovers Code. In view of the requirements of timely disclosures of the inside information under Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code.

Under Rule 10.4 of the Takeovers Code, if the Profit Warning is published first in an announcement, it must be repeated in full, together with the reports from the Company's financial advisers and auditors or accountants on the said profit forecast, in the next document to be sent to the Shareholders. The Profit Warning will be reported on by the Company's financial advisers and auditors or accountants as soon as possible in compliance with the Takeovers Code and such reports will be contained in the next document to be issued by the Company to the Shareholders (“**Shareholders' Document**”). However, if the interim results announcement for the six months ended 30 June 2020 which fall within the ambit of Rule 10.9

of the Takeovers Code have been published by the time of release of the next Shareholders' Document and the relevant results together with the notes to the financial statements are included in the next Shareholders' Document, the requirements to report on the Profit Warning under Rule 10.4 of the Takeovers Code will no longer apply.

Shareholders and potential investors of the Company should note that the Profit Warning has not been reported on in accordance with the requirements under Rule 10.4 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should exercise caution in placing reliance on the Profit Warning in accessing the merits and demerits of the Possible Transaction as defined in the Rule 3.7 Announcements. Shareholders and potential investors of the Company should also be aware that the Possible Transaction as defined in the Rule 3.7 Announcements may or may not proceed. There is no certainty that the Receivership will result in a change in control of the Company and whether it will lead to a general offer under Rule 26.1 of the Takeovers Code for the securities of the Company. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares and securities of the Company.

By order of the Board
New Western Group Limited
Gan Lin

Executive Director and Chief Executive Officer

Hong Kong, 7 August 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Qing, Mr. Gan Lin and Ms. Li Nian; and the independent non-executive Directors are Mr. Leung Tak Chee Frankie, Mr. Chiu Yu Wang and Dr. Gao Jinkang.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

This announcement, for which the Directors collectively and individually accept full responsibilities, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.newwesterngroup.com.hk.