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 2012

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 2012 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

	Note	**2012** ***HK$'000***	2011 *HK$'000*
Continuing operations:			
Turnover	*3*	**433,377**	414,787
Other revenue	*4*	**364**	1
Other losses	*5*	**(2,109)**	(25,838)
General and administrative expenses		**(6,327)**	(5,883)
Impairment of intangible assets	*10*	**–**	(47,100)
Profit from operations		**425,305**	335,967
Share of profits of associate		**10,256**	20,491
Gain on disposal of subsidiaries	*14*	**4,581**	–
Finance costs	*6(a)*	**(202)**	(1,551)
Profit before taxation	*6*	**439,940**	354,907
Income tax	*7(a)*	**25**	1,677
Profit for the year from continuing operations		**439,965**	356,584
Discontinued operation:			
Profit for the year from discontinued operation	*8*	**2,187**	11,240
Profit for the year		**442,152**	367,824
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**442,152**	367,824

	Note	2012 *HK$'000*	2011 *HK$'000*
Attributable to			
– Equity shareholders of the Company		**282,930**	201,133
– Non-controlling interests		**159,222**	166,691
Profit and total comprehensive income for the year		**442,152**	367,824
Earnings per share – basic and diluted	*9*		
– From continuing and discontinued operations		**7.35 cents**	5.23 cents
– From continuing operations		**7.31 cents**	5.03 cents
– From discontinued operation		**0.04 cents**	0.20 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2012

		2012		2011	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment			**62**		107
Investment properties			**–**		32,800
Intangible assets			**1,444,493**		1,444,493
Goodwill			**10,438**		10,438
Interest in an associate			**46,344**		46,465
Non-current deposit			**30,000**		–
			1,531,337		1,534,303
Current assets					
Securities held for trading		**2**		223	
Trade and other receivables	*12*	**331,314**		324,673	
Derivative financial instruments		**–**		–	
Dividend receivable from an associate		**44,783**		34,406	
Cash and cash equivalents		**119,503**		7,534	
		495,602		366,836	
Assets classified as held for sale	*15*	**–**		91,615	
		495,602		458,451	
Less: Current liabilities					
Other payables		**28,226**		15,685	
Amount due to an associate		**6,972**		–	
Dividend payable to non-controlling shareholders		**52,214**		167,498	
Income tax payable		**99**		1,829	
		87,511		185,012	
Net current assets			**408,091**		273,439
Total assets less current liabilities			**1,939,428**		1,807,742

		2012		2011	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Less: Non-current liabilities					
Deferred tax liabilities		**–**		2,301	
Convertible notes		**–**		21,482	
			–		23,783
Net assets			**1,939,428**		1,783,959
Capital and reserves					
Share capital	*13*		**38,472**		38,472
Reserves			**1,382,097**		1,153,348
Equity attributable to equity shareholders of the Company			**1,420,569**		1,191,820
Non-controlling interests			**518,859**		592,139
Total equity			**1,939,428**		1,783,959

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 (the "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:

- investment properties;
- financial instruments classified as available-for-sale or as trading securities; 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 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 a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (as revised in 2009) "Related Party Disclosures"
- Improvements to HKFRSs (2010) in relation to amendments to HKAS 1, HKAS 34, HKFRS 1, HKFRS 7 and HK(IFRIC) – Int 13
- Amendments to HKFRS 7 "Financial Instruments: Disclosures – Transfer of Financial Assets"
- Amendments to HK(IFRIC) – Int 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 impacts of other developments are discussed below:

- HKAS 24 (as revised in 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (as revised in 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 "Financial Instruments: Disclosures". The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the Group's financial statements in the current and previous periods.

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 and the cruise ship was disposed of in August 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 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 operation:

– Gaming and entertainment segment: Revenue from assignments of profit under the profit streams from gaming and entertainment related business carried out in Macau.

