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 2010

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 2010 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Continuing operations:			
Turnover	*3*	**411,965**	463,268
Cost of sales		**(17,216)**	(17,216)
Gross profit		**394,749**	446,052
Other revenue	*4*	**143,026**	71,184
Other net income/(loss)	*5*	**82,083**	(2,614)
General and administrative expenses		**(5,882)**	(13,303)
Impairment of intangible assets	*10*	**(336,000)**	(261,800)
Profit from operations		**277,976**	239,519
Share of results of associate		**(84,204)**	12,766
Gain from bargain purchase of interest in a subsidiary	*12*	**22,050**	–
Finance costs	*6(a)*	**(13,739)**	(29,951)
Profit before taxation	*6*	**202,083**	222,334
Income tax	*7(a)*	**(169)**	3,093
Profit for the year from continuing operations		**201,914**	225,427
Discontinued operations:			
Profit for the year from discontinued operations	*8*	**–**	7,495
Loss on disposal of subsidiaries, net of tax of HK$Nil		**–**	(15,222)
		–	(7,727)
Profit for the year		**201,914**	217,700
Other comprehensive income/(loss) for the year		**–**	–
Total comprehensive income for the year		**201,914**	217,700

	Note	**2010**	2009
		HK$'000	*HK$'000*
Attributable to			
– Equity shareholders of the Company		**66,645**	42,590
– Non-controlling interests		**135,269**	175,110
Profit and total comprehensive income for the year		**201,914**	217,700
Earnings/(loss) per share – basic	*9(a)*		
– From continuing and discontinued operations		**1.73 cents**	1.11 cents
– From continuing operations		**1.73 cents**	1.35 cents
– From discontinued operations		**–**	(0.24) cents
Earnings/(loss) per share – diluted			
– From continuing and discontinued operations	*9(b)*	**0.08 cents**	1.14 cents
– From continuing operations		**0.08 cents**	1.27 cents
– From discontinued operations		**–**	(0.13) cents

CONSOLIDATED BALANCE SHEET

At 30 June 2010

		2010		2009	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment			**103,527**		120,808
Investment properties			**38,760**		31,527
Intangible assets	*10*		**1,491,593**		1,754,993
Goodwill			**10,483**		10,483
Interest in an associate			**49,724**		133,928
			1,694,087		2,051,739
Current assets					
Securities held for trading		**426**		345	
Trade and other receivables	*11*	**411,043**		428,571	
Derivative financial instruments		**–**		–	
Dividend receivable from an associate		**27,455**		27,455	
Cash and cash equivalents		**9,517**		40,386	
		448,441		496,757	
Less: Current liabilities					
Trade and other payables		**19,775**		33,353	
Dividend payable to non-controlling shareholders		**209,447**		209,447	
Income tax payable		**1,829**		2,667	
		231,051		245,467	
Net current assets			**217,390**		251,290
Total assets less current liabilities			**1,911,477**		2,303,029

	Note	**2010** HK$'000	**2010** HK$'000	2009 HK$'000	2009 HK$'000
Less: Non-current liabilities					
Deferred tax liabilities		**9,161**		32,317	
Convertible notes		**114,937**		492,440	
			124,098		524,757
Net assets			**1,787,379**		1,778,272
Capital and reserves					
Share capital	*13*		**38,472**		769,449
Reserves			**969,441**		364,626
Total equity attributable to equity shareholders of the Company			**1,007,913**		1,134,075
Non-controlling interests			**779,466**		644,197
Total equity			**1,787,379**		1,778,272

Notes:

1. BASIS OF PREPARATION

(i) Statement of compliance

The consolidated 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 the consolidated financial statements.

(ii) Basis of preparation of the financial statements

(i) Basis of measurement

The measurement basis used in the preparation of the consolidated 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 new and revised HKFRS, a number of amendments to 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) "Presentation of Financial Statements"
- Amendments to HKFRS 7 "Financial Instruments: Disclosures" – *Improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- HKAS 23 (revised 2007) "Borrowing Costs"
- Amendments to HKFRS 2 "Share-Based Payment" – *vesting conditions and cancellations*
- HKFRS 3 (Revised) "Business Combinations"
- Amendments to HKAS 27 "Consolidated and Separate Financial Statements"

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. The impact of the remainder of these developments 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). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised), 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 statement of comprehensive income. 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.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in the consolidated financial statements about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- 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. The amendments have not resulted in any significant changes to the Group's accounting policies.

