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 2011

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 2011 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Note	**2011** ***HK$'000***	2010 *HK$'000* (restated)
Continuing operations:			
Turnover	*3*	**414,787**	387,965
Other revenue	*4*	**1**	143,025
Other net (loss)/income	*5*	**(25,838)**	82,083
General and administrative expenses		**(5,883)**	(5,882)
Impairment of intangible assets	*10*	**(47,100)**	(336,000)
Profit from operations		**335,967**	271,191
Share of results of associate		**20,491**	(84,204)
Gain from bargain purchase of interest in a subsidiary		**–**	22,050
Finance costs	*6(a)*	**(1,551)**	(13,739)
Profit before taxation	*6*	**354,907**	195,298
Income tax	*7(a)*	**1,677**	(169)
Profit for the year from continuing operations		**356,584**	195,129
Discontinued operation:			
Profit for the year from discontinued operation	*8*	**11,240**	6,785
Profit for the year		**367,824**	201,914
Other comprehensive income/(loss) for the year		**–**	–
Total comprehensive income for the year		**367,824**	201,914

	Note	2011 HK$'000	2010 HK$'000 (restated)
Attributable to			
– Equity shareholders of the Company		**201,133**	66,645
– Non-controlling interests		**166,691**	135,269
Profit and total comprehensive income for the year		**367,824**	201,914
Earnings per share – basic	*9(a)*		
– From continuing and discontinued operations		**5.23 cents**	1.73 cents
– From continuing operations		**5.03 cents**	1.61 cents
– From discontinued operation		**0.20 cents**	0.12 cents
Earnings/(loss) per share – diluted	*9(b)*		
– From continuing and discontinued operations		**5.23 cents**	0.08 cents
– From continuing operations		**5.03 cents**	(0.01) cents
– From discontinued operation		**0.20 cents**	0.09 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Note	2011 HK$'000	2011 HK$'000	2010 HK$'000	2010 HK$'000
Non-current assets					
Property, plant and equipment			**107**		103,527
Investment properties			**32,800**		38,760
Intangible assets	*10*		**1,444,493**		1,491,593
Goodwill			**10,438**		10,483
Interest in an associate			**46,465**		49,724
			1,534,303		1,694,087
Current assets					
Securities held for trading		**223**		426	
Trade and other receivables	*11*	**324,673**		411,043	
Derivative financial instruments		**–**		–	
Dividend receivable from an associate		**34,406**		27,455	
Cash and cash equivalents		**7,534**		9,517	
		366,836		448,441	
Assets classified as held for sale	*12*	**91,615**		–	
		458,451		448,441	
Less: Current liabilities					
Trade and other payables		**15,685**		19,775	
Dividend payable to non-controlling shareholders		**167,498**		209,447	
Income tax payable		**1,829**		1,829	
		185,012		231,051	
Net current assets			**273,439**		217,390
Total assets less current liabilities			**1,807,742**		1,911,477

		2011		2010	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Less: Non-current liabilities					
Deferred tax liabilities		**2,301**		9,161	
Convertible notes		**21,482**		114,937	
			23,783		124,098
Net assets			**1,783,959**		1,787,379
Capital and reserves					
Share capital	*13*		**38,472**		38,472
Reserves			**1,153,348**		969,441
Total equity attributable to equity shareholders of the Company			**1,191,820**		1,007,913
Non-controlling interests			**592,139**		779,466
Total equity			**1,783,959**		1,787,379

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 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:

- Improvements to HKFRSs (2009)
- HK (Int) 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The improvements to HKFRSs (2009) and the issuance of HK (Int) 5 have had no material impact on the Group's financial statements as the improvements and Interpretation's conclusion were consistent with policies already adopted by the Group.

3. TURNOVER AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activity of its subsidiaries is receiving the profit streams from gaming and entertainment related business. The Group's leasing of cruise ship was discontinued during the year ended 30 June 2011.

Turnover from continuing operation represents the revenue from assignment of profit under the profit streams from gaming and entertainment related business during the year, while the turnover from discontinued operations represents the rental income generated from the cruise ship.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management (the board of directors of the Company) for the purposes of resource allocation and performance assessment, the Group has identified the following two 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 were carried out in Macau.

