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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 2009

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 2009 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Note	2009 HK\$'000	2008 HK\$'000 (restated)
Continuing operations:			
Turnover	3	463,268	271,038
Cost of sales		<u>(17,216)</u>	<u>(17,843)</u>
Gross profit		446,052	253,195
Other revenue	4	71,184	12,714
Other net (loss)/income	5	(2,614)	90,920
General and administrative expenses		(13,303)	(12,203)
Equity-settled share-based payment expenses		–	(30,640)
Impairment of intangible assets	10	(261,800)	(171,000)
Impairment of goodwill		<u>–</u>	<u>(210,928)</u>
Profit/(loss) from operations		239,519	(67,942)
Share of results of associate		12,766	42,470
Finance costs	6(a)	(29,951)	(9,705)
Profit/(loss) before taxation	6	222,334	(35,177)
Income tax	7(a)	3,093	714
Profit/(loss) for the year from continuing operations		225,427	(34,463)
Discontinued operations:			
Profit for the year from discontinued operations	8	7,495	9,474
Loss on disposal of subsidiaries, net of tax of HK\$Nil	13	(15,222)	–
		<u>(7,727)</u>	<u>9,474</u>
Profit/(loss) for the year		217,700	(24,989)

	<i>Note</i>	2009 HK\$'000	2008 HK\$'000 (restated)
Attributable to			
– Equity shareholders of the Company		42,590	(149,514)
– Minority interests		175,110	124,525
		<u>217,700</u>	<u>(24,989)</u>
Profit/(loss) for the year		<u>217,700</u>	<u>(24,989)</u>
Earnings/(loss) per share – basic			
– From continuing and discontinued operations	<i>9(a)</i>	<u>1.11 cents</u>	<u>(5.61) cents</u>
– From continuing operations		<u>1.35 cents</u>	<u>(5.89) cents</u>
– From discontinued operations		<u>(0.24) cents</u>	<u>0.28 cents</u>
Earnings/(loss) per share – diluted			
– From continuing and discontinued operations	<i>9(b)</i>	<u>1.14 cents</u>	<u>(5.61) cents</u>
– From continuing operations		<u>1.27 cents</u>	<u>(5.89) cents</u>
– From discontinued operations		<u>(0.13) cents</u>	<u>0.28 cents</u>

CONSOLIDATED BALANCE SHEET

At 30 June 2009

		2009		2008	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment			120,808		142,880
Investment properties			31,527		30,500
Prepaid land premiums			–		4,662
Intangible assets	10		1,754,993		2,016,793
Goodwill			10,483		10,483
Interest in an associate			133,928		148,617
			<u>2,051,739</u>		<u>2,353,935</u>
Current assets					
Securities held for trading			345		282
Inventories			–		16,968
Loan receivables			–		6,000
Amount due from a related company			–		710
Trade and other receivables	11		428,571		388,033
Derivative financial instruments			–		145,328
Amounts due from customers for contract work			–		2,211
Dividend receivable from an associate			27,455		42,470
Pledged bank deposits			–		214
Cash at securities companies			264		264
Cash and bank balances			40,122		39,424
			<u>496,757</u>		<u>641,904</u>
Less: Current liabilities					
Bank overdrafts			–		867
Promissory notes			–		15,000
Trade and other payables	12		33,353		26,842
Amounts due to customers for contract work			–		5,741
Dividend payable to minority shareholders			209,447		210,153
Income tax payable			2,667		4,264
			<u>245,467</u>		<u>262,867</u>
Net current assets			<u>251,290</u>		<u>379,037</u>
Total assets less current liabilities			<u>2,303,029</u>		<u>2,732,972</u>

	2009		2008	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Less: Non-current liabilities				
Deferred tax liabilities	32,317		50,089	
Convertible notes	492,440		685,393	
		<u>524,757</u>		<u>735,482</u>
Net assets		<u>1,778,272</u>		<u>1,997,490</u>
Capital and reserves				
Share capital		769,449		769,449
Reserves		364,626		536,446
Equity attributable to equity shareholders of the Company		<u>1,134,075</u>		<u>1,305,895</u>
Minority interests		644,197		691,595
Total equity		<u>1,778,272</u>		<u>1,997,490</u>

Notes:

1. BASIS OF PREPARATION

(i) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the List of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(ii) Basis of preparation of the financial statements

(i) *Basis of measurement*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment properties;
- financial instruments classified as available-for-sale or as trading investments; and
- derivative financial instruments.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

(ii) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (“functional currency”). These consolidated financial statements are presented in Hong Kong dollars (“presentation currency”), which is the Company’s functional currency. All financial information presented in Hong Kong dollars (“HK\$”) has been rounded to the nearest thousand, except unless otherwise stated.

