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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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 the “Group”) for the six months ended 31 December 2013 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2013

		For the six months ended 31 December	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	2	351,259	284,800
Other revenue		293	447
General and administrative expenses		(3,560)	(3,962)
Gain from bargain purchase of interest in a subsidiary	11	–	19,848
Profit from operations		347,992	301,133
Share of profits of an associate		6,205	5,744
Finance costs	3	(326)	(236)
Profit before taxation	4	353,871	306,641
Income tax	5	–	–
Profit for the period		353,871	306,641
Other comprehensive income for the period		–	–
Total comprehensive income for the period		353,871	306,641

		For the six months ended 31 December	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
<i>Notes</i>			
Attributable to:			
– Equity shareholders of the Company		175,541	176,059
– Non-controlling interests		<u>178,330</u>	<u>130,582</u>
Profit and total comprehensive income for the period		<u>353,871</u>	<u>306,641</u>
Earnings per share attributable to equity shareholders of the Company			
<i>Basic</i>	6(a)	<u>3.80 HK cents</u>	<u>4.58 HK cents</u>
<i>Diluted</i>	6(b)	<u>3.76 HK cents</u>	<u>4.58 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

		At 31 December 2013 (Unaudited) HK\$'000	At 30 June 2013 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		53,458	54,686
Intangible assets		2,102,793	2,102,793
Goodwill		—	—
Interest in an associate		52,549	46,344
Available-for-sale investment	8	241,000	—
		<u>2,449,800</u>	<u>2,203,823</u>
Current assets			
Derivative financial instruments		34,600	34,600
Securities held for trading		4	2
Trade and other receivables	9	633,561	481,470
Dividend receivable from an associate		55,902	55,902
Cash and cash equipments		32,306	95,575
		<u>756,373</u>	<u>667,549</u>
Less: Current liabilities			
Other payables		9,607	9,542
Bank borrowing		22,061	23,172
Amount due to an associate		13,643	31,667
Dividend payable to non-controlling shareholders		160,699	206
Income tax payable		99	99
		<u>206,109</u>	<u>64,686</u>
Net current assets		<u>550,264</u>	<u>602,863</u>
Net assets		<u><u>3,000,064</u></u>	<u><u>2,806,686</u></u>
Capital and reserves			
Share capital	10	46,162	46,162
Reserves		1,967,614	1,792,073
Equity attributable to equity shareholders of the Company		<u>2,013,776</u>	<u>1,838,235</u>
Non-controlling interests		<u>986,288</u>	<u>968,451</u>
Total equity		<u><u>3,000,064</u></u>	<u><u>2,806,686</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 December 2013

1. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The principal accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 June 2013. The condensed consolidated financial information are unaudited but have been reviewed by the Company’s Audit Committee.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning 1 July 2013, the application has no material impact on the reported results and the financial position of the Group for the current and/or prior accounting periods. For those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

2. 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 (“Gaming and Entertainment Business”).

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 Gaming and Entertainment Business as the Group’s sole operating reportable segment. The Group’s results and financial position are reviewed as a whole. Accordingly, no segment analysis is presented other than entity wide disclosure.

Geographical information

The Group’s business operates in two principal geographical areas – (i) Macau (place of domicile) and (ii) Hong Kong. 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, intangible assets, goodwill, interest in an associate and available-for-sale investment. 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 and goodwill, it is based on the location of the operation to which these intangibles are allocated. In the case of interest in an associate and available-for-sale investment, it is the location of operation of such associate and investment.

	Macau		Hong Kong	
	For the six months ended 31 December		For the six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover from external customers	351,259	284,800	–	–
	At	At	At	At
	31 December	30 June	31 December	30 June
	2013	2013	2013	2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Non-current assets	2,396,342	2,149,137	53,458	54,686

3. FINANCE COSTS

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank borrowing which contains a repayable on demand clause	326	236

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from operations is stated after charging:		
Depreciation of property, plant and equipment	1,228	908

5. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of approximately HK\$175,541,000 (2012: HK\$176,059,000) and the total of 4,616,245,000 ordinary shares (31 December 2012: 3,847,245,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 December 2013 is based on the profit attributable to equity shareholders of the Company of HK\$175,541,000 and the weighted average number of approximately 4,671,445,000 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential shares, calculated as follows:

	Weighted average Number of Ordinary shares '000
Weighted average number of ordinary shares at 31 December 2013	4,616,245
Effect of exercise of share options	55,200
Weighted average number of ordinary shares (diluted) at 31 December 2013	4,671,445

Diluted earnings per share for the six months ended 31 December 2012 were 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 period.

7. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend in respect of the six months ended 31 December 2013 and 2012.

8. AVAILABLE-FOR-SALE INVESTMENT

	At 31 December 2013 (Unaudited) HK\$'000	At 30 June 2013 (Audited) HK\$'000
Available-for-sale equity security		
– Unlisted	241,000	–

On 21 October 2013 and 18 December 2013, the Group entered into a sale and purchase agreement and a supplemental 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 5% of the issued share capital of Joyful Celebrate Global Limited ("Joyful Celebrate") for a consideration of HK\$241 million.

Joyful Celebrate, which is a company incorporated in the British Virgin Islands with limited liability, entered into a profit assignment agreement (the "Profit Assignment Agreement") on 21 October 2013 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 Joyful Celebrate absolutely and free from any encumbrance whatsoever the junket promoter's right, title interest and benefits in and to 0.3% of the rolling turnover (the "Profit Streams") generated from not less than 16 gaming tables at Guangdong VIP Club at Galaxy Hotel in Macau.

Under the Profit Assignment Agreement and the supplemental profit assignment agreement dated 18 December 2013, the junket promoter irrevocably and unconditionally guaranteed to Joyful Celebrate that the Profit Streams for the first and the second relevant periods shall not be less than HK\$270 million and HK\$324 million, respectively. In the event that the Profit Streams received and/or receivable by Joyful Celebrate for the first and the second relevant periods shall be less than HK\$270 million and HK\$324 million, respectively, the junket promoter undertook to pay to Joyful Celebrate an amount equivalent to the difference between HK\$270 million and the Profit Streams received and/or receivable by Joyful Celebrate during the first relevant period; and the difference between HK\$324 million and the Profit Streams received and/or receivable by Joyful Celebrate during the second relevant period.

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 from 30 days to 60 days for Gaming and Entertainment Business. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of each reporting period, no impairment loss on trade receivables was recognised by the Group.

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

	At 31 December 2013 (Unaudited) HK\$'000	At 30 June 2013 (Audited) HK\$'000
0 – 30 days	103,886	46,625
31 – 60 days	66,022	41,525
61 – 90 days	71,007	40,545
Over 90 days	317,890	289,439
	<u>558,805</u>	<u>418,134</u>

10. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 July 2012, 30 June 2013 and 31 December 2013		
– ordinary shares of HK\$0.01 each	<u>50,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 July 2012	3,847,245	38,472
Issuance of new shares	<u>769,000</u>	<u>7,690</u>
At 30 June 2013 and 31 December 2013	<u>4,616,245</u>	<u>46,162</u>

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 residue assets.

11. 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 Investment Limited (“Essence Gold”) for a consideration of HK\$150,000,000. 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 “EG Call Option”) representing in aggregate up to 80% of the issued share capital of Essence Gold (the “EG Call Option Shares”) or any part to the Group at HK\$7.5 million per the EG Call Option Share. The EG 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 “EG 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 “EG Profit Streams”) generated from not less than 11 gaming tables at Guangdong 31 Sky Club at Grand Lisboa in Macau.

Under the EG 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 EG Profit Streams for the first and the second relevant periods shall not be less than HK\$275 million for each relevant period. In the event that the EG 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 EG Profit Streams received and/or receivable by Essence Gold during the first and the second relevant periods.

The EG Call Option, if fully exercised, would give the Group 100% voting power over Essence Gold. Based on the directors’ assessment, the EG 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.

	Acquiree’s carrying amount HK\$’000	Fair value adjustment HK\$’000	Fair value HK\$’000
Net assets acquired:			
Intangible asset – right in sharing profit stream	–	849,250	849,250
Other payables	(10)	–	(10)
	<u>(10)</u>	<u>849,250</u>	<u>849,240</u>
100% equity interests of Essence Gold			
	<u>(10)</u>	<u>849,250</u>	<u>849,240</u>
Less: Non-controlling interests			<u>(679,392)</u>
20% equity interests of Essence Gold			169,848
Less: Gain from bargain purchase of interest in a subsidiary			<u>(19,848)</u>
Total consideration			<u>150,000</u>
Total consideration satisfied by:			
Cash paid			11,000
Consideration payable for acquisition of a subsidiary			<u>139,000</u>
			<u>150,000</u>

12. EVENT AFTER THE END OF REPORTING PERIOD

On 13 January 2014, 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 5% of the issued share capital of Superiority Wealthy Limited (“Superiority Wealthy”) for a consideration of HK\$208,330,000. The Group also entered into a call option agreement dated 13 January 2014 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 “SW Call Option”) representing in aggregate up to 95% of the issued share capital of Superiority Wealthy (the “SW Call Option Shares”) or any part to the Group at HK\$41,666,000 per the SW Call Option Share. The SW Call Option will be expired after 36 months after completion of this acquisition.

