

Neptune Group Limited

海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00070)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2008

The Board of Directors (the “Board”) of Neptune Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2008 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Turnover	4	390,767	129,959
Cost of sales		<u>(116,199)</u>	<u>(99,085)</u>
Gross profit		274,568	30,874
Fair value changes on financial assets at fair value through profit or loss		2,116	1,215
Other revenue	4	13,582	4,952
Other income	5	89,050	150
Distribution costs		(1,771)	(1,347)
Administrative expenses		(21,600)	(17,995)
Impairment of intangible assets	9	(171,000)	–
Impairment of goodwill	10	(210,928)	–
Equity-settled share-based payment expenses		(30,640)	(6,068)
Share of results of associate		42,470	–
Finance costs	6	<u>(9,705)</u>	<u>(1,593)</u>
(Loss)/profit before tax	5	(23,858)	10,188
Income tax expense	7	<u>(1,131)</u>	<u>(797)</u>
Net (loss)/profit for the year		<u><u>(24,989)</u></u>	<u><u>9,391</u></u>
Attributable to			
– Minority interests		124,525	4,746
– Equity holders of the Company		<u>(149,514)</u>	<u>4,645</u>
Net (loss)/profit for the year		<u><u>(24,989)</u></u>	<u><u>9,391</u></u>
(Loss)/earnings per share attributable to equity holders of the Company	8		
– Basic and diluted		<u><u>(5.61) cents</u></u>	<u><u>0.34 cents</u></u>

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment		142,880	161,853
Investment properties		30,500	28,550
Prepaid land premiums		4,662	2,514
Intangible assets	9	2,016,793	–
Goodwill	10	10,483	45
Interest in an associate		148,617	–
		<u>2,353,935</u>	<u>192,962</u>
Current assets			
Inventories		16,968	17,310
Trade and other receivables	11	390,244	50,226
Loan receivables		6,000	28,000
Amount due from a related company		710	710
Financial assets at fair value through profit or loss		282	1,782
Derivative financial instruments		145,328	–
Dividend receivable		42,470	–
Pledged bank deposits		214	68
Cash at securities companies		264	38,526
Cash and bank balances		39,424	122,840
		<u>641,904</u>	<u>259,462</u>
Less: Current liabilities			
Bank overdrafts		867	374
Trade and other payables	12	32,583	41,258
Deposits received		–	81,813
Amount due to a minority shareholder		–	29,100
Promissory notes		15,000	–
Dividend payable to minority shareholders		210,153	–
Tax payable		4,264	3,290
		<u>262,867</u>	<u>155,835</u>
Net current assets		<u>379,037</u>	<u>103,627</u>
Total assets less current liabilities		<u>2,732,972</u>	<u>296,589</u>
Less: Non-current liabilities			
Deferred tax liabilities		50,089	393
Convertible notes		685,393	–
		<u>735,482</u>	<u>393</u>
Net assets		<u>1,997,490</u>	<u>296,196</u>
Capital and reserves			
Share capital		769,449	287,953
Reserves		536,446	(7,345)
Equity attributable to equity holders of the Company		<u>1,305,895</u>	<u>280,608</u>
Minority interests		<u>691,595</u>	<u>15,588</u>
Total equity		<u>1,997,490</u>	<u>296,196</u>

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The measurement basis used in the preparation of the financial statements is historical cost convention except for certain financial assets, financial liabilities, derivative financial instruments and investment properties which have been carried at fair values.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied for the first time, the following new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs, except for HKAS 1 (Amendment) and HKFRS 7, 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 applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Impact of new and revised HKFRSs not yet effective

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

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs	1 January 2009 (except the amendment to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK (IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK (IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
		Effective from
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets	1 July 2008

The management is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards. The directors of the Company so far have concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. 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 other business segments. Summary details of the business segments are as follows:

- (a) the gaming and entertainment segment consisted of the receive of profit streams from gaming and entertainment related business;
- (b) the sale of electrical equipments segment consisted of the manufacture and trading of electrical equipments;
- (c) the cruise leasing segment consisted of the leasing and management of the cruise; and
- (d) the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

THE GROUP

2008

	Gaming and entertainment <i>HK\$'000</i>	Sale of electrical equipments <i>HK\$'000</i>	Cruise leasing <i>HK\$'000</i>	Electrical engineering and contracting services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
Sales/services to external customers	<u>235,038</u>	<u>93,352</u>	<u>36,000</u>	<u>26,377</u>	<u>390,767</u>
Segment results	<u>(50,882)</u>	<u>7,610</u>	<u>20,244</u>	<u>3,683</u>	<u>(19,345)</u>
Other gains and income					45,193
Unallocated administrative expenses					(9,361)
Equity-settled share-based payment expenses	(30,640)	–	–	–	(30,640)
Finance costs					<u>(9,705)</u>
Loss before tax					(23,858)
Income tax expense					<u>(1,131)</u>
Net loss for the year					<u><u>(24,989)</u></u>
Segment assets	2,550,528	74,354	170,928	11,297	2,807,107
Unallocated assets					<u>188,732</u>
Total assets					<u><u>2,995,839</u></u>
Segment liabilities	210,170	16,586	24	8,278	235,058
Unallocated liabilities					<u>763,291</u>
Total liabilities					<u><u>998,349</u></u>
Other segment information:					
Capital expenditure	2,187,793	3,533	254	–	2,191,580
Unallocated amounts					<u>789</u>
					<u><u>2,192,369</u></u>
Depreciation and amortisation	–	299	17,914	–	18,213
Unallocated amounts					<u>173</u>
					<u><u>18,386</u></u>
Other non-cash expenses:					
Impairment loss recognised in respect of trade receivables	–	87	–	270	357
Impairment of intangible assets	171,000	–	–	–	171,000
Impairment of goodwill	210,928	–	–	–	<u>210,928</u>