(iii) *Use of estimates and judgement*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate 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.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- HK(IFRIC) 11 “*HKFRS 2 – Group and Treasury Share Transactions*”
- HK(IFRIC) 12 “*Service Concession Arrangements*”
- HK(IFRIC) 14 “*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*”
- Amendments to HKAS 39 “*Financial Instruments: Recognition and Measurement*” and HKFRS 7 “*Financial Instruments: Disclosures*” – *Reclassification of financial assets*
- Amendments to HK(IFRIC) 9 “*Reassessment of Embedded Derivatives*” and HKAS 39 “*Financial Instruments: Recognition and Measurement*” – *Embedded derivatives*

These HKFRS developments have had no material impact on the Group’s financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group’s and the Company’s operations.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group’s or the Company’s results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKFRS 8 “ <i>Operating segments</i> ”	1 January 2009
HKAS 1 (revised) “ <i>Presentation of financial statements</i> ”	1 January 2009

3. TURNOVER AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are leasing of the 70% owned cruise and receiving the profit streams from gaming and entertainment related business. The Group’s manufacturing and trading of electrical equipment and provision of electrical engineering and contracting services were discontinued during the year.

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:

Continuing operations:

- the gaming and entertainment segment consisted of the receive of profit streams from gaming and entertainment related business; and
- the cruise leasing segment consisted of the leasing and management of the cruise.

Discontinued operations:

- The sale of electrical equipments segment consisted of the manufacture and trading of electrical equipments; and
- 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

For the year ended 30 June 2009

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Gaming and entertainment HK\$'000	Cruise leasing HK\$'000	Sub-total HK\$'000	Sale of electrical equipments HK\$'000	Electrical engineering and contracting services HK\$'000	Sub-total HK\$'000	
Segment turnover:							
Sales/services to external customers	<u>433,268</u>	<u>30,000</u>	<u>463,268</u>	<u>86,423</u>	<u>23,267</u>	<u>109,690</u>	<u>572,958</u>
Segment results	240,152	12,737	252,889	9,052	(33)	9,019	261,908
Unallocated operating income and expenses			(13,370)			(82)	(13,452)
Share of results of associate	12,766	-	12,766	-	-	-	12,766
Finance costs			(29,951)			-	(29,951)
Profit before taxation			222,334			8,937	231,271
Income tax			3,093			(1,442)	1,651
Profit for the year			<u>225,427</u>			<u>7,495</u>	<u>232,922</u>
Segment assets	2,297,218	129,285	2,426,503	-	-	-	2,426,503
Unallocated assets							121,993
Total assets							<u>2,548,496</u>
Segment liabilities	24	23,571	23,595	-	-	-	23,595
Unallocated liabilities							492,440
– convertible notes							492,440
– dividend payable to minority shareholders							209,447
– others							44,742
Total liabilities							<u>770,224</u>

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Gaming and entertainment HK\$'000	Cruise leasing HK\$'000	Sub-total HK\$'000	Sale of electrical equipments HK\$'000	Electrical engineering and contracting services HK\$'000	Sub-total HK\$'000	
Other segment information:							
Capital expenditure	-	-	-	34	-	34	34
Unallocated amounts							28
							<u>62</u>
Depreciation and amortisation	-	17,216	17,216	303	-	303	17,519
Unallocated amounts							282
							<u>17,801</u>
Other non-cash expenses:							
Write-down of inventories	-	-	-	723	-	723	
Impairment of intangible assets	261,800	-	261,800	-	-	-	

