NEPTUNE GROUP LIMITED
海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00070)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

The board of directors (the "Board") of Neptune Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 31 December 2011 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011 (in HK Dollars)

		Six months ended 31 December	
		2011	2010
			(Restated)
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Continuing operations:			
Turnover	*3*	**220,370**	180,416
Other revenue		**–**	101,998
Administrative expenses		**(2,687)**	(2,245)
Loss on redemption of convertible notes		**–**	(9,001)
Gain on disposal of subsidiaries	*11*	**4,581**	–
Impairment loss of intangible assets		**–**	(85,200)
Profit from operations		**222,264**	185,968
Share of results of an associate		**5,660**	7,249
Finance costs	*5*	**(536)**	(1,025)
Profit before taxation	*4*	**227,388**	192,192
Income tax credit	*6*	**65**	123
Profit for the period from continuing operations:		**227,453**	192,315
Profit for the period from discontinued operation	*10*	**2,264**	6,933
Profit for the period		**229,717**	199,248
Other comprehensive income/(loss) for the period		**–**	–
Total comprehensive income for the period		**229,717**	199,248

	Notes	Six months ended 31 December **2011** **(Unaudited)** ***HK$'000***	2010 (Restated) (Unaudited) *HK$'000*
Attributable to:			
– Non-controlling interests		**90,485**	79,039
– Equity shareholders of the Company		**139,232**	120,209
Profit and total comprehensive income for the period		**229,717**	199,248
Dividend	*7*	**–**	–
Earnings per share attributable to equity shareholders of the Company			
Basic	*8(a)*		
– From continuing and discontinued operations		**3.62 cents**	3.12 cents
– From continuing operations		**3.58 cents**	3.00 cents
– From discontinued operation		**0.04 cents**	0.12 cents
Diluted	*8(b)*		
– From continuing and discontinued operations		**3.55 cents**	3.12 cents
– From continuing operations		**3.51 cents**	3.00 cents
– From discontinued operation		**0.04 cents**	0.12 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2011 (in HK Dollars)

	Notes	**31 December 2011 (Unaudited) *HK$'000***	30 June 2011 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**107**	107
Investment properties		**–**	32,800
Interest in an associate		**52,125**	46,465
Intangible assets		**1,444,493**	1,444,493
Goodwill		**10,438**	10,438
		1,507,163	1,534,303
Current assets			
Trade and other receivables	*9*	**293,188**	324,673
Securities held for trading		**2**	223
Dividend receivable from an associate		**34,406**	34,406
Derivative financial instruments		**–**	–
Cash and bank balances		**137,476**	7,534
		465,072	366,836
Assets classified as held for sale		**–**	91,615
		465,072	458,451
Total assets		**1,972,235**	1,992,754
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital		**38,472**	38,472
Reserves		**1,292,580**	1,153,348
		1,331,052	1,191,820
Non-controlling interests		**575,553**	592,139
Total equity		**1,906,605**	1,783,959

	31 December 2011 (Unaudited) *HK$'000*	30 June 2011 (Audited) *HK$'000*
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	**961**	2,301
Convertible notes	**21,878**	21,482
	22,839	23,783
Current liabilities		
Accruals and other payables	**11,894**	15,685
Amount due to an associate	**7,000**	–
Dividend payable to non-controlling shareholders	**23,798**	167,498
Tax payable	**99**	1,829
	42,791	185,012
Total liabilities	**65,630**	208,795
Total equity and liabilities	**1,972,235**	1,992,754
Net current assets	**422,281**	273,439
Total assets less current liabilities	**1,929,444**	1,807,742

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2011

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2011, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2012. Details of these changes in accounting policies are set out in note 2.

2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments of HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)
- Amendments to HK(IFRIC)14, HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction-prepayments of a minimum funding requirement.

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

The amendments to HK(IFRIC)14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. The other development resulted in changes in accounting policy but none of these changes in policy have a material impact on the classification, recognition and measurements of the amounts recognised in the financial statements and the disclosures in the current or comparative periods.

3. TURNOVER AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activities 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 and the cruise ship was disposed during the period.

Turnover from continuing operations 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 operation 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. The cruise ship of the Group was disposed during the period.

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 six months ended 31 December 2011 and 31 December 2010 is set out below.