Discontinued operation:

– Cruise leasing segment: Rental income generated from leasing of the Group's cruise ship and the Group's cruise ship was disposed of in August 2011.

(a) Segment Results, Assets and Liabilities

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

Segment assets include all tangible and intangible assets, and current assets with the exception of securities held for trading, investment properties and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated and the expenses incurred by respective segments or which otherwise arise from the depreciation or amortisation of assets attributable to respective 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 reportable 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 years ended 30 June 2012 and 2011 is set out below.

	2012			2011		
	Continuing operation	**Discontinued operation**		Continuing operation	Discontinued operation	
	Gaming and entertainment	**Cruise ship leasing**	**Total**	Gaming and entertainment	Cruise ship leasing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Revenue from external customers	**433,377**	**2,000**	**435,377**	414,787	24,000	438,787
Inter-segment revenue	**–**	**–**	**–**	–	–	–
Reportable segment revenue	**433,377**	**2,000**	**435,377**	414,787	24,000	438,787
Reportable segment profit	**443,189**	**1,998**	**445,187**	388,114	11,240	399,354
Interest income*	**–**	**–**	**–**	–	1	1
Depreciation*	**–**	**–**	**–**	–	(10,233)	(10,233)
Impairment loss on intangible assets*	**–**	**–**	**–**	(47,100)	–	(47,100)
Impairment loss on goodwill*	**–**	**–**	**–**	–	(45)	(45)
Share of profits of associate*	**10,256**	**–**	**10,256**	20,491	–	20,491
Reportable segment assets	**1,938,188**	**–**	**1,938,188**	1,854,448	91,615	1,946,063
(including interest in an associate)	**46,344**	**–**	**46,344**	46,465	–	46,465
Additions to non-current segment assets during the year	**30,000**	**–**	**30,000**	–	946	946
Reportable segment liabilities	**75,204**	**–**	**75,204**	167,515	–	167,515

* These items are included in the measurement of reportable segment profits.

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

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Continuing operation:		
Reportable segment revenue	**433,377**	414,787
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from continuing operation	**433,377**	414,787
Discontinued operation *(Note 8)*:		
Reportable segment revenue	**2,000**	24,000
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from discontinued operation	**2,000**	24,000
Profit or loss		
Continuing operation:		
Reportable segment profit	**443,189**	388,114
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**443,189**	388,114
Fair value changes on investment properties	**–**	(5,960)
Fair value changes on securities held for trading	**–**	(203)
Gain on disposal of subsidiaries	**4,581**	–
Loss on redemption of convertible notes	**(2,109)**	(9,001)
Impairment loss of deposit paid for acquisition of a company	**–**	(10,629)
Finance costs	**(202)**	(1,551)
Unallocated head office and corporate expenses and income	**(5,519)**	(5,863)
Consolidated profit before taxation from continuing operation	**439,940**	354,907
Discontinued operation *(Note 8)*:		
Reportable segment profit	**1,998**	11,240
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers and consolidated profit before taxation from discontinued operation	**1,998**	11,240

	2012	2011
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,938,188**	1,946,063
Investment properties	**–**	32,800
Unallocated corporate assets *(Note a)*	**88,751**	13,891
Consolidated total assets	**2,026,939**	1,992,754
Liabilities		
Reportable segment liabilities	**75,204**	167,515
Convertible notes	**–**	21,482
Income tax payable	**99**	1,829
Deferred tax liabilities	**–**	2,301
Unallocated corporate liabilities *(Note b)*	**12,208**	15,668
Consolidated total liabilities	**87,511**	208,795

Notes:

(a) The unallocated corporate assets mainly included unallocated cash and bank balances, and other receivables.

(b) The unallocated corporate liabilities mainly included interest payables for convertible notes, accruals and other payables.

