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 2014

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 2014 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 2014

		For the six months ended 31 December	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**283,909**	351,259
Other revenue		**3,635**	293
General and administrative expenses		**(2,447)**	(3,560)
Profit from operations		**285,097**	347,992
Share of profits of an associate		**7,822**	6,205
Finance costs	*3*	**(294)**	(326)
Profit before taxation	*4*	**292,625**	353,871
Income tax	*5*	**–**	–
Profit for the period		**292,625**	353,871
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**292,625**	353,871

	Notes	For the six months ended 31 December 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Attributable to:			
– Owners of the Company		**130,930**	175,541
– Non-controlling interests		**161,695**	178,330
Profit and total comprehensive income for the period		**292,625**	353,871
Earnings per share attributable to owners of the Company			
Basic	*6(a)*	**2.84 HK cents**	3.80 HK cents
Diluted	*6(b)*	**2.84 HK cents**	3.76 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Notes	At 31 December 2014 (Unaudited) HK$'000	At 30 June 2014 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**719**	965
Investment property		**59,140**	59,140
Intangible assets		**2,102,793**	2,102,793
Goodwill		**–**	–
Interest in an associate		**65,906**	58,084
Available-for-sale investments	8	**249,524**	249,524
		2,478,082	2,470,506
Current assets			
Derivative financial instruments		**33,203**	33,203
Securities held for trading		**6**	4
Trade and other receivables	9	**545,346**	543,780
Dividend receivable from an associate		**–**	55,902
Amount due from an associate		**259**	1,698
Cash and cash equivalents		**124,720**	45,190
		703,534	679,777
Less: Current liabilities			
Other payables		**9,627**	9,773
Bank borrowing		**19,785**	20,931
Dividend payable to non-controlling shareholders		**41,853**	152,169
Income tax payable		**99**	99
		71,364	182,972
Net current assets		**632,170**	496,805
Net assets		**3,110,252**	2,967,311
Capital and reserves			
Share capital	10	**1,077,853**	1,077,853
Reserves		**1,045,996**	915,066
Equity attributable to owners of the Company		**2,123,849**	1,992,919
Non-controlling interests		**986,403**	974,392
Total equity		**3,110,252**	2,967,311

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 December 2014

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 2014. 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 2014, 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 chief operating decision makers being the 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, investment property, intangible assets, goodwill and interest in an associate. The geographical locations of property, plant and equipment and investment property 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, it is the location of operation of such associate.

	Macau		**Hong Kong**	
	For the six months ended 31 December		**For the six months ended 31 December**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**283,909**	351,259	**–**	–

	At 31 December 2014 (Unaudited) *HK$'000*	At 30 June 2014 (Audited) *HK$'000*	At 31 December 2014 (Unaudited) *HK$'000*	At 30 June 2014 (Audited) *HK$'000*
Non-current assets	**2,168,699**	2,160,877	**59,859**	60,105

3. **FINANCE COSTS**

	For the six months ended 31 December	
	2014 (Unaudited) *HK$'000*	2013 (Unaudited) *HK$'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	**294**	326

4. **PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging:

	For the six months ended 31 December	
	2014 (Unaudited) *HK$'000*	2013 (Unaudited) *HK$'000*
Profit from operations is stated after charging:		
Depreciation of property, plant and equipment	**246**	1,228

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 2014 and 2013.

6. **EARNINGS PER SHARE**

(a) **Basic earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of approximately HK$130,930,000 (2013: HK$175,541,000) and the total of 4,616,245,000 ordinary shares (31 December 2013: 4,616,245,000 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 was based on the profit attributable to owners 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 2014 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 2014 and 2013.

8. AVAILABLE-FOR-SALE INVESTMENT

	At 31 December 2014 (Unaudited)	At 30 June 2014 (Audited)
	HK$'000	*HK$'000*
Available-for-sale equity security		
– Unlisted	**249,524**	249,524

All of the unlisted investments were measured at fair value at the end of the reporting period and were held for strategy purpose not to be disposed of in the foreseeable future.

