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 2008

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 2008 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008 (in HK Dollars)

	Notes	Six months ended 31 December 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Turnover	3	**344,799**	159,818
Cost of sales		**(59,839)**	(64,503)
Gross profit		**284,960**	95,315
Other revenue		**4,249**	4,220
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost		**–**	91,027
Distribution costs		**(354)**	(154)
Administrative expenses		**(13,918)**	(17,474)
Share of results of an associate		**22,068**	12,276
Gain on redemption of convertible notes		**20,368**	–
Share-based payment expenses		**–**	(74,449)
Impairment loss of intangible assets		**(495,400)**	–
Fair value changes on derivative financial instruments		**(124,976)**	–
Fair value changes on financial assets at fair value through profit or loss		**(199)**	2,133
(Loss)/profit from operations	4	**(303,202)**	112,894
Finance costs	5	**(16,654)**	(953)
Profit before taxation		**(319,856)**	111,941
Income tax credit/(expense)	6	**1,256**	(1,183)
Net (loss)/profit for the period		**(318,600)**	110,758
Attributable to			
– Minority interests		**49,552**	61,687
– Equity holders of the Company		**(368,152)**	49,071
Net (loss)/profit for the period		**(318,600)**	110,758
Dividend	7	**–**	–
(Loss)/earnings per share attributable to equity holders of the Company			
– Basic and diluted	8	**(9.57 cents)**	2.108 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2008 (in HK Dollars)

	Notes	31 December 2008 (Unaudited) HK$'000	30 June 2008 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**134,701**	142,880
Investment properties		**30,284**	30,500
Prepaid land premiums		**4,597**	4,662
Interest in an associate		**170,685**	148,617
Intangible assets		**1,521,393**	2,016,793
Goodwill		**10,483**	10,483
		1,872,143	2,353,935
Current assets			
Inventories		**21,902**	16,968
Trade and other receivables	9	**266,938**	390,244
Loan receivables		**6,000**	6,000
Amount due from a related company		**–**	710
Deposit for acquisition of a company		**50,000**	–
Financial assets at fair value through profit or loss		**83**	282
Dividend receivable		**–**	42,470
Derivative financial instruments		**–**	145,328
Pledged bank deposits		**214**	214
Cash at securities companies		**264**	264
Cash and bank balances		**45,294**	39,424
		390,695	641,904
Total assets		**2,262,838**	2,995,839
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**769,449**	769,449
Reserves		**81,680**	536,446
		851,129	1,305,895
Minority interests		**741,147**	691,595
Total equity		**1,592,276**	1,997,490

	Notes	**31 December 2008 (Unaudited)** *HK$'000*	30 June 2008 (Audited) *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*6*	**39,010**	50,089
Convertible notes		**564,707**	685,393
		603,717	735,482
Current liabilities			
Bank overdrafts		**–**	867
Trade and other payables	*10*	**47,314**	32,583
Promissory notes		**15,000**	15,000
Dividend payable to minority shareholders		**–**	210,153
Tax payable		**4,531**	4,264
		66,845	262,867
Total liabilities		**670,562**	998,349
Total equity and liabilities		**2,262,838**	2,995,839
Net current assets		**323,850**	379,037
Total assets less current liabilities		**2,195,993**	2,732,972

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial report is unaudited, but has been reviewed by the Company's audit committee. The 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").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

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 2008 except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2009 as follows.

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)-Int 12, Service Concession Arrangements
HK(IFRIC)-Int 14, HKAS 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendment to HKAS 39, Financial instruments: Recognition and measurement, and HKFRS 7, Financial instruments: Disclosure – Reclassification of financial assets

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 this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 31 December 2008 and which have not been adopted in this interim financial report.

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:

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 8	Operating Segments

The preparation of an interim report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 30 June 2008. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

3. SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are investment in gaming related business, the cruise business and non-core business such as manufacturing and trading of electrical equipments, provision of electrical engineering and contracting services and trading of listed securities.