- As a result of the adoption of HKFRS 3 (revised), any business combination acquired on or after 1 July 2009 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the amendments to HKAS 27, the following changes in policies were applied as from 1 July 2009:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group would have treated such transactions as step-up transactions and partial disposals, respectively.

– 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 July 2009, all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the Group'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 Group 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.

– Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

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 2010 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.

3. TURNOVER AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are leasing of the cruise ship 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 ended 30 June 2009.

The Group manages its businesses by divisions, 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: this segment receives the profit streams from gaming and entertainment related business. The activities carried out in Macau.

– the cruise leasing segment: this segment leases the Group's cruise ship to generate rental income. Currently, the Group's cruise ship is located in Hong Kong and high sea.

Discontinued operations:

– the sale of electrical equipments segment: this segment was the manufacture and trading of electrical equipments. The activities in this regard were carried out in Hong Kong.

– the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services. The activities in this regard were carried out in Hong Kong.

(a) **Segment Results, Assets and Liabilities**

For the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs. Taxation charge is not allocated to reporting segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 30 June 2010 and 30 June 2009 is set out below.

For the year ended 30 June 2010

	Continuing operations			**Discontinued operations**			
	Gaming and entertainment *HK$'000*	**Cruise ship leasing** *HK$'000*	**Sub-total** *HK$'000*	**Sale of electrical equipments** *HK$'000*	**Electrical engineering and contracting services** *HK$'000*	**Sub-total** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:							
Revenue from external customers	387,965	24,000	411,965	–	–	–	411,965
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	387,965	24,000	411,965	–	–	–	411,965
Reportable segment profit	110,057	6,785	116,842	–	–	–	116,842
Interest income	–	1	1	–	–	–	1
Depreciation and amortisation	–	(17,216)	(17,216)	–	–	–	(17,216)
Impairment loss on intangible assets	(336,000)	–	(336,000)	–	–	–	(336,000)
Compensation from the vendors for shortfall in guaranteed profit	142,315	–	142,315	–	–	–	142,315
Share of results of associate	(84,204)	–	(84,204)	–	–	–	(84,204)
Reportable segment assets	1,988,281	109,850	2,098,131	–	–	–	2,098,131
(including interest in associate)	49,724	–	49,724	–	–	–	49,724
Additions to non-current segment assets during the year	72,600	–	72,600	–	–	–	72,600
Reportable segment liabilities	209,465	5,668	215,133	–	–	–	215,133

For the year ended 30 June 2009

	Continuing operations			Discontinued operations			
	Gaming and entertainment *HK$'000*	Cruise ship leasing *HK$'000*	Sub-total *HK$'000*	Sale of electrical equipments *HK$'000*	Electrical engineering and contracting services *HK$'000*	Sub-total *HK$'000*	Consolidated *HK$'000*
Segment revenue:							
Revenue from external customers	433,268	30,000	463,268	86,423	23,267	109,690	572,958
Inter-segment revenue	–	–	–	6,577	11,068	17,645	17,645
Reportable segment revenue	433,268	30,000	463,268	93,000	34,335	127,335	590,603
Reportable segment profit/(loss)	252,936	11,445	264,381	8,970	(33)	8,937	273,318
Interest income	–	48	48	196	10	206	254
Depreciation and amortisation	–	(17,216)	(17,216)	(303)	–	(303)	(17,519)
Impairment loss on intangible assets	(261,800)	–	(261,800)	–	–	–	(261,800)
Compensation from the vendors for shortfall in guaranteed profit	71,132	–	71,132	–	–	–	71,132
Share of results of associate	12,766	–	12,766	–	–	–	12,766
Reportable segment assets	2,297,236	129,285	2,426,521	–	–	–	2,426,521
(including interest in associate)	133,928	–	133,928	–	–	–	133,928
Additions to non-current segment assets during the year	–	–	–	–	–	–	–
Reportable segment liabilities	209,465	23,571	233,036	–	–	–	233,036