For the year ended 30 June 2008

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Gaming and entertainment HK\$'000	Cruise leasing HK\$'000	Sub-total HK\$'000	Sale of electrical equipments HK\$'000	Electrical engineering and contracting services HK\$'000	Sub-total HK\$'000	
Segment turnover:							
Turnover from external customers	<u>235,038</u>	<u>36,000</u>	<u>271,038</u>	<u>93,352</u>	<u>26,377</u>	<u>119,729</u>	<u>390,767</u>
Segment results	(93,352)	20,244	(73,108)	7,610	3,683	11,293	(61,815)
Unallocated operating income and expenses			35,806			26	35,832
Equity-settled share-based payment expenses			(30,640)			–	(30,640)
Share of results of associate	42,470	–	42,470	–	–	–	42,470
Finance costs			<u>(9,705)</u>			<u>–</u>	<u>(9,705)</u>
Loss before taxation			(35,177)			11,319	(23,858)
Income tax			<u>714</u>			<u>(1,845)</u>	<u>(1,131)</u>
Net loss for the year			<u>(34,463)</u>			<u>9,474</u>	<u>(24,989)</u>
Segment assets	2,550,528	170,928	2,721,456	74,354	11,297	85,651	2,807,107
Unallocated assets							<u>188,732</u>
Total assets							<u>2,995,839</u>
Segment liabilities	24	24	48	16,586	8,278	24,864	24,912
Unallocated liabilities							685,393
– convertible notes							210,153
– dividend payable to minority shareholders							<u>77,891</u>
– others							
Total liabilities							<u>998,349</u>

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Gaming and entertainment HK\$'000	Cruise leasing HK\$'000	Sub-total HK\$'000	Sale of electrical equipments HK\$'000	Electrical engineering and contracting services HK\$'000	Sub-total HK\$'000	
Other segment information:							
Capital expenditure	2,187,793	254	2,188,047	3,533	–	3,533	2,191,580
Unallocated amounts							789
							<u>2,192,369</u>
Depreciation and amortisation	–	17,914	17,914	299	–	299	18,213
Unallocated amounts							173
							<u>18,386</u>
Other non-cash expenses:							
Write-down of inventories	–	–	–	547	–	547	
Impairment loss recognised in respect of trade receivables	–	–	–	87	270	357	
Impairment of intangible assets	171,000	–	171,000	–	–	–	
Impairment of goodwill	210,928	–	210,928	–	–	–	

(b) Geographical segments

The Group's business operates in two principal geographical areas – Hong Kong and Macau. In presenting information on the basis of geographical segments, segment turnover is based on the location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Macau	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover from external customers	<u>139,690</u>	<u>155,729</u>	<u>433,268</u>	<u>235,038</u>
Segment assets	<u>251,278</u>	<u>445,311</u>	<u>2,297,218</u>	<u>2,550,528</u>
Capital expenditure incurred during the year	<u>62</u>	<u>4,576</u>	<u>–</u>	<u>2,187,793</u>

4. OTHER REVENUE

An analysis of the Group's other revenue is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations:		
Bank interest income	10	2,119
Other interest income	42	9,105
	52	11,224
Dividend income from listed investments	–	21
Compensations from the vendors for shortfall in guaranteed profits (see note (b) below)	71,132	1,445
Sundry income	–	24
	71,184	12,714
Discontinued operations (note 8):		
Bank interest income	206	413
Commission income	88	59
Sundry income	535	396
	829	868
Total	72,013	13,582

Notes:

(a) Total interest income on financial assets not at fair value through profit or loss as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations	52	11,224
Discontinued operations	206	413
	258	11,637

(b) Pursuant to the profit guarantee agreements in respect of 85% equity interests in Sky Advantage Limited ("Sky Advantage") and Profit Forest Limited ("Profit Forest"), the Group is entitled to receive compensations from vendors for Sky Advantage's and Profit Forest's failure to achieving a predetermined guaranteed profits for the period up to 31 December 2010.

During the years ended 30 June 2009 and 2008, profit generated from Sky Advantage and Profit Forest did not meet the profit guarantee under the relevant profit guarantee agreements, and accordingly the Group claimed the compensations from the vendors for shortfall in guarantee profits of Sky Advantage and Profit Forest.

