



NEPTUNE

GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

STOCK CODE: 70

2007-2008
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Cheuk Fung (*Chairman*)

Mr. Nicholas J. Niglio

Mr. Chan Shiu Kwong, Stephen

Mr. Lau Kwok Hung

Mr. Wan Yan Shing, Ban

Mr. Lau Kwok Keung

Independent Non-executive Directors

Mr. Wong Yuk Man

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

COMPANY SECRETARY

Mr. Lau Kwok Hung

AUDIT COMMITTEE

Mr. Wong Yuk Man

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

AUDITORS

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

31st Floor, Gloucester Tower

The Landmark

11 Pedder Street, Central

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Chong Hing Bank Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited

Room 1712-16, 17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

Units 1205-6, 12/F., Office Tower Two

The Harbourfront

18-22 Tak Fung Street

Hunghom, Kowloon

Hong Kong

E-MAIL

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STOCK CODE

00070

GROUP FINANCIAL SUMMARY

Consolidated Profit and Loss Account (HK\$'000)

	Year ended 31 December 2005	Year ended 31 December 2006	Year ended 31 December 2007	Six months ended 31 December 2007
Turnover	77,009	103,134	129,959	159,818
Profit/(Loss) attributable to shareholders	(11,353)	7,147	4,645	49,071

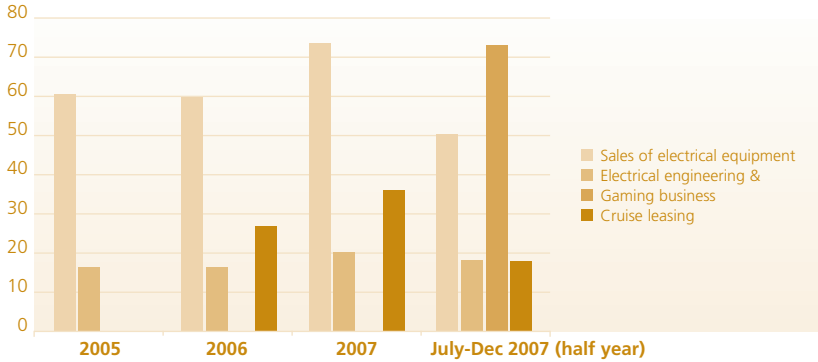
Consolidated Balance Sheet (HK\$'000)

	As at 30 June 2005	As at 30 June 2006	As at 30 June 2007	As at 31 December 2007
Property, plant and equipments	101,053	179,872	161,853	157,389
Investment properties	27,700	28,400	28,550	28,550
Associates	–	–	–	159,000
Other non-current assets	3,089	2,688	2,624	632,592
Net current assets	100,621	30,087	103,562	370,198
Total assets less current liabilities	232,463	241,047	296,589	1,347,729
Bank and other loans	1,627	–	–	–
Deferred tax liabilities and others	–	331	393	29,511
Net assets	230,836	240,716	296,196	1,318,218
Representing:				
Share capital	247,953	247,953	287,953	481,449
Share premium	61,454	61,454	61,752	153,365
Reserves	(86,957)	(79,533)	(69,097)	54,422
Shareholder's funds	222,450	229,874	280,608	689,236
Non-controlling interests	8,386	10,842	15,588	628,982
Total equity	230,836	240,716	296,196	1,318,218
Shareholder's funds – NBV per share (HK\$)	0.018	0.019	0.19	0.29
Earnings per share (HK\$)	(0.11) cents	0.06 cents	0.34 cents	2.11 cents
Dividend per share (HK\$)	–	–	–	–