(a) Business segments

	Six months ended 31 December 2008 (Unaudited)					
	Sales of electrical equipment *HK$'000*	Cruise leasing *HK$'000*	Trading of listed securities *HK$'000*	Electrical engineering and contracting services *HK$'000*	Gaming related business *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Sales/services to external customers	44,102	18,000	–	20,042	262,655	344,799
Segment results	6,384	13,745	–	2,176	262,655	284,960
Interest income						203
Other income						4,046
Share of profit of an associate						22,068
Gain on redemption of convertible notes						20,368
Fair value changes on derivative financial instruments						(124,976)
Fair value changes on financial assets through profit or loss						(199)
Impairment loss on intangible assets						(495,400)
Distribution costs						(354)
General and administrative expenses						(13,918)
Profit from operations						(303,202)
Finance costs						(16,654)
Profit before taxation						(319,856)
Taxation						1,256
Net profit for the period						(318,600)

	Six months ended 31 December 2007 (Unaudited)					
	Sale of electrical equipments	Cruise leasing	Trading of listed securities	Electrical engineering and contracting services	Gaming related business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales/services to external customers	50,421	18,000	–	18,229	73,168	159,818
Segment results	4,855	13,745	–	3,547	73,168	95,315
Interest income						3,680
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost						91,027
Other income						2,673
Share of results of an associate						12,276
Distribution costs						(154)
General and administrative expenses						(91,923)
Profit from operations						112,894
Finance costs						(953)
Profit before taxation						111,941
Taxation						(1,183)
Net profit for the period						110,758

4. (LOSS)/PROFIT FROM OPERATIONS

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit from operations is stated after charging/(crediting):		
Amortisation of prepaid land premiums	**65**	32
Depreciation of property, plant and equipment	**8,101**	8,146
Valuation loss on investment properties	**216**	–
Share-based payment expenses	**–**	74,449

5. FINANCE COSTS

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank overdrafts and other borrowings wholly repayable within five years	**–**	54
Imputed interest on convertible notes	**16,654**	–
Imputed interest on promissory notes	**–**	899
	16,654	953

6. TAXATION

Current Taxation

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period.

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**753**	1,183
Deferred tax:		
Origination and reversal of temporary differences	**(2,009)**	–
Income tax (credit)/expense	**(1,256)**	1,183

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the six months ended 31 December 2008 (2007: Nil).

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings attributable to the equity holders of the Company	**(368,152)**	49,071

	2008	2007
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**3,847,245**	2,327,502

Basic and diluted loss per share for the period ended 31 December 2008 have been presented in a single line as (i) the average market price of ordinary shares, at no time during the year, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive, and (ii) the effect of the Company's outstanding convertible notes were anti-dilutive.

Basic and diluted earnings per share for the period ended 31 December 2007 have been presented in a single line as the average market price of ordinary shares, at no time during the year, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

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

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
	2008	2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 – 30 days	**38,915**	61,900
31 – 60 days	**42,583**	58,783
61 – 90 days	**50,518**	36,799
Over 90 days	**127,611**	208,392
	259,627	365,874

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

10. TRADE AND OTHER PAYABLES

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

	31 December 2008 (Unaudited) ***HK$'000***	30 June 2008 (Audited) *HK$'000*
0 – 30 days	**3,813**	4,975
31 – 60 days	**3,025**	5,730
61 – 90 days	**11**	2,490
Over 90 days	**203**	67
	7,052	13,262

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The unaudited net loss of the Group for six months ended 31 December 2008 amounted to HK$318,600,000 (2007: profit HK$110,758,000). The mark to market valuation on our investment of junket business in Venetian was one of the major causes of dragging down our profit by providing an impairment loss of intangible assets under income approach in the amount of HK$495,400,000 which has offset against all revenues generated during the past six months. Together with the loss on fair value changes on derivative financial instruments in the amount of HK$124,976,000 had been recognised after valuation which has adopted discounted cash flow method and proximity to the latest market information.

Stripping out the loss tied to impairment loss of intangible assets and fair value changes on derivative financial instruments, the Group's net profit before impairment and fair value changes on derivative financial instruments and excess of acquiree's identifiable net assets over cost and gain on redemption of convertible notes should be recorded as HK$281,408,000 (2007: 17,598,000), an increase of HK$ 264 million as compared with same period last year.

So throughout the past six months, rolling turnover was recorded from VIP rooms opened in three casinos, including Sands Las Vegas, Galaxy Entertainment's StarWorld and Venetian Macao were steady in line with our estimation. All revenues from rolling turnover were holding up pretty well up to end of December 2008. Sooner or later we expect Macau gaming industry will be back on right track, and the valuation of our investments in intangible will turn leaps and bounds to their original intrinsic values. With a management philosophy that greater risk is not being willing to take a risk, we manage to focus on generating returns in excess of our cost of capital.