5. OTHER NET (LOSS)/INCOME

An analysis of the Group's other net (loss)/income is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations:		
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	–	48,333
Fair value changes on investment properties	1,027	1,950
Fair value changes on securities held for trading	63	2,116
Fair value changes on derivative financial instruments	(112,602)	38,521
Gain on redemption of convertible notes	108,898	–
	<u>(2,614)</u>	<u>90,920</u>

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations:		
Interest on bank overdrafts wholly repayable within five years	–	13
Imputed interest expense on convertible notes	29,951	9,692
	<u>29,951</u>	<u>9,705</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>29,951</u>	<u>9,705</u>

(b) Staff costs (including directors' remuneration)

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations:		
Contributions to defined contribution retirement plan	109	114
Equity-settled share-based payment expenses	–	30,640
Salaries and other benefits	6,722	4,774
	<u>6,831</u>	<u>35,528</u>
Discontinued operations (Note 8):		
Contributions to defined contribution retirement plan	535	540
Salaries, wages and other benefits	13,599	14,240
	<u>14,134</u>	<u>14,780</u>
Total staff costs	<u>20,965</u>	<u>50,308</u>

(c) **Other items**

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations:		
Auditors' remuneration		
– audit services	650	650
Depreciation of property, plant and equipment	17,498	17,964
Loss on disposal of property, plant and equipment	631	2,958
Operating lease charges in respect of land and buildings	1,142	1,556
Discontinued operations (Note 8):		
Amortisation of land lease premiums	123	123
Depreciation of property, plant and equipment	180	299
Operating lease rentals in respect of land and buildings	–	121
Auditors' remuneration		
– audit services	227	218
Impairment loss recognised in respect of trade receivables	–	357
Reversal of impairment loss recognised in respect of trade receivables	–	(246)
Write-down of inventories	723	547
Cost of inventories	56,410	60,147
	<u>56,410</u>	<u>60,147</u>

7. **INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT**

(a) **Continuing operations**

Income tax in the consolidated income statement represents:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	178	–
Deferred tax:		
Origination and reversal of temporary differences	(3,271)	(646)
Effect on deferred tax balances at 1 July resulting from a change in tax rate	–	(68)
	<u>(3,271)</u>	<u>(714)</u>
	<u>(3,093)</u>	<u>(714)</u>

No provision for Hong Kong Profits Tax and other income taxes has been made as the companies comprising the continuing operations did not have estimated assessable profits subject to any income tax in Hong Kong and other tax jurisdictions concerned during the years ended 30 June 2009 and 2008.

(b) Discontinued operations

Income tax in the note 8 represents:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	1,410	1,839
Over-provision in respect of prior years	(50)	–
	1,360	1,839
Deferred tax:		
Origination and reversal of temporary differences	82	6
	1,442	1,845

The provision for Hong Kong Profit Tax for the year ended 30 June 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits of the companies comprising the discontinued operations for the year.

8. DISCONTINUED OPERATIONS

During the year ended 30 June 2009, the Group's manufacturing and trading of electrical equipment and provision of electrical engineering and contracting services were discontinued following the disposal of the Group's 80% equity interests in Linfield International Limited and its subsidiaries (the "Linfield Group") to an independent third party, resulting in a loss on disposal of approximately HK\$15,222,000 (see note 13).

The results of the discontinued operations for the years ended 30 June 2009 and 2008 were as follows:

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	3	109,690	119,729
Cost of sales		(91,767)	(98,356)
Gross profit		17,923	21,373
Other revenue	4	829	868
Selling and distribution expenses		(1,630)	(1,771)
General and administrative expenses		(8,185)	(9,151)
Profit from operations		8,937	11,319
Finance costs		–	–
Profit before taxation	6	8,937	11,319
Income tax	7(b)	(1,442)	(1,845)
Profit for the year		7,495	9,474

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average of approximately 3,847,245,000 ordinary shares (2008: 2,666,172,000 ordinary shares) in issue during the year, calculated as follows:

(i) Profit/(loss) attributable to ordinary equity shareholders of the Company

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations	51,816	(157,093)
Discontinued operations	(9,226)	7,579
	42,590	(149,514)
	2009 <i>'000</i>	2008 <i>'000</i>

(ii) Weighted average number of ordinary shares

Issued ordinary shares at 1 July	3,847,245	1,439,763
Effect of share issued under open offer	–	704,146
Effect of shares issued under share placement	–	223,246
Effect of share issued for acquisition of subsidiaries	–	299,017
	3,847,245	2,666,172
Weighted average number of ordinary shares at 30 June	3,847,245	2,666,172

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the consolidated profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of approximately 6,704,222,000 (2008: 2,666,172,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

(i) Profit/(loss) attributable to equity shareholders of the Company (diluted)

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
From continuing and discontinued operations:		
Profit attributable to equity shareholders	42,590	(149,514)
After tax effect of effective interest on liability component of convertible bonds	33,655	–*
Profit attributable to equity shareholders (diluted)	76,245	(149,514)
Attributable to:		
Continuing operations	85,471	(157,093)
Discontinued operation	(9,226)	7,579
	76,245	(149,514)