No impairment loss in respect of the available-for-sale investments was recognised during the six months ended 31 December 2014 and 2013 by reference to the assessments of the Company's directors.

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 2014 (Unaudited)	At 30 June 2014 (Audited)
	HK$'000	*HK$'000*
0 – 30 days	**39,360**	44,285
31 – 60 days	**42,521**	79,548
61 – 90 days	**58,838**	52,248
Over 90 days	**329,511**	363,181
	470,230	539,262

10. CAPITAL AND DIVIDENDS

Movements of the Company's ordinary shares are set out below:

	At 31 December 2014		At 30 June 2014	
	No. of shares	**Amount**	No. of shares	Amount
	('000)	***$'000***	*('000)*	*$'000*
Ordinary shares, issued and fully paid:				
At 1 July 2014/1 July 2013	**4,616,245**	**1,077,853**	4,616,245	46,162
Transition to no-par value regime on 3 March 2014	**–**	**–**	–	1,031,691
At 31 December 2014/30 June 2014	**4,616,245**	**1,077,853**	4,616,245	1,077,853

The transition to the no-par value regime under the new Hong Kong Companies Ordinance (Cap.622) occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the new Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the new Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's underlying profit attribute to Company's shareholders for the six months ended 31 December 2014, amounted to approximately HK$130.9 million (2013: HK$175.5 million); Underlying earnings per shares were HK2.84 cents, a decline from corresponding period last year of HK3.80 cents.

BUSINESS OVERVIEW

Half year revenue was move disappointing than we expected as Macau operation continued to be a drag on result. Visa restriction has tightened, the anticorruption crackdown in China has slowed down the movement of mainlanders high rollers to Macau dramatically over.

Gaming revenue in Macau contracted for the first time since multinational companies arrived Macau back in early of 2004. It plummeted 30% in December last year alone in one single month. Some small size junket operators already closed their business in year 2014 and if this situation will possibly continue we may expect some more junkets business rush into a flurry of merger and amalgamation between themselves. At the moment, all news continues to be gloomy related to gaming industry in Macau.

Accordingly global economic growth is expected to pick up modestly in the year ahead. Together this with European economy showing sign of improvement after an ambitious program of quantitative easing pursued by European Central Banks, as a stimulus.

When China economy recovery shall gathering pace this year, stimulated by the gradual unfolding of various reform measures and Central bank cut the required reserve ratio (known as RRR) for its banks; as it stepped up efforts to boost lending to fill liquidity gap in money market.

Gross Domestic Product (GDP) in Macau contracted 2.10 percent in the third quarter of 2014 over the same quarter of the previous year while GDP Annual Growth Rate in Macau averaged 13.29 percent from 2002 until 2014. All these factors will bode well for the overall economy because likely there will be more liquid funds available in market.

Despite these positive signs, we are cautious about how far these improvements will give an impulse for the gaming industry in Macau. We believe Macau gaming industry will be, in fact, deeply affected by the any sudden change of China and Macau government policies indeed.

We continue to see government decision on gaming tables for new casino spring up this year grant as a near term overhang for the sector sentiment could be negatively impacted even as operationally the impact would be not as large given the current under-utilisation of tables.

GAMING RELATED BUSINESS

The revenue from commission on rolling turnover decreased by HK$67,350,000 or 19% to approximately HK$283,909,000 (2013: HK$351,259,000) as compare to the same period last year, largely due to significant drop in average daily revenues (ADR) in all of our VIP rooms reflecting fierce market competition and weak run rate. In market wide, VIP GGR in Macau fell by 11% for full year of 2014.

For the six months ended 31 December 2014, we have recorded of net cash inflows of approximately HK$283.6 million from operating activities. During this period, we received cash dividend declared in previous years of HK$57.3 million by our associated company. On other hand, our major items of cash outflow consist of payments of dividend to non-controlling shareholders which have engaged under all profit sharing stream within our investment portfolio accumulating to a total amount of HK$ 260.0 million.