THE GROUP

2007

	Sale of electrical equipments <i>HK\$'000</i>	Cruise leasing <i>HK\$'000</i>	Electrical engineering and contracting services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:				
Sales/services to external customers	<u>73,663</u>	<u>36,000</u>	<u>20,296</u>	<u>129,959</u>
Segment results	<u>9,113</u>	<u>17,851</u>	<u>(5,809)</u>	21,155
Other gains and income				6,317
Unallocated administrative expenses				(9,623)
Equity-settled share-based payment expenses				(6,068)
Finance costs				<u>(1,593)</u>
Profit before tax				10,188
Income tax expense				<u>(797)</u>
Net profit for the year				<u><u>9,391</u></u>
Segment assets	54,647	207,612	1,790	264,049
Unallocated assets				<u>188,375</u>
Total assets				<u><u>452,424</u></u>
Segment liabilities	11,659	116,504	4,448	132,611
Unallocated liabilities				<u>23,617</u>
Total liabilities				<u><u>156,228</u></u>

	Sale of electrical equipments <i>HK\$'000</i>	Cruise leasing <i>HK\$'000</i>	Electrical engineering and contracting services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other segment information:					
Capital expenditure	177	117	–	6	<u>300</u>
Depreciation and amortisation	398	17,862	–	123	<u>18,383</u>
Other non-cash expenses:					
Provision for obsolete inventories	963	–	–	–	963
Impairment loss recognised in respect of trade receivables	304	–	472	–	776
Impairment loss recognised in respect of other receivables	–	–	–	477	<u>477</u>

(b) Geographical segments

THE GROUP

2008

The Group's business operates in two principal geographical areas – Hong Kong and Macau. The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of goods and services:

	Revenue from external customers 2008 <i>HK\$'000</i>
Hong Kong	155,729
Macau	<u>235,038</u>
	<u><u>390,767</u></u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, prepaid land premiums and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets 2008 <i>HK\$'000</i>	Additions to property, plant and equipment, prepaid land premiums and intangible assets 2008 <i>HK\$'000</i>
Hong Kong	445,311	4,576
Macau	<u>2,550,528</u>	<u>2,187,793</u>
	<u><u>2,995,839</u></u>	<u><u>2,192,369</u></u>

2007

During the year ended 30 June 2007, the Group's entire turnover was derived from sales or services to customers in Hong Kong and more than 90% of the Group's assets were located at Hong Kong. Therefore, no geographical segmental information on revenue and assets was presented.

4. TURNOVER

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover		
Gaming & entertainment	235,038	–
Sale of electrical equipments	93,352	73,663
Electrical engineering and contracting services	26,377	20,296
Cruise leasing	36,000	36,000
	<u>390,767</u>	<u>129,959</u>
Other revenue		
Interest income	11,637	4,678
Commission income	59	50
Dividend income from listed investments	21	3
Sundry income	1,865	221
	<u>13,582</u>	<u>4,952</u>

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amortisation of prepaid land premiums	123	64
Auditors' remuneration	868	753
Depreciation of property, plant and equipment	18,263	18,319
Loss on disposal of property, plant and equipment	2,958	–
Operating lease charges in respect of land and buildings	1,577	1,007
Staff costs (excluding directors' remuneration)		
Salaries and other benefits	6,535	13,059
Mandatory provident fund contributions	210	537
Equity-settled share-based payment expenses	–	2,058
Total staff costs	6,745	15,654
Consultancy fee paid by equity-settled share-based payment expenses	29,468	3,828
Provision for obsolete inventories	–	963
Impairment loss recognised in respect of trade receivable	357	776
Impairment loss recognised in respect of other receivables	–	477
Cost of inventories	60,147	54,141
	<u>60,147</u>	<u>54,141</u>
and after crediting:		
Other income:		
Reversal of impairment loss recognised in respect of trade receivables	246	–
Excess of acquirer's interest in net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	48,333	–
Fair value changes on derivative financial instruments	38,521	–
Fair value changes on investment properties	1,950	150
	<u>89,050</u>	<u>150</u>

6. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank overdrafts wholly repayable within five years	13	27
Imputed interest expense on convertible notes	<u>9,692</u>	<u>1,566</u>
	<u><u>9,705</u></u>	<u><u>1,593</u></u>

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided in the financial statements at a rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising from Hong Kong during the year.