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Continuing operations:		
Reportable segment revenue	**411,965**	463,268
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from continuing operation	**411,965**	463,268
Discontinued operations *(Note 8)*:		
Reportable segment revenue	**–**	127,335
Elimination of inter-segment revenue	**–**	(17,645)
Consolidated turnover from discontinued operations	**–**	109,690
Profit or loss		
Continuing operations:		
Reportable segment profit	**116,842**	264,381
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**116,842**	264,381
Gain from bargain purchase of interest in a subsidiary	**22,050**	–
Fair value changes on derivative financial instruments	**–**	(112,602)
Fair value changes on investment properties	**7,233**	1,027
Fair value changes on securities held for trading	**81**	63
Gain on redemption of convertible notes	**74,769**	108,898
Finance costs	**(13,739)**	(29,951)
Unallocated head office and corporate expenses and income	**(5,153)**	(9,482)
Consolidated profit before taxation from continuing operations	**202,083**	222,334
Discontinued operations *(Note 8)*:		
Reportable segment profit	**–**	8,937
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers and consolidated profit before taxation from discontinued operations	**–**	8,937

	2010	2009
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**2,098,131**	2,426,521
Investment properties	**38,760**	31,527
Unallocated head office and corporate assets	**5,637**	90,448
Consolidated total assets	**2,142,528**	2,548,496
Liabilities		
Reportable segment liabilities	**215,133**	233,036
Convertible notes	**114,937**	492,440
Income tax payable	**1,829**	2,667
Deferred tax liabilities	**9,161**	32,317
Unallocated head office and corporate liabilities	**14,089**	9,764
Consolidated total liabilities	**355,149**	770,224

(c) Geographical information

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. Non-current assets are based on the physical location of the assets, in case of property, plant and equipment, the location of the operation to which they are allocated, in case of intangible assets and goodwill, and the location of operations, in case of interests in an associate.

	Hong Kong		Macau	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover from external customers	**24,000**	139,690	**387,965**	433,268
Non-current assets	**142,333**	152,380	**1,551,754**	1,899,359

4. OTHER REVENUE

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations:		
Bank interest income	**2**	10
Other interest income	**–**	42
	2	52
Compensations from the vendors for shortfall in guaranteed profits (see note (b) below)	**142,315**	71,132
Sundry income	**709**	–
	143,026	71,184
Discontinued operations ***(Note 8)*****:**		
Bank interest income	**–**	206
Commission income	**–**	88
Sundry income	**–**	535
	–	829
Total	**143,026**	72,013

Notes:

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations	**2**	52
Discontinued operations	**–**	206
	2	258

(b) Pursuant to the profit guarantee agreements in respect of the acquisition of Sky Advantage Limited ("Sky Advantage") and Profit Forest Limited ("Profit Forest"), the Group is entitled to receive compensations from vendors, which are minority shareholders of Sky Advantage and Profit Forest and the substantial shareholders of the Company, 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 2010 and 2009, profit generated from Sky Advantage and Profit Forest did not meet the guaranteed profits under the relevant profit guarantee agreements, and accordingly the Group is entitled to receive the compensations from the vendors for shortfall in guarantee profits of Sky Advantage and Profit Forest.

5. OTHER NET INCOME/(LOSS)

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations:		
Fair value changes on investment properties	**7,233**	1,027
Fair value changes on securities held for trading	**81**	63
Fair value changes on derivative financial instruments	**–**	(112,602)
Gain on redemption of convertible notes	**74,769**	108,898
	82,083	(2,614)

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2010	2009
	HK$'000	*HK$'000*
Continuing operations:		
Total interest expense on financial liabilities not at fair value through profit or loss		
– Imputed interest expense on convertible notes	**13,739**	29,951

(b) Staff costs (including directors' remuneration)

	2010	2009
	HK$'000	*HK$'000*
Continuing operations:		
Contributions to defined contribution retirement plan	**73**	109
Salaries and other benefits	**2,982**	6,722
	3,055	6,831
Discontinued operations ***(Note 8)*****:**		
Contributions to defined contribution retirement plan	**–**	535
Salaries, wages and other benefits	**–**	13,599
	–	14,134
Total staff costs	**3,055**	20,965

(c) Other items

	2010	2009
	HK$'000	*HK$'000*
Continuing operations:		
Auditors' remuneration		
– audit services	**570**	650
Depreciation of property, plant and equipment	**17,281**	17,498
Loss on disposal of property, plant and equipment	**–**	631
Operating lease charges in respect of land and buildings	**505**	1,142
Discontinued operations ***(Note 8)*****:**		
Amortisation of land lease premiums	**–**	123
Depreciation of property, plant and equipment	**–**	180
Auditors' remuneration		
– audit services	**–**	227
Write-down of inventories	**–**	723
Cost of inventories	**–**	56,410

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Continuing operations

Income tax in the consolidated statement of comprehensive income represents:

	2010	2009
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	**–**	178
Deferred tax:		
Origination and reversal of temporary differences	**169**	(3,271)
	169	(3,271)
	169	(3,093)

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 2010 and 2009.