(a) Segment results

	Six months ended 31 December 2011 (Unaudited)			Six months ended 31 December 2010 (Unaudited)		
	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	**220,370**	**2,000**	**222,370**	180,416	12,000	192,416
Inter-segment revenue	**–**	**–**	**–**	–	–	–
Reportable segment revenue	**220,370**	**2,000**	**222,370**	180,416	12,000	192,416
Reportable segment profit	**226,015**	**2,264**	**228,279**	204,449	6,933	211,382
Interest income	**–**	**77**	**77**	–	1	1
Compensations from the vendors for shortfall in guaranteed profit *(Note)*	**–**	**–**	**–**	101,998	–	101,998
Share of profit of an associate	**5,660**	**–**	**5,660**	7,249	–	7,249
Impairment loss on intangible assets	**–**	**–**	**–**	(85,200)	–	(85,200)

Note:

Pursuant to the profit guarantee agreements and 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 period ended 31 December 2010, 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.

During the period ended 31 December 2011, profits generated from Sky Advantage and Profit Forest met the guaranteed profits under the relevant profits guarantee agreements and no compensations from the vendors were recognised.

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

	For the six months ended 31 December	
	2011	2010 (Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Continuing operations:		
Reportable segment revenue	**220,370**	180,416
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from continuing operations	**220,370**	180,416
Discontinued operation *(Note 10)*:		
Reportable segment revenue	**2,000**	12,000
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from discontinued operation	**2,000**	12,000
Profit or loss		
Continuing operations:		
Reportable segment profit	**226,015**	204,449
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from Group's external customers	**226,015**	204,449
Finance costs	**(536)**	(1,025)
Unallocated head office and corporate expenses and income	**(2,672)**	(2,231)
Loss on redemption of convertible notes	**–**	(9,001)
Gain on disposal of subsidiaries	**4,581**	–
Consolidated profit before taxation from continuing operations	**227,388**	192,192
Discontinued operation *(Note 10)*:		
Reportable segment profit	**2,264**	6,933
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from Group's external customers and consolidated profit before taxation from discontinued operation	**2,264**	6,933

(c) **Segment assets and liabilities**

	Continuing operations	Discontinued operations	
	Gaming and entertainment *HK$'000*	**Cruise ship leasing** *HK$'000*	**Consolidated** *HK$'000*
At 31 December 2011 (unaudited):			
Reportable segment assets	**1,850,522**	**–**	**1,850,522**
(including interest in associate)	**52,125**	**–**	**52,125**
Reportable segment liabilities	**27,321**	**–**	**27,321**
At 30 June 2011 (audited):			
Reportable segment assets	**1,854,448**	**97,175**	**1,951,623**
(including interest in associate)	**46,465**	**–**	**46,465**
Reportable segment liabilities	**167,515**	**1,752**	**169,267**

(d) **Reconciliation of reportable segment assets and liabilities**

	31 December 2011 (Unaudited) *HK$'000*	30 June 2011 (Audited) *HK$'000*
Assets		
Reportable segment assets	**1,850,522**	1,951,623
Investment properties	**–**	32,800
Unallocated head office and corporate assets	**121,713**	8,331
Consolidated total assets	**1,972,235**	1,992,754
Liabilities		
Reportable segment liabilities	**27,321**	169,267
Convertible notes	**21,878**	21,482
Income tax payable	**99**	1,829
Deferred tax liabilities	**961**	2,301
Unallocated head office and corporate liabilities	**15,371**	13,916
Consolidated total liabilities	**65,630**	208,795

4. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit from operations is stated after charging:		
Discontinued operation:		
Depreciation of property, plant and equipment	**–**	5,067

5. FINANCE COSTS

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations:		
Imputed interest on convertible notes	**536**	1,025

6. TAXATION

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations:		
Deferred tax:		
Origination and reversal of temporary differences	**(65)**	(123)
Income tax credit	**(65)**	(123)

No Hong Kong profits tax and other income taxes has been made as the Group did not have estimated assessable profits subject to any income tax in Hong Kong and other tax jurisdiction concerned during the six months ended 31 December 2011 and 2010.

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the six months ended 31 December 2011 (2010: HK$Nil).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company (see below) and the weighted average number of 3,847,244,500 ordinary shares (2010: 3,847,244,500 ordinary shares) in issue during the period.

Profit attributable to ordinary equity shareholders of the company.

	Six months ended 31 December	
	2011	2010
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations	**137,648**	115,356
Discontinued operation	**1,584**	4,853
	139,232	120,209

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 December 2011 is based on the consolidated profit attributable to ordinary equity shareholders of the Company (see (i) below) and the weighted average number of approximately 3,939,579,000 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential shares, calculated as follows:

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

	Six months ended 31 December 2011 ***HK$'000*** **(restated)**
From continuing and discontinued operations:	
Profit attributable to equity shareholders	**139,232**
After tax effect of effective interest on liability component of convertible bonds	**471**
Profit attributable to equity shareholders (diluted)	**139,703**
Attributable to:	
Discontinued operation	**138,119**
Continuing operations	**1,584**
	139,703

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

	Six months ended 31 December 2011 Shares *'000*
Weighted average number of ordinary shares at 1 July	**3,847,245**
Effect of conversion of convertible bonds	**92,334**
Weighted average number of ordinary shares (diluted) at 31 December	**3,939,579**

During the six months ended 31 December 2011, the computation of diluted earnings 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 period.