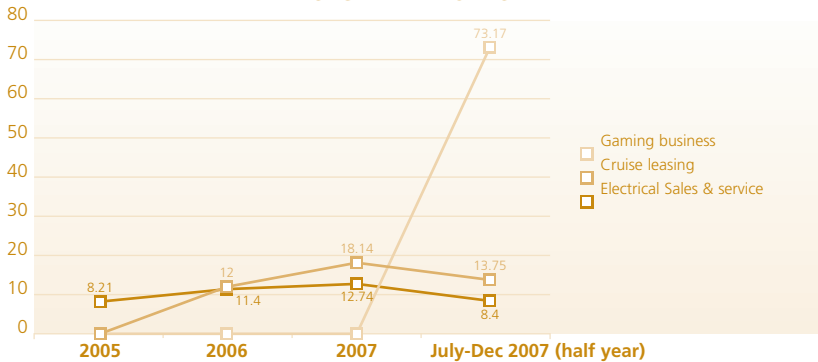
NEPTUNE

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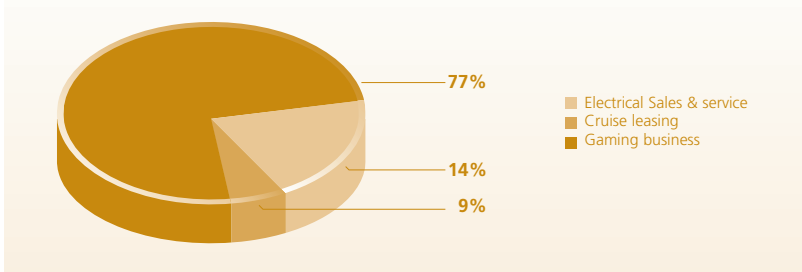
REVENUE GROWTH



SEGMENT PROFITS



PROFITS PROPORTION ON SEGMENT (JULY-DEC 2007)



MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the “Directors”) of Neptune Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2007.

GENERAL

The Company continues to refocus its core business to the gaming sector. Along with its flourishing Hong Kong cruise operation, progress in the Macau VIP Room management has been achieved in the past 6 months. Several acquisitions were finalized, including completion of acquisition agreement with junket representative at Chengdu VIP Club at Sands Macau, Neptuno VIP Club under Galaxy Casino at Star World Hotel and Neptune Ouro, Hao Cai at Venetian Hotel Resort whereby sharing 0.4% of the rolling turnover generated thereof under each Profit Agreement signed by both parties. The principal activities of the Company’s subsidiaries include: investment in gaming and related business, the cruise business, and non-core business such as the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the trading of listed securities and investments in the People’s Republic of China will continue.

BUSINESS AND INVESTMENT REVIEW

For the six months ended 31 December 2007 the Group recorded a net profit attributable to equity holders of the Company of approximately HK\$49.1 million (2006: profit of HK\$7 million).

GAMING AND RELATED BUSINESS

Turnover for the gaming and related business was recorded at approximately HK\$73.2 million (2006 : HK\$Nil), which accounted for approximately 45.8% of the Group’s total turnover (2006 : Nil). This segment contributed approximately 76.7% (2006 : Nil) of the Group’s total segment results for the period under review.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS AND INVESTMENT REVIEW *(continued)*

MANUFACTURING AND TRADING OF ELECTRICAL EQUIPMENTS AND THE PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

The manufacture and trading of electrical equipments and the provision of electrical engineering and contracting services continued to be profitable. Turnover increased when compared with the corresponding period of last year and profits had increased to HK\$8.4 million when compared with the corresponding period in 2006 (HK\$7.2 million).

CRUISE BUSINESS

During the period under review, cruise business has contributed a principal income to the Group. Turnover for the leasing of the cruise ship was recorded approximately HK\$18 million (2006: HK\$18 million), which accounted for approximately 11.2% of the Group's total turnover (2006: 21.6%). Segment result amounted to approximately HK\$13.7 million (2006: HK\$10 million). It recorded a steady turnover and profit contribution to the Group.

TRADING OF INVESTMENTS IN LISTED SECURITIES

The Group did not engage in the trading of investments in listed securities during the period under review (2006: HK\$Nil).

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2007 (2006: HK\$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK\$370.2 million as at 31 December 2007 (As at 30 June 2007: HK\$103.6 million). There were no bank and other borrowings as at 31 December 2007 (As at 30 June 2007: HK\$0.3 million). The net asset value of the Group as at period end was HK\$1,318.2 million (As at 30 June 2007: HK\$296.2 million). The gearing ratio, calculated on the basis of total liabilities over equity attributable to equity holders as at 31 December 2007, was approximately 9.1% (As at 30 June 2007: 55.7%).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EMPLOYEES

The Group has approximately 95 employees in Hong Kong. The Group's 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.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2007, no leasehold land and buildings of the Group were pledged to any bank for banking facilities (As at 30 June 2007: HK\$Nil). As at 31 December 2007, no bank deposits of the Group were pledged to secure general banking facilities (As at 30 June 2007: HK\$0.1 million).