Discontinued operation:

– 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.

(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 2011 and 30 June 2010 is set out below.

	2011			2010 (restated)		
	Continuing operations	**Discontinued operation**		Continuing operations	Discontinued operation	
	Gaming and entertainment	**Cruise ship leasing**	**Consolidated**	Gaming and entertainment	Cruise ship leasing	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Revenue from external customers	**414,787**	**24,000**	**438,787**	387,965	24,000	411,965
Inter-segment revenue	**–**	**–**	**–**	–	–	–
Reportable segment revenue	**414,787**	**24,000**	**438,787**	387,965	24,000	411,965
Reportable segment profit	**388,114**	**11,240**	**399,354**	110,057	6,785	116,842
Interest income	**–**	**1**	**1**	–	1	1
Depreciation	**–**	**(10,233)**	**(10,233)**	–	(17,216)	(17,216)
Impairment loss on intangible assets	**(47,100)**	**–**	**(47,100)**	(336,000)	–	(336,000)
Impairment loss on goodwill	**–**	**(45)**	**(45)**	–	–	–
Compensation from the vendors for shortfall in guaranteed profit	**–**	**–**	**–**	142,315	–	142,315
Share of results of associate	**20,491**	**–**	**20,491**	(84,204)	–	(84,204)
Reportable segment assets	**1,854,448**	**97,175**	**1,951,623**	1,988,281	109,850	2,098,131
(including interest in associate)	**46,465**	**–**	**46,465**	49,724	–	49,724
Additions to non-current segment assets during the year	**–**	**946**	**946**	72,600	–	72,600
Reportable segment liabilities	**167,515**	**1,752**	**169,267**	209,465	5,668	215,133

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

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Revenue		
Continuing operations:		
Reportable segment revenue	**414,787**	387,965
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from continuing operations	**414,787**	387,965
Discontinued operation *(Note 8)*:		
Reportable segment revenue	**24,000**	24,000
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from discontinued operation	**24,000**	24,000
Profit or loss		
Continuing operations:		
Reportable segment profit	**388,114**	110,057
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**388,114**	110,057
Gain from bargain purchase of interest in a subsidiary	**–**	22,050
Fair value changes on investment properties	**(5,960)**	7,233
Fair value changes on securities held for trading	**(203)**	81
(Loss)/gain on redemption of convertible notes	**(9,001)**	74,769
Impairment loss of deposit paid for acquisition of a company	**(10,629)**	–
Finance costs	**(1,551)**	(13,739)
Unallocated head office and corporate expenses and income	**(5,863)**	(5,153)
Consolidated profit before taxation from continuing operations	**354,907**	195,298
Discontinued operation *(Note 8)*:		
Reportable segment profit	**11,240**	6,785
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers and consolidated profit before taxation from discontinued operation	**11,240**	6,785

	2011	2010
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,951,623**	2,098,131
Investment properties	**32,800**	38,760
Unallocated head office and corporate assets	**8,331**	5,637
Consolidated total assets	**1,992,754**	2,142,528
Liabilities		
Reportable segment liabilities	**169,267**	215,133
Convertible notes	**21,482**	114,937
Income tax payable	**1,829**	1,829
Deferred tax liabilities	**2,301**	9,161
Unallocated head office and corporate liabilities	**13,916**	14,089
Consolidated total liabilities	**208,795**	355,149

(c) Geographical information

The Group's business operates in two principal geographical areas – (i) Hong Kong and the People's Republic of China (the "PRC") and (ii) 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 and the PRC		**Macau**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers				
– continuing operations	**–**	–	**414,787**	387,965
– discontinued operation	**24,000**	24,000	**–**	–
	24,000	24,000	**414,787**	387,965
Non-current assets				
– continuing operations	**32,907**	142,333	**1,501,396**	1,551,754

4. OTHER REVENUE

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

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Continuing operations:		
Bank interest income	**1**	1
Compensations from the vendors for shortfall in guaranteed profits (see Note (b) below)	**–**	142,315
Sundry income	**–**	709
	1	143,025
Discontinued operation *(Note 8)*:		
Bank interest income	**1**	1
Total	**2**	143,026

Notes:

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

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Continuing operations	**1**	1
Discontinued operation	**1**	1
	2	2

(b) Pursuant to the profit guarantee agreements and the supplementary 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 non-controlling 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 2011.

