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 2016

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 2016 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 2016

		For the six months ended 31 December	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**135,933**	132,955
Other revenue		**3,373**	1,188
Impairment loss of trade receivables	*9*	**–**	(117,281)
Impairment loss of intangible assets	*8*	**–**	(277,256)
Amortisation of intangible assets		**(102,708)**	–
General and administrative expenses		**(4,365)**	(2,837)
Profit/(loss) from operations		**32,233**	(263,231)
Share of profits of an associate		**7,781**	12,950
Finance costs	*3*	**(230)**	(262)
Profit/(loss) before taxation	*4*	**39,784**	(250,543)
Income tax	*5*	**–**	–
Profit/(loss) for the period		**39,784**	(250,543)
Other comprehensive income for the period		**–**	–
Total comprehensive income/(loss) for the period		**39,784**	(250,543)

	Notes	For the six months ended 31 December **2016** **(Unaudited)** ***HK$'000***	 2015 (Unaudited) *HK$'000*
Attributable to:			
– Owners of the Company		**25,938**	(257,016)
– Non-controlling interests		**13,846**	6,473
Profit/(loss) and total comprehensive income/(loss) for the period		**39,784**	(250,543)
		HK$	HK$ (Restated)
Earnings/(loss) per share attributable to owners of the Company			
Basic	*6(a)*	**0.04**	(0.55)
Diluted	*6(b)*	**0.04**	(0.55)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	**At 31 December 2016 (Unaudited) *HK$'000***	At 30 June 2016 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**283**	403
Investment property		**60,000**	60,000
Intangible assets	*8*	**468,577**	571,285
Goodwill		**–**	–
Interest in an associate		**80,901**	73,100
Available-for-sale investments		**–**	–
		609,761	704,788
Current assets			
Derivative financial instruments		**–**	–
Trade and other receivables	*9*	**261,583**	625,340
Cash and cash equivalents		**644,775**	148,562
		906,358	773,902
Less: Current liabilities			
Other payables		**9,444**	10,590
Bank borrowing		**15,239**	16,448
		24,683	27,038
Net current assets		**881,675**	746,864
Net assets		**1,491,436**	1,451,652
Capital and reserves			
Share capital	*10*	**1,171,921**	1,171,921
Reserves		**(83,864)**	(109,802)
Equity attributable to owners of the Company		**1,088,057**	1,062,119
Non-controlling interests		**403,379**	389,533
Total equity		**1,491,436**	1,451,652

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 December 2016

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 2016. 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 2016, 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. REVENUE AND SEGMENT REPORTING

The principal activity of the Company and its subsidiaries is introducing customers to respective casino's VIP rooms in Macau and receiving the profit streams from junket businesses at respective casino's VIP rooms in Macau (the "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 CODM, being the directors of the Company, for the purposes of resource allocation and performance assessment, the CODM reviewed the Group's result as a whole which was generated solely from the Gaming and Entertainment Business and 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.

3. FINANCE COSTS

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Total interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank borrowing	**230**	262

4. PROFIT/(LOSS) BEFORE TAXATION

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) before taxation is arrived at after charging:		
Depreciation of property, plant and equipment	**120**	120
Amortisation of intangible assets	**102,708**	–

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 2016 and 2015.

6. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to owners of the Company of approximately HK$25,938,000 (2015: loss of approximately HK$257,016,000) and the total of 692,437,000 ordinary shares (31 December 2015 (restated): 469,934,000 ordinary shares) in issue during the period. The weighted average number of ordinary shares for the purpose of calculating loss per share for the six months ended 31 December 2015 has been restated to reflect the effects of the consolidation of ten shares into one share of the Company with effect in May 2016 and open offer.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the six months ended 31 December 2016 and 2015 were the same as the basic earnings/(loss) 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 2016 and 2015.

8. INTANGIBLE ASSETS

The intangible assets represent the rights in sharing of profit streams from junket businesses at respective casinos' VIP rooms in Macau, and are related to Gaming and Entertainment Business.

