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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

The board of directors (the “Board”) of Neptune Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2009 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009 (in HK Dollars)

	Notes	Six months ended 31 December	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) (restated) HK\$'000
Turnover	3	195,890	280,655
Cost of sales		(8,608)	(4,255)
Gross profit		187,282	276,400
Other revenue		68,955	3,923
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost		40,738	–
Administrative expenses		(4,346)	(10,100)
Share of results of an associate		(76,590)	22,068
Gain on redemption of convertible notes		40,776	20,368
Impairment loss of intangible assets		(154,600)	(495,400)
Fair value charges on derivative financial instruments		–	(124,976)
Fair value changes on financial assets at fair value through profit or loss		257	(199)
Profit/(loss) from operations		102,472	(307,916)
Finance costs	5	(8,841)	(16,654)
Profit/(loss) before taxation	4	93,631	(324,570)
Income tax credit	6(a)	1,052	2,009
Net profit/(loss) for the period from continuing operations		94,683	(322,561)
Discontinued operations:			
Profit for the period from discontinued operations	7	–	3,961
Profit/(loss) for the period		94,683	(318,600)
Other comprehensive income/(loss) for the period		–	–
Total comprehensive income/(loss) for the period		94,683	(318,600)

		Six months ended	
		31 December	
		2009	2008
		(Unaudited)	(Unaudited)
			(restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Attributable to:			
– Minority interests		65,253	49,552
– Equity holders of the Company		29,430	(368,152)
		<u>94,683</u>	<u>(318,600)</u>
Net profit/(loss) and total comprehensive income/(loss) for the period			
		<u>94,683</u>	<u>(318,600)</u>
Dividend	8	<u>–</u>	<u>–</u>
Earnings/(loss) per share attributable to equity holders of the Company			
Basic			
– From continuing and discontinued operations	9(a)	0.76 cents	(9.57 cents)
– From continuing operations		0.76 cents	(9.65 cents)
– From discontinued operations		–	8 cents
Diluted			
– From continuing and discontinued operations	9(b)	(0.06 cents)	(9.57 cents)
– From continuing operations		(0.06 cents)	(9.65 cents)
– From discontinued operations		–	8 cents
		<u>–</u>	<u>8 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2009 (in HK Dollars)

		31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		112,179	120,808
Investment properties		31,527	31,527
Note receivables		90,000	–
Interest in an associate		57,338	133,928
Intangible assets		1,691,693	1,754,993
Goodwill		10,483	10,483
		<u>1,993,220</u>	<u>2,051,739</u>
Current assets			
Trade and other receivables	10	391,800	378,571
Deposit for acquisition of a subsidiary		–	50,000
Securities held for trading		602	345
Dividend receivable from an associate		27,455	27,455
Derivative financial instruments		–	–
Cash at securities companies		264	264
Cash and bank balances		9,665	40,122
		<u>429,786</u>	<u>496,757</u>
Total assets		<u><u>2,423,006</u></u>	<u><u>2,548,496</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		38,472	769,449
Reserves		1,020,789	364,626
		<u>1,059,261</u>	1,134,075
Minority interests		709,450	644,197
Total equity		<u><u>1,768,711</u></u>	<u><u>1,778,272</u></u>

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
<i>Notes</i>		
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	18,723	32,317
Convertible notes	298,027	492,440
Other convertible notes	90,000	–
	<u>406,750</u>	<u>524,757</u>
Current liabilities		
Accruals and other payables	35,609	33,353
Dividend payable to minority shareholders	209,447	209,447
Tax payable	2,489	2,667
	<u>247,545</u>	<u>245,467</u>
Total liabilities	<u>654,295</u>	<u>770,224</u>
Total equity and liabilities	<u>2,423,006</u>	<u>2,548,496</u>
Net current assets	<u>182,241</u>	<u>251,290</u>
Total assets less current liabilities	<u>2,175,461</u>	<u>2,303,029</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2009, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ended 30 June 2010. Details of these changes in accounting policies are set out in note 2.