Superiority Wealthy, which is a company incorporated in the British Virgin Islands with limited liability, entered into a profit assignment agreement (the “SW Profit Assignment Agreement”) on 13 January 2014 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 Superiority Wealthy absolutely and free from any encumbrance whatsoever the junket promoter’s right, title interest and benefits in and to 0.3% of the rolling turnover (the “SW Profit Streams”) generated from not less than 11 gaming tables at COD Neptune Guangdong VIP Club at the City of Dream in Macau.

Under the SW Profit Assignment Agreement dated 13 January 2014, the junket promoter irrevocably and unconditionally guaranteed to Superiority Wealthy that the SW Profit Streams for the first and the second relevant periods shall not be less than HK\$11,574,000 and HK\$13,888,800, respectively. In the event that the SW Profit Streams received and/or receivable by Superiority Wealthy for the first and the second relevant periods shall be less than HK\$11,574,000 and HK\$13,888,800, respectively, the junket promoter undertook to pay to Superiority Wealthy an amount equivalent to the difference between HK\$11,574,000 and the SW Profit Streams received and/or receivable by Superiority Wealthy during the first relevant period; and the difference between HK\$13,888,800 and the SW Profit Streams received and/or receivable by Superiority Wealthy during the second relevant period.

The acquisition of 5% of the issued share capital of Superiority Wealthy and the SW Call Option Shares was completed on 27 February 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The unaudited profit of the Group for the six months ended 31 December 2013 amounted to approximately HK\$353,871,000 (2012: HK\$306,641,000); basic earnings per share of HK3.80 cents per share, a slight decline from the same period in last year of HK4.58 cents per share. This year marked a momentous milestone for the company that we have successfully acquired some shareholding from two more junket promoters, as a result this will boost up our revenue, which at present showing increased up to HK\$351 million more without contribution from these investments at this stage. Within this period, the unaudited net profit was approximately HK\$353.9 million after deducting the general and administrative expenses of approximately HK\$3.6 million similar as compared to the last year period. The year on year growth in revenue is leading to approximately HK\$351.3 million, an increase of approximately HK\$66.5 million from a year ago.

What is notably is that our business model is now based on small percent sharing on rolling turnover of these junkets. At present we are deliberating to form a partnership with some of them which operated gaming tables in different casinos. Over past few years, we provided a good customers network and they delivered their good service to clients and continue to offer a superior experience for the customers. Moving to the crest of more new casinos to be opened in next two years, we believe that new business model, should be adopted to build a cornerstone that our group will be successful in years ahead showing sustained business growth.

For the six months ended 31 December 2013, we generated a record of net cash inflows of approximately HK\$196.9 million arising from operating activities. On the other hand, our net cash outflows was approximately HK\$260.2 million mainly attribute to investing activities making an cash payment of HK\$241 million – full settlement of consideration paid to vendor for acquisition of 5% shareholding of Joyful Celebrate Global Limited, a subsidiary Hoi Kit Diversoes Sociedade Unipessoal Limitada which operated its business in Galaxy Cotai. Another major spending was for repayment of HK\$18 million as repayment of advance from associate.

On monthly basis we repay approximately HK\$0.24 million to reduce our loan principle and accrued interest. Last year we were granted a mortgage loan of HK\$25 million from a bank to purchase our own office premises. Therefore we paid HK\$1.1 million as partial refund of loan principle and HK\$0.33 million for bank mortgage interest during the period.

Looking forward 2014, we remain caustiously optimistic. No doubt some countries proclaimed their colossal gaming project in next couple of years, may have influential impact on Macau. But this could be a very good chance the gaming outlook will be revised up in Asia which bringing us more opportunity to run business in new countries. Our group will change our strategy to weather any possible outcomes on overall business atmosphere in Macau.

Gaming related business

Revenue derived from the commission on rolling turnover for six months ended 31 December 2013 was recorded approximately HK\$351,259,000 (2012: HK\$284,800,000).

A twenty three percent increase denotes our organic and inorganic growth through a flurry of further acquisitions of profit sharing agreement signed with junket promoter's with it business is proven to be a successful strategy. In order to strengthen our market share in gaming industry, at the same time, minimize our risk being overly rely on one or two junkets, we still think this business model is still viable. Business recovery sputtered in second quarter of this financial year, despite of China growth slowed, however so far this doesn't much affect our performance during this six months period. Return from gaming segment still fomenting the net asset value of our Group; the profit reported from our subsidiaries along with sharing from our associate which has steadily maintain HK\$6.2 million during the period, eventually arrived to a net profit HK\$353.9 million.