During the year ended 30 June 2010, profits 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.

During the year ended 30 June 2011, profits generated from Sky Advantage and Profit Forest met the guaranteed profits under the relevant profit guarantee agreements and no compensations from the vendors were recognised.

5. OTHER NET (LOSS)/INCOME

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

	2011	2010
	HK$'000	*HK$'000*
Continuing operations:		
Fair value changes on investment properties	**(5,960)**	7,233
Fair value changes on securities held for trading	**(203)**	81
Impairment loss of goodwill	**(45)**	–
Impairment loss of deposit paid for acquisition of a company *(see note below)*	**(10,629)**	–
(Loss)/gain on redemption of convertible notes	**(9,001)**	74,769
	(25,838)	82,083

Note:

On 28 January 2011, the Company entered into a conditional sale and purchase agreement to acquire the 25% of the equity interest in RJB Recycling Environment Orleans ("RJB"), a company incorporated in the Republic of France, from the independent third parties (the "Vendors"). As part of the agreement, a refundable deposit of EUR1,000,000 was paid by the Group to the Vendors upon signing of the agreement. The acquisition was finally terminated in May 2011 due to the unsatisfactory result of the due diligence investigation on RJB and the Company requested the Vendors to refund the deposit accordingly. However, no repayment of deposit from the Vendors was received by the Company and the Company initiated legal process for the refund of the deposit from the Vendors. Based on the assets searches on the Vendors, the assets held by the Vendors were insignificant and, the directors considered that the deposit is unlikely to be recoverable. As a result, an impairment loss of deposit of HK$10,629,000 was recognised during the year.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2011	2010
	HK$'000	*HK$'000*
Continuing operations:		
Total interest expense on financial liabilities not at fair value through profit on loss		
– Imputed interest expense on convertible notes	**1,551**	13,739

(b) Staff costs (including directors' remuneration)

	2011	2010
	HK$'000	*HK$'000*
Continuing operations:		
Contributions to defined contribution retirement plan	**86**	73
Salaries and other benefits	**2,961**	2,982
Total staff costs	**3,047**	3,055

(c) Other items

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Continuing operations:		
Auditors' remuneration		
– audit services	**600**	570
– other services	**60**	60
Depreciation of property, plant and equipment	**53**	65
Operating lease charges in respect of land and buildings	**506**	505
Discontinued operation *(Note 8):*		
Depreciation of property, plant and equipment	**10,233**	17,216
Impairment loss on assets classified as held for sale	**2,498**	–

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Continuing operations

Income tax (credited)/charged to profit or loss represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	**–**	–
Deferred tax:		
Origination and reversal of temporary differences	**(1,677)**	169
	(1,677)	169

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 2011 and 2010.

(b) Discontinued operation

No provision for Hong Kong Profits Tax and other income taxes has been made as the company comprising the discontinued operation 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 2011 and 2010.

8. DISCONTINUED OPERATION

On 24 June 2011, the Group entered into a memorandum of agreement to sell the cruise ship owned by a subsidiary of the Company for a cash consideration of US$11,800,000 (equivalent to approximately HK$92,000,000) to an independent third party. The disposal of the cruise ship was completed in August 2011. Further details of such disposal are disclosed in note 12.

