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 2015

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 2015 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 2015

		For the six months ended 31 December	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**132,955**	283,909
Other revenue		**1,188**	3,635
Impairment loss of trade receivables	*10*	**(117,281)**	–
Impairment loss of intangible assets	*8*	**(277,256)**	–
General and administrative expenses		**(2,837)**	(2,447)
(Loss)/profit from operations		**(263,231)**	285,097
Share of profits of an associate		**12,950**	7,822
Finance costs	*3*	**(262)**	(294)
(Loss)/profit before taxation	*4*	**(250,543)**	292,625
Income tax	*5*	**–**	–
(Loss)/profit for the period		**(250,543)**	292,625
Other comprehensive income for the period		**–**	–
Total comprehensive (loss)/income for the period		**(250,543)**	292,625

	Notes	For the six months ended 31 December **2015** **(Unaudited)** ***HK$'000***	2014 (Unaudited) *HK$'000*
Attributable to:			
– Owners of the Company		**(257,016)**	130,930
– Non-controlling interests		**6,473**	161,695
(Loss)/profit and total comprehensive (loss)/income for the period		**(250,543)**	292,625
(Loss)/earnings per share attributable to owners of the Company			
Basic	*6(a)*	**(5.57) HK cents**	2.84 HK cents
Diluted	*6(b)*	**(5.57) HK cents**	2.84 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Notes	At 31 December 2015 (Unaudited) HK$'000	At 30 June 2015 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**523**	643
Investment property		**59,863**	59,200
Intangible assets	*8*	**950,315**	1,227,571
Goodwill		**–**	–
Interest in an associate		**69,155**	56,205
Available-for-sale investments	*9*	**39,672**	39,672
		1,119,528	1,383,291
Current assets			
Derivative financial instruments		**67**	67
Trade and other receivables	*10*	**421,777**	406,080
Amount due from an associate		**245**	233
Cash and cash equivalents		**54,276**	58,207
		476,365	464,587
Less: Current liabilities			
Other payables		**9,764**	10,030
Bank borrowing		**17,641**	18,817
		27,405	28,847
Net current assets		**448,960**	435,740
Net assets		**1,568,488**	1,819,031
Capital and reserves			
Share capital	*11*	**1,077,853**	1,077,853
Reserves		**(169,962)**	87,054
Equity attributable to owners of the Company		**907,891**	1,164,907
Non-controlling interests		**660,597**	654,124
Total equity		**1,568,488**	1,819,031

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 December 2015

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 2015. 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 2015, 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**	
	2015 (Unaudited) ***HK$'000***	2014 (Unaudited) *HK$'000*	**2015 (Unaudited)** ***HK$'000***	2014 (Unaudited) *HK$'000*
Turnover from external customers	**132,955**	283,909	**–**	–
	At 31 December 2015 (Unaudited) ***HK$'000***	At 30 June 2015 (Audited) *HK$'000*	**At 31 December 2015 (Unaudited)** ***HK$'000***	At 30 June 2015 (Audited) *HK$'000*
Non-current assets	**1,019,470**	1,283,776	**60,386**	59,843

3. FINANCE COSTS

	For the six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Total interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank borrowing	**262**	294

4. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment	**120**	246

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 2015 and 2014.

6. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to owners of the Company of approximately HK$257,016,000 (2014: profit of approximately HK$130,930,000) and the total of 4,616,245,000 ordinary shares (31 December 2014: 4,616,245,000 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 31 December 2015 and 2014 were the same as the basic (loss)/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 2015 and 2014.

8. INTANGIBLE ASSETS

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.

During the six months ended 31 December 2015, an impairment loss of approximately HK$277,256,000 (2014: Nil) was recognised in respect of the Group's Gaming and Entertainment Business by reference to the valuation report issued by an independent qualified professional valuer.

9. AVAILABLE-FOR-SALE INVESTMENT

	At 31 December 2015 (Unaudited) *HK$'000*	At 30 June 2015 (Audited) *HK$'000*
Available-for-sale equity investments		
– Unlisted investments, at fair values	**39,672**	39,672

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 2015 and 2014 by reference to the assessments of the Company's directors.

10. 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. As at 31 December 2015, trade receivables of the Group amounting to approximately HK$461,570,000 (30 June 2015: HK$344,289,000) were individually determined to be impaired with reference to the valuation report issued by an independent qualified professional valuer. Accordingly, specific allowances for doubtful debts of trade receivables of approximately HK$117,281,000 (2014: Nil) were recognised during the six months ended 31 December 2015.

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 2015 (Unaudited) *HK$'000*	At 30 June 2015 (Audited) HK$' 000
0 – 30 days	**19,628**	23,525
31 – 60 days	**18,696**	32,741
61 – 90 days	**24,749**	28,365
Over 90 days	**726,701**	572,188
	789,774	656,819
Less: Impairment loss on trade receivables	**(461,570)**	(344,289)
	328,204	312,530

11. SHARE CAPITAL

	At 31 December 2015		At 30 June 2015	
	No. of shares *('000)*	**Amount** *$'000*	No. of shares *('000)*	Amount *$'000*
Ordinary shares, issued and fully paid:				
At beginning and end of the period	**4,616,245**	**1,077,853**	4,616,245	1,077,853

The owners 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's underlying loss attribute to Company's shareholders for the six months ended 31 December 2015, amounted to approximately HK$257.0 million (2014: profit of HK$103.9 million); Underlying loss per shares were HK5.57 cents, considerable difference from corresponding period last year of earning per shares of HK2.84 cents.

