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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 2013

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 2013 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Continuing operation:			
Turnover	*3*	**577,517**	433,377
Other revenue	*4*	**521**	364
Other net loss	*5*	**(13,438)**	(2,109)
General and administrative expenses		**(10,607)**	(6,327)
Profit from operation		**553,993**	425,305
Share of profits of associate		**11,119**	10,256
Gain on disposal of subsidiaries		**–**	4,581
Finance costs	*6(a)*	**(606)**	(202)
Profit before taxation	*6*	**564,506**	439,940
Income tax	*7(a)*	**–**	25
Profit for the year from continuing operation		**564,506**	439,965
Discontinued operation:			
Profit for the year from discontinued operation		**–**	2,187
Profit for the year		**564,506**	442,152
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**564,506**	442,152

	Note	**2013**	2012
		HK$'000	*HK$'000*
Attributable to			
– Equity shareholders of the Company		**288,300**	282,930
– Non-controlling interests		**276,206**	159,222
Profit and total comprehensive income for the year		**564,506**	442,152
Profit and total comprehensive income attributable to equity shareholders of the Company arising from:			
– Continuing operation		**288,300**	281,399
– Discontinued operation		**–**	1,531
		288,300	282,930
Earnings per share – basic and diluted	*8*		
– From continuing and discontinued operations		**6.95 HK cents**	7.35 HK cents
– From continuing operation		**6.95 HK cents**	7.31 HK cents
– From discontinued operation		**Nil**	0.04 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

		2013		2012	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment			**54,686**		62
Intangible assets	*10*		**2,102,793**		1,444,493
Goodwill			**–**		10,438
Interest in an associate			**46,344**		46,344
Non-current deposit			**–**		30,000
			2,203,823		1,531,337
Current assets					
Derivative financial instruments		**34,600**		–	
Securities held for trading		**2**		2	
Trade and other receivables	*11*	**481,470**		331,314	
Dividend receivable from an associate		**55,902**		44,783	
Cash and cash equivalents		**95,575**		119,503	
		667,549		495,602	
Less: Current liabilities					
Other payables		**9,542**		28,226	
Bank borrowing		**23,172**		–	
Amount due to an associate		**31,667**		6,972	
Dividend payable to non-controlling shareholders		**206**		52,214	
Income tax payable		**99**		99	
		64,686		87,511	
Net current assets			**602,863**		408,091
Total assets less current liabilities			**2,806,686**		1,939,428
Less: Non-current liabilities					
Deferred tax liabilities		**–**		–	
Convertible notes		**–**		–	
			–		–
Net assets			**2,806,686**		1,939,428
Capital and reserves					
Share capital	*12*		**46,162**		38,472
Reserves			**1,792,073**		1,382,097
Equity attributable to equity shareholders of the Company			**1,838,235**		1,420,569
Non-controlling interests			**968,451**		518,859
Total equity			**2,806,686**		1,939,428

Notes:

1. BASIS OF PREPARATION

(i) Statement of compliance

These 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

The consolidated financial statements for the year ended 30 June 2013 comprise the Company and its subsidiaries (including controlled special purpose entities) (together referred to as the "Group") and the Group's interest in an associate.

(i) Basis of measurement

The measurement basis used in the preparation of the 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:

– financial instruments classified as trading securities; and

– derivative financial instruments.

(ii) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). These 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 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:

- Amendments to HKAS 12, Income taxes – Deferred tax: Recovery of underlying assets

- Amendments to HKAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

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

The impacts of these developments are discussed below:

Amendments to HKAS 12, Income taxes

- Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. These amendments do not have a material impact on the Group's consolidated financial statements because the Group has no investment properties as at 30 June 2013 and 2012.

Amendments to HKAS 1, Presentation of Financial Statements

- The amendments to HKAS 1 change the presentation of the statement of comprehensive income in respect of the items of other comprehensive income. These amendments do not have a material impact on the Group's consolidated financial statements because the Group has no items of other comprehensive income during the years ended 30 June 2013 and 2012.

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.

3. **TURNOVER AND SEGMENT REPORTING (Continued)**

(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 and other corporate assets. Segment liabilities include current liabilities 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 2013 and 2012 is set out below.