	THE GROUP	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax:		
Hong Kong	1,839	636
Under-provision in prior year:		
Hong Kong	<u>–</u>	<u>99</u>
	<u>1,839</u>	<u>735</u>
Deferred tax:		
Current year	(640)	–
Attributable to a change in tax rate	<u>(68)</u>	<u>62</u>
	<u>(708)</u>	<u>62</u>
Total tax charge for the year	<u><u>1,131</u></u>	<u><u>797</u></u>

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the year attributable to equity holders of the Company)	<u>(149,514)</u>	<u>4,645</u>

	2008 <i>'000</i>	2007 <i>'000</i>
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u><u>2,666,172</u></u>	<u><u>1,355,927</u></u>

Diluted (loss)/earnings per share

Basic and diluted loss per share for the year ended 30 June 2008 have been presented in a single line as (i) the average market price of ordinary shares, at no time during the year, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive, and (ii) the effect of the Company's outstanding convertible notes were anti-dilutive.

Basic and diluted earnings per share for the year ended 30 June 2007 have been presented in a single line as the average market price of ordinary shares, at no time during the year, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive.

9. INTANGIBLE ASSETS

THE GROUP

	Rights in sharing of profit streams <i>HK\$'000</i>	Development cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 July 2006, 30 June 2007 and 1 July 2007	–	4,673	4,673
Additions on acquisition of subsidiaries	<u>2,187,793</u>	<u>–</u>	<u>2,187,793</u>
At 30 June 2008	<u>2,187,793</u>	<u>4,673</u>	<u>2,192,466</u>
Accumulated amortisation and impairment:			
At 1 July 2006, 30 June 2007 and 1 July 2007	–	4,673	4,673
Impairment loss recognised for the year	<u>171,000</u>	<u>–</u>	<u>171,000</u>
At 30 June 2008	<u>171,000</u>	<u>4,673</u>	<u>175,673</u>
Net book value:			
At 30 June 2008	<u>2,016,793</u>	<u>–</u>	<u>2,016,793</u>
At 30 June 2007	<u>–</u>	<u>–</u>	<u>–</u>

Details of rights in sharing of profit streams are as follows:

	Hou Wan Profit Agreement <i>HK\$'000</i>	Neptune Ouro Profit Agreement <i>HK\$'000</i>	Hao Cai Profit Agreement <i>HK\$'000</i>	Total <i>HK\$'000</i>
Fair value during acquisition	567,793	405,000	1,215,000	2,187,793
Impairment loss recognised for the year	<u>–</u>	<u>(43,000)</u>	<u>(128,000)</u>	<u>(171,000)</u>
At 30 June 2008	<u>567,793</u>	<u>362,000</u>	<u>1,087,000</u>	<u>2,016,793</u>

The intangible assets of the rights in sharing of profit streams are from junket business at the casinos' VIP rooms in Macau for an indefinite period of time. Such intangible assets are carried at cost less accumulated impairment losses.

Impairment loss in respect of rights in sharing of profit streams of approximately HK\$171,000,000 was recognised during the year ended 30 June 2008 by reference to the valuation report issued by Messrs. BMI Appraisals Limited ("BMI"), independent qualified professional valuers, as at 30 June 2008 which valued the rights in sharing of profit streams on discounted cash flow method. The main factor contributing to the impairment was the profit generated from the Neptune Ouro Profit Agreement and Hao Cai Profit Agreement did not meet the profit guarantee.

10. GOODWILL

THE GROUP

HK\$'000

Cost:

At 1 July 2006, 30 June 2007 and 1 July 2007	45
Additions on acquisition of subsidiaries	229,557
Adjustments to measurement for acquisitions (<i>note</i>)	<u>(8,191)</u>

At 30 June 2008 221,411

Accumulated impairment:

At 1 July 2006, 30 June 2007 and 1 July 2007	–
Impairment loss recognised for the year	<u>210,928</u>

At 30 June 2008 210,928

Net book value:

At 30 June 2008 10,483

At 30 June 2007 45

Note:

The amounts represented the adjustments to the contingent consideration for acquisitions during the year due to the compensation from profit guarantee granted by the vendors.

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 30 June 2008 is allocated as follows:

	2008 HK\$'000	2007 HK\$'000
Gaming and entertainment unit	10,438	–
Cruise leasing unit	<u>45</u>	<u>45</u>
	<u><u>10,483</u></u>	<u><u>45</u></u>

During the year ended 30 June 2008, the directors of the Company assessed the recoverable amount of goodwill, and determined the goodwill associated with the Group's gaming and entertainment unit was impaired by approximately HK\$210,928,000 (2007: Nil). The recoverable amounts of the gaming and entertainment unit and cruise leasing unit were assessed by reference to value in use. A discount factor of 16.77% and 5% per annum was applied in respective value in use model.