(ii) *Weighted average number of ordinary shares (diluted)*

	2009	2008
	Shares	<i>Shares</i>
	'000	<i>'000</i>
Weighted average number of ordinary shares at 1 July	3,847,245	2,666,172
Effect of conversion of convertible bonds	2,856,977	–*
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June	6,704,222	2,666,172
	<hr/> <hr/>	<hr/> <hr/>

* Diluted loss per share for the year ended 30 June 2008 was the same as basic loss per share because (i) the average market price of ordinary shares, at no time during the year, exceeds the exercise price of the share options, therefore, the exercise of share options would be anti-dilutive, and (ii) the effect of the Company's outstanding convertible notes were anti-dilutive.

10. INTANGIBLE ASSETS

THE GROUP

	Rights in sharing of profit streams	Development cost	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:			
At 1 July 2007	–	4,673	4,673
Additions on acquisition of subsidiaries	2,187,793	–	2,187,793
	<hr/>	<hr/>	<hr/>
At 30 June 2008	2,187,793	4,673	2,192,466
	<hr/>	<hr/>	<hr/>
At 1 July 2008	2,187,793	4,673	2,192,466
Disposals through disposal of subsidiaries	–	(4,673)	(4,673)
	<hr/>	<hr/>	<hr/>
At 30 June 2009	2,187,793	–	2,187,793
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment losses:			
At 1 July 2007	–	4,673	4,673
Impairment loss recognised for the year	171,000	–	171,000
	<hr/>	<hr/>	<hr/>
At 30 June 2008	171,000	4,673	175,673
	<hr/>	<hr/>	<hr/>
At 1 July 2008	171,000	4,673	175,673
Impairment loss recognised for the year	261,800	–	261,800
Written back on disposals	–	(4,673)	(4,673)
	<hr/>	<hr/>	<hr/>
At 30 June 2009	432,800	–	432,800
	<hr/>	<hr/>	<hr/>
Carrying amount:			
At 30 June 2009	1,754,993	–	1,754,993
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2008	2,016,793	–	2,016,793
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, and related to gaming and entertainment segment.

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

	Hou Wan Profit Agreement HK\$'000	Neptune Ouro Profit Agreement HK\$'000	Hao Cai Profit Agreement HK\$'000	Total HK\$'000
Fair value during acquisition	567,793	405,000	1,215,000	2,187,793
Impairment loss recognised for the year	—	(43,000)	(128,000)	(171,000)
At 30 June 2008 and 1 July 2008	567,793	362,000	1,087,000	2,016,793
Impairment loss recognised for the year	—	(65,200)	(196,600)	(261,800)
At 30 June 2009	<u>567,793</u>	<u>296,800</u>	<u>890,400</u>	<u>1,754,993</u>

Impairment tests for intangible assets with indefinite lives

The recoverable amount of the intangible assets with indefinite lives is determined based on value-in-use calculations by reference to the valuation report issued by Messrs. Ascent Partners Transaction Services Limited (“Ascent Partners”) (2008: Messrs. BMI Appraisals Limited (“BMI”)), independent qualified professional valuers. These calculations use cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flows beyond the five-year periods are extrapolated using a steady 2.85% (2008: 2.00%) growth rate, which does not exceed the long-term average growth rate for gaming industry. The cash flows are discounted using a discount rate of 14.02% (2008: 16.77%). The discount rate used are pre-tax and reflect specific risks relating to the gaming and entertainment segment.

The impairment loss of approximately HK\$261,800,000 (2008: HK\$171,000,000) recognized during the year solely relates to the Group’s gaming and entertainment segment. The main factor contributing to the impairment was that the profit generated from Sky Advantage and Profit Forest, non-wholly owned subsidiaries of the Company, did not meet the profit guarantee under the Neptune Ouro Profit Agreement and Hao Cai Profit Agreement, respectively. As the intangible assets have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

11. TRADE AND OTHER RECEIVABLES

Included in the Group’s trade and other receivables are trade receivables (net of provision for impairment loss) with the following aging analysis as of the balance sheet date:

	THE GROUP	
	2009	2008
	HK\$'000	HK\$'000
0 – 30 days	23,434	61,900
31 – 60 days	28,889	58,783
61 – 90 days	28,054	36,799
Over 90 days	224,891	208,392
	<u>305,268</u>	<u>365,874</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.