2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments of HKFRSs and new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group’s financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instrument: Disclosures – improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment - vesting conditions and cancellations*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the group’s financial statements as the amendments were consistent with policies already adopted by the group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the group’s chief operating decision maker regards and manages the group, with the amounts reported for each reportable segment being the measures reported to the group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the group’s financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the group’s most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 3). As this is the first period in which the group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in the interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The “Improvements to HKFRSs (2008)” comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the group’s accounting policies:
 - As a result of amendments to HKAS 28, *Investments in associates*, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the group allocated impairment losses to goodwill and, in accordance with the accounting policy of goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.
 - As a result of amendments to HKAS 40, *Investment property*, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.
- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. SEGMENTAL REPORTING

The group manages its businesses by division, which are organised by a mixture of both business lines (products and services) and geography. On first-time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the group’s most senior executive management for the purposes of resource allocation and performance assessment, the group has identified the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

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.

Segment results

	Six months ended 31 December 2009 (Unaudited)						Consolidated HK\$'000
	Continuing operations			Discontinued operations			
	Gaming and entertainment HK\$'000	Cruise leasing HK\$'000	Sub- Total HK\$'000	Sales of electrical equipment HK\$'000	Electrical engineering and contracting services HK\$'000	Sub- Total HK\$'000	
Segment revenue:							
Revenue from external customers	183,890	12,000	195,890	-	-	-	195,890
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	<u>183,890</u>	<u>12,000</u>	<u>195,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,890</u>
Reportable segment profit/(loss)	<u>21,636</u>	<u>2,712</u>	<u>24,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,348</u>
Interest income	1	-	1	-	-	-	1
Compensations from the vendors for shortfall in guaranteed profit	68,951	-	68,951	-	-	-	68,951
Share of loss of an associate	(76,590)	-	(76,590)	-	-	-	(76,590)
Impairment loss on intangible assets	(154,600)	-	(154,600)	-	-	-	<u>(154,600)</u>

	Six months ended 31 December 2008 (Unaudited)						Consolidated HK\$'000
	Continuing operations			Discontinued operations			
	Gaming and entertainment HK\$'000	Cruise leasing HK\$'000	Sub- Total HK\$'000	Sales of electrical equipment HK\$'000	Electrical engineering and contracting services HK\$'000	Sub- Total HK\$'000	
Segment revenue:							
Revenue from external customers	262,655	18,000	280,655	44,102	20,042	64,144	344,799
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	<u>262,655</u>	<u>18,000</u>	<u>280,655</u>	<u>44,102</u>	<u>20,042</u>	<u>64,144</u>	<u>344,799</u>
Reportable segment profit/(loss)	<u>(206,577)</u>	<u>6,521</u>	<u>(200,056)</u>	<u>1,746</u>	<u>2,968</u>	<u>4,714</u>	<u>(195,342)</u>
Interest income	5	3	8	183	9	192	200
Share of profit of an associate	22,068	-	22,068	-	-	-	22,068
Impairment loss on intangible assets	(495,400)	-	(495,400)	-	-	-	<u>(495,400)</u>

Reconciliation of reportable segment revenue and profit or loss

	For the six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Continuing operations:		
Reportable segment revenue	195,890	280,655
Elimination of inter-segment revenue	—	—
	<u>195,890</u>	<u>280,655</u>
Consolidated turnover from continuing operation	<u>195,890</u>	<u>280,655</u>
Discontinued operations (Note 7):		
Reportable segment revenue	—	64,144
Elimination of inter-segment revenue	—	—
	<u>—</u>	<u>64,144</u>
Consolidated turnover from discontinued operations	<u>—</u>	<u>64,144</u>
Profit or loss		
Continuing operations:		
Reportable segment profit/(loss)	24,348	(200,056)
Elimination of inter-segment profits	—	—
	<u>24,348</u>	<u>(200,056)</u>
Reportable segment profit/(loss) derived from		
Group's external customers	24,348	(200,056)
Finance costs	(8,841)	(16,654)
Unallocated head office and corporate expenses and income	(3,390)	(3,252)
Excess of acquirer's interest in fair value of		
acquiree's identifiable net assets over cost	40,738	—
Fair value changes on derivative financial instruments	—	(124,976)
Gain on redemption of convertible notes	40,776	20,368
	<u>40,776</u>	<u>20,368</u>
Consolidated profit/(loss) before taxation from		
continuing operations	<u>93,631</u>	<u>(324,570)</u>
Discontinued operations (Note 7):		
Reportable segment profit	—	4,714
Elimination of inter-segment profits	—	—
	<u>—</u>	<u>4,714</u>
Reportable segment profit derived from Group's		
external customers	<u>—</u>	<u>4,714</u>
Consolidated profit before taxation from		
discontinued operations	<u>—</u>	<u>4,714</u>

4. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) from operations is stated after charging:		
Continuing operations:		
Depreciation of property, plant and equipment	8,629	8,055
Valuation loss on investment properties	-	216
Discontinued operations (Note 7):		
Amortisation of prepaid land premiums	-	65
Depreciation of property, plant and equipment	-	46
	<u>8,629</u>	<u>8,382</u>

5. FINANCE COSTS

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations:		
Imputed interest on convertible notes	8,841	16,654
	<u>8,841</u>	<u>16,654</u>

6. TAXATION

(a) Continuing operations

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Deferred tax:		
Origination and reversal of temporary differences	(1,052)	(2,009)
Income tax credit	(1,052)	(2,009)
	<u>(1,052)</u>	<u>(2,009)</u>

(b) **Discontinued operations (Note 7)**

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	—	753
Income tax expenses	—	753

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period.

7. 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 during the year ended 30 June 2009.

The results of the discontinued operations for the six months ended 31 December 2008 were as follows:

	<i>Notes</i>	2008
		HK\$'000
Turnover	3	64,144
Cost of sales		<u>(55,584)</u>
Gross profit		8,560
Other revenue		326
Selling and distribution expenses		(354)
General and administrative expenses		<u>(3,818)</u>
Profit from operations		4,714
Finance costs		<u>—</u>
Profit before taxation	4	4,714
Income tax	6(b)	<u>(753)</u>
Profit for the year		<u><u>3,961</u></u>

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the six months ended 31 December 2009 (2008: Nil).

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

	2009	2008
	Shares	Shares
Weighted average number of ordinary shares (basic)	3,847,244,500	3,847,244,500
Effect of conversion of convertible bonds	1,746,790,888	—*
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted)	5,594,035,388	3,847,244,500
	<hr/> <hr/>	<hr/> <hr/>

* Diluted loss per share for the six months ended 31 December 2008 was the same as basic loss per share because (i) the average market price of ordinary shares, at no time during the period, 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. TRADE AND OTHER RECEIVABLES

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

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

Ageing analysis

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debt(s)) with the following ageing analysis as of the balance sheet date:

	31 December	30 June
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	51,592	23,434
31 – 60 days	51,864	28,889
61 – 90 days	30,094	28,054
Over 90 days	109,975	224,891
	<hr/>	<hr/>
	243,525	305,268
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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The unaudited net profit of the Group for six months ended 31 December 2009 amounted to HK\$94,683,000 (31 December 2008: Loss HK\$(318,600,000)); earning per share HK\$0.76 cents a share, up from the same period last year of loss per shares HK\$9.57 cents a share.

Neptune posted 129.72% jump in profit and the increase pointed to a few accounting adjustments that reverse the loss into profit, partly arising from gain on redemption of convertible bonds in an amount approximately HK\$40.8 million and also from negative goodwill amounting to approximately HK\$40.7 million calculated at the time of acquisition of a new profit stream of Best Max in October 2009, but cautioned that the outlook for continued lower revenue of our Macao VIP rooms in Venetian, Sand Venetian and Galaxy had certainly shrunk faster than our expectation in last quarter of year 2009.

It is hard to assess the impact of financial crisis has ravaged on gaming industry. The world's nascent economy remains fragile. As a matter of fact after nearly a six month lull, we can see junkets are getting back into business. Assuming no further deterioration in economic conditions, we expect our fiscal 2010 profit to be broadly in line with our forecast. We project an unusually broad revenue may stretch on for months in 2010 so that we may consider to diversify our course through gradual changes in our investment strategy.

GAMING RELATED BUSINESS

Revenue for the commission from rolling turnover for six months period ended 31 December 2009 was recorded approximately HK\$183,890,000 (31 December 2008: HK\$262,655,000). Reported significant drop in revenue from rolling turnover commission was approximately 30%. As it was clear that financial crisis had created some signs of stress that impacted our business, but the extent of that was really difficult to quantify.