During the six months ended 31 December 2010, the diluted earnings per share was the same as basic earnings per share because the exercise of the Company's outstanding share options and convertible notes were anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

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

Ageing analysis

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debt(s)) with the following ageing analysis as of the end of the reporting period:

	31 December 2011 (Unaudited) ***HK$'000***	30 June 2011 (Audited) *HK$'000*
0 – 30 days	**38,873**	18,935
31 – 60 days	**33,448**	24,809
61 – 90 days	**41,590**	29,501
Over 90 days	**146,606**	174,432
	260,517	247,677

10. 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.

(a) The operation of cruise ship leasing was classified as discontinued operation and the results of the discontinued operation for the six months ended 31 December 2011 and 2010 were as follows:

	Note	2011 HK$'000	2010 HK$'000 (restated) (Unaudited)
Turnover	*3*	**2,000**	12,000
Cost of sales		**–**	(5,067)
Gross profit		**2,000**	6,933
Other revenue		**77**	1
General and administrative expenses		**(2)**	(1)
Profit from operation:		**2,075**	6,933
Finance costs		**–**	–
Profit before taxation	*4*	**2,075**	6,933
Income tax		**–**	–
Profit for the period		**2,075**	6,933
Gain on disposal of assets classified as held for sale		**189**	–
Profit for the period from discontinued operation		**2,264**	6,933

11. DISPOSAL OF SUBSIDIARIES

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 disposal was completed on 23 December 2011.

Details of the net assets disposed of in respect of the Disposal Group are summarised below:

	HK$'000
Net assets disposed of	
Investment properties	32,800
Securities held for trading	221
Cash and bank balances	148
Other receivables	15
Accrual and other payables	(1,760)
Tax payables	(1,730)
Deferred tax liabilities	(1,275)
	28,419
Gain on disposal of subsidiaries	4,581
	33,000
Total consideration satisfied by:	
Cash consideration received	33,000

12. 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.

13. SUBSEQUENT EVENTS

In January 2012, the call option in relation to the purchase of 70% equity interest in Base Move Investments Limited ("Base Move") held by the Company lapsed and, as a result, the Group lost the control over Base Move thereafter. Before the lapse of the call option, the call option provided the Group with the potential voting rights over Base Move and Base Move was consolidated as a subsidiary. At the date of the loss of control over Base Move, it was accounted for as a disposal of the entire interest in Base Move and the retained 20% equity interest in Base Move was accounted for as interest in an associate.

On 12 January 2012, the Company entered into a conditional sale and purchase agreement to acquire additional 10% of the equity interest in Base Move from an independent third party at a consideration of HK$108,000,000. Up to the date of these financial statements, the acquisition was not completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The unaudited net profit of the Group for the six month period ended 31 December 2011 amounted to approximately HK$229,717,000 (2010: profit HK$199,248,000); earning per share of HK3.62 cents per share, up from the same period last year of HK$3.12 cents earning per share. Return of investments in gaming sector is our main source of net profit. It has contributed more than HK$226 million during the six month period whereas the gain in disposal of subsidiaries amounted to HK$4.6 million, the other one is the rental income from cruise rental which has now been classified as discontinued operation adding HK$2.3 million to our net profit. For this period,we has computed imputed interest on two convertible bonds in total of HK$0.5 million and expend administration cost HK$2.7 million. The unaudited net profit was HK$229.7 million when all the above income and expenses were all recorded.

Our revenue has HK$220,400 million was up over HK$39 million from a year ago, and was our second year in a row with business growing, gross margin is stable in 2011, as our investments in gaming industry-continued to enable leadership in market by our differentiated performance and exceptional roadmap and exciting new investment models, which drove a richer mix across client base, this will transform as an cornerstone of our growth.

For the six months period, we generated a record HK$280 million of cash from operations and HK$94 million cash from proceed of disposal of asset held for sales and disposal of subsidiaries altogether. On the other hand, we paid HK$251 million as dividends due to minority stakeholder of our subsidiaries, trimming the high level of indebtedness so as to improve our financial position.

In months ahead, we forecast our revenue in the third quarter may be negatively impacted when there is possible scenario China economy may be battered by shrinkage of consumer demand for export products due to hefty fiscal budget deficit in some European countries. The devastating impact may ultimately lead to default repayment appear. This may cause heavy loss for local investor who may already tapped into these kinds of risky investments few years ago. Unfortunately if this global crisis really burst up, definitely it will affect our revenue growth as most of our customer originated from China.