(a) The operation of cruise ship leasing was classified as discontinued operation and the results of the discontinued operation for the years ended 30 June 2011 and 2010 were as follows:

	Note	**2011** ***HK$'000***	2010 *HK$'000* (restated)
Turnover	*3*	**24,000**	24,000
Cost of sales		**(10,233)**	(17,216)
Gross profit		**13,767**	6,784
Other revenue	*4*	**1**	1
Impairment loss on assets classified as held for sale		**(2,498)**	–
General and administrative expenses		**(30)**	–
Profit from operations		**11,240**	6,785
Finance costs		**–**	–
Profit before taxation	*6*	**11,240**	6,785
Income tax	*7(b)*	**–**	–
Profit for the year		**11,240**	6,785

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company (see below) and the weighted average of approximately 3,847,245,000 ordinary shares (2010: 3,847,245,000 ordinary shares) in issue during the year, calculated as follows:

Profit attributable to ordinary equity shareholders of the Company

	2011 ***HK$'000***	2010 *HK$'000* (restated)
Continuing operations	**193,265**	61,896
Discontinued operation	**7,868**	4,749
	201,133	66,645

(b) Diluted earnings/(loss) per share

Diluted earnings per share for the year ended 30 June 2011 was the same as basic earnings per share because the exercise of the Company's outstanding share options and convertible notes were anti-dilutive.

The calculation of diluted earnings per share for the year ended 30 June 2010 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 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 *HK$'000* (restated)
From continuing and discontinued operations:	
Profit attributable to equity shareholders	66,645
After tax effect of effective interest on liability component of convertible bonds	12,100
Effect of gain recognised on redemption of convertible notes	(74,769)
Profit attributable to equity shareholders (diluted)	3,976
Attributable to:	
Continuing operations	(773)
Discontinued operation	4,749
	3,976

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

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

During the year ended 30 June 2010, 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 that year.

10. INTANGIBLE ASSETS

THE GROUP

	Rights in sharing of profit streams
	HK$'000
Cost:	
At 1 July 2009	2,187,793
Additions through acquisition of a subsidiary	72,600
At 30 June 2010, 1 July 2010 and 30 June 2011	2,260,393
Accumulated amortisation and impairment losses:	
At 1 July 2009	432,800
Impairment loss recognised for the year	336,000
At 30 June 2010	768,800
At 1 July 2010	768,800
Impairment loss recognised for the year	47,100
At 30 June 2011	**815,900**
Carrying amount:	
At 30 June 2011	**1,444,493**
At 30 June 2010	1,491,593

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	Neptune Ouro Profit Agreement	Hao Cai Profit Agreement	New Star Profit Agreement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2009	567,793	296,800	890,400	–	1,754,993
Additions through the acquisition of a subsidiary	–	–	–	72,600	72,600
Impairment loss recognised for the year	–	(84,000)	(252,000)	–	(336,000)
At 30 June 2010 and 1 July 2010	567,793	212,800	638,400	72,600	1,491,593
Impairment loss recognised for the year	–	(11,800)	(35,300)	–	(47,100)
At 30 June 2011	567,793	201,000	603,100	72,600	1,444,493

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% (2010: 0.00%) 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 14.17% (2010: 13.41%). The discount rate used are pre-tax and reflect specific risks relating to the gaming and entertainment segment.

The impairment loss of approximately HK$47,100,000 (2010: HK$336,000,000) recognized during the year solely relates to the Group's gaming and entertainment segment. The main factors contributing to the impairment were (i) the increase in discount rate and (ii) the decrease in profit forecasts in relation to Sky Advantage and Profit Forest by the directors of the Company. In the opinion of the directors of the Company, the keen competition in Macau's gaming and entertainment industry and the development of gaming and entertainment industry in Singapore were the major factors leading to the decrease in profit forecasts in relation to 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	
	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**18,935**	31,789
31 – 60 days	**24,809**	35,078
61 – 90 days	**29,501**	35,879
Over 90 days	**174,432**	92,855
	247,677	195,601

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. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In June 2011, the Group intended to dispose of the cruise ship owned by a subsidiary of the Company, the assets related to the cruise ship, which was expected to be sold within twelve months, have been classified as assets held for sale and presented separately in the consolidated statement of financial position.

On 24 June 2011, the Group entered into a memorandum of agreement to sell the cruise ship for a cash consideration of US$11,800,000 (equivalent to approximately HK$92,000,000) to an independent third party. The disposal was completed in August 2011. The proceeds of the disposal are expected to be less than the net carrying amount of the assets related to the cruise ship, and accordingly, an impairment loss of HK$2,498,000 for the write-down of the value to fair value less costs to sell was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2011.

