

Neptune Group Limited

海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 70)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

The board of directors (the “Board”) of Neptune Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2007 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007 (in HK Dollars)

		Six months ended 31 December	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	159,818	83,418
Cost of sales		(64,503)	(66,139)
Gross profit		95,315	17,279
Other revenue		4,220	1,405
Excess of acquirer’s interest in fair value of acquiree’s identifiable net assets over cost		91,027	–
Distribution costs		(154)	(345)
Administrative expenses		(17,474)	(6,375)
Share of results of an associate		12,276	–
Share-based payment expenses		(74,449)	–
Fair value changes on financial assets at fair value through profit or loss		2,133	(170)
Profit from operations	4	112,894	11,794
Finance costs	5	(953)	(1,555)
Profit before taxation		111,941	10,239
Taxation	6	(1,183)	(574)
Net profit for the period		110,758	9,665
Attributable to			
– Non-controlling interests		61,687	2,736
– Equity holders of the Company		49,071	6,929
Net profit for the period		110,758	9,665
Earnings per share attributable to equity holders of the Company			
– Basic and diluted	8	2.108 cents	0.054 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2007 (in HK Dollars)

	Notes	As at 31 December 2007 (Unaudited) HK\$'000	As at 30 June 2007 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		157,389	161,853
Investment properties		28,550	28,550
Prepaid land premiums		2,547	2,579
Interest in an associate		159,000	–
Intangible assets		630,000	–
Goodwill		45	45
		<u>977,531</u>	<u>193,027</u>
Current assets			
Inventories		18,187	17,310
Trade and other receivables	9	98,493	50,161
Loan receivables		6,758	28,000
Amount due from a related company		–	710
Financial assets at fair value through profit or loss		300	1,782
Amount due from an associate		15,378	–
Derivative financial instruments		13,894	–
Pledged bank deposits		–	68
Cash at securities companies		22,227	38,526
Cash and bank balances		228,366	122,840
		<u>403,603</u>	<u>259,397</u>
Total assets		<u>1,381,134</u>	<u>452,424</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		481,449	287,953
Reserves		207,787	(7,345)
		<u>689,236</u>	<u>280,608</u>
Non-controlling interests		<u>628,982</u>	<u>15,588</u>
Total equity		<u>1,318,218</u>	<u>296,196</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		770	393
Promissory notes		28,741	–
		<u>29,511</u>	<u>393</u>

		As at 31 December 2007 (Unaudited) <i>HK\$'000</i>	As at 30 June 2007 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Bank and other borrowings		–	374
Trade and other payables	<i>10</i>	30,145	41,258
Deposits received		–	81,813
Amount due to a minority shareholder		–	29,100
Tax payable		3,260	3,290
		<hr/> 33,405 <hr/>	<hr/> 155,835 <hr/>
Total liabilities		<hr/> 62,916 <hr/>	<hr/> 156,228 <hr/>
Total equity and liabilities		<hr/> 1,381,134 <hr/>	<hr/> 452,424 <hr/>
Net current assets		<hr/> 370,198 <hr/>	<hr/> 103,562 <hr/>
Total assets less current liabilities		<hr/> 1,347,729 <hr/>	<hr/> 296,589 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial assets, financial liabilities and investment properties, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group, comprising the Company and its subsidiaries, for the year ended 30 June 2007 except as described below.

In the current interim period, the Group has applied, for the first time, a new accounting standard, an amendment and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the current accounting period. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised accounting standards and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these accounting standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are investment in gaming related business, the cruise business and non-core business such as manufacturing and trading of electrical equipments, provision of electrical engineering and contracting services and trading of listed securities.

(a) Business segments

	Six months ended 31 December 2007 (Unaudited)					
	Sale of electrical equipments <i>HK\$'000</i>	Cruise leasing <i>HK\$'000</i>	Trading of listed securities <i>HK\$'000</i>	Electrical engineering and contracting services <i>HK\$'000</i>	Gaming related business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Sales/services to external customers	<u>50,421</u>	<u>18,000</u>	<u>–</u>	<u>18,229</u>	<u>73,168</u>	<u>159,818</u>
Segment results	<u>4,855</u>	<u>13,745</u>	<u>–</u>	<u>3,547</u>	<u>73,168</u>	<u>95,315</u>
Interest income						3,680
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost						91,027
Other income						2,673
Share of results of an associate						12,276
Distribution costs						(154)
General and administrative expenses						(91,923)
Profit from operations						<u>112,894</u>
Finance costs						<u>(953)</u>
Profit before taxation						<u>111,941</u>
Taxation						<u>(1,183)</u>
Net profit for the period						<u><u>110,758</u></u>