(c) Geographical information

The Group's business operates in two principal geographical areas – (i) Hong Kong and Mainland China and (ii) Macau (place of domicile). In presenting information on the basis of geographical segments, segment turnover is based on the location of customers. The Group's non-current assets include property, plant and equipment, investment properties, intangible assets, goodwill, non-current deposit and interest in an associate. The geographical locations of property, plant and equipment, and investment properties are based on the physical location of the asset under consideration. In the case of intangible assets, goodwill and non-current deposit, it is based on the location of the operation to which these intangibles and deposit are allocated. In the case of interest in an associate, it is the location of operation of such associate.

	Hong Kong and Mainland China		**Macau**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers				
– continuing operation	**–**	–	**433,377**	414,787
– discontinued operation	**2,000**	24,000	**–**	–
	2,000	24,000	**433,377**	414,787
Non-current assets				
– continuing operations	**62**	32,907	**1,531,275**	1,501,396

4. OTHER REVENUE

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations:		
Bank interest income	**364**	1
Discontinued operation *(Note 8)*:		
Bank interest income	**–**	1
Total	**364**	2

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations	**364**	1
Discontinued operation	**–**	1
	364	2

5. OTHER LOSSES

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations:		
Loss on redemption of convertible notes	**(2,109)**	(9,001)
Fair value changes on investment properties	**–**	(5,960)
Fair value changes on securities held for trading	**–**	(203)
Impairment loss of goodwill	**–**	(45)
Impairment loss of deposit paid for acquisition of a company *(see note below)*	**–**	(10,629)
	(2,109)	(25,838)

Note:

On 28 January 2011, the Company entered into a conditional sale and purchase agreement to acquire 25% 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 of the Company considered that the deposit was unlikely to be recoverable. As a result, an impairment loss on the deposit amounting to HK$10,629,000 was recognised during the year ended 30 June 2011.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2012	2011
	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	**202**	1,551

(b) Other items

	2012	2011
	HK$'000	*HK$'000*
Continuing operations:		
Depreciation of property, plant and equipment	**45**	53
Operating lease charges in respect of land and buildings	**726**	506
Discontinued operation *(Note 8):*		
Depreciation of property, plant and equipment	**–**	10,233
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 to profit or loss represents:

	2012	2011
	HK$'000	*HK$'000*
Current tax:		
Provision for taxation	**–**	–
Deferred tax:		
Origination and reversal of temporary differences	**(25)**	(1,677)
	(25)	(1,677)

No provision for Hong Kong Profits Tax and other income taxes has been made as the Group's entities 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 2012 and 2011.

(b) Discontinued operation

No provision for Hong Kong Profits Tax and other income taxes has been made as the Group's entity 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 2012 and 2011.

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 consideration of US$11,800,000 (equivalent to approximately HK$91,804,000) 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 15.

(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 2012 and 2011 were as follows:

	Note	**2012** *HK$'000*	2011 *HK$'000*
Turnover	*3*	**2,000**	24,000
Cost of sales		**–**	(10,233)
Gross profit		**2,000**	13,767
Other revenue	*4*	**–**	1
Impairment loss on assets classified as held for sale		**–**	(2,498)
General and administrative expenses		**(2)**	(30)
Profit before taxation		**1,998**	11,240
Income tax	*7(b)*	**–**	–
		1,998	11,240
Gain on disposal of assets classified as held for sale		**189**	–
Profit for the year from discontinued operation		**2,187**	**11,240**

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 total of 3,847,245,000 ordinary shares (2011: 3,847,245,000 ordinary shares) in issue during the year.

Profit attributable to ordinary equity shareholders of the Company

	2012 *HK$'000*	2011 *HK$'000*
Continuing operations	**281,399**	193,265
Discontinued operation	**1,531**	7,868
	282,930	201,133

(b) Diluted earnings per share

Diluted earnings per share for the years ended 30 June 2012 and 2011 was the same as the basic earnings per share because the exercise prices of the Company's outstanding share options and the conversion prices of the outstanding convertible notes were higher than the market prices of the Company's shares during both years.

10. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

During the year ended 30 June 2011, an impairment loss of approximately HK$47,100,000 (2012: HK$Nil) was recognised in respect of 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 Limited and Profit Forest Limited 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 Limited and Profit Forest Limited.

11. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 30 June 2012 (2011: Nil).

12. TRADE AND OTHER RECEIVABLES

Included in the Group's trade and other receivables are trade receivables with the following aging analysis as of the end of each reporting period:

	2012 ***HK$'000***	2011 *HK$'000*
0 – 30 days	**25,822**	18,935
31 – 60 days	**34,263**	24,809
61 – 90 days	**35,547**	29,501
Over 90 days	**225,485**	174,432
	321,117	247,677

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. At 30 June 2012 and 2011, no impairment loss on trade receivables was recognised by the Group.

13. SHARE CAPITAL

	Number of shares *'000*	**Share capital** *HK$'000*
Authorised:		
At 1 July 2010, 30 June 2011 and 30 June 2012		
– ordinary shares of HK$0.01 each	50,000,000	500,000
Issued and fully paid:		
At 1 July 2010, 30 June 2011 and 30 June 2012		
– ordinary shares of HK$0.01 each	3,847,245	38,472

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residue assets.

14. DISPOSAL OF SUBSIDIARIES

On 23 August 2011, the Company entered into a conditional sale and purchase agreement with an independent third party to dispose of its entire equity interests in certain subsidiaries including Jumbo Profit Investments Limited, World Target International Limited and their subsidiaries (collectively referred to as the "Disposal Group") at a consideration of HK$33,000,000. The principal activities of the Disposal Group were property development and securities trading. The disposal was completed in December 2011.

Details of net assets of the Disposal Group at the date of disposal were summarised below:

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

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In June 2011, the Group intended to dispose of its cruise ship and related assets within twelve months from 30 June 2011 and these assets were therefore classified as assets held for sale and presented separately in the consolidated statement of financial position at 30 June 2011.

On 24 June 2011, the Group entered into a memorandum of agreement with an independent third party to sell its cruise ship and related assets for a consideration of US$11,800,000 (equivalent to approximately HK$91,804,000). The disposal was completed in August 2011. The proceeds from the disposal were expected to be less than the total carrying amounts of the assets classified as held for sale, and accordingly, an impairment loss of approximately HK$2,498,000 was recognised during the year ended 30 June 2011 to write-down their carrying amounts to their fair value less costs to sell.

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

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

The consideration of US$11,800,000 (equivalent to approximately HK$91,804,000) would be settled by the vendor in the following manner:

	HK$'000
Deposit of US$5,900,000 to be received upon completion	45,902
12 monthly installments of approximately US$491,000 to be received after completion	45,902
Total consideration	91,804

At 30 June 2012, the Group received part of the consideration amounting to HK$84,102,000 and the remaining consideration of HK$7,702,000 was received by the Group subsequent to 30 June 2012.

16. EVENTS AFTER THE END OF REPORTING PERIOD

The following significant events took place subsequent to 30 June 2012:

(i) In August 2012, a wholly-owned subsidiary of the Company entered into three separate memorandums of understanding in relation to possible investments in profit assignment from the gaming and entertainment related business in Macau.

(ii) In August 2012, the Company entered into a sale and purchase agreement for acquisition of a property in Hong Kong for self-use as the principal office of the Company at a consideration of HK$51,000,000 (excluding direct cost), of which HK$26,000,000 was settled by cash and the remaining balance of HK$25,000,000 was financed by mortgage loan, and the acquisition was completed on 30 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Neptune Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") principally engages in investments of gaming and entertainment related business in Macau.

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2012 amounted to approximately HK$442,152,000 (2011: HK$367,824,000).