	2013			2012		
	Continuing operation	**Discontinued operation**		Continuing operation	Discontinued operation	
	Gaming and entertainment *HK$'000*	**Cruise ship leasing** *HK$'000*	**Total** *HK$'000*	Gaming and entertainment *HK$'000*	Cruise ship leasing *HK$'000*	Total *HK$'000*
Segment revenue:						
Revenue from external customers	**577,517**	**–**	**577,517**	433,377	2,000	435,377
Inter-segment revenue	**–**	**–**	**–**	–	–	–
Reportable segment revenue	**577,517**	**–**	**577,517**	433,377	2,000	435,377
Reportable segment profit	**578,090**	**–**	**578,090**	443,189	1,998	445,187
Impairment loss on goodwill*	**(10,438)**	**–**	**(10,438)**	–	–	–
Share of profits of associate*	**11,119**	**–**	**11,119**	10,256	–	10,256
Reportable segment assets	**2,762,865**	**–**	**2,762,865**	1,938,188	–	1,938,188
(including interest in an associate)	**46,344**	**–**	**46,344**	46,344	–	46,344
Additions to non-current segment assets during the year	**628,300**	**–**	**628,300**	30,000	–	30,000
Reportable segment liabilities	**31,998**	**–**	**31,998**	75,204	–	75,204

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

3. TURNOVER AND SEGMENT REPORTING (Continued)

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

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Continuing operation:		
Reportable segment revenue	**577,517**	433,377
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from continuing operation	**577,517**	433,377
Discontinued operation:		
Reportable segment revenue	**–**	2,000
Elimination of inter-segment revenue	**–**	–
Consolidated turnover from discontinued operation	**–**	2,000
Profit or loss		
Continuing operation:		
Reportable segment profit	**578,090**	443,189
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**578,090**	443,189
Gain on disposal of subsidiaries	**–**	4,581
Fair value changes on derivative financial instruments	**(3,000)**	–
Loss on redemption of convertible notes	**–**	(2,109)
Finance costs	**(569)**	(202)
Unallocated head office and corporate expenses and income	**(10,015)**	(5,519)
Consolidated profit before taxation from continuing operation	**564,506**	439,940
Discontinued operation:		
Reportable segment profit	**–**	1,998
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers and consolidated profit before taxation from discontinued operation	**–**	1,998

3. TURNOVER AND SEGMENT REPORTING (Continued)

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

	2013 HK$'000	2012 HK$'000
Assets		
Reportable segment assets	**2,762,865**	1,938,188
Unallocated corporate assets:		
– Property, plant and equipment	**54,686**	62
– Cash and bank balances	**5,555**	77,234
– Derivative financial instruments	**34,600**	–
– Other unallocated corporate assets	**13,666**	11,455
Consolidated total assets	**2,871,372**	2,026,939
Liabilities		
Reportable segment liabilities	**31,998**	75,204
– Income tax payable	**99**	99
– Bank borrowing	**23,172**	–
– Other unallocated corporate liabilities	**9,417**	12,208
Consolidated total liabilities	**64,686**	87,511

(c) Geographical information

The Group's business operates in two principal geographical areas – (i) Hong Kong and (ii) Macau (place of domicile). In presenting information on the basis of geographical locations, turnover is based on the location of customers. The Group's non-current assets include property, plant and equipment, intangible assets, goodwill, non-current deposit and interest in an associate. The geographical locations of property, plant and equipment 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		Macau	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Turnover from external customers				
– continuing operation	**–**	–	**577,517**	433,377
– discontinued operation	**–**	2,000	**–**	–
	–	2,000	**577,517**	433,377
Non-current assets				
– continuing operation	**54,686**	62	**2,149,137**	1,531,275

4. OTHER REVENUE

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

	2013	2012
	HK\$'000	*HK\$'000*
Continuing operation:		
Total interest income on financial assets not at fair value through profit or loss:		
– Bank interest income	**336**	364
Sundry income	**185**	–
Total	**521**	364

5. OTHER NET LOSS

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

	2013	2012
	HK\$'000	*HK\$'000*
Continuing operation:		
Loss on redemption of convertible notes	**–**	(2,109)
Impairment loss of goodwill	**(10,438)**	–
Fair value changes on derivative financial instruments	**(3,000)**	–
	(13,438)	(2,109)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2013	2012
	HK\$'000	*HK\$'000*
Continuing operation:		
Interest on bank borrowing *(Note)*	**569**	–
Other interest expenses	**37**	–
Imputed interest expense on convertible notes	**–**	202
Total interest expense on financial liabilities not at fair value through profit or loss	**606**	202

Note:

The amount represented the finance costs of bank borrowing which contains a repayable on demand clause.