(b) **Discontinued operations**

Income tax in the note 8 represents:

	2010	2009
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	–	1,410
Over-provision in respect of prior years	–	(50)
	–	1,360
Deferred tax:		
Origination and reversal of temporary differences	–	82
	–	1,442

The provision for Hong Kong Profit Tax for the year ended 30 June 2009 is calculated at 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 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.

The results of the discontinued operations for the year ended 30 June 2009 were as follows:

		2009
	Note	*HK$'000*
Turnover	*3*	109,690
Cost of sales		(91,767)
Gross profit		17,923
Other revenue	*4*	829
Selling and distribution expenses		(1,630)
General and administrative expenses		(8,185)
Profit from operations		8,937
Finance costs		–
Profit before taxation	*6*	8,937
Income tax	*7(b)*	(1,442)
Profit for the year		7,495

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 (see below) and the weighted average of approximately 3,847,245,000 ordinary shares (2009: 3,847,245,000 ordinary shares) in issue during the year, calculated as follows:

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations	**66,645**	51,816
Discontinued operations	**–**	(9,226)
	66,645	42,590

(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 (see (i) below) and the weighted average number of approximately 5,175,195,000 (2009: 6,704,222,000) 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)

	2010	2009
	HK$'000	*HK$'000*
From continuing and discontinued operations:		
Profit attributable to equity shareholders	**66,645**	42,590
After tax effect of effective interest on liability component of convertible bonds	**12,100**	29,951
After tax effect of losses recognised on derivative component of convertible notes	**–**	112,602
Effect of gain recognised on redemption of convertible notes	**(74,769)**	(108,898)
Profit attributable to equity shareholders (diluted)	**3,976**	76,245
Attributable to:		
Continuing operations	**3,976**	85,471
Discontinued operation	**–**	(9,226)
	3,976	76,245

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

	2010 **Shares** ***'000***	2009 Shares *'000*
Weighted average number of ordinary shares at 1 July	**3,847,245**	3,847,245
Effect of conversion of convertible bonds	**1,327,950**	2,856,977
Weighted average number of ordinary shares (diluted) at 30 June	**5,175,195**	6,704,222

During the years ended 30 June 2010 and 2009, the computation of diluted earnings/(loss) per share did not assume the exercise of the Company's share options since the exercise price of the options exceeded the average market price of ordinary shares during the year.

10. INTANGIBLE ASSETS

THE GROUP

	Rights in sharing of profit streams *HK$'000*	**Development cost** *HK$'000*	**Total** *HK$'000*
Cost:			
At 1 July 2008	2,187,793	4,673	2,192,466
Disposals through disposal of subsidiaries	–	(4,673)	(4,673)
At 30 June 2009	2,187,793	–	2,187,793
At 1 July 2009	2,187,793	–	2,187,793
Additions on acquisition of a subsidiary	72,600	–	72,600
At 30 June 2010	2,260,393	–	2,260,393
Accumulated amortisation and impairment losses:			
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)
At 30 June 2009	432,800	–	432,800
At 1 July 2009	432,800	–	432,800
Impairment loss recognised for the year	336,000	–	336,000
At 30 June 2010	768,800	–	768,800
Carrying amount:			
At 30 June 2010	**1,491,593**	**–**	**1,491,593**
At 30 June 2009	1,754,993	–	1,754,993

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$'000*	**New Star Profit Agreement** *HK$'000*	**Total** *HK$'000*
At 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 and 1 July 2009	567,793	296,800	890,400	–	1,754,993
Additions through acquisition of a subsidiary	–	–	–	72,600	72,600
Impairment loss recognised for the year	–	(84,000)	(252,000)	–	(336,000)
At 30 June 2010	567,793	212,800	638,400	72,600	1,491,593

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"), 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 0.00% (2009: 2.85%) 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 13.41% (2009: 14.02%). The discount rate used are pre-tax and reflect specific risks relating to the gaming and entertainment segment.