Non-current assets classified as held for sale are as follows:

	At 30 June 2011
	HK$'000
Cruise ship	**90,426**
Less: impairment loss	**(2,498)**
Plant and machinery	**2,921**
Decoration	**766**
	91,615

13. SHARE CAPITAL

Share capital

	Number of shares	Share capital
	'000	*HK$'000*
Authorised:		
At 1 July 2009		
– ordinary shares of HK$0.2	50,000,000	10,000,000
Capital reduction *(note)*	–	(9,500,000)
At 30 June 2010, 1 July 2010 and 30 June 2011		
– ordinary shares of HK$0.01 each	50,000,000	500,000
Issued and fully paid:		
At 1 July 2009		
– ordinary shares of HK$0.2	3,847,245	769,449
Capital reduction *(note)*	–	(730,977)
At 30 June 2010, 1 July 2010 and 30 June 2011		
– 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 classification of the operation of cruise ship leasing to discontinued operation, certain comparative figures have been adjusted to conform with current year's presentation.

15. SUBSEQUENT EVENTS

On 23 August 2011, the Company entered into a conditional sale and purchase agreement to dispose of its entire equity interest in the Jumbo Profit Investments Limited and World Target International Limited (the "Disposal Group") to an independent third party at a consideration of HK$33,000,000. The primary assets of the Disposal Group are investment properties located in the PRC held by subsidiaries of the Disposal Group. Up to the date of these financial statements, the disposal was not completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2011 amounted to approximately HK$367,824,000 (2010: profit HK$201,914,000).

Underlying revenues grew by 6.5%, mainly resulting from combination of eccentric demeanor to serve our customers and more buoyant gaming and entertainment industry in last year, which all helped fuel our growth in revenue. Continued investment in refreshing and growing facilities by hotels and gaming concessions let our customers enjoy the lavish lifestyle when they played games in those embellished VIP gaming rooms. The growing numbers of high rollers were the steadfast support to our growth in revenue that posited their new marketing strategies strengthening supply chain source from mainland China, other Asian countries and this trend may continue if Asia Pacific economy are still expected to maintain modest GDP growth in the next few years. Underlying profits grew by 82% or more as benefited from a well-off less impairment amount of intangible assets which was reduced to approximately HK$47,100,000 (2010: HK$336,000,000) this year.

However we do not pitch for too optimistic expectation and should be cautious because the debt sodden world will remain mediocre for some time and emerging market economy also may be battered by global turmoil, this may directly impact on our business model as well.

GAMING RELATED BUSINESS

Our business model with gaming business segments is our core business has proven to be robust and solid. That is also confirmed by the development of the Group's new marketing strategies, which all closed the 2011 business year with a positive market response and contributed to our very good overall result.

The recovery of the market was especially noticeable in last quarter of 2010. Our operating result enjoyed a marked improvement compared to the same period last year, and the same could be said for the development in revenue, which was supported by the growing number of high rollers.

The cornerstones of our success were the focus on the junkets' management of their business, the systematic expansion of junkets in numbers who have successfully enticed high-value rollers, the continued development of growth markets, such as the China, Vietnam and India.

Revenue from the commission from rolling turnover for this year was recorded HK$414,787,000 (2010: HK$387,965,000). All of our group profit of the continuing operation came from investment return of gaming segment. We are increasingly focusing on the risk of credit assessment control, our ability to react to market changes quickly and flexibly, our solid strategy financially and operationally, and last, but clearly not least, our excellently functioning and highly motivated team of employees and management staff.

CRUISE BUSINESS

Revenue for the leasing of the cruise ship for the year was recorded HK$24,000,000 (2010: HK$24,000,000) remained the same. This business segment encountered an adversity situation when our operator faced far more ferocious competition, declining demand to cruising and also increased operation cost hampered by oil price rises inexorably and increasing of gigantic mountain of money for ship maintenance which ultimately slash most of their bottom line margin. We were unable to negotiate for higher yield in leasing of this cruise when this market was stagnant slowdown.