(b) Other items

	2013	2012
	HK\$'000	*HK\$'000*
Continuing operation:		
Depreciation of property, plant and equipment	**2,110**	45
Donations	**135**	–
Operating lease charges in respect of land and buildings	**597**	726

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Continuing operation

Income tax credited to profit or loss represents:

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
Provision for taxation	**–**	–
Deferred tax:		
Origination and reversal of temporary differences	**–**	(25)
	–	(25)

No provision for Hong Kong Profits Tax and other income taxes has been made as the Group's entities comprising the continuing 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 2013 and 2012.

(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 year ended 30 June 2012.

8. EARNINGS PER SHARE

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 4,150,631,000 ordinary shares (2012: 3,847,245,000 ordinary shares) in issue during the year, calculated as follow:

Profit attributable to ordinary equity shareholders of the Company

	2013	2012
	HK$'000	*HK$'000*
Continuing operation	**288,300**	281,399
Discontinued operation	**–**	1,531
	288,300	282,930

Weighted average number of ordinary shares

	2013	2012
	'000	*'000*
Issued ordinary shares at the beginning of the year	**3,847,245**	3,847,245
Effect of new shares issued	**303,386**	–
	4,150,631	3,847,245

8. EARNINGS PER SHARE (Continued)

Diluted earnings per share

Diluted earnings per share for the year ended 30 June 2013 was the same as the basic earnings per share because the exercise prices of the Company's outstanding share options were higher than the market prices of the Company's shares during the year.

Diluted earnings per share for the year ended 30 June 2012 was the same as the basic earnings per share because the exercise prices of the Company's outstanding share options was higher than the market prices of the Company's shares during the year and the conversion of the Company's outstanding convertible bonds was anti-dilutive.

9. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 30 June 2013 (2012: Nil).

10. INTANGIBLE ASSETS

THE GROUP

	Rights in sharing of profit streams *HK$'000*
Cost:	
At 1 July 2011, 30 June 2012 and 1 July 2012	2,260,393
Addition through acquisition of a subsidiary *(Note 13)*	562,000
Addition through acquisition of an additional 10% beneficial interest in profit streams	96,300
At 30 June 2013	2,918,693
Accumulated impairment losses:	
At 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	815,900
Carrying amount:	
At 30 June 2013	**2,102,793**
At 30 June 2012	1,444,493

The intangible assets represent the rights in sharing of profit streams from junket businesses at respective casinos' VIP rooms in Macau for an indefinite period of time. As a result, the intangible assets are considered by the directors of the Company as having an indefinite useful life because they are expected to contribute net cash inflows to the Group indefinitely. Such intangible assets are carried at cost less accumulated impairment losses, and are related to gaming and entertainment segment.

10. INTANGIBLE ASSETS (Continued)

Details of rights in sharing of profit streams are as follows:

	Hou Wan Profit Agreement	Neptune Ouro Profit Agreement	Hao Cai Profit Agreement	Lucky Star Profit Agreements	Hoi Long Profit Agreement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2011, 30 June 2012 and 1 July 2012	567,793	201,000	603,100	72,600	–	1,444,493
Additions during the year	–	–	–	96,300	562,000	658,300
At 30 June 2013	567,793	201,000	603,100	168,900	562,000	2,102,793

Impairment tests for intangible assets with indefinite useful life

The recoverable amount of the intangible assets with indefinite useful life is determined based on value-in-use calculations by reference to the valuation report issued by Roma Appraisals Limited, an independent qualified professional valuer. 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 period are extrapolated using zero (2012: zero) growth rate, which does not exceed the long-term average growth rate for gaming and entertainment industry. The cash flows are discounted using a discount rate of 12.59% (2012: 12.59%). The discount rate used is pre-tax and reflects specific risks relating to the gaming and entertainment segment. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which have included budgeted revenue from sharing of profit streams from respective junket businesses, and such estimation is based on the past performance and management's expectation for the market development.