Prior to 1 July 2015, the directors considered that the useful life of the Group's intangible assets which represented the rights in sharing of profit streams from junket businesses at the respective casinos' VIP rooms in Macau was indefinite because the directors expected that the intangible assets could contribute cash flows to the Group indefinitely.

From time to time, the directors reviewed the useful life of intangible assets. Since the termination of the Lucky Star Profits Agreements on 1 July 2015, the directors reassessed the useful life of the remaining profit sharing agreements. When assessing the useful life of the intangible assets, the directors have taken into account the prolonged difficult business environment of the gaming industry, particularly the VIP room operations, the shifting of focus to tourists and recreational players in the gaming industry in Macau as well as the uncertainty of the outcome of the renewal of the relevant gaming concession contracts by the Macau government. After the assessment, the directors considered that the useful life of the intangible assets is estimated to be in the range of 5 to 7 years. As such, an amortisation of intangible assets was provided over the estimated useful life of 5 to 7 years starting from 1 July 2015.

As a result of this change in accounting estimate on the useful life of the intangible assets with effect on 1 July 2015, the amortisation of intangible assets of approximately HK$102,708,000 (2015: nil) was recognised during the six months ended 31 December 2016.

During the six months ended 31 December 2016, impairment loss of approximately HK$nil (2015: HK$277,256,000) 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. TRADE AND OTHER RECEIVABLES

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 2016 (Unaudited) *HK$'000*	At 30 June 2016 (Audited) *HK$'000*
0 – 30 days	**24,525**	26,789
31 – 60 days	**27,113**	21,510
61 – 90 days	**–**	21,317
91 – 180 days	**38,543**	76,080
181 – 365 days	**145,697**	132,955
Over 365 days	**363,274**	653,819
	599,152	932,470
Less: Impairment loss on trade receivables	**(407,286)**	(407,286)
	191,866	525,184

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. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In September 2016, the Group entered into various agreements with trade debtors pursuant to which (i) the trade debtors agreed to settle the overdue trade receivables of HK$517,470,000 by monthly installments commencing from October 2016; (ii) the trade debtors and owners of the trade debtors charged all the undertaking, property, assets and rights of the gaming promoters to the Group; and (iii) the owners of the trade debtors guaranteed the full repayments of the outstanding amounts by the trade debtors.

Subsequent to 31 December 2016 and up to the date of approval of these financial statements, the trade debtors made a total payments of HK$83,638,000 (including two monthly installments for January and February 2017) to the Group. In November 2016, the trade debtors procured several independent third parties to charge their properties located in Macau to the Group as securities for repayment of the overdue trade receivables. The market value of these properties as at 31 October 2016 were amounted to HK$151,728,000. Together with the amount of HK$83,638,000 already settled subsequent to 31 December 2016, the directors considered that only part of the outstanding trade receivables amounting HK$191,866,000 would be recoverable in full. Accordingly, specific allowances for doubtful debts of trade receivables of approximately HK$nil (2015: HK$117,281,000) were recognised during the six months ended 31 December 2016.

10. SHARE CAPITAL

	At 31 December 2016 (Unaudited)		At 30 June 2016 (Audited)	
	No. of shares ***('000)***	**Amount** ***HK$'000***	No. of shares *('000)*	Amount *HK$'000*
Ordinary shares, issued and fully paid:				
At beginning and end of the period	**692,437**	**1,171,921**	692,437	1,171,921

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 profit attribute to Company's shareholders for the six months ended 31 December 2016, amounted to approximately HK$25.9 million (2015: loss of HK$257.0 million); Underlying earnings per shares were HK$0.04, considerable difference from corresponding period last year of loss per shares of (restated) HK$0.55.