The impairment loss of approximately HK$336,000,000 (2009: HK$261,800,000) 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. In the opinion of directors of the Company, (1) the keen competition in Macau's gaming and entertainment industry and (2) the development of gaming and entertainment industry in Singapore were the major factors leading to the failure of meeting the guaranteed profits by Sky Advantage and Profit Forest. 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	
	2010 *HK$'000*	2009 *HK$'000*
0 – 30 days	**31,789**	23,434
31 – 60 days	**35,078**	28,889
61 – 90 days	**35,879**	28,054
Over 90 days	**92,855**	224,891
	195,601	305,268

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 and cruise leasing 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. ACQUISITION OF SUBSIDIARIES

On 11 September 2009, Rich Pearl Limited ("Rich Pearl"), a wholly owned subsidiary of the Company acquired the entired issued share capital of Best Max Enterprises Limited ("Best Max"), which share 0.04% of the rolling turnover generated by Lucky Star Entretenimento Sociedade Unipessoal Limitada at Level 3 at the StarWorld Hotel in Macau.

The consideration of approximately HK$57,708,000 for this acquisition was paid in cash. The amount of excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arising as a result of the acquisition was approximately HK$22,050,000.

	Acquiree's carrying amount	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Right in sharing of profit streams	–	72,600	72,600
Trade and other receivables	7,168	–	7,168
Other payables	(10)	–	(10)
Deferred taxation *(note 3)*	–	–	–
100% equity interest of Best Max	7,158	72,600	79,758
Gain from bargain purchase of interest in a subsidiary			(22,050)
Total consideration paid			57,708

	HK$'000
Total consideration satisfied by:	
Cash consideration	7,708
Deposits for acquisition of a subsidiary	50,000
	57,708

Notes:

(1) Gain from bargain purchase of interest in a subsidiary arose in the business combination is attributable to the discount on the cost of the combination paid to acquire Best Max so as to compensate the risks arising from the gaming and entertainment business in the future. The Company has reassessed the fair value of acquiree's identifiable net assets and considered the values of net assets are measured reliably.

(2) During the year ended 30 June 2010, Best Max contributed turnover and profit of approximately HK$15,544,000 and HK$15,540,000 to the Group's turnover and profit respectively for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2009, total Group's turnover and profit for the year attributable to equity holders of the Company would have been approximately HK$416,045,000 and HK$70,724,000 respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2009, nor is it intended to be a projection of future results.

(3) No provision for deferred taxation arising from the right in sharing of profit steams has been recognised since, in the opinion of the Company's directors, the amount of deferred taxation is insignificant.

13. SHARE CAPITAL

Share capital

	Number of shares	Share capital
	'000	*HK$'000*
Authorised:		
At 1 July 2008 and 30 June 2009		
– ordinary shares of HK$0.2	50,000,000	10,000,000
Capital reduction *(note)*	–	(9,500,000)
At 30 June 2010		
– ordinary shares of HK$0.01 each	50,000,000	500,000
Issued and fully paid:		
At 1 July 2008 and 30 June 2009		
– ordinary shares of HK$0.2	3,847,245	769,449
Capital reduction *(note)*	–	(730,977)
At 30 June 2010		
– ordinary shares of HK$0.01 each	3,847,245	38,472

Note:

By a special resolution passed at the extraordinary general meeting held on 7 October 2009, the Company's authorised ordinary share capital 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 ("Reduced Shares") of HK$0.01 each and the issued share capital of the Company was reduced from approximately HK$769,449,000 to approximately HK$38,472,000 divided into approximately 3,847,245,000 Reduced Shares, giving rise to a total credit of approximately HK$730,977,000 which was credited to the share premium account of the Company.

14. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised), *Presentation of financial statements,* and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2010 amounted to approximately HK$201,914,000 (2009: profit HK$217,700,000) after impairment of intangible assets which amount to approximately HK$336,000,000 (2009: HK$261,800,000).

Our business is picking up at a steady pace in line with improving global economic atmosphere. Even though our angst of second wave financial crisis has not been over yet nevertheless our worry of unhinged credit market in the past is eased. Neptune has stellar net profit this year as compare to those results few years ago. Last year our Group have its turning point when it started to reap the benefit of our investments return from gaming segment and we expect it could have easily risen, just like the overall economic growth.

GAMING RELATED BUSINESS

Revenue for the commission from rolling turnover for this year was recorded HK$387,965,000 (2009: HK$433,268,000). Investments in gaming segment had contributed more than 90% or more of our group profit, amounting to HK$110 million even after taken into account of impairment loss due to revaluation of intangible assets and share of loss of an associate. Adopted an income approach by professional valuator, the segment profit was adjusted downward as result of an increase of HK$74.2 million impairment loss recognized for the year, reaching HK$336 million for all intangible asset on hand. The market fluctuation towards our group intangible asset adversely affected our bottom line profit. In spite of this, all previous acquisitions in gaming segment have helped our Group achieving the target of boosting our turnover and provide a steady income stream that eventually can shore up more capital for our future expansion.