During the year ended 30 June 2012 and 2013, the directors of the Company assessed recoverable amount of intangible assets, by reference to the valuation report above, and determined that no impairment losses was recognised in respect of the Group's gaming and entertainment segment.

11. 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:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**46,625**	25,822
31 – 60 days	**41,525**	34,263
61 – 90 days	**40,545**	35,547
Over 90 days	**289,439**	225,485
Total trade receivables	**418,134**	321,117

As at 30 June 2013, the Group's trade receivables amounting to HK$417,134,000 (2012: HK$320,117,000) were derived from gaming and entertainment segment and these trade debtors are entities owned by substantial shareholders of the Company or non-controlling shareholders of certain subsidiaries.

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. 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 2013 and 2012, no impairment loss on trade receivables was recognised by the Group.

12. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Authorised:		
At 1 July 2011, 30 June 2012 and 30 June 2013		
– ordinary shares of HK$0.01 each	50,000,000	500,000
Issued and fully paid:		
At 1 July 2011 and 30 June 2012	3,847,245	38,472
Issuance of new shares	769,000	7,690
At 30 June 2013	4,616,245	46,162

On 6 February 2013, the Company issued 769,000,000 ordinary shares to two subscribers at an issue price of HK$0.173 per share for financing the Group's acquisition or for general working capital purposes. The net proceeds from the shares issued amounted to approximately HK$129,366,000 net of issue costs of approximately HK$3,671,000.

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 residual assets.

13. ACQUISITION OF A SUBSIDIARY

Acquisition of assets through acquisition of a subsidiary

On 19 September 2012, the Group entered into a sale and purchase agreement with the vendor, the junket promoter and the junket owner, pursuant to which the Group agreed to acquire and the vendor agreed to sell 20% of the issued share capital of Essence Gold for a consideration of HK$150,000,000 (the "Acquisition"). The Group also entered into a call option agreement dated 19 September 2012 with the vendor for a consideration of HK$1 and the vendor irrevocably granted to the Group the right to require the vendor to transfer the shares (the "Call Option") representing in aggregate up to 80% of the issued share capital of Essence Gold (the "Call Option Shares") or any part to the Group at HK$7.5 million per the Call Option Share. The Call Option will be expired after 36 months after completion of this Acquisition.

Essence Gold, which is a company incorporated in the British Virgin Islands with limited liability, entered into a profit assignment agreement (the "Profit Assignment Agreement") on 19 September 2012 with the junket promoter and the junket owner, pursuant to which the junket promoter assigned, as legal and beneficial owner, and the junket owner procured the junket promoter to assign to Essence Gold absolutely and free from any encumbrance whatsoever the junket promoter's right, title interest and benefits in and to 0.4% of the rolling turnover (the "Profit Streams") generated from not less than 11 gaming tables at Guangdong 31 Sky Club at Grand Lisboa in Macau.

Under the Profit Assignment Agreement and the supplemental profit assignment agreement dated 30 January 2013, the junket promoter irrevocably and unconditionally guaranteed to Essence Gold that the Profit Streams for the first and the second relevant periods (first relevant period commencing from the completion date of the Acquisition up to the first anniversary and second relevant period commencing from the expiration of the first relevant period up to the second anniversary) shall not be less than HK$275 million for each relevant period. In the event that the Profit Streams received and/or receivable by Essence Gold for each relevant period shall be less than HK$275 million, the junket promoter undertook to pay to Essence Gold an amount equivalent to the difference between HK$275 million and the Profit Streams received and/or receivable by Essence Gold during the first and the second relevant periods.

13. ACQUISITION OF A SUBSIDIARY (Continued)

Acquisition of assets through acquisition of a subsidiary (Continued)

The Call Option, if fully exercised, would give in aggregate the Group 100% voting power over Essence Gold. Based on the directors' assessment, the Call Option provides the Group with the potential voting right over Essence Gold which in turn provides the Group with the ability to control Essence Gold. As a result, Essence Gold was consolidated as a subsidiary on 30 September 2012, which was the date of legal transfer of the 20% issued share capital of Essence Gold by the vendor to the Group. As the Group currently holds 20% equity interests in Essence Gold, 80% of the post-acquisition results and net assets of Essence Gold are allocated to non-controlling interests. At the time of acquisition, Essence Gold had not yet commenced operations.