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aging analysis as of the balance sheet date:

	THE GROUP	
	2009	2008
	HK\$'000	HK\$'000
0 – 30 days	–	4,975
31 – 60 days	–	5,730
61 – 90 days	–	2,490
Over 90 days	–	67
	<hr/>	<hr/>
	–	13,262
	<hr/> <hr/>	<hr/> <hr/>

13. DISPOSAL OF SUBSIDIARIES

During the year ended 30 June 2009, the Group disposed of a 80% equity interest in the Linfield Group to an independent third party at a consideration of HK\$40,000,000, resulting in a loss of approximately HK\$15,222,000 on this disposal.

Details of the net assets disposed of in respect of the disposal of Linfield Group are summarised below:

	2009
	HK\$'000
Net assets disposed of	
Property, plant and equipment	3,825
Prepaid land premiums	4,661
Development cost	–
Inventories	15,387
Trade receivables, net of impairment losses	31,441
Other receivables, deposits and prepayments	296
Amounts due from customers for contract work	1,546
Pledged bank deposits	214
Cash and bank balances	30,703
Bank overdrafts	(162)
Trade payables	(9,016)
Accruals and other payables	(3,094)
Amounts due to customers for contract work	(4,669)
Income tax payable	(2,649)
Deferred tax liabilities	(200)
Minority interests	(13,061)
	<hr/>
	55,222
Loss on disposal subsidiaries	(15,222)
	<hr/>
Cash consideration	40,000
	<hr/> <hr/>
Analysis of net inflow of cash and cash equivalents in respect of disposed of subsidiaries	
Cash consideration received	40,000
Cash and cash equivalents disposed of	(30,541)
	<hr/>
	9,459
	<hr/> <hr/>

The impact of Linfield Group on the Group's results in the current and prior years are disclosed in note 8.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2009 amounted to approximately HK\$217,700,000 (2008: loss HK\$24,989,000) after impairment of intangible assets which amount to approximately HK\$261,800,000 (2008: HK\$171,000,000).

Macao tourism started rebounding in July of this year showing some stabilization in gaming business after battered by financial crisis, a tough year 2008. Macao enjoyed a surge of casino revenue growth in third quarter of this year after a string of positive news from local government to bolster the revival of economy.

It is premature to suggest broader market rally has arrived now. Even though our firm's gaming sector showed positive results but the current obstacles include shaky economy and regulations regarding visa restriction from China to Macao effective from 1 October this year and increased competition from Singapore vying to become another attraction resort early next year always doubt the boost of Macao will last into next year and we cannot ascertain whether we out of the wood yet.

GAMING RELATED BUSINESS

Revenue for the commission from rolling turnover for the year was recorded approximately HK\$433,268,000 (2008: HK\$235,038,000). The strong revenue growth is only due to a low comparison base effect because this year figure comprises of full year commission income derived from junkets' business, which equal to 0.4% on gross rolling turnover, operated in Sands, Las Vegas and The Venetian as compare last year which was a partial year. Share of commission in Galaxy Entertainment of Star World was captured in a separate item as share of profit from associated companies. Extra caution is advised to all in projecting next year's revenue. Outside influences beyond control of the company could and may affect our continued growth. The company will make every effort to proper conduct its business in such a manner that the end result will be growth.

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

During the year, we sold 80% of our equity interest in the Linfield Group to an independent third party at cash consideration of HK\$40,000,000, resulting in a loss of approximately HK\$15,222,000 on this disposal.

The Directors expect that the global electrical equipment market in the near future will still be affected by the downturn of the global economic environment. As mentioned in our previous reports, in order to shore up more liquidity and maintain a competitive edge under the tough economic environment, the Group has decided to dispose this business segment in 2009. The Disposal is in line with the restructuring plan of the Group and is an opportunity for the Group to dispose this company at a reasonable price. In addition, the Group can have additional funding from the proceeds from the Disposal to prepare for the challenging business environment in the near future.

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for the year was recorded HK\$30,000,000 (2008: HK\$36,000,000) when compared with last year. It accounted for approximately 6.5% (2008:13.3%) of the Group's total turnover. Segment result amounted to approximately HK\$12,737,000 (2008: HK\$20,244,000). Contribution from cruise rental, an decrease of HK\$7,507,000 when compared with last year. Last year rental business was hurt by lower demand in weakening market, falling prices, as well as continued high raw material cost. Amid further the sign of weaker economy by end of last year, we reduce our monthly leasing charge that ultimately lower our profit margin.