The main factor contributing to the impairment of the CGUs of the gaming and entertainment unit was the profit guarantee under the Neptune Ouro Profit Agreement and Hao Cai Profit Agreement have not been attained.

Gaming and entertainment unit

The value in use calculation uses cash flow projections based on financial budgets approved by the directors covering a 5-year period. Cash flow beyond that five year period have been extrapolated using a steady 2% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the gaming and entertainment unit operates.

Key assumptions used in the value in use calculations for cruise leasing unit are as follows:

Growth rate	2%
Discount rate	16.77%

Details of goodwill of gaming and entertainment unit are as follows:

	Credible <i>HK\$'000</i>	Sky Advantage <i>HK\$'000</i>	Profit Forest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Goodwill arising from acquisition of subsidiaries	10,438	6,314	212,805	229,557
Adjustments to measurement for acquisitions	–	(2,048)	(6,143)	(8,191)
Impairment loss recognised for the year	–	(4,266)	(206,662)	(210,928)
At 30 June 2008	10,438	–	–	10,438

Cruise leasing unit

The value in use calculation uses cash flow projections based on financial budgets approved by the directors covering a 5-year period. Cash flow beyond that five year period have been extrapolated using a steady 3% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the cruise leasing unit operates.

Key assumptions used in the value in use calculations for cruise leasing unit are as follows:

Gross margin	50%
Growth rate	3%
Discount rate	5%

The directors determined the budget gross margin based on past performance and its expectations for the market development. The average growth rate used is based on the directors' expectation on the market development. The discount rates used are pre-tax and reflect risks relating to the relevant segments.

11. TRADE AND OTHER RECEIVABLES

At 30 June 2008, the balances of trade and other receivables included trade receivables of approximately HK\$365,874,000 (2007: HK\$41,341,000). Aging analysis of trade receivables net of provision for impairment loss is set out below:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
0 – 30 days	61,900	17,006
31 – 60 days	58,783	9,895
61 – 90 days	36,799	5,537
Over 90 days	208,392	8,903
	<u>365,874</u>	<u>41,341</u>

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days for gaming and entertainment segment, 60 days for sale of electrical equipments segment, 30 days for cruise leasing segment and 30 days for electrical engineering and contracting services segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Outstanding trade receivables from gaming and entertainment segment bear interest rate of 10% – 11% per annum. The outstanding trade receivables from gaming and entertainment segment as at 30 June 2008 have been fully settled subsequently.

12. TRADE AND OTHER PAYABLES

At 30 June 2008, the balances of trade and other payables included trade payables of approximately HK\$13,262,000 (2007: HK\$9,421,000). Aging analysis of trade payables is set out below:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
0 – 30 days	4,975	5,136
31 – 60 days	5,730	1,989
61 – 90 days	2,490	2,295
Over 90 days	67	1
	<u>13,262</u>	<u>9,421</u>

13. ACQUISITION OF SUBSIDIARIES

- (a) On 11 July 2007, the Company acquired the entire issued share capital of Credible Limited ("Credible"). Credible holds 20% equity interest in Base Move Investments Limited ("Base Move"), which shares 0.4% of the rolling turnover generated by Hou Wan Entertainment Unipessoal Limitada. The Company has also been granted a call option from Certain Champ for further acquisition of 50% equity interest in Base Move which is considered to be the potential voting right held by the Company. Base Move is therefore accounted for as a subsidiary of the Company.

The consideration for the acquisition was approximately HK\$140,092,000 which represented the cash paid. The amount of goodwill arising as a result of the acquisition was approximately HK\$10,438,000.

	Acquiree's carrying amount HK\$'000	Fair value adjustment HK\$'000	Fair value HK\$'000
Net assets acquired:			
Right in sharing of profit streams	–	567,793	567,793
Trade and other receivables	80,509	–	80,509
Other payables	(11)	–	(11)
	<u>80,498</u>	<u>567,793</u>	<u>648,291</u>
Minority interest			<u>(518,637)</u>
100% equity interest of Credible			129,654
Goodwill			<u>10,438</u>
Total consideration paid			<u>140,092</u>
			<i>HK\$'000</i>
Total consideration satisfied by:			
Cash consideration			140,000
Related expense paid on acquisition			<u>92</u>
			<u>140,092</u>
			<i>HK\$'000</i>
Net cash outflow arising on acquisition:			
Cash consideration paid			<u>(140,092)</u>

Notes:

- (i) Goodwill arises in the business combination because the cost of the combination included a control premium paid to acquire Credible. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Credible. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.
- (ii) During the year ended 30 June 2008, Credible contributed approximately HK\$159,862,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK\$396,575,000, and loss for the year attributable to equity holders of the Company would have been approximately HK\$148,352,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

- (b) On 1 August 2007, the Company acquired the entire issued share capital of Koppert International Limited (“Koppert”). Koppert holds 20% equity interest in Good Omen Enterprises Limited (“Good Omen”), which shares 0.4% of the rolling turnover generated by Hoi Seng Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK\$100,279,000 which represented the cash paid and the fair value of promissory notes. The amount of excess of acquirer’s interest in fair value of acquiree’s identifiable net assets over cost arising as a result of the acquisition was approximately HK\$48,333,000.