BUSINESS OVERVIEW

None of our VIP junket operators are collectively clear on when their situation are going to evolve as business was sluggish and overall macro economy feel restive on the surface, tense beneath. Certainly a bad combination, Macau casino gross gaming revenue (GGR) reached MOP18.67 billion (US$2.33 billion) in January 2016, down by 21.4 percent year-on-year, according to official data released that was after twenty months consecutive months of year-on-year declines in casino GGR. Another similar six to twelve months downturn is on the horizon,

The current untenable situation persists more than one year smacking of desperation among junkets which need to packaging their bad debts and distressed assets and selling them to third-party financial investors at a big discount, no get away.

In October last year Macau's gaming regulator announced stricter accounting rules for junket operators. They took effect from January this year. According to the new guidelines, all junket operators are to compile and submit monthly accounting reports to the gaming regulator. This creates a path for better disclosure and more transparency of financial status of each junket operators. This policy could be instrumental to keep the gaming industry in healthy development.

Now two casinos are currently building their second projects in Macau, all located in the city's Coati district but one proclaim to defer its grand opening to the mid of this year, a small and significant delay and another new casino expects not complete until early of 2017.

We hope these new projects stir up the momentum of Macau gaming industry and bring back nostalgia remembrance from prosperous days.

For the benefit of our shareholders, the Group keeps on exploring new business, including money lending and identifying suitable locations for buying new assets whilst existing properties market price are relative more affordable than before in consideration of long term investment.

Looking forward, the Group will keep on its business diversification strategy and boost the development of each of its operation with a view to maintain low risk while securing stable returns and sufficient capital for the Group's future business development.

GAMING RELATED BUSINESS

The revenue from commission on rolling turnover decreased by approximately HK$150,954,000 or 53% to approximately HK$132,955,000 (2014: HK$283,909,000) as compare to same period last year.

As followers of the Macau gaming industry undoubtedly know, the VIP sector has contracted substantially during the second half of 2015 and into 2016. The resulting anticorruption cases in China reportedly forced indirectly a similar contraction in Macau's gaming industry, with news of VIP room closures and even some major operators going out of business. At present overall market sentiment tends to believe more risk to the downside looming problem if there will have further currency devaluation in this region and the softening China macro economy as a whole.

Against such obstacles, we are gutting a cluster of policies to response to this seismic change. Palpably when there are small numbers of high roller players in the market and with other competition is encroaching to be managed, under this circumstances, we found ourselves in competition with a whole selection of companies hashing out new strategy as well and do our best to avoid ourselves placing into mayhem. It has been gospel for us to give relentless effort to urge our VIP junkets to collect all doubtful debts from their clients within short period of time, but the distress is still hanging on.

It is too early to render judgement till few years later to know whether we are now managing an economic jitter resulting from an intermittent tremble, or not, but if this dire condition will sprawling across in Macau; this may not only hamper the VIP gaming alone.

If when eventually China economy becomes stabilize, this will drive the Macau gaming industry to keep chugging along and rejuvenate the once dominant world class gaming and entertainment city to its former stature.

Until that come to light, we face a daunting challenge right now to see slumping profit and lackluster turnover from the existing business model which is no long sustainable not even to say any further development. The hope is our new business strategy to secure a stable investments return from other assets and money lending business will provide us some much needed leeway to weather such a tough moment.

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 2015 (2014: HK$ Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK$449.0 million as at 31 December 2015 (30 June 2015: HK$435.7 million).Except for bank mortgage loan of HK$17.6 million which is used for purchase of our office premise, there was no other borrowings as at 31 December 2015 (30 June 2015: HK$18.8 million). The total equity of the Group as at 31 December 2015 was HK$1,568.5 million (30 June 2015: HK$1,819.0 million). The gearing ratio, calculated on the basis of total debts over total equity attributable to equity shareholders as at 31 December 2015, was approximately 1.94% (30 June 2015: 1.61%). The total current liabilities of the Group as at 31 December 2015 was HK$27.4 million (30 June 2015: HK$28.8 million) mainly consisting of interest payable of HK$6.1 million (30 June 2015: HK$6.1 million); other payable and accrual item including bank loan.

PLEDGE OF GROUP'S ASSETS

As at 31 December 2015, the Group's leasehold land and building in Hong Kong of approximately HK$59.9 million (30 June 2015: HK$59.2 million) was still pledged to a bank which providing a banking facilities of HK$17.6 million (30 June 2015: HK$18.8 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 31 December 2015.

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") on 29 August 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. Chow Chung Lam, Louis 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 reviews the relationship with the external auditor of the Company.

The Audit Committee has reviewed the Group's interim results for six months ended 31 December 2015 with the management.

REMUNERATION COMMITTEE

In compliance with CG Code, the Company established its remuneration committee ("Remuneration Committee") on 1 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 2015/16 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 2016.

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

Hong Kong, 29 February 2016

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 Hong, Alton, Mr. Yue Fu Wing and Mr. Chow Chung Lam, Louis.