Another spark is a critical decision to mesh weighing on our business which in the past coming from sharing of profit from junket promoters operating in concessionaries situated in Peninsula, now we focus to those junkets operating in Cotai, Macau for space of further acquisitions.

In September last year, we have entered into an agreement with Hoi Kit Diversoes Sociedade Unipessoal Limitada, an VIP operator in Galaxy Cotai after restructuring their profit stream, to pay HK\$241 million as a consideration for acquisition of 5% issued share capital of Joyful Celebrate Global Limited. Under this agreement, our return on investment primarily was secured in contractual term to receive an profit guarantee HK\$29.7 million in the first 2 years.

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 2013 (2012: HK\$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK\$550,264,000 as at 31 December 2013 (30 June 2013: HK\$602,863,000). Except for the bank mortgage loan of HK\$22,061,000 which is used to finance the purchase of our own use office premise, there were no other borrowings as at 31 December 2013 (30 June 2013: HK\$23,172,000). The total equity of the Group as at 31 December 2013 was HK\$3,000,064,000 (30 June 2013: HK\$2,806,686,000). The gearing ratio, calculated on the basis of total debt over total equity attributable to equity shareholders as at 31 December 2013, was approximately 1.10% (30 June 2013: 1.26%). The total current liabilities of the Group as at 31 December 2013 was HK\$206,109,000 (30 June 2013: HK\$64,686,000) consisting of dividend payable to non-controlling shareholders of HK\$160,699,000 (30 June 2013: HK\$206,000), other payables of HK\$9,607,000 (30 June 2013: HK\$9,542,000) and the remaining mortgage bank loan of HK\$22,061,000 (30 June 2013: HK\$23,172,000) together with income tax payable of HK\$99,000 (30 June 2013: HK\$99,000) and amounts due to an associate is HK\$13,643,000 (30 June 2013: HK\$31,667,000).

PLEDGE OF GROUP'S ASSETS

As at 31 December 2013, the Group's leasehold land and building in Hong Kong of approximately HK\$50,385,000 (30 June 2013: HK\$51,453,000) were still pledged to a bank to secure the bank facilities of HK\$22,061,000 (30 June 2013: HK\$23,172,000).

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 PRACTICES

The Board of Directors ("Board") are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize in quality Board, sound internal controls, and transparency to all shareholders.

During the six months ended 31 December 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.6.7 which is described below:

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 29 November 2013 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 and its code of conduct regarding Directors' securities transactions for the six months ended 31 December 2013.

THE BOARD OF DIRECTORS

(a) Composition

The composition of the Board of Directors (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

The Code Provision A.2.1 stipulates that the roles of chairman of the Board (the “Chairman”) and chief executive should be separate and should not be performed by the same individual and that the division of responsibilities between the Chairman and the chief executive should be clearly established and set out in writing. The Company fully supports such a division of responsibility between the Chairman and the chief executive in order to ensure a balance of power and authority. The positions of the Chairman and the chief executive are segregated and are held by Mr. Danny Xuda Huang 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, effective planning of Board meetings and ensuring the Board is acting to the best interests of the Company.

The chief executive is responsible for the administration of the Company’s business, as well as to formulate and implement Company’s policies, and is answerable to the Board in relation to the Company’s 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(s) or officer(s) in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

BOARD COMMITTEE

Three committees, namely, audit committee, remuneration committee and nomination committee were established under the Board to oversee their functions.

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 interim report and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2013 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 of two independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton and Mr. Yue Fu Wing and one executive Director, namely Mr. Nicholas J. Niglio. The remuneration committee was established with specific written terms of reference and is principally responsible for making recommendation to the Board on remuneration packages of individual Directors and senior management, including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment by establishing a formal and transparent procedure for developing remuneration policy. No Director or senior management will determine his own remuneration.

Nomination Committee

The nomination committee comprises of two independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton and Mr. Yue Fu Wing and one executive Director, namely Mr. Danny Xuda Huang. The nomination committee was established with specific written terms of reference and is principally responsible for reviewing the structure, size and composition of the Board to complement the Company's corporate strategy and to identify individuals suitably qualified to become Board members. Independence of independent non-executive Directors would be regularly reviewed by the nomination committee and recommendations on the appointment, re-appointment and succession planning for Directors would be made to the Board at least on annual basis.

By Order of the Board
Neptune Group Limited
Danny Xuda Huang
Chairman

Hong Kong, 28 February 2014

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