	Acquiree’s carrying amount HK\$’000	Fair value adjustment HK\$’000	Fair value HK\$’000
Net assets acquired:			
Interest in an associate	3,108	145,509	148,617
Other receivables	1	–	1
Other payables	(6)	–	(6)
	<u>3,103</u>	<u>145,509</u>	<u>148,612</u>
100% equity interest of Koppert	<u>3,103</u>	<u>145,509</u>	148,612
Excess of acquirer’s interest in fair value of acquiree’s identifiable net assets over cost			<u>(48,333)</u>
Total consideration paid			<u>100,279</u>
			<i>HK\$’000</i>
Total consideration satisfied by:			
Cash consideration			70,000
Fair value of promissory notes			30,000
Related expense paid on acquisition			<u>279</u>
			<u>100,279</u>
			<i>HK\$’000</i>
Net cash outflow arising on acquisition:			
Cash consideration paid			<u>(70,279)</u>

Notes:

- (i) Excess of acquirer’s interest in fair value of acquiree’s identifiable net assets over cost arose in the business combination is attributable to the discount on the cost of the combination paid to acquire Koppert. The Company has reassessed the fair value of acquiree’s identifiable net assets and considered the values of net asset are measured reliably.
- (ii) During the year ended 30 June 2008, Koppert contributed share of profit of approximately HK\$42,470,000 to the Group’s loss for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group’s loss for the year attributable to equity holders of the Company would have been approximately HK\$146,405,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

- (c) On 17 March 2008, Hero Will Limited, a wholly owned subsidiary of the Company acquired 85% of the total issued share capital of Sky Advantage, which shares 0.4% of the rolling turnover generated by Neptune Ouro Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK\$350,560,000 which represented the cash paid, the fair value of convertible notes and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK\$6,314,000.

	Acquiree's carrying amount HK\$'000	Fair value adjustment HK\$'000	Fair value HK\$'000
Net assets acquired:			
Right in sharing of profit streams	–	405,000	405,000
Other receivables	1	–	1
Other payables	(6)	–	(6)
	<u> </u>	<u> </u>	<u> </u>
100% equity interest of Sky Advantage	(5)	405,000	404,995
	<u> </u>	<u> </u>	<u> </u>
Minority interest			<u>(60,749)</u>
85% equity interest of Sky Advantage			344,246
Goodwill			<u>6,314</u>
Total consideration paid			<u>350,560</u>
			<i>HK\$'000</i>
Total consideration satisfied by:			
Cash consideration			27,480
Fair value of convertible notes			163,734
Fair value of consideration shares			159,120
Related expense paid on acquisition			<u>226</u>
			<u>350,560</u>
			<i>HK\$'000</i>
Net cash outflow arising on acquisition:			
Cash consideration paid			<u>(27,706)</u>

Notes:

- (i) The fair value of the convertible notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by BMI, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model.
- (ii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK\$0.221 at the date of acquisition and 720,000,000 shares.
- (iii) Goodwill arises in the business combination because the cost of the combination included a control premium paid to acquire Sky Advantage. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Sky Advantage. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

- (iv) During the year ended 30 June 2008, Sky Advantage contributed approximately HK\$18,794,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK\$411,324,000, and loss for the year attributable to equity holders of the Company would have been approximately HK\$132,041,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

- (d) On 17 March 2008, Stand Great Limited, a wholly owned subsidiary of the Company acquired 85% of the total issued share capital of Profit Forest, which shares 0.4% of the rolling turnover generated by Hao Cai Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK\$1,245,551,000 which represented the cash paid, the fair value of convertible notes and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK\$212,805,000.

	Acquiree's carrying amount HK\$'000	Fair value adjustment HK\$'000	Fair value HK\$'000
Net assets acquired:			
Right in sharing of profit streams	–	1,215,000	1,215,000
Other receivables	1	–	1
Other payables	(6)	–	(6)
100% equity interest of Profit Forest	<u>(5)</u>	<u>1,215,000</u>	1,214,995
Minority interest			<u>(182,249)</u>
85% equity interest of Profit Forest			1,032,746
Goodwill			<u>212,805</u>
Total consideration paid			<u>1,245,551</u>
			<i>HK\$'000</i>
Total consideration satisfied by:			
Cash consideration			82,440
Fair value of convertible notes			1,003,765
Fair value of consideration shares			159,120
Related expense paid on acquisition			<u>226</u>
			<u>1,245,551</u>
			<i>HK\$'000</i>
Net cash outflow arising on acquisition:			
Cash consideration paid			<u>(82,666)</u>

Notes:

- (i) The fair value of the convertible notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by BMI, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model.