PROSPECTS

Forward looking, the Company expects the economy of the People's Republic of China and the Hong Kong SAR remain positive despite to certain degree their growth will be overshadowed by the credit crisis erupted last summer in USA. No doubt the swiftness and virulence of financial problems result to the loss of confidence and damage the broad economy but we hope credit market woes will be gradually resolved by US government after spawning a series of proposal and stimulus packages.

Tourism in the Macau SAR continues to thrive and to establish new international arrival records. Gaming revenue growth has surpassed that of Las Vegas and most probably eclipse yearly gaming revenue for the entire State of Nevada in 2008. The Company is keen to grow and will be marching shoulder to shoulder with Gaming industries in Macau and stretching across Asian countries in future, enjoying unparalleled growth in the gaming economy.

The Company is also aware of its need to properly manage our strategies and is committed to recruit several key executives throughout the year. These additions will be able to monitor and stabilize our expected rapid growth. The company is very optimistic that the current year will continue to yield a smooth transition in its new principal activity. Our management will continue to foster a strong corporate culture that embrace the company's core values, thereby generating long term and increasing value for the shareholders.

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

DIRECTORS' INTERESTS IN SECURITIES

(i) *Shares*

As at 31 December 2007, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in ordinary shares of the Company

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
Mr. Lin Cheuk Fung	Personal	375,000,000	15.58%

Note: Save as disclosed above and other than certain nominee shares in the subsidiaries held by directors in trust for the Company, none of the Company's directors or their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

(ii) *Share Options*

The Company has a share option scheme ("Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions.

Share options of the Company

Name of director	Number of share options held	Percentage of issued option
Mr. Lin Cheuk Fung	2,390,000	0.96%
Mr. Chan Shiu Kwong, Stephen	2,388,000	0.96%
Mr. Lau Kwok Hung	2,388,000	0.96%
Mr. Wan Yau Shing, Ban	3,000,000	1.20%
Mr. Nicholas J. Niglio	2,300,000	0.92%

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 31 December 2007.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(continued)*

SUBSTANTIAL SHAREHOLDERS

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2007 amounting to 5% or more of the ordinary shares in issue:

Name of shareholder	Number of ordinary shares held	Approximate shareholding percentage
Mr. Lin Cheuk Fung	375,000,000	15.58%
Jumbo Boom Holdings Limited	310,817,678	12.91%

Save as disclosed above, the Company has not been notified of any other parties having an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of the SFO as at 31 December 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(continued)*

CORPORATE GOVERNANCE

During the six months ended 31 December 2007, the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (The "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.4.1

Non-executive Directors should be appointed for specific terms and subject to re-elections

All Independent Non-executive Directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with Bye-Laws of the Company.

Code Provision B.1.1

Establishment of a remuneration committee

The Board is in the opinion that establishment of a remuneration committee as required by code provision B.1.1 is not, for the time being, justified after careful consideration of the size of the Group and the associated costs involved. However, no director or senior management will determine his/her own remuneration.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman of the board and the chief executive officer are segregated and are held by Mr. Lin Cheuk Fung and Mr. Wan Yau Shing, Ban. These positions have clearly defined separate responsibilities.

The chairman is responsible for leading and supervising the operations of the board of directors, effective planning of board meetings, ensuring the board of directors is acting to the best interests of the Company.

The chief executive officer is responsible for the administration of the company business, as well as to formulate and implement company policies, and answerable to the board of directors in relation to the company overall operation.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(continued)*

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for securities transactions as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. Following specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters. The audit committee comprises the three independent non-executive directors of the Company.

The interim report and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2007 has been reviewed by the audit committee and agreed to the accounting principles and practices adopted by the Company.

