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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)

(1) UPDATE ON PUBLICATION OF THE 2015/16 ANNUAL RESULTS; (2) DELAY IN DESPATCH OF THE 2015/16 ANNUAL REPORT; AND (3) CONTINUED SUSPENSION OF TRADING

Reference is made to the announcement of Neptune Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 2 October 2016 in relation to, among other things, the delay in publication (the “**Delay**”) of the annual results (the “**2015/16 Annual Results**”) of the Company for the year ended 30 June 2016 (“**FY2015/16**”).

The board of directors (the “**Board**”) of the Company wishes to update the shareholders of the Company (the “**Shareholders**”) and potential investors on the reasons for the Delay and the latest status of the audit.

PRINCIPAL ACTIVITY OF THE GROUP

The Company is an investment holding company, with its subsidiaries principally engaged in the activities of receiving share of profit streams from the junket business operated by certain junket operators (the “**Junket Operators**”) in Macau, which sharing of profit streams is based on certain agreements entered into between the Group and the respective Junket Operators and which are subsisting. Revenue from the aforesaid share of profit streams of the Junket Operators is recorded in the profit and loss of the Group when its right to receive profit is established.

KEY AUDIT ISSUES

During the course of audit of the consolidated financial statements of the Group for FY2015/16, the auditors of the Company (the “**Auditors**”) had, prior to 30 September 2016, raised issues on (i) the recoverability of the outstanding accounts receivables (the “**AR**”) as at 30 June 2016; (ii) the recoverability of the short-term loan receivables (the “**Short-term Loans**”) as at 30 June 2016; and (iii) the impairment assessment on the intangible assets (the “**Intangible Assets**”) as at 30 June 2016 (collectively, the “**Key Issues**”), and requested the Company to provide more supporting evidence to substantiate the related balances for the said items as stated in the management accounts of the Group for FY2015/16 (the “**Management Accounts**”). As at 30 September 2016, the Company was still collating the relevant information requested by the Auditors to address the Key Issues, and therefore had to delay the publication of the 2015/16 Annual Results. The Key Issues are more particularly discussed below.

(i) Recoverability of outstanding AR

In accordance with the Management Accounts, the balance of AR amounted to HK\$470.9 million as at 30 June 2016, which had been arrived at after the provision of impairment loss of trade receivables of approximately HK\$117.3 million made for the six months ended 31 December 2015. The AR represented accrued and unpaid share of profit streams generated by the Junket Operators under their junket promotion business in Macau. In general, gaming business in Macau has been operating in very difficult market conditions during the last two years partly due to the slow-down in the China economic conditions and partly caused by the anti-corruption measures adopted by the Chinese government, both of which have had the effect of curbing VIP patronage in Macau's casinos. The difficult operating environment had led to the delayed settlement of the AR by the Junket Operators. The Junket Operators had only repaid a small part of the long outstanding AR during FY2015/16 and because of that, the Auditors raised the issue on the recoverability of the outstanding AR as at 30 June 2016.

To address this issue, subsequent to 30 September 2016, the management of the Company has been using their best endeavours to collect the AR as much as possible, seeking security for the unpaid amount, and obtaining repayment schedule from the relevant Junket Operators. All relevant information has been provided to the Auditors as at the date of this announcement.

(ii) Recoverability of the Short-term Loans

In March 2015, the Group granted three Short-term Loans, each with a term of one year, to three entities (the “**Loan Borrowers**”) which are in turn held by the respective owners of three of the Junket Operators. The Short-term Loans were granted to support the business of the respective Junket Operators. Based on the Management Accounts, the outstanding principal amount of the Short-term Loans amounted to HK\$92.1 million as at 30 June 2016. In March 2016, the Short-term Loans were renewed for another year to March 2017. During FY2015/16, the Loan Borrowers had not paid any interest on the Short-term Loans. The Auditors raised the issue on the recoverability of the Short-term Loans.