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for the year was recorded HK$24,000,000 (2009: HK$30,000,000) when compared with last year. The decrease in revenue was only due to the first 2 quarter in last year comprised of the cruise's monthly rental income received at HK$3,000,000 but this year figure having full year monthly rental income fixed at HK$2,000,000. It accounted for approximately 5.8% of the Group's total revenue. Segment result amounted to approximately HK$6,785,000 (2009: HK$11,445,000). Contribution from cruise rental, a decrease of approximately HK$4,660,000 when compared with last year. As cruise line owner, management needs to stay on top of cruise ships news and trends around us, looking for latest upgrade new equipment to be placed on board using that to increasing our edge so as to provide best entertainment to customers. We do expect this will enhance Neptune Cruise's market attraction and her competitiveness.

FINANCIAL REVIEW

For the financial year ended 30 June 2010, the Group recorded a turnover of approximately HK$411,965,000 (2009: HK$463,268,000), and decrease 11.07% compared to the previous year.

A profit attributable to equity shareholders is approximately HK$66,645,000, or HK$1.73 cents (profit) a share, or compared with previous year net profit of approximately HK$42,590,000, or HK$1.11 cents (profit) a share. At contrast, an increase in profit attributable to equity shareholders but showing decrease in turnover is mainly attribute to the negative impact caused by the reduction of 6 million profit as compare to last year from rental income and increase in impairment of intangible asset by HK$74.2 million this year, are wholly offset by our increase of other income HK$71.8 million and no more record in loss on disposal of subsidiary, together with the cost saving of more than HK$23.6 million as result of our tighten up to curb administrative and financial cost which save more than HK$23.6 million this year.

Our earning before interest, taxes, depreciation and amortization (EBITDA) this year was $233,103,000 million compare to HK$263,801,000 million for the previous year, an decrease of 11.63%. A minor difference from our forecast will be compensated by guarantee profit under contract terms when the income has not attained to required level.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 30 June 2010 (2009: Nil).

CAPITAL STRUCTURE

As at 30 June 2010, the total issued share capital of the Company was HK$38,472,445 divided into 3,847,244,500 ordinary shares of HK$0.01 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$217,390,000 as at 30 June 2010 (2009: HK$251,290,000). There are no bank and other borrowings as at 30 June 2010 (2009: HK$0.00). The total equity of the Group as at year-end was HK$1,787,379,000 (2009: HK$1,778,272,000). The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2010, was approximately 11.4% (2009: 43.42%). The great improvement of our liquidity ratio was due to our redemption of 2 convertible notes on hand during the year, adding up in total we repaid HK$529 million in cash, bringing down the total outstanding principal in amount of HK$154 million as at 30 June 2010.

The total indebtedness of the Group comprises mainly of convertible notes. As at 30 June 2010, the face value of total indebtedness approximately amount to HK$355,149,000 (2009: HK$770,224,000), comprising of HK$210 million dividend payable, HK$19 million trade payable and other payable, HK$1.8 million tax payable, HK$9.2 million deferred tax liabilities and the fair value of liability component which were HK$115 million, representing the convertible bond of HK$134,200,000, with a conversion price of HK$0.3 per share, HK$19,500,000, with a conversion price of HK$0.3 per shares. All of which are unsecured, with effective interest rate approximately 5% and maturing on 16 March 2018.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2010, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (2009: 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.

On 12 January 2010, the Company received a notice that it is being sued by a passenger on the Group's cruise ship in respect of a personal injury purported to have been suffered during his journey in the Group's cruise ship. If the Company is found to be liable, the total expected monetary compensation might amount to approximately HK$3.6 million. The Group leased its cruise ship to the tenant in accordance with the relevant tenancy agreement whereby the tenant operated the ship. The Company denied any liability in respect of the injury and, based on legal advice, the directors do not believe it probable that the court will find against the Company. No provision has therefore been made in respect of this claim.

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 2010, the Group did not have any foreign currency investments, which have been hedged by currency borrowings and other hedging instruments.

CAPITAL COMMITMENT

During the year, the Group did not have any capital commitment.

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.

SUBSEQUENT EVENT

There are no significant events occurring after the balance sheet date.

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 2010 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 year ended 30 June 2010.

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 2010.

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. Chan Choi Kam (all independent non-executive Directors).

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

Hong Kong, 26 October 2010