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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007

		Six months ended 31 December	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
	Notes		
Turnover	3	159,818	83,418
Cost of sales		(64,503)	(66,139)
Gross profit		95,315	17,279
Other revenue		4,220	1,405
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost		91,027	-
Distribution costs		(154)	(345)
Administrative expenses		(17,474)	(6,375)
Share of results of an associate		12,276	-
Share-based payment expenses		(74,449)	-
Fair value changes on financial assets at fair value through profit or loss		2,133	(170)
Profit from operations	4	112,894	11,794
Finance costs	5	(953)	(1,555)
Profit before taxation		111,941	10,239
Taxation	6	(1,183)	(574)
Net profit for the period		110,758	9,665
Attributable to:			
- Non-controlling interests		61,687	2,736
- Equity holders of the Company		49,071	6,929
		110,758	9,665
Dividend	7	-	-
Earnings per share attributable to equity holders of the Company			
- Basic and diluted	8	2.108 cents	0.054 cents

The notes on pages 17 to 28 form part of this interim financial report.

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CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2007

		31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	9	157,389	161,853
Investment properties		28,550	28,550
Prepaid land premiums		2,547	2,579
Interest in an associate		159,000	–
Intangible assets		630,000	–
Goodwill		45	45
		977,531	193,027
Current assets			
Inventories		18,187	17,310
Trade and other receivables	10	98,493	50,161
Loan receivables		6,758	28,000
Amount due from a related company		–	710
Financial assets at fair value through profit or loss		300	1,782
Amount due from an associate		15,378	–
Derivative financial instruments		13,894	–
Pledged bank deposits		–	68
Cash at securities companies		22,227	38,526
Cash and bank balances		228,366	122,840
		403,603	259,397
Total assets		1,381,134	452,424
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	481,449	287,953
Reserves		207,787	(7,345)
		689,236	280,608
Non-controlling interests		628,982	15,588
Total equity		1,318,218	296,196

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CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2007

		31 December	30 June
		2007	2007
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	6	770	393
Promissory notes	13	28,741	–
		29,511	393
Current liabilities			
Bank and other borrowings		–	374
Trade and other payables	12	30,145	41,258
Deposits received		–	81,813
Amount due to a minority shareholder		–	29,100
Tax payable		3,260	3,290
		33,405	155,835
Total liabilities		62,916	156,228
Total equity and liabilities		1,381,134	452,424
Net current assets		370,198	103,562
Total assets less current liabilities		1,347,729	296,589

The notes on pages 17 to 28 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007 (Unaudited)

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Convertible notes	Non-distributable reserve	Share option reserve	Accumulated losses	Sub total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007 (Audited)	287,953	61,752	-	2,264	6,068	(77,429)	280,608	15,588	296,196
Open offer	143,976	-	-	-	-	-	143,976	-	143,976
Issue of shares	49,520	91,612	-	-	-	-	141,132	-	141,132
Equity-settled share-based payments	-	-	-	-	74,449	-	74,449	-	74,449
Acquisition of subsidiaries	-	-	-	-	-	-	-	551,707	551,707
Profit for the period	-	-	-	-	-	49,071	49,071	61,687	110,758
At 31 December 2007 (Unaudited)	481,449	153,364	-	2,264	80,517	(28,358)	689,236	628,982	1,318,218

For the six months ended 31 December 2006 (Unaudited)

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Convertible notes	Non-distributable reserve	Share option reserve	Accumulated losses	Sub total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2006 (Audited)	247,953	61,454	277	2,264	-	(82,074)	229,874	10,842	240,716
Extension of - Convertible notes	-	-	283	-	-	-	283	-	283
Issue of ordinary shares from Conversion of convertible notes	40,000	298	(560)	-	-	-	39,738	-	39,738
Profit for the period	-	-	-	-	-	6,929	6,929	2,736	9,665
At 31 December 2006 (Unaudited)	287,953	61,752	-	2,264	-	(75,145)	276,824	13,578	290,402

The notes on pages 17 to 28 form part of this interim financial report.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007

	Six months ended 31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(44,735)	(7,398)
Net cash outflow from investing activities	(150,772)	4,194
Net cash inflow/(outflow) from financing activities	285,108	(3,647)
Increase/(decrease) in cash and cash equivalents	89,601	(6,851)
Cash and cash equivalents at beginning of period	160,992	86,265
Cash and cash equivalents at end of period	250,593	79,414
Analysis of balances of cash and cash equivalents		
Cash and bank balances	228,366	24,135
Cash at securities companies	22,227	55,279
	250,593	79,414

The notes on pages 17 to 28 form part of this interim financial report.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2007

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements 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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial assets, financial liabilities and investment properties, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group, comprising the Company and its subsidiaries, for the year ended 30 June 2007 except as described below.