FINANCIAL REVIEW

For the financial year ended 30 June 2009, the Group recorded a turnover of approximately HK\$463,268,000 (2007: HK\$271,038,000), an increase 70.92% compared to the previous year.

A profit attributable to equity shareholders of the Company is approximately HK\$42,590,000, or HK\$1.11 cents (profit) a share, or compared with previous year net loss of approximately HK\$149,514,000, or HK\$5.61 cents (loss) a share. Up to year 2009, the accumulated impairment loss of goodwill and intangible asset after acquisition of junket business in Venetian were in total of HK\$644 million. Bombarded by so much negative news relating to China's tighten visa restriction, it was against all our prediction to the contrary, the business went down and failed to achieve a predetermined revenue which resulted to compensations from the vendors for shortfall in guaranteed profit in total amount of HK\$71 million during this year.

Our earning before interest, taxes, depreciation and amortisation (EBITDA) was HK\$263,801,000, up from HK\$4,233,000 for the previous year, an increase of 613.2%. Regardless our strong result of commission income in 2009 reflects the continued solid performance of all investing activities, the impairment loss on intangible asset and goodwill is overwhelming dent to this figure.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 30 June 2009 (2008: Nil).

CAPITAL STRUCTURE

As at 30 June 2009, the total issued share capital of the Company was HK\$769,448,900 divided into 3,847,244,500 ordinary shares of HK\$0.2 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK\$251,290,000 as at 30 June 2009 (2008: HK\$379,037,000). There are no bank and other borrowings as at 30 June 2009 (2008: HK\$867,000). The total equity of the Group as at year end was HK\$1,778,272,000 (2008: HK\$1,997,490,000). The gearing ratio, calculated on the basis of total debt (comprises bank overdrafts, promissory notes and convertible notes) over total shareholders' funds as at 30 June 2009, was approximately 43.42% (2008: 53.7%).

The total liabilities of the Group comprises mainly of convertible notes. As at 30 June 2009, the face value of total liabilities amount to approximately HK\$770,224,000 (2008: HK\$998,349,000), comprising of HK\$210 million dividend payable, HK\$33 million trade payable and other payable, HK\$2.7 million tax payable, HK\$32.3 million deferred tax liabilities and the liability component of convertible notes which were HK\$492 million. The convertible notes are unsecured, with effective interest rate approximately 5% and maturing on 16 March 2018. The remaining half of promissory notes amount to HK\$15 million issued for acquiring entire share capital of Koppert International Ltd on 1 August 2007 also had been settled during this financial year and there were no more outstanding promissory notes.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2009, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (2008: HK\$Nil).

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 2009, 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 2009, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

CAPITAL COMMITMENT

On 22 June 2008 and 27 June 2008, Rich Pearl Enterprises Limited ("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 Limited ("Best Max") for a total consideration of HK\$4,320,000,000.

However, as a result of the current worldwide financial crisis coupled with the PRC Government's travel restrictions on PRC nationals to Macau, it has become apparent to the Company and Mr. Choi that the original terms of the Share Acquisition Agreement require amendment. On 31 March 2009, the parties to the Share Acquisition Agreement entered into the Acquisition Agreement Deed of Termination to terminate the Share Acquisition Agreement. On the same day, Rich Pearl entered into the New Share Acquisition Agreement. Under the New Share Acquisition Agreement, Rich Pearl will acquire from Mr. Choi 100% of the total issued share capital of Best Max, the total consideration of which will be HK\$57,708,000. The consideration for the New Acquisition shall be satisfied by Rich Pearl in cash from internal resources.

Best Max is an investment holding company and is wholly owned by Mr. Choi. The main asset of Best Max will be 10% of the Star Profit, the profit stream acquired by it under the New Star Profit Agreement.

The consideration for the new Acquisition agreement was paid by Rich Pearl as refundable deposit in a sum of HK\$50,000,000 which were duly paid on 31 July 2008 and another HK\$7,708,000 in cash upon Completion.