The transaction was accounted for acquisition of assets through acquisition of a subsidiary and the details of the net assets acquired are summarized below:

	HK$'000
Net assets acquired:	
Intangible asset – right in sharing profit stream	562,000
Less: Non-controlling interest	(449,600)
20% equity interests of Essence Gold	112,400
Derivative financial instrument *(Note)*	37,600
	150,000
Total consideration satisfied by:	
Cash paid	150,000
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:	150,000

Note:

The derivate financial instruments represented the call options of non-controlling interests in the 80% interest in Essence Gold and the fair value of the call options as at the date of acquisition of Essence Gold was approximately HK$37,600,000, by reference to the valuation report issued by Roma Appraisals Limited, an independent qualified professional valuer.

14. EVENTS AFTER THE OF THE REPORTING PERIOD

In September 2013, a wholly-owned subsidiary of the Company entered into a memorandum of understanding in relation to a possible investment in profit assignment from the gaming and entertainment related business in Macau.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2013 amounted to approximately HK$564,506,000 (2012: HK$442,152,000).

Looking forward, we expect to see more casinos and gaming related establishments being constructed in the Cotai area. With new hotels and an array of leisure and entertainment attractions on offer, we envision ongoing growth to Macau tourism and in turn maintaining Macau's status as the preferred gaming destination for high end/VIP customers.

With such vision, we have been actively growing our business and building a strategic presence in the Cotai area. At present, the Group has already invested hundreds of millions of dollars in junket promoter businesses to solidify its position in the VIP market. All of them have been proven with solid track records in generating VIP customer streams in well-known casinos. In return, the Group shall enjoy ongoing strong profitability on its investment.

Our investment through junkets business consisting of four casino in Macau, namely The Venetian, Sands Macao, Galaxy StarWorld and Grand Lisboa. The allocation of their VIP tables are 14 in The Venetian, 11 in Sands Macao, 23 in Galaxy StarWorld and 13 in Grand Lisboa, sum up to 61 tables in total.

The Group delivered another year of strong revenue, earnings and cashflow growth for the financial year ended 30 June of 2013. Table numbers totalling 61 increased 19% compared to 30 June 2012. Total revenue representing by sharing from profit stream agreements generated HK$577.5 million, representing a 33.2% growth over the last financial year (2012: HK$433.3 million). Commission generated from rolling turnover of our investment with Grand Lisboa only reflected on the books commencing the last quarter of 2012 but contributed approximately HK$215.3 million.

During the financial year, a number of significant events occurred including the tapering of quantitative easing in US, the economic slowdown in China and the tightening of liquidity in Chinese interbank funding. These events have had negative impacts to the gaming industry and the market as a result had discounted the valuation of gaming related businesses. Now with various reforms underway, stability has been maintained and the market is once again resumed its confidence and expectation that the gaming sector in Macau will continue to grow. We have seen our customers, originated from different parts of China and wider Asia regions, are increasing in numbers. The momentum has thus picked up once again to our advantage.

On 27 September 2013, the Group has announced that it has entered into Memorandum of Understanding in relation to a possible investment in a junket promoter business which operates in Galaxy Guangdong VIP Club at Galaxy Casino, S.A. Our management are looking for opportunities to expand our portfolio by acquiring businesses with strong recurrent returns. As part of maintaining a healthy balance sheet, steady cashflow strong emphasis and control have been put in place to monitor and review how junket partners in extending credit.

FINANCIAL REVIEW

For the financial year ended 30 June 2013, the Group recorded a turnover of approximately HK$577,517,000 (2012: HK$433,377,000) which has an increase of 33.2% compared to the last financial year. This year's double digit growth in turnovers is in line with market trend.

A profit attributable to equity shareholders was approximately HK$288,300,000 or 6.95 cents for a share, or compared with last year's net profit of approximately HK$282,930,000 or 7.35 cents for a share.

Our earning before interest, taxes, depreciation and amortization (EBITDA) for the year ended 30 June 2013 was approximately HK$567,222,000, an increase of approximately HK$124,848,000, or 28.2% compared to approximately HK$442,374,000 for year ended 30 June 2012.