Turning to 2012, we are planning on another challenging year, with revenue growth may be slowdown and gross margin drop below our historical range due to the austerity policies of China still in motion.

Importantly we will continue to invest in our business, continuing to acquire more VIP room operators' business in Macau and in other Asian countries, and in fact when the market is presently beclouded in a liquidity trap and also in period of very low private confidence, we therefore can bargain good price in coming new acquisitions at this moment of time.

GAMING RELATED BUSINESS

Revenue for the commission from rolling turnover for six months period ended 31 December 2011 was recorded approximately HK$220,370,000 (2010 HK$180,416,000).

Investments in gaming segment have contributed more than 99% of our group profit, our share of profit from interest in associate has slightly dropped to HK$5.6 million instead of HK$7.3 million in the corresponding period last year. At present, we have only acquired shares in junket business which they have operation in VIP tables located in Sand Macau casino, StarWorld Casino and Venetian Casino.

Looking ahead, management committed to our historic investments in the Macau gaming sector and shall continue to seek other good investment opportunities in many countries in order to increase shareholder value as a whole.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2011 (2010: HK$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$422,281,000 as at 31 December 2011 (30 June 2011: HK$273,439,000). There were no bank and other borrowings as at 31 December 2011 (30 June 2011: HK$Nil). The total equity of the Group for the period ended as at 31 December 2011 was HK$1,906,605,000 (30 June 2011: HK$1,783,959,000). The gearing ratio, calculated on the basis of total debt (which comprises convertible notes) over total shareholders' funds as at 31 December 2011, was approximately 1.6% (30 June 2011: 1.8%). The total indebtedness of the Group comprised mainly of convertible notes. As at 31 December 2011, the face value of total indebtedness approximately amounted to HK$65,630,000 (30 June 2011: HK$208,795,000) comprising of HK$24 million dividend payable, HK$7 million amount due to associate, HK$12 million accruals and other payable and HK$1 million deferred tax and remained the liability component of two convertible notes at HK$22 million after cash redemptions to bond holders in the past few years that effectively help us to reduce our group's total indebtedness. Way back to first issue of these two convertible bonds I of HK$846,000,000, with a conversion price of HK$0.3 per share, and convertible bond II of HK$138,000,000, with a conversion price of HK$0.3 per shares, all of which were unsecured, with effective interest rate of approximately 5% and maturing on 16 March 2018.

PLEDGE OF GROUP'S ASSETS

As at 31 December 2011, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (30 June 2011: HK$Nil).

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 an annual basis based on performance appraisals and other relevant factors.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

During the period ended 31 December 2011, 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 period ended 31 December, 2011.

THE BOARD OF DIRECTORS

(a) Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises four executive directors, and three independent non-executive directors.

(b) Roles of Chairman and Chief Executive Officer

The Code Provision A.2.1 stipulates that the roles of chairman of the Board (the "Chairman") and chief executive officer (the "CEO") should be separated and should not be performed by the same individual and that the division of responsibilities between the Chairman and the CEO should be clearly stated. The Company fully supports such a division of responsibility between the Chairman and the CEO in order to ensure a balance of power and authority. The positions of the chairman of the Board and the chief executive officer are segregated and are held by Mr. Lin Cheuk Fung and Mr. Nicholas J. Niglio respectively. These positions have clearly defined separate responsibilities.

The chairman is responsible for leading and supervising the operations of the Board of Directors, effective planning of board meetings, ensuring the Board is acting to the best interests of the Company.

The chief executive officer is responsible for the administration of the Company business, as well as to formulate and implement Company policies, and answerable to the Board in relation to the Company overall operation.

(c) Responsibilities

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Chan Choi Kam. Mr.Yue Fu Wing possesses relevant professional qualifications and financial management expertise and meets the requirements of rule 3.2.1 of the Listing Rules.

The audit committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance and in meeting its external financial reporting objectives.

The interim report and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2011 has been reviewed by the audit committee and agreed to the accounting principles and practices adopted by the Company.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive directors and one executive director. The remuneration committee was established with specific written terms of reference and is principally responsible for reviewing and approving remuneration packages of directors and senior management, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option schemes. No director or senior management will determine his own remuneration.

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

Hong Kong, 28 February 2012

As at the date of this announcement, the Board comprises Mr. Lin Cheuk Fung, Mr. Nicholas J.Niglio, Mr. Chan Shiu Kwong, Stephen and Mr. Lau Kwok Hung (all being executive Directors), Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Chan Choi Kam (all being independent non-executive Directors).