BUSINESS OVERVIEW

After yet another year of difficult economic conditions, signs of improving customer patronage and gaming turnovers have been witnessed this year. According to Macau Government statistics issued publicly on a monthly basis by DICJ, gaming revenues have reached HK$112,062 million for the six months ended 31 December 2016, a 5.7% increase compared to the six months ended 31 December 2015. Whilst the overall market sentiment remained conservative, the recovery signs have been at least a welcome one after past years of double digit downturn since mid-2014.

The Macau gaming industry continued to see new hotels opened (two in the past few months), although at a much slower pace. Macau government's regulation remained stable and conductive to the development of the Macau gaming industry. The number of Macau's visitors continued to increase and industry effort to ramp-up marketing campaign persisted into the mass market would suggest that the Macau gaming industry will continue to improve going into 2017.

We are optimistic on the Macau's gaming market since the industry has shown the first sight of a positive growth. Hope is now on the horizon for all operators in the VIP gaming industry. Looking forward to 2017, we would think positive results are achievable in the gaming segment. Further, our Group will continue to explore any viable investment opportunities and expand on the money lending business which will enable the Group to diversify on the reliance on single income stream and embark on a more sustainable path.

CORE BUSINESS ON GAMING

The Revenue from commission on rolling turnover have recorded just under HK$136 millions for the 6 months ended 31 December 2016, which has remained stable with minor increase when compared with HK$133 millions for the same period in 2015. Whilst General and Administrative expenses have marginally increased, extra efforts and focus in 2016 have been placed by management to collect trade receivables that have been long overdue from some of our business partners. The result has been a very positive one, in particular to debts over 365 days which was recorded in 2015 for HK$654 millions outstanding compared to HK$363 millions for 2016. Our Group's cashflow has accordingly recorded significant increment after successful collection of the receivables.

For the six months ended 31 December 2016, our Cash and Cash Equivalent assets have reached HK$644.7 millions, compared to only HK$148.5 millions for the same period in 2015. The net cash inflows of approximately HK$496.2 millions have undoubtedly brought our Group much needed cashflow to our balance sheet. More importantly, this provided our Group the ability to take on viable business opportunities when they arise. The hard efforts would not be let off and we will continue to manage the trade receivables effectively and ensure repayment schedule has been met.

Look forward to 2017, we are optimistic with the underlying results given the improving signs of the gaming sector and the improvement of trade receivables. With the additional cash on hand, our Group will keep developing the new money lending business and continue exploring new investment opportunities.

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 2016 (2015: HK$ Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK$881.7 million as at 31 December 2016 (30 June 2016: HK$746.9 million). Except for bank mortgage loan of HK$15.2 million which is used for purchase of our office premise, there was no other borrowings as at 31 December 2016 (30 June 2016: HK$16.4 million). The total equity of the Group as at 31 December 2016 was HK$1,491.4 million (30 June 2016: HK$1,451.7 million). The gearing ratio, calculated on the basis of total debts over total equity attributable to equity shareholders as at 31 December 2016, was approximately 1.40% (30 June 2016: 1.55%). The total current liabilities of the Group as at 31 December 2016 was HK$24.7 million (30 June 2016: HK$27.0 million) mainly consisting of interest payable of HK$6.1 million (30 June 2016: HK$6.1 million); other payable and accrual item including bank loan.

PLEDGE OF GROUP'S ASSETS

As at 31 December 2016, the Group's leasehold land and building in Hong Kong of approximately HK$60.0 million (30 June 2016: HK$60.0 million) was still pledged to a bank which providing a banking facilities of HK$15.2 million (30 June 2016: HK$16.4 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 2016.

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 2016 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 2016/17 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.hk and dispatched to Shareholders before the end of March 2017.

By Order of the Board of
Neptune Group Limited
Lin Chuen Chow, Andy
Executive Director

Hong Kong, 24 February 2017

As at the date of this announcement, the Board of the Company comprises Mr. Danny Xuda Huang (Chairman), Mr. Nicholas J. Niglio 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. Chow Chung Lam, Louis.