An increase of EBITDA (note1) of approximately HK124.8 million is mainly attributable to the following factors:

- An increase of net revenue from commission amounted to approximately HK$144.1 million

- Share of profit of associate rose by 8.4% to 11.1 million, increase by approximately HK$0.8 million

- The loss arising from change in fair value on call options of our interest in Essence Gold Investment Limited is wavering which reduced EBITDA by HK$3 million

- An increase of general and administrative expenses by HK$4.3 million owing to the additional of depreciation charge approximately HK$2 million for leasehold land and building, increase of legal and professional fee incurred for completion of new shares placement and acquisition activities during this year spent HK$2 million; office running expenses has moderately increase by HK$0.3 million

- The impairment loss of approximately HK$10.4 million as result of the inconstancy performance in Sand Macau Guangdong VIP room which was lower than previously estimated

- Cease rental income from cruise ship leasing as compare to last year reported approximately HK$2 million

Note 1: Total revenue, earnings before interest expenses and other finance costs, tax, depreciation and amortisation ("EBITDA") and earnings before interest,expenses and other finance costs and tax.

DIVIDEND

The Director do not recommend the payment of final dividend for the year 30 June 2013 (2012: Nil).

CAPITAL STRUCTURE

As at 30 June 2013, the total issued share capital of the Company was HK$46,162,445 divided into 4,616,245,000 ordinary shares of HK$0.01 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2013, total cash and bank balance were approximately HK$95,575,000 as compared to approximately HK$119,503,000 for the same period last year.

Subsequent to the completion of the placement of its shares on 6 February 2013 it cashed up HK$133,037,000 before all relevant expense (placing agent commission and direct cost) at issuance a total of 769,000,000 placing shares at HK$0.173 per share to institutional investors. The whole sum was later utilised partly for payment of acquisition of 20% of issued share capital of Essence Gold, a company which was entitled to 0.4% the rolling turnover generated from 11 gaming tables at Guangdong 31 Sky Club at Grand Lisboa in Macau for a consideration of HK$150,000,000 and general working capital purpose.

The Group had net current assets of approximately HK$602,863,000 as at 30 June 2013 (2012: HK$408,091,000).

As at 30 June 2013, there are HK$23.1 million (2012: Nil) secured bank borrowing obtained for purchasing an office unit in Shun Tak Building occupy for own office space. Except that, there are no other bank borrowings as at 30 June 2013 and 2012.

The equity of the Group as at year-end was approximately HK$2,806,686,000 (2012: HK$1,939,428,000). The gearing ratio, calculated on the basis of total debt over total equity of the Group as at 30 June 2013, was approximately 1.26% (2012: Nil).

As at 30 June 2013, the face value of total liabilities amounted to approximately HK$64.7 million (2012: HK$87.5 million), comprising of dividend payable to non-controlling shareholders greatly reduced to approximately HK$0.2 million, other payables of approximately HK$3.4 million, interest payable of approximately HK$6.1 million, bank borrowing of approximately HK$23.1 million and amount due to an associate of approximately HK$31.7 million.

With cash and marketable securities in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its working capital requirements.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2013, a leasehold office building for the Group of HK$51,453,000 (2012: Nil) were pledged to secure the bank facilities.

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the 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 2013 and 2012, there has been no significant progress.

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 AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2013, the Company has, as far as possible, complied with the provisions of the Corporate Governance Code and Corporate Governance Report (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the deviations from Code Provisions A.1.8, A.4.1 and A.6.7 which are described below:

A.1.8

– An issuer should arrange appropriate insurance cover in respect of legal action against its directors. On 1st April, 2013, the Company has arranged appropriate insurance coverage for the directors of the Company (the "Directors").

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 were 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 articles of association of the Company. On 1 January 2013, all independent non-executive directors of the Company have entered into letters of appointments with the Company for an initial term of one year, which continues thereafter until termination by inter alia either party giving not less than three months' written notice.

A.6.7

– Independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive Director was unable to attend the annual general meeting of the Company held on 22 November 2012 due to other important business engagement

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2013.

AUDIT COMMITTEE

The audit committee comprises of 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 3.21 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 overseeing the Company's financial reporting system and internal control procedures and reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 30 June 2013.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement of the Group's annual results for the year ended 30 June 2013 is published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.neptunegroup.com.hk/en/index.htm). The annual report for the financial year will be despatched to the shareholders of the Company and available on the same websites in due course.

BOARD OF DIRECTOR

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

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

Hong Kong, 30 September 2013