However, the lesser amount provided on impairment loss in intangible asset in Venetian VIP room amounted to approximately HK\$154.6 million recognized for six months period (31 December 2008: HK\$495.4 million); and together with the additional commission derived from acquisition of profit stream in Best Max since October 2009 amounted to HK\$4.4 million offset the loss which had caused by declining rolling turnover in our Macao VIP rooms 'rolling turnover.

Adding up all positive factors as mentioned above, our investment in gaming segment still provide a steady income of HK\$21.6 million profit, in proportion of more than 88% of our group profit within six months period.

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for six months was recorded HK\$12,000,000 (31 December 2008: HK\$18,000,000), a decrease of approximately 33.33% from HK\$18 million for the comparable period ending 31 December 2008. The decrease in revenue was as stemmed from cruise monthly rental income dropped to HK\$2,000,000 from HK\$3,000,000 per month since January 2009.

Reported segment profit for six month period was approximately HK\$2,712,000 (31 December 2008: HK\$6,521,000). Profit from cruise business dropped 58% as compared with same period last year as result of the baleful competition pushing our margin way down to lower level as the increased deprecation charges was taken into account before arriving a reported segment profit.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2009 (2008: HK\$Nil)

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK\$182,241,000 (30 June 2009: HK\$251,290,000). There are no bank and other borrowings as at 31 December 2009 (30 June 2009: Nil). The total equity of the Group as at 31 December 2009 was HK\$1,768,711,000 (30 June 2009: HK\$1,778,272,000). The gearing ratio, calculated on the basis of total debt over total shareholders' funds as at 31 December 2009 was approximately 36.63% (30 June 2009: 43.42%).

The total liabilities of the Group comprises mainly of convertible notes. As at 31 December 2009, the face value of total liabilities amount to approximately HK\$654,295,000 (30 June 2009: HK\$770,224,000) comprising of HK\$209.5 million dividend payable, HK\$35.6 million trade payable and other payable, HK\$2.5 million tax payable, HK\$18.7 millions deferred tax liabilities, other convertible notes HK\$90 million and the liability component of two convertible notes were HK\$298 million representing two convertible notes with principal amount HK\$138,000,000 issued to Faith Mount Ltd and HK\$846,000,000 issued to Ultra Choice Ltd both notes carry coupon rate 1% per annum. The convertible notes are unsecured, with effective interest rate approximately 5% and maturing on 16 March 2018.

EMPLOYEES

The Group employs approximately 10 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.

PLEDGE OF GROUP'S ASSETS

As at 31 December 2009, no leasehold land and buildings in Hong Kong and PRC were pledged to secure banking facilities.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

During the period ended 31 December 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 during the period ended 31 December, 2009.

THE BOARD OF DIRECTORS

(a) Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises five executive directors, and three independent non-executive directors.

(b) Roles of Chairman and Chief Executive Officer

The Code Provision A.2.1 stipulates that the roles of chairman of the Board (the “Chairman”) and chief executive officer (the “CEO”) should be separated and should not be performed by the same individual and that the division of responsibilities between the Chairman and the CEO should be clearly stated. The Company fully supports such a division of responsibility between the Chairman and the CEO in order to ensure a balance of power and authority. The positions of the chairman of the Board and the chief executive officer are segregated and are held by Mr. Lin Cheuk Fung and Mr. Nicholas J. Niglio respectively. These positions have clearly defined separate responsibilities.

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

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

(c) Responsibilities

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group’s strategic objectives. Day-to-day management of the Group’s business is delegated to the executive director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Wong Tat Tung (resigned on 25 November 2009). At present, Mr. Chan Choi Kam joined our group as independent non-executive director on 24 February 2010. Mr. Yue Fu Wing possesses relevant professional qualifications and financial management expertise and meets the requirements of rule 3.2.1 of the Listing Rules.

The audit committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance and in meeting its external financial reporting objectives.

The interim report and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2009 has been reviewed by the audit committee and agreed to the accounting principles and practices adopted by the Company.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive directors and one executive director. The remuneration committee was established with specific written terms of reference and is principally responsible for reviewing and approving remuneration packages of directors and senior management, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option schemes. No director or senior management will determine his own remuneration.

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

Hong Kong, 26 March 2010

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