GAMING RELATED BUSINESS

Revenue for the commission from rolling turnover for the year was recorded HK$262,655,000 (2007: HK$73,168,000), this figure comprised of sharing of commission income stream from investment in junket business in Venetian based on 0.4% on gross rolling turnover amount to HK$ 137,872,000 and commission income stream from investment in junket business operated in Sands Las Vegas amount to HK$ 124,783,000 as well. Share of commission HK$22,068,000 in Galaxy Entertainment of StarWorld was captured in a separate item as share of profit from associated companies.

Nonetheless Gaming activities in Macau is facing dwindling demand at this moment but we weather the crisis with full confidence as our investment returns were safeguarded by guarantee profit and won customer loyalty as a result of our awareness to our customers and service differentiation contributed by our staff from all level dedication. Our group's liquidity position remains strong and has sufficient financial resources to satisfy its working capital and its commitment. The group revenue was bolstered by having a steady income stream spawn up from our investments completed over the past years. We shall focus on this segment as our core business in years ahead through further investments based on our internal resources and external financing stack up in coming years. When our resources will plateau for best opportunity to acquire more profitable business and spot the overall gaming market on recovery, we gear up and spearhead to ride for expand our market share.

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

Revenue for the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services was recorded approximately HK$64,144,000 (2007: HK$68,650,000), a slight decrease when compared with same period last year and approximately representing 18.6% (2007: 43%) of the Group's total revenue. Segment result amounted to approximately HK$8,560,000 (2007: HK$8,402,000).

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for six months was recorded HK$18,000,000 (2007: HK$18,000,000), remain unchanged when compared with same period last year. It accounted for approximately 5.2 % of the Group's total revenue, relatively it's weighing now much less in percentage as compared with same period last year approximately 11.26% of the Group's total revenue. Segment result amounted to approximately HK$13,745,000 (2007: HK$13,745,000). Contribution from cruise rental, remain unchanged when compared with same period last year. During the period, oil price was plunged to market low after it skyrocket to the highest price in first half of year 2008 and then remained in low level after that. At the first half of this financial year, we received a steady income from operator, it recorded good business benefiting from its overall cost saving come and lower crude oil price. However, the fallout of many large global financial institutes caused protracted recession, Cruise leasing is also in dismal season, The baleful competition pushing our margin way down to lower level beginning from first quarter of year 2009 that our Group have conceded to reduce our monthly rental under new lease term.

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 2008 (2007: HK$ Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$323,850,000 as at 31 December 2008 (30 June 2008: HK$379,037,000). No bank borrowings were outstanding at 31 December 2008 (30 June 2008: HK$867,000). The total equity of the Group as at 31 December 2008 was HK$1,592,276,000 (30 June 2008: HK$1,997,490,000). The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2008, was approximately 42.1% (30 June 2008: 50%).

The total indebtedness of the Group comprises mainly of convertible notes and promissory notes. As at 31 December 2008, the value of total indebtedness amount to HK$670,562,000 (30 June 2008: HK$998,349,000), comprising of HK$47 million trade payable, HK$4.5 million tax payable, HK$39 million deferred tax liabilities and the liability component of the convertible notes of HK$565 million, representing two convertible notes, separately one have redeemable face value of HK$685,000,000 with carrying amount of HK$486,009,000 as at 31 December 2008, with a conversion price of HK$0.3 per share, together with another one having redeemable face value of HK$111,000,000 with carrying amount at HK$78,698,000 as at 31 December 2008, with a conversion price of HK$0.3 per shares. All of which are unsecured, with effective interest rate of approximately 5% and maturing on 16 March 2018. Taken into account of two promissory notes amount to HK$30 million issued for acquiring entire share capital of Koppert International Ltd on 1 August 2007 which are unsecured, bearing an effective interest rate of approximately 8%. Up to 31 December 2008, the remaining HK$15 million was extended to 31 July 2009.

EMPLOYEES

The Group employs approximately 81 staff in Hong Kong and their remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

PLEDGE OF GROUP'S ASSETS

As at 31 December 2008, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (30 June 2008: HK$ Nil) and fixed deposits of approximately HK$214,000 (30 June 2008: HK$214,000) was pledged to secure banking facilities.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2008, the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the deviation from Code Provision A.4.1 which is described below:

– Non-executive directors should be appointed for specific terms and subject to re-elections. All independent non-executive directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with Bye-Laws of the Company.

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.

RESPONSIBILITIES OF THE BOARD

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for securities transactions as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. Following specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

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. 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 2008 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 2009

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. Wong Tat Tung (all being independent non-executive Directors).