On monthly basis we repay approximately HK$0.24 million to pay off interest charges and partial repayment of bank loan secured for purchase our own office premise. At at 31 December 2014, our bank balance was HK$124.7 million.

However, this is our second year in row showing an decrease of revenue since 2012. We admittedly poor visibility that this turnaround was worse off than we first anticipated it as an intermittent pattern. If this dire situation continues, it may deter some investors from investing in new capital and expansion into this industry.

Fortunately we employ prudent disciplines to maintain strong financials over the past few years and shore up adequate working capital to meet this challenge.

With shareholders' long-term best interests at the forefront, our decisions on the scale of businesses are contingent on appropriate assessment of the prevailing political, economic and operating environment in the regions in which we operate. At present, none of the above negative sentiment shall dent our faith with gaming industry in Macau. We are still cautiously optimistic about the growth prospects for our businesses.

We are sound in financial for exploring new investment opportunities to generate additional stable revenue streams to drive forward our growth momentum. The Group will continue to strengthen the market position and competitiveness and also through further expansion of our investments in other projects which will enable the Group lay a foundation for new height in future.

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 2014 (2013: HK$ Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK$632.2 million as at 31 December 2014 (30 June 2014: HK$496.8 million). Except for bank mortgage loan of HK$ 19.8 million which is used for purchase of our office premise, there was no other borrowings as at 31 December 2014. (30 June, 2014: HK$20.9 million). The total equity of the Group as at 31 December 2014 was HK$ 3,110.3 million (30 June 2014: HK$2,967.3 million). The gearing ratio, calculated on the basis of total debts over total equity attributable to owners as at 31 December 2014, was approximately 0.93% (30 June 2014: 1.05%). The total current liabilities of the Group as at 31 December 2014 was HK$ 71.4 million (30 June 2014: HK$ 183.0 million) consisting of dividend payable to non-controlling shareholders of HK$ 41.9 million (30 Jun 2014: HK$ 152.2 million); other payable including bank loan.

PLEDGE OF GROUP'S ASSETS

As at 31 December 2014, the Group's investment property in Hong Kong of approximately HK$59.1 million (30 June 2014: HK$59.1 million) was still pledged to a bank which providing a banking facilities of HK$19.8 million (30 June 2014: HK$20.9 million).

CORPORATE GOVERNANCE CODE

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

The Company has applied the applied the principles and complied with all code provisions and, where applicable, the recommended best practices of Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout six months ended 31st December, 2014.

The Group's on-going efforts in Corporate Governance earned the recognition as one of Hong Kong's Most Valuable Companies 2015 from MediaZone's. The Group will continue its efforts to maintain its high standard of good corporate governance.

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 enquiries, all Directors have confirmed that they have complied with Model Code throughout the Period.

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee") in 2001 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provision of CG Code. The Audit Committee comprises of three Independent Non-executive Directors, namely Mr. Cheung Yat Hung, Alton (Chairman of audit committee), Mr. Chan Choi Kam and Mr. Yue Fu Wing.

The Audit committee has reviewed the accounting principles and practices adopted by the Group and supervised financial reporting system and internal control procedures.

It also review the relationship with the external auditor of the Company.

The Audit Committee has reviewed the Group's interim results for six months ended 31 st December, 2014 with the management.

REMUNERATION COMMITTEE

In compliance with CG Code, the Company established its remuneration committee ("Remuneration Committee") on 1st April, 2008. With a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chief Executive Mr. Nicholas J. Niglio and two Independent Non-executive Directors, namely Mr. Cheung Yat Hung, Alton (Chairman of the Remuneration Committee) and Mr. Yue Fu Wing.

INTERIM REPORT

The 2014/15 interim report containing all the financial and other related information of the Company required by the Listing Rules will be available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.neptunegroup.com. and dispatched to Shareholders before the end of March 2015.

By Order of the Board
Chan Shiu Kwong, Stephen
Company Secretary

Hong Kong, 27 February 2015

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