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

	THE GROUP AND THE COMPANY	
	2009	2008
	HK\$'000	HK\$'000
Contracted but not provided for acquisition of:		
– Best Max Ltd	7,708	4,320,000
	7,708	4,320,000

EMPLOYEES

The Group employs approximately 78 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 EVENT

- (a) On 31 March 2009, Rich Pearl Limited (“Rich Pearl”), a wholly owned subsidiary of the Company, entered into a new 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\$57,708,000. The main asset of Best Max is the Star Profit Agreement. Under this new share acquisition agreement, the consideration shall be settled by Rich Pearl in cash. At 30 June 2009, the Group recorded a desposit of HK\$50,000,000 for such acquisition as included in trade and other receivables under the current assets in the consolidated balance sheet. Subsequent to the balance sheet date, the acquisition was completed.
- (b) On 15 July 2009, the Group entered into a conditional subscription agreement with Heritage International Holdings Limited (“Heritage”), a company incorporated in Bermuda with limited liability and the shares of which are listed on The Stock Exchange of Hong Kong Limited, to subscribe a zero coupon convertible note due 2012 to be issued by Heritage in the principal amount of HK\$100 million (the “Heritage Convertible Note”), the subscription price of which will be satisfied by the Group by the issue of the convertible note due 2012 in the principal amount of HK\$100 million by the Company (the “Neptune Convertible Note”). Further details of such subscription are set out in the Company’s announcement dated 17 July 2009 (the “Announcement I”).

Assuming that the Heritage Convertible Note is converted in full at the initial conversion price of HK\$0.96 per Heritage Share (“Heritage Conversion Price”), subject to adjustments, a total of 104,166,666 ordinary shares of HK\$0.10 each of Heritage (“Heritage Shares”) will be issued, representing approximately 33.96% of the entire issued share capital of Heritage as at the date of the Announcement I and approximately 25.35% of the entire issued share capital of Heritage as enlarged by the issue of such Heritage Shares.

The Neptune Convertible Note, on the other hand, if fully converted at the initial conversion price of HK\$0.13 per ordinary share of the Company (“Neptune Conversion Price”), will give rise to an issue of 769,230,769 ordinary shares of the Company, representing approximately 19.99% of the entire issued share capital of the Company as at the date of the Announcement I and approximately 16.66% of the entire issued share capital of the Company as enlarged by the issue of such shares.

On 7 September 2009, the Company and Heritage entered into a supplemental agreement (the “Neptune Supplemental Agreement”) to amend certain terms of the Neptune Convertible Note and another supplemental agreement (the “Heritage Supplemental Agreement”) to amend certain terms of the Heritage Convertible Note. Further details of these amendments are set out in the Company’s announcement dated 8 September 2009 (the “Announcement II”). The major amended terms are summarized as follows:

- (i) both the principal amount of the Neptune Convertible Note and the Heritage Convertible Note is reduced from HK\$100 million to HK\$90 million;
 - (ii) the initial Neptune Conversion Price is reduced from HK\$0.13 to HK\$0.117 per ordinary share of the Company;
 - (iii) the initial Heritage Conversion Price is reduced from HK\$0.96 to HK\$0.76 per ordinary share of Heritage;
 - (iv) assuming that the Neptune Convertible Note is converted in full at the revised initial Neptune Conversion Price, subject to adjustments, a total of 769,230,769 ordinary shares of the Company will be issued, representing approximately 19.99% of the entire issued share capital of the Company as at the date of the Announcement II and approximately 16.66% of the entire issued share capital of the Company as enlarged by the issue of such shares; and
 - (v) assuming that the Heritage Convertible Note is converted in full at the revised initial Heritage Conversion Price, subject to adjustments, a total of 118,421,052 Heritage Shares will be issued, representing approximately 38.60% of the entire issued share capital of Heritage as at the date of the Announcement II and approximately 27.85% of the entire issued share capital of Heritage as enlarged by the issue of such Heritage Shares.
- (c) By a special resolution passed on 7 October 2009, the following changes became effective on 8 October 2009.
- the authorized share capital of the Company was reduced from HK\$10,000,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.20 each to HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each (the “Reduced Shares”); and

- such capital reduction was effected by cancelling HK\$0.19 of the paid up capital on each issued share and reducing the nominal value of each issued or unissued share in the capital of the Company from HK\$0.20 per ordinary share to HK\$0.01 per Reduced Share.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2009, 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 2009.

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 and Mr. Wan Yau Shing, Ban (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, 28 October 2009