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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) INSIDE INFORMATION – CESSATION OF PROFIT STREAM FROM ONE GAMING BUSINESS LINE; AND (2) PROFIT WARNING

This announcement is made by Neptune Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CESSATION OF PROFIT STREAM FROM ONE GAMING BUSINESS LINE

The Group is principally engaged in (i) introducing customers to respective casino’s VIP rooms in Macau and receiving the profit streams from junket businesses at respective casino’s VIP rooms in Macau through independent junket operators in Macau (the “**Junket Operators**”); (ii) the money lending business; and (iii) the management and operation of hotel business.

On 31 July 2017 (after trading hours of the Stock Exchange), the board (the “**Board**”) of directors of the Company (the “**Directors**”) was informed by Hou Wan Entertainment Company Limited (“**Hou Wan**”), one of the Junket Operators, that Venetian Macau Limited (“**VML**”) had on 31 July 2017 issued a written notice to Hou Wan to terminate the gaming promotion agreement dated 30 December 2016 entered into between Hou Wan and VML in relation to the promotion of casinos of VML, with effect from 30 August 2017 (the “**Termination Notice**”). As at the date of this announcement, Hou Wan is currently operating junket business in relation to 10 VIP tables in the casino of Sands Macao.

As at the date of this announcement, other than Hou Wan, the other Junket Operator is currently operating junket businesses in relation to a total of 8 VIP tables in the casino of Grand Lisboa. So far as the Directors are aware, and having made reasonable enquiries, the other Junket Operator is carrying out its business in the usual and ordinary manner. The Group would continue to monitor closely the performance of the Junket Operator and it is intended to continue to engage in the gaming sector in Macau through the Junket Operator.

Impact of the Termination Notice on the Group

For the year ended 30 June 2016, revenue contributed by the junket business of Hou Wan amounted to approximately HK\$72.5 million, representing approximately 26.0% of the total revenue of the Group. As at 31 December 2016, (i) the intangible assets in respect of the junket business of Hou Wan amounted to approximately HK\$160.2 million, representing approximately 10.6% of the total assets of the Group; and (ii) the aggregate account receivables in respect of the junket business of Hou Wan amounted to approximately HK\$42.5 million, which had been arrived at after the provision of impairment loss of trade receivables of approximately HK\$64.2 million made in the previous financial years. For the purpose of securing the settlement of the outstanding accounts receivables, in November 2016, the Group has entered into agreements with, among others, Hou Wan, whereby the Group had obtained the pledges of certain properties in Macau in favour of the Group as security for part of the outstanding account receivables in relation to the junket business of Hou Wan. Based on the valuation report prepared by an independent valuer, the valuation of such properties amounted to approximately HK\$27.7 million as at 31 October 2016.

The Company is currently assessing the impact of the Termination Notice on the Group. Based on the preliminary assessment of the management, it is expected that the intangible assets in respect of the junket business of Hou Wan would be fully impaired as a result of the Termination Notice. The Company is also assessing the recoverability of the outstanding account receivables in relation to the junket business of Hou Wan and is currently in discussion with, among others, Hou Wan in respect of the settlement of the outstanding accounts receivables. The assessment of the impairment of intangible assets in respect of the junket business of Hou Wan and the recoverability of the outstanding account receivables in respect of the junket business of Hou Wan are subject to the audit to be performed by the auditors of the Company.

The Company will make further announcement(s) in accordance with the requirements under the Listing Rules to inform the shareholders and potential investors of the Company of the matters relating to the above incident as and when appropriate.

PROFIT WARNING

Based on the preliminary assessment of the management, in view of (i) the Termination Notice as described above; and (ii) the written notice dated 31 May 2017 received by Hao Cai Entertainment Company Limited (“**Hao Cai**”) from VML in respect of the termination of the gaming promotion agreement dated 30 December 2016 entered into between Hao Cai and VML in relation to the promotion of casinos of VML with effect from 30 June 2017 (details of which are disclosed in the announcement of the Company dated 1 June 2017), it is expected that the intangible assets in respect of all junket business of the Group would be fully impaired.

As such, the Board wishes to inform the Shareholders and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Company for the year ended 30 June 2017, the Group would record an impairment of intangible assets in respect of the junket business of approximately HK\$365.9 million. In addition, the Group is expected to record a loss on disposal of an associate of approximately HK\$62.9 million for the year ended 30 June 2017. Based on the foregoing, it is expected that the Group would continue to record a net loss attributable to equity holders of the Company for the year ended 30 June 2017.

The information contained in this announcement is based on the preliminary review on the unaudited management accounts of the Group, which are unaudited, and subject to finalisation and audit to be performed by auditors of the Company. The Company is still in the process of finalising the annual results for the year ended 30 June 2017 which is expected to be released on or about 29 September 2017.

Shareholders and potential investors of the Company are advised to exercise caution in dealing in the shares of the Company.

By order of the Board
Neptune Group Limited
Lin Chuen Chow, Andy
Executive Director

Hong Kong, 31 July 2017

As at the date of this announcement, the Board comprises Mr. Danny Xuda Huang, Mr. Nicholas J. Niglio and Mr. Lin Chuen Chow, Andy as executive Directors; and Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Miss Yeung Hoi Ching as independent non-executive Directors.