- (ii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK\$0.221 at the date of acquisition and 720,000,000 shares.
- (iii) Goodwill arises in the business combination because the cost of the combination included a control premium paid to acquire Profit Forest. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development of Profit Forest. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.
- (iv) During the year ended 30 June 2008, Profit Forest contributed approximately HK\$56,382,000 to the Group's turnover for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2007, total Group's revenue for the year would have been approximately HK\$452,438,000, and loss for the year attributable to equity holders of the Company would have been approximately HK\$97,094,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

- (e) Summary of the acquisitions of subsidiaries is set out as follow:

	Credible <i>HK\$'000</i>	Koppert <i>HK\$'000</i>	Sky Advantage <i>HK\$'000</i>	Profit Forest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Effective equity interest acquired	100%	100%	85%	85%	
Acquiree's carrying amount	80,498	3,103	(5)	(5)	83,591
Fair value adjustment	<u>567,793</u>	<u>145,509</u>	<u>405,000</u>	<u>1,215,000</u>	<u>2,333,302</u>
	648,291	148,612	404,995	1,214,995	2,416,893
Minority interest	<u>(518,637)</u>	–	<u>(60,749)</u>	<u>(182,249)</u>	<u>(761,635)</u>
Net assets acquired:	129,654	148,612	344,246	1,032,746	1,655,258
Goodwill	10,438	–	6,314	212,805	229,557
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	<u>–</u>	<u>(48,333)</u>	<u>–</u>	<u>–</u>	<u>(48,333)</u>
Total consideration paid	<u>140,092</u>	<u>100,279</u>	<u>350,560</u>	<u>1,245,551</u>	<u>1,836,482</u>
Total consideration satisfied by:					
Cash consideration	140,000	70,000	27,480	82,440	319,920
Fair value of promissory notes	–	30,000	–	–	30,000
Fair value of convertible notes	–	–	163,734	1,003,765	1,167,499
Fair value of consideration shares	–	–	159,120	159,120	318,240
Related expense paid on acquisition	<u>92</u>	<u>279</u>	<u>226</u>	<u>226</u>	<u>823</u>
	<u>140,092</u>	<u>100,279</u>	<u>350,560</u>	<u>1,245,551</u>	<u>1,836,482</u>
Net cash outflow arising on acquisition:					
Cash consideration paid	<u>(140,092)</u>	<u>(70,279)</u>	<u>(27,706)</u>	<u>(82,666)</u>	<u>(320,743)</u>

BUSINESS OVERVIEW

The audited net loss of the Group for the year ended 30 June 2008 amounted to HK\$24,989,000 (2007: profit HK\$9,391,000). The net profit before impairment and exceptional items should be recorded as HK\$298,775,000 after stripping out some non-cash items.

Throughout the past twelve months, a tepid growth of rolling turnover was recorded from VIP rooms opened in three casinos, including Sands Las Vegas, Galaxy Entertainment's StarWorld and Venetian Macao. All revenue from rolling turnover were holding up pretty well up to end of June 2008 and should reflect a holistic performance of these junkets business when it has a full calendar year result in next financial year.

Until the last two months the gaming business was tempered amid a spate of pessimism across the board. Despite ongoing financial market turmoil and a deteriorating outlook for global growth have played, we are still confident that our investment in gaming industry will be a lucrative business if Macao is still only enclave for legitimacy gaming in China. So far, market is wonderful in China and Macao is still a tourism kind of place that is appealing to Mainland China travelers.

At the moment, the Board's strategy is to stay on sideline to see what will happen in gaming business and hinge to customers demand before the upheaval of next economy cycle. We adapt prudent approach unless some investment opportunities can offer fabulous wealth to our shareholders within reasonable risk level. In fact, the Company's financial position has been relatively unscathed by the unfolding global financial crisis, as we had limited exposure in credit crunch and anticipated that our profit in the coming few years will remain stable as secured as most of our previous acquisitions were collateral to certain degree of guarantee profit in those agreements.

GAMING AND ENTERTAINMENT RELATED BUSINESS

Revenue for the commission from rolling turnover for the year was recorded HK\$235,038,232 (2007: Nil), this figure only representing sharing of commission income generated in last quarter of financial year by junkets in Venetian based on 0.4% on gross rolling turnover and a full year commission income collected from junkets operated in Sand, Las Vegas as well. Share of commission in Galaxy Entertainment of Star World was captured in a separate item as share of profit from associates. When compared this year Group revenue to last year, our revenue swelled to HK\$391 million, an increase of 201% mainly maintained a frenetic pace in last year.

Resulting from stellar performance of our investments in gaming related business, this sector had driven up our group revenue significantly higher than last year, that maintained a frenetic pace at peak and expect to slowdown in next year.

MANUFACTURING AND TRADING ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

Revenue for the manufacturing and the trading of electrical equipments and the provision of electrical engineering and contracting services were recorded approximately HK\$119,729,000 (2007: HK\$93,959,000), an increase of 27.4% when compared with last year and approximately representing 30.6 % of the Group's total revenue. Segment result amounted to approximately HK\$11,293,000 (2007: HK\$3,304,000). Contribution from electrical sector, despite an extraordinary income from electrical contracting service sector of approximately HK\$8,636,000, was in shamble as the business was facing a downturn due to spiraling price competition.