Underlying revenues grew 4.5% supported by excellent performance of the investments in junket gaming industry. Riding on the increasing traffic of mainland visitors and their rising wealth, the Macau gaming market experienced another fruitful year. The Group continued to be well positioned to take advantage of the growing VIP gaming market and achieved remarkable growth during the year. Leveraging on the good reputation and service quality of our junket partners, prime location and fabulous decorations of the VIP rooms in top class casinos in Macau, the Group's segment profit from investments in gaming and entertainment surged by 14.2% to approximately HK$443,189,000 (2011: HK$388,114,000).

In order to be more focused on the proven successful investments in junket gaming operations, the Group completed the disposals of cruise ship and investment properties in August 2011 and December 2011, respectively. Moreover, the Group has committed two investments in January 2012 and June 2012 to expand the stakes of profit sharing in the VIP tables operated by the current junket partners. Despite the discontinuation of cruise ship business, the Group was able to deliver profit attributable to equity shareholders of approximately HK$282,930,000 (2011: HK$201,133,000) surged by 40.7%.

GAMING AND ENTERTAINMENT RELATED BUSINESS

The Group has invested in junket gaming operations at 51 VIP gaming tables at 3 casinos in Macau, namely The Venetian, Sands Macao and Galaxy StarWorld. The VIP tables are located as to 16 in The Venetian, 12 in Sands Macao and 23 Galaxy StarWorld.

During the year ended 30 June 2012, the Group continued to benefit from the growing size of the VIP gaming market. The aggregate rolling chips turnover generated within the Group's table network has reached approximately HK$433,377,000, representing a 4.5% growth over the same period of last financial year. Investing in gaming and entertainment segment have contributed more than 90% of the Group's net profit.

Revenues

Our revenues consisted of the following:

	Year ended 30 June		
	2012	2011	**Change**
	(HK$ in Millions)		*in %*
Commissions generated in			
VIP rooms in The Venetian	**248.8**	220.2	12.9%
VIP rooms in Galaxy StarWorld (Not yet included share of revenue from an associate)	**24.4**	22.9	6.5%
VIP rooms in Sands Macao	**160.1**	171.7	-6.7%

Looking forward, the fundamentals of Macau's gaming industry continue to remain positive. The growth in gaming promotion industry will be sustained in demand for the growing wealth and increasing penetration in Mainland China. The management is committed to an expansionary strategy by investing in more junket gaming locations. On 6 August 2012, the Group has announced that it has entered into Memorandums of Understanding in relation to possible investments in gaming business. The management values the potential investments as opportunities to further enhance the earnings capacity and expand the coverage in both casinos and VIP tables. The Group will adhere to the development strategy centered on consolidation of profit shared from existing table network and exploration into new investment opportunities in operations which all geared towards achieving sustainable growth.

FINANCIAL REVIEW

For the financial year ended 30 June 2012, the Group recorded a turnover of approximately HK$433,377,000 (2011: HK$414,787,000) which showed an increase of 4.5 % compared to same period in last year.

A profit attributable to equity shareholders was approximately HK$282,930,000 or 7.35 cents for a share, or compared with last year's net profit of approximately HK$201,133,000 or 5.23 cents for a share.

Our earning before interest, taxes, depreciation and amortization (EBITDA) for the year ended 30 June 2012 was approximately HK$442,374,000, an increase of approximately HK$64,390,000, or 17.0% compared to approximately HK$377,984,000 for year ended 30 June 2011.

An increase of EBITDA of approximately HK64.4 million is mainly attributable to the following reasons:

a) the noticeable increase of commission from rolling turnover amounted to approximately HK$18.6 million;

b) no more impairment loss on intangible assets is called due to decent and fabulous growth in rolling turnover years over years as compare to last year which had approximately HK$47.1 million in impairment loss of intangible assets;

c) this year we have gain on disposal of subsidiaries in amount of approximately HK$4.58 million whereas last year there were fair value losses on investment properties and securities held for trading in an aggregate amount of approximately HK$6.2 million;

d) Significant reduction of finance cost to approximately HK$0.2 million, decrease by approximately HK$1.35 million as compare to last year;

e) Net loss on redemption of convertible bond was reduced to approximately HK$2.1 million, decreased by approximately HK$6.9 million; and

f) The abovementioned positive impact on EBITDA were partly offset by increase of general and administrative expenses by approximately HK$0.5 million to approximately HK$6.3 million as compare to last year.

DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 30 June 2012 (2011:Nil).

CAPITAL STRUCTURE

As at 30 June 2012, 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 determined to shore up a strong cash position for future business development. As at 30 June 2012, total cash and bank balance were approximately HK$119,503,000 as compared to approximately HK$7,534,000 for same period in last year.

The Group had net current assets of approximately HK$408,091,000 as at 30 June 2012 (2011: HK$273,439,000).

There were no bank and other borrowings as at 30 June 2012 and 2011.

The equity of the Group as at year-end was approximately HK$1,939,428,000 (2011: HK$1,783,959,000). The gearing ratio, calculated on the basis of total liabilities over total equity of the Group as at 30 June 2012, was approximately 4.5% (2011: 11.7%).

As at 30 June 2012, the face value of total indebtedness amounted to approximately HK$87.4 million (2011: HK$204.7 million), comprising of dividend payable to non-controlling shareholders of approximately HK$52.2 million, other payables of approximately HK$19.5 million, interest payable of approximately HK$8.7 million, and amount due to an associate of approximately HK$7 million.

The huge increase of cash surplus make our Group's liquidity position becomes stronger and the Group is confident that sufficient resources could be secured to meet its working capital requirement.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2012, no leasehold land and buildings of the Group were pledged to secure the bank facilities (2011: Nil).

CONTINGENT LIABILITIES

(i) Contingent liability in respect of legal claim for office rental

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 Company's 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 years ended 30 June 2012 and 2011, there has been no significant progress.

(ii) Contingent liability in respect of legal claim for passenger's injury in the Group's cruise ship

On 12 January 2010, the Group received a notice that it was being sued by a passenger (the "Plaintiff") 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 Group is found to be liable, the total expected monetary compensation may 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 Group denied any liability in respect of the injury and, based on legal advice, the Company's directors do not believe it probable that the court will find against the Group and therefore no provision was made in respect of this claim. In October 2010, the Group received a notice of discontinuance from the court in Hong Kong, pursuant to which, the Plaintiff wholly discontinued the legal action against the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group adopt a conservative treasury policy with all bank deposits in either Hong Kong dollars or United States dollars, and most of 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 2012, the Group did not have any foreign currency investments, which have been hedged by currency borrowings and other hedging instruments.

CAPITAL COMMITMENTS

The Group had capital commitments of approximately HK$66,300,000 outstanding as at 30 June 2012 (2011: 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 annual basis based on performance appraisals and other relevant factors.

SUBSEQUENT EVENT

The following significant events took place subsequent to 30 June 2012:

(i) In August 2012, a wholly-owned subsidiary of the Company entered into three separate memorandums of understanding in relation to possible investments in profit assignment from the gaming and entertainment related business in Macau.

(ii) In August 2012, the Company entered into a sale and purchase agreement for acquisition of a property in Hong Kong for self-use as the principal office of the Company at a consideration of HK$51,000,000 (excluding direct cost), of which HK$26,000,000 was settled by cash and the remaining balance of HK$25,000,000 was financed by mortgage loan, and the acquisition was completed on 30 August 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 30 June 2012, 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 2012 the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (taking effect before 1 April 2012) and the Corporate Governance Code and Corporate Governance Report (taking effect from 1 April 2012) (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the deviations from code provisions A.4.1 and A.1.8 which are described below:

A.4.1 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 annual general meeting of the Company in accordance with Bye-Laws of the Company.

A.1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company is currently liaising with various insurance companies and will arrange insurance coverage for the Directors as soon as possible.

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 2012.

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 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 year ended 30 June 2012.

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.

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, 18 September 2012