Subsequent to 30 June 2016, the Group has received from the Loan Borrowers payment of interests accrued up to 30 June 2016. The Group has also separately agreed with each of the Loan Borrowers on the repayment schedule of their respective Short-term Loans (with accrued interests) by end of December 2016, January 2017 and March 2017, respectively. To this end, the Company has received from each Loan Borrower a post-dated cheque dated the respective agreed repayment date for repayment of the Short-term Loans (with accrued interests). In addition, the Loan Borrowers have procured a guarantor to guarantee in person for the repayment of the Short-term Loans (with accrued interests). As at the date of this announcement, the Auditors are still reviewing the relevant information and are yet to confirm their satisfaction of the remedial actions of the Loan Borrowers.

(iii) Impairment assessment on the Intangible Assets

Based on the Management Accounts, the Group had Intangible Assets with aggregate carrying value (before impairment provision for FY2015/16) of HK\$950.3 million as at 30 June 2016. The Intangible Assets represent the rights of the Group in sharing the profit streams generated by the Junket Operators under their junket business at respective casinos' VIP rooms in Macau. The Intangible Assets are carried at cost less accumulated impairment losses. The Company acknowledges the difficult operating environment of the Junket Operators and expects that it may incur impairment losses on the Intangible Assets for FY2015/16. Therefore, for the purpose of the impairment assessment, the Company has engaged an independent valuer (the “**Valuer**”) to evaluate the Intangible Assets. The Auditors' review of the sufficiency of the impairment assessment is pending on the finalisation of the valuation.

For the purpose of conducting a management's impairment assessment on the Intangible Assets, the Company is reviewing the business plans of the Junket Operators, taking account of the outlook of the gaming industry in Macau and the competitiveness of the Junket Operators among their counterparties in the same business, for the evaluation by the Valuer on the Intangible Assets.

(iv) Impairment assessment on investment in an associate

Further, in about early November 2016, the Company was informed by the Auditors that they were still finalising the review on the carrying value of the Group's interest in an associate in which it holds 20% equity interest. Further evidence might be requested by the Auditors to substantiate the carrying value of its interest in the associate.

EXPECTED TIMELINE FOR THE PUBLICATION OF THE 2015/16 ANNUAL RESULTS

Save for the information supporting the impairment assessment on the Intangible Assets, the management of the Company believes that they have provided all the information/evidence that they can ascertain in respect of the information requested by the Auditors. The Auditors may or may not request for more information/evidence to be provided to them. In any event, the Company will address all the requests from the Auditors in an expedient manner. On this basis, the Company expects to publish the 2015/16 Annual Results on or before 30 November 2016.

DELAY IN DESPATCH OF THE ANNUAL REPORT FOR FY2015/16 (THE “2015/16 ANNUAL REPORT”)

Pursuant to Rule 13.46(1)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company is required to send a copy of its 2015/16 Annual Report to the Shareholders no later than four months after the end of the financial year, i.e. on or before 31 October 2016.

As mentioned above, due to the Delay, the 2015/16 Annual Report has not been finalised in time for despatch to the Shareholders on or before 31 October 2016. The Board acknowledges that the delay in despatch of the 2015/16 Annual Report constitutes non-compliance with Rule 13.46(1)(a) of the Listing Rules. The Company will use its best endeavours to despatch the 2015/16 Annual Report to the Shareholders as soon as possible after the publication of the 2015/16 Annual Results, and will publish further announcement(s) regarding the expected dates of the Board meeting and the despatch of the 2015/16 Annual Report in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect since 9:00 a.m. on 3 October 2016 and will remain suspended until further notice.

By order of the Board
Neptune Group Limited
Danny Xuda Huang
Chairman

Hong Kong, 11 November 2016

As at the date of this announcement, the Board comprises Mr. Danny Xuda Huang, Mr. Nicholas J. Niglio, Mr. Chan Shiu Kwong, Stephen and Mr. Lin Chuen Chow, Andy (all being executive directors); Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Chow Chung Lam, Louis (all being independent non-executive directors).