FINANCIAL REVIEW

For the financial year ended 30 June 2011, the Group recorded a turnover of approximately HK$438,787,000(2010: HK$411,965,000) which showed an increase of 6.5% compared to same period last year.

A profit attributable to equity shareholders was approximately HK$201,133,000, or HK$5.23 cents (profit) a share, or compared with last year net profit of approximately HK$66,645,000 or HK$1.73 cents (profit) a share.

Our earning before interest, taxes, depreciation and amortization (EBITDA) this year was HK$377,984,000 compared to HK$233,103,000 for last year, an increase of 62.2%. An increase of HK$144 million EBITDA is mainly attributable to the noticeable increase of commission from rolling turnover amounted to approximately HK$26.8 million, decrease of HK$288.9 million in impairment loss of intangible assets as compare by last year, significant increase of share of profit from associate companies which amount to approximately HK$104.7 million. These positive figures were partly offset by increase of provision of bad debt in amount of HK$10.6 million, no more compensations from guarantee profit HK$142.3 million, no record of negative goodwill HK$22.1 million, loss on fair value of investment properties in amount of HK$13.1 million, turnaround an net loss on redemption of convertible bonds in amount HK$83.7 million as compare with same period last year.

DIVIDEND

The Director do not recommend the payment of final dividend for the year 30 June 2011 (2010:Nil).

CAPITAL STRUCTURE

As at 30 June 2011, 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$273,439,000 as at 30 Jun 2011(2010: HK$217,390,000). There are no bank and other borrowings as at 30 Jun 2011 (2010: HK$NIL). The total equity of the Group as at year-end was HK$1,783,959,000 (2010: HK$1,787,379,000) The gearing ratio, calculated on the basis of total liabilities over total shareholders' fund as at 30 June 2011, was approximately 1.80% (2010: 11.4%). The great improvement of our liquidity ratio was due to our early redemption of the principal amount of two convertible bonds in total amount of HK$126 million during this year.

As at 30 June 2011, the face value of total indebtedness approximately amount to HK$208,795,000 (2010: HK$355,149,000), comprising of HK$168 million dividend payable to non-controlling shareholders, HK$15.7 million trade payable and other payable, HK$1.8 million tax payable, HK$2.3 million deferred tax liabilities and the carrying amount of liability component which were HK$21.5 million, representing the principal amount of convertible bond of HK$26.2 million, with conversion price of HK$0.3 per share and HK$1.5 million with a conversion price of HK$0.3 per share. 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 2011, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (2010: HK$ NIL).

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claims 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 Jun 2004. During the year ended 30 Jun 2011, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

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 Jun 2011, 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 30 staff in Hong Kong and their remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on annual basis based on performance appraisals and other relevant factors.

SUBSEQUENT EVENT

On 23 August 2011, the Company entered into a conditional sale and purchase agreement to dispose of its entire equity interest in the Jumbo Profit Investments Limited and World Target International Limited (the "Disposal Group") to an independent third party at a consideration of HK$33,000,000. The primary assets of the Disposal Group are investment properties located in the PRC held by subsidiaries of the Disposal Group. Up to the date of these financial statements, the disposal was not completed.

On 24 June 2011, the Group entered into a memorandum of agreement to sell the cruise ship owned by a subsidiary of the Company for a cash consideration of US$11,800,000 (equivalent to approximately HK$92,000,000) to an independent third party. The disposal of the cruise ship was completed in August 2011 (For details, please refer to note 12 of Notes to Financial Statements).

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 Jun 2011 the Company has, as far as possible, complied with the provision 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 fro specific terms and subject to re-elections. All independent non-executive directors of the Company are not appointed fro specific terms, but subject to retirement by rotations and re-elections at 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 2011.

REVIEW OF ANNUAL RESULTS

The annual results for the year have been reviewed by the audit committee of the Company. The audit committee has also reviewed with management and 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 year ended 30 June 2011.

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 (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, 30 September 2011