	Six months ended 31 December 2006 (Unaudited)					
	Sale of electrical equipments <i>HK\$'000</i>	Cruise leasing <i>HK\$'000</i>	Trading of listed securities <i>HK\$'000</i>	Electrical engineering and contracting services <i>HK\$'000</i>	Gaming related business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Sales/services to external customers	<u>46,697</u>	<u>18,000</u>	<u>–</u>	<u>18,721</u>	<u>–</u>	<u>83,418</u>
Segment results	<u>4,876</u>	<u>10,036</u>	<u>–</u>	<u>2,367</u>	<u>–</u>	<u>17,279</u>
Interest income						1,347
Other income						58
Distribution costs						(345)
General and administrative expenses						(6,375)
Fair value changes on financial assets at fair value through profit or loss						(170)
Profit from operations						<u>11,794</u>
Finance costs						<u>(1,555)</u>
Profit before taxation						<u>10,239</u>
Taxation						<u>(574)</u>
Net profit for the period						<u><u>9,665</u></u>

4. PROFIT FROM OPERATIONS

Six months ended 31 December	
2007	2006
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Profit from operations is stated after charging/(crediting):

Amortisation of prepaid land premiums	32	32
Depreciation of property, plant and equipment	8,146	8,195
Impairment loss recognised in respect of trade and other receivables	–	463
Fair value changes on financial assets at fair value through profit or loss	(2,133)	170
Share-based payment expenses	74,449	–
	<u>74,449</u>	<u>–</u>

5. FINANCE COSTS

Six months ended 31 December	
2007	2006
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Interest on bank overdrafts and other borrowings wholly repayable within five years	54	717
Imputed interest on promissory note	–	–
Imputed interest on convertible bond	899	838
	<u>953</u>	<u>1,555</u>

6. TAXATION

Current Taxation

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Taxation on assessable profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Six months ended 31 December	
2007	2006
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Current period provision:

Hong Kong	1,183	574
Elsewhere	–	–
	<u>1,183</u>	<u>574</u>

Deferred Taxation

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
At 1 July	393	331
Charged to income statement for the period/year	377	62
At 31 December/30 June	<u>770</u>	<u>393</u>

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the six months ended 31 December 2007 (2006: Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 31 December	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<i>Earnings</i>		
Earnings attributable to the equity holders of the Company	<u>49,071</u>	<u>6,929</u>
	2007 (Unaudited) '000	2006 (Unaudited) '000
<i>Number of shares</i>		
Weighted average number of ordinary shares	<u>2,327,502</u>	<u>12,730,963</u>

Basic and diluted earnings per share for the period ended 31 December 2007 and 2006 have been presented in a single line as the average market price of ordinary shares, at no time during the period, exceeds the exercise price of the share option, therefore, the conversion of share option would be anti-dilutive and the conversion of the Company's outstanding convertible notes as at 31 December 2006 would increase the earnings per share and therefore anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers.

Aging analysis of trade receivables net of provision is set out below:

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
0 – 30 days	31,545	17,006
31 – 60 days	12,958	9,895
61 – 90 days	11,011	5,537
Over 90 days	4,934	8,903
	<u>60,448</u>	<u>41,341</u>

The carrying amounts of trade and other receivables approximate to their fair values.

10. TRADE AND OTHER PAYABLES

Aging analysis of trade creditors is set out below:

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
0 – 30 days	4,576	5,136
31 – 60 days	4,079	1,989
61 – 90 days	3,606	2,295
Over 90 days	3,595	1
	<u>15,856</u>	<u>9,421</u>

The carrying amounts of trade and other payables approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the “Directors”) of Neptune Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2007.

GENERAL

The Company continues to refocus its core business to the gaming sector. Along with its flourishing Hong Kong cruise operation, progress in the Macau VIP Room management has been achieved in the past 6 months. Several acquisitions were finalized, including completion of acquisition agreement with junket representative at Chengdu VIP Club at Sands Macau, Neptuno VIP Club under Galaxy Casino at Star World Hotel and Neptune Ouro, Hao Cai at Venetian Hotel Resort whereby sharing 0.4% of the rolling turnover generated thereof under each Profit Agreement signed by both parties. The principal activities of the Company’s subsidiaries include: investment in gaming industries, the cruise business, and non-core business such as the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the trading of listed securities and investments in the People’s Republic of China will continue.

BUSINESS AND INVESTMENT REVIEW

For the six months ended 31 December 2007 the Group recorded a net profit attributable to equity holders of the Company of approximately HK\$49.1 million (2006: profit of HK\$7 million).

GAMING AND RELATED BUSINESS

Turnover for the gaming and related business was recorded at approximately HK\$73.2 million (2006 : HK\$Nil), which accounted for approximately 45.8% of the Group’s total turnover (2006 : Nil). This segment contributed approximately 76.7% (2006 : Nil) of the Group’s total segment results for the period under review.

Manufacturing and trading of electrical equipments and the provision of electrical engineering and contracting services

The manufacture and trading of electrical equipments and the provision of electrical engineering and contracting services continued to be profitable. Turnover increased when compared with the corresponding period of last year and profits had increased to HK\$8.4 million when compared with the corresponding period in 2006 (HK\$7.2 million).

Cruise business

During the period under review, cruise business has contributed a principal income to the Group. Turnover for the leasing of the cruise ship was recorded approximately HK\$18 million (2006: HK\$18 million), which accounted for approximately 11.2% of the Group’s total turnover (2006: 21.6%). Segment result amounted to approximately HK\$13.7 million (2006: HK\$10 million). It recorded a steady turnover and profit contribution to the Group.

Trading of investments in listed securities

The Group did not engage in the trading of investments in listed securities during the period under review.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2007 (2006: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK\$370.2 million as at 31 December 2007 (As at 30 June 2007: HK\$103.6 million). There were no bank and other borrowings as at 31 December 2007 (As at 30 June 2007: HK\$0.3 million). The net asset value of the Group as at period end was HK\$1,318.2 million (As at 30 June 2007: HK\$296.2 million). The gearing ratio, calculated on the basis of total liabilities over equity attributable to equity holders as at 31 December 2007, was approximately 9.1% (As at 30 June 2007: 55.7%).

EMPLOYEES

The Group has approximately 95 employees in Hong Kong. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2007, no leasehold land and buildings of the Group were pledged to any bank for banking facilities (As at 30 June 2007: HK\$Nil million). As at 31 December 2007, no bank deposits of the Group were pledged to secure general banking facilities (As at 30 June 2007: HK\$0.1 million).

PROSPECTS

Forward looking, the Company expects the economy of the People's Republic of China and the Hong Kong SAR remain positive despite to certain degree their growth will be overshadowed by the credit crisis erupted last summer in USA. No doubt the swiftness and virulence of financial problems result to the loss of confidence and damage the broad economy but we hope credit market woes will be gradually resolved by US government after spawning a series of proposal and stimulus packages.

Tourism in the Macau SAR continues to thrive and to establish new international arrival records. Gaming revenue growth has surpassed that of Las Vegas and most probably eclipse yearly gaming revenue for the entire State of Nevada in 2008. The Company is keen to grow and will be marching shoulder to shoulder with Gaming industries in Macau and stretching across Asian countries in future, enjoying unparalleled growth in the gaming economy.

The Company is also aware of its need to properly manage our strategies and is committed to recruit several key executives throughout the year. These additions will be able to monitor and stabilize our expected rapid growth. The company is very optimistic that the current year will continue to yield a smooth transition in its new principal activity. Our management will continue to foster a strong corporate culture that embrace the company's core values, thereby generating long term and increasing value for the shareholders.

CORPORATE GOVERNANCE

During the six months ended 31 December 2007, the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (the “Code Provisions”) as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.4.1

Non-executive Directors should be appointed for specific terms and subject to re-elections

All Independent Non-executive Directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with Bye-Laws of the Company.

Code Provision B.1.1

Establishment of a remuneration committee

The Board is in the opinion that establishment of a remuneration committee as required by code provision B.1.1 is not, for the time being, justified after careful consideration of the size of the Group and the associated costs involved. However, no director or senior management will determine his/her own remuneration.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman of the board and the chief executive officer are segregated and are held by Mr. Lin Cheuk Fung and Mr. Wan Yau Shing, Ban. These positions have clearly defined separate responsibilities.

The chairman is responsible for leading and supervising the operations of the board of directors, effective planning of board meetings, ensuring the board of directors is acting to the best interests of the Company.

The chief executive officer is responsible for the administration of the company business, as well as to formulate and implement company policies, and answerable to the board of directors in relation to the company overall operation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for securities transactions as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the directors. Following specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters. The audit committee comprises the three independent non-executive directors of the Company.

The interim report and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2007 has been reviewed by the audit committee and agreed to the accounting principles and practices adopted by the Company.

By Order of the Board
Neptune Group Limited
Lin Cheuk Fung
Chairman

Hong Kong, 26 March 2008

At the date of announcement, the Board comprises Mr. Lin Cheuk Fung, Mr. Nicholas J. Niglio, Mr. Chan Shiu Kwong, Stephen, Mr. Lau Kwok Hung, Mr. Wan Yau Shing, Ban and Mr. Lau Kwok Keung (all being executive Directors), Mr. Wong Yuk Man, Mr. Cheung Yat Hung, Alton and Mr. Yue Fu Wing (all being independent non-executive Directors).