In the current interim period, the Group has applied, for the first time, a new accounting standard, an amendment and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the current accounting period. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised accounting standards and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 12	Service Concession Arrangements ²
HK(IFRIC) – INT 13	Customer Loyalty Programmes ³
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these accounting standards and interpretations will have no material impact on the results and the financial position of the Group.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2007

3. SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are investment in gaming related business, the cruise business and non-core business such as manufacturing and trading of electrical equipments, provision of electrical engineering and contracting services and trading of listed securities.

(a) Business segments

	Six months ended 31 December 2007 (Unaudited)					Consolidated HK\$'000
	Sales of electrical equipment HK\$'000	Cruise leasing HK\$'000	Trading of listed securities HK\$'000	Electrical engineering and contracting services HK\$'000	Gaming related business HK\$'000	
Segment revenue:						
Sales/services to external customers	50,421	18,000	-	18,229	73,168	159,818
Segment results	4,855	13,745	-	3,547	73,168	95,315
Interest income						3,680
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost						91,027
Other income						2,673
Share of profit of an associate						12,276
Distribution costs						(154)
General and administrative expenses						(91,923)
Profit from operations						112,894
Finance costs						(953)
Profit before taxation						111,941
Taxation						(1,183)
Net profit for the period						110,758

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2007

3. SEGMENTAL INFORMATION *(continued)*

(a) Business segments *(continued)*

	Six months ended 31 December 2006 (Unaudited)					Consolidated HK\$'000
	Sales of electrical equipment HK\$'000	Cruise leasing HK\$'000	Trading of listed securities HK\$'000	Electrical engineering and contracting services HK\$'000	Gaming related business HK\$'000	
Segment revenue:						
Sales/services to external customers	46,697	18,000	–	18,721	–	83,418
Segment results	4,876	10,036	–	2,367	–	17,279
Interest income						1,347
Other income						58
Distribution costs						(345)
General and administrative expenses						(6,375)
Fair value changes on financial assets at fair value through profit or loss						(170)
Profit from operations						11,794
Finance costs						(1,555)
Profit before taxation						10,239
Taxation						(574)
Net profit for the period						9,665

4. PROFIT FROM OPERATIONS

	Six months ended 31 December	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Profit from operations is stated after charging/(crediting):		
Amortisation of prepaid land premiums	32	32
Depreciation of property, plant and equipment	8,146	8,195
Impairment loss recognised in respect of trade and other receivables	–	463
Fair value changes on financial assets at fair value through profit or loss	(2,133)	170
Share-based payment expenses	74,449	–

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2007

5. FINANCE COSTS

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdrafts and other borrowings		
wholly repayable within five years	54	717
Imputed interest on convertible bond	–	838
Imputed interest on promissory notes	899	–
	953	1,555

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	1,183	574
Elsewhere	–	–
	1,183	574

Deferred Taxation

	31 December		30 June	
	2007		2007	
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July	393		331	
Charged to income statement for the period/year	377		62	
At 31 December/30 June	770		393	

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2007

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the six months ended 31 December 2007 (2006: HK\$Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings attributable to the equity holders		
of the Company	49,071	6,929

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares	2,327,502	12,730,963

Basic and diluted earnings per share for the period ended 31 December 2007 and 2006 have been presented in a single line as the average market price of ordinary shares, at no time during the period, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive and the conversion of the Company's outstanding convertible notes as at 31 December 2006 would increase the earnings per share and therefore anti-dilutive.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2007, the Group acquired property, plant and equipment at a cost of approximately HK\$3,300,000. The Group has not disposed any property, plant and equipment during the six months ended 31 December 2007.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2007

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers.

Aging analysis of trade receivables net of provision is set out below:

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
0 – 30 days	31,545	17,006
31 – 60 days	12,958	9,895
61 – 90 days	11,011	5,537
Over 90 days	4,934	8,903
	60,448	41,341

The carrying amounts of trade and other receivables approximate to their fair values.

11. SHARE CAPITAL

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.2 each	1,000,000	1,000,000

	Number of Ordinary share '000	HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.2 each		
At 1 July 2007	1,439,763	287,953
Issue of ordinary shares	967,482	193,496
At 31 December 2007	2,407,245	481,449

Notes:

- (i) On 28 June 2007, 719,881,500 offer shares of HK\$0.2 each were issued by the Company.
- (ii) On 23 July 2007, the Company placed 247,600,000 new ordinary shares of HK\$0.2 each at a placing price HK\$0.57 per share.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2007

12. TRADE AND OTHER PAYABLES

Aging analysis of trade creditors is set out below:

	31 December	30 June
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	4,576	5,136
31 – 60 days	4,079	1,989
61 – 90 days	3,606	2,295
Over 90 days	3,595	1
	15,856	9,421

The carrying amounts of trade and other payable approximate to their fair values.

13. PROMISSORY NOTES

On 1 August 2007, the Company issued two promissory notes (the "Promissory Notes") in an aggregate principle amounts of HK\$30,000,000 due on 31 July 2008. The Promissory Notes were issued for acquiring the entire issued share capital of Koppert International Limited ("Koppert") and bear no interest, security or default penalty.

	HK\$'000
Balance at 30 June 2007	–
Fair value of promissory notes at issue date	27,842
Interest expenses charges	899
Balance at 31 December 2007	28,741

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2007

14. ACQUISITION OF SUBSIDIARIES

- (i) On 4 July 2007, the Company acquired the entire issued share capital of Credible Limited ("Credible") at a total cash consideration of HK\$140,000,000. Credible holds 20% equity interest in Base Move Investments Limited ("Base Move"), which has entered into the profit agreement with Highest Increase Limited to acquire 0.4% of the rolling turnover generated by Huo Wan Entertainment Unipessoal Limitada. The Company has also been granted a call option from Certain Champ for further acquisition of 50% equity interest in Base Move which is considered to be the potential voting right held by the Company. Base Move is therefore accounted for as subsidiary of the Company.

The net assets acquired in the transaction and the goodwill arising is as follows:

	Acquiree's carrying amount <i>HK\$'000</i>	Fair adjustments <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Net assets acquired:			
Intangible assets	–	630,000	630,000
Cash and bank balances	62,528	–	62,528
Trade receivables	12,059	–	12,059
Other payables	(9)	–	(9)
Non-controlling interest			<u>(551,707)</u>
			152,871
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost			<u>(26,765)</u>
			<u>126,106</u>
			<i>HK\$'000</i>
Total consideration satisfied by:			
Cash consideration			140,000
Derivative financial instrument			<u>(13,894)</u>
Total consideration			<u>126,106</u>
Net cash outflow arising on acquisition:			
			<i>HK'000</i>
Cash and bank balances acquired			62,528
Cash consideration			<u>(140,000)</u>
			<u>(77,472)</u>

The subsidiaries acquired during the period ended 31 December 2007 attributed approximately HK\$14,634,000 to the Group's profit after taxation.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2007

14. ACQUISITION OF SUBSIDIARIES *(continued)*

- (ii) On 1 August 2007, the Company acquired the entire issued share capital of Koppert International Limited ("Koppert") at a total cash consideration of HK\$100,000,000. Koppert holds a 20% equity interest in Good Omen Enterprises Limited, which has entered into profit agreement with Hoi Seng Sociedade Unipessoal Limitada ("Hoi Seng") to acquire 0.4% of the rolling turnover generated by Hoi Seng.

The net assets acquired in the transaction and the goodwill arising is as follows:

	Acquiree's carrying amount	Fair adjustments	Fair value
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Interest in an