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for the year was recorded HK\$36,000,000 (2007: HK\$36,000,000), remain unchanged when compared with last year. It accounted for approximately 9.2% of the Group's total revenue. Segment result amounted to approximately HK\$20,244,000 (2007: HK\$17,851,000). Contribution from cruise rental, hardly any increase when compared with last year. During the year, the upward trend in oil price was sustained, and remain in high level. Combined with the weaker US dollar currency against other currencies, our Group could only report steady income without growth due to the demand for cruise leasing is dwindling. At the balance sheet date, the Group accounted for an decrease in the fair value of HK\$180,000,000 (2007: HK\$200,000,000) based on a professional valuation.

FINANCIAL REVIEW

For the financial year ended 30 June 2008, the Group recorded a turnover of approximately HK\$390,767,000 (2007: HK\$129,959,000), an increase of 201% compared to the previous year.

A net loss of HK\$25 million, or HK5.61 cents (loss) per share, or compared with previous year a net income of HK\$9.4 million, or HK0.34 cents earnings per share. Stripping out the book loss tied to impairment of goodwill, intangible asset incurred for acquisition of junket business in Venetian casino, a net profit before impairment and exceptional items for the year should be approximately HK\$298 million. The Group's loss for the year was approximately HK\$25 million and loss for the year attributable to equity holders of the Company was approximately HK\$149 million as compared to profit of HK\$4.6 million same period last year. The loss was weighted down by some non-cash items:

	<i>HK\$</i>
Reported loss for the year	(24,989,000)
After adding back:	
Impairment loss of goodwill and intangible	381,928,000
Fair value change on financial instruments	(38,521,000)
Fair value change on investment properties	(1,950,000)
Equity-settled share based payment	30,640,000
Negative goodwill	<u>(48,333,000)</u>
Earning before impairment and exceptional items	<u><u>298,775,000</u></u>

Our earning before interest, taxes, depreciation and amortisation (EBITDA) was HK\$4.23 million, as compared with HK\$30.16 million in the previous year, an decrease of 85.97%. Regardless of our strong result of commission income in 2008 it reflects the continued solid performance of all investing activities, the impairment loss on intangible asset and goodwill is overwhelming dent to this figure.

DIVIDENDS

The Directors do not recommend payment of a final dividend in respect of the year ended 30 June 2008 (2007: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK\$379,037,000 as at 30 June 2008 (2007: HK\$103,627,000). Total bank and other borrowings amounted to HK\$867,000 as at 30 June 2008 (2007: HK\$374,000). The total equity of the Group as at year end was HK\$1,997,490,000 (2007: HK\$296,196,000). The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2008, was approximately 50% (2007: 53%).

The total indebtedness of the Group comprises mainly of convertible notes and promissory notes. As at 30 June 2008, the face value of total indebtedness amount to HK\$998,349,000 (2007: HK\$156,228,000), comprising of HK\$210 million dividend payable, HK\$33 million trade and other payables, HK\$0.8 million bank overdraft, HK\$4.3 million tax payable, HK\$50 million deferred tax liabilities, HK\$15 million promissory notes and the fair value of liability component which were HK\$685 million, representing the convertible bond of HK\$846,000,000, with a conversion price of HK\$0.3 per share, HK\$136,000,000, with a conversion price of HK\$0.3 per share. All of which are unsecured, with effective interest rate approximately 5% and maturing on 16 March 2018. Taken into account of two promissory notes amount to HK\$30 million issued for acquiring entire share capital of Koppert International Ltd on 1 August 2007 which are unsecured, bearing an effective interest approximately 8%. Up to 30 June 2008, the remaining HK\$15 million was due on 31 July 2008 and another half had been settled during this financial year.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2008, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the banking facilities (2007: Nil) and fixed deposits of a subsidiary of approximately HK\$214,000 (2007: HK\$68,000) was pledged to general secure banking facilities.

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK\$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2008, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 30 June 2008, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

MATERIAL ACQUISITIONS

On 4 July 2007, the Company acquired the entire issued share capital of Credible Limited (“Credible”) at a total cash consideration of HK\$140,000,000. Credible holds 20% equity interest in Base Move Investments Limited (“Base Move”), which has entered into the profit agreement with Highest Increase Limited to acquire 0.4% of the rolling turnover generated by Huo Wan Entertainment Unipessoal Limitada. The Company has also been granted a call option from Certain Champ for further acquisition of 50% equity interest in Base Move which is considered to be the potential voting right held by the Company. Base Move is therefore accounted for as subsidiary of the Company.

On 1 August 2007, the Company acquired the entire issued share capital of Koppert International Limited (“Koppert”) at a total cash consideration of HK\$100,000,000. Koppert holds a 20% equity interest in Good Omen Enterprises Limited, which has entered into profit agreement with Hoi Seng Sociedade Unipessoal Limitada (“Hoi Seng”) to acquire 0.4% of the rolling turnover generated by Hoi Seng.

On 16 November 2007, the Company entered into two Share Acquisition Agreements, the first one is to acquire from Ultra Choice, 85% equity interest in Profit Forest Limited for a total consideration of HK\$1,144.44 million. The consideration for this Acquisition had been satisfied by paying HK\$82.44 million in cash upon completion, procuring the company to issue the Convertible Bond in principal amount of HK\$846 million to Ultra Choice and to allot and issue the Consideration Shares at an issue price of HK\$0.3 per Consideration Share, credited as fully paid for the balance of the consideration in a sum of HK\$216 million.

On same date, the Company entered into another Share Acquisition Agreement, that is to acquire from Faith Mount, 85% equity interest in Sky Advantage limited for a total consideration of HK\$381.48 million. The consideration for this Acquisition had been satisfied by paying HK\$27.48 million in cash upon completion, procuring the company to issue the Convertible Bond in principal amount of HK\$138 million to Ultra Choice and to allot and issue the Consideration Shares at an issue price of HK\$0.3 per Consideration Share, credited as fully paid for the balance of the consideration in a sum of HK\$216 million.

The Group had shored up sufficient capital to develop this project. Details of the acquisition have been announced in the Company’s circular dated 13 February 2008.

CAPITAL COMMITMENT

On 22 June 2008 and 27 June 2008, Rich Pearl, a wholly-owned subsidiary of the Company, entered into the Share Acquisition Agreement and a Deed of Variation respectively to acquire from Mr. Choi, 100% of the total issued share capital of Best Max for a total consideration of HK\$4,320,000,000.

The consideration for the Acquisition shall be satisfied by Rich Pearl by paying a refundable deposit in a sum of HK\$50,000,000 which were duly paid on 31 July 2008 and another HK\$275,000,000 in cash upon Completion. The Company will issue the Promissory Note in a principal amount of HK\$1.2 billion to Mr. Choi upon Completion and subject to a cap of 19.99% of the issued share capital of the Company from time to time, procuring the Company to allot and issue the relevant number of Consideration Shares credited as fully paid, for the rest of the consideration in a sum of HK\$2.795 billion upon Completion.

The Company is undercapitalized for this project and the dire situation would seriously jeopardize our ability to relent a loan to Mr. Choi if we cannot raise capital resource from the strained financial market. Mr. Choi will contemplate to scale back in this operation subject to our mutual concession.

At 30 June 2008, capital commitment in aggregate for the acquisition is as follow:

	THE GROUP AND THE COMPANY	
	2008	2007
	HK\$'000	HK\$'000
Contracted but not provided for acquisition of:		
– Best Max Ltd	4,320,000	–
– Credible Limited	–	140,000
– Koppert International Limited	–	100,000
	<u>4,320,000</u>	<u>240,000</u>

EMPLOYEES

The Group employs approximately 81 staff in Hong Kong and their 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.

SUBSEQUENT EVENTS

- (a) On 22 June 2008, Rich Pearl Limited (“Rich Pearl”), a wholly owned subsidiary of the Company, entered into a share acquisition agreement with Mr. Choi Tai Wai (“Mr. Choi”) to acquire the entire issued share capital of Best Max Enterprises Limited (“Best Max”) for a total consideration of approximately HK\$4,320,000,000. The main asset of Best Max is the Star Profit Agreement. Under the share acquisition agreement, the consideration shall be settled by Rich Pearl (i) as to HK\$325,000,000 in cash; (ii) as to HK\$1,200,000,000 by procuring the Company to issue the promissory notes to Mr. Choi; and (iii) as to the balance of HK\$2,795,000,000 by procuring the Company to allot and issue 6,211,111,111 consideration shares to Mr. Choi at an issue price of HK\$0.45 per share. For further details, please refer to the Company’s circular dated 26 September 2008.
- (b) On 22 June 2008, the Company entered into a loan agreement with Peak Wing Enterprises Limited (“Peak Wing”), a company wholly owned by Mr. Choi. Subject to successful completion of fund raising exercise by the Company on or before 31 March 2009, the Company shall provide a term loan facility to Peak Wing of an amount of up to HK\$6,000,000,000. The loan will carry interest at the prime lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited in Hong Kong plus 2% per annum.

Pursuant to the loan agreement, within twelve months from the date thereof or such later date as the parties may agree in writing, the Company shall have the right by giving not less than three days’ notice in writing to Peak Wing, to capitalise HK\$200,000,000 of the principal amount of the loan for an allotment and issue of such number of new shares of Peak Wing as representing 99.99% of the enlarged issued share capital of Peak Wing on a fully diluted basis.

CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2008, 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 deviation from Code Provision A.4.1 which is described below:

- 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.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the year under review.

REVIEW OF ANNUAL RESULTS

The annual results for the year have reviewed by the audit committee of the Company. The audit committee has also reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including the review of the Group’s audited annual financial statements for the financial year ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Exchange’s website in due course.

COMPARATIVE FIGURES

Certain items in the consolidated financial statements have been restated to conform with the current year’s presentation.

BOARD OF DIRECTORS

As at the date of this 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 executive Directors), Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Wong Tat Tung (all independent non-executive Directors).

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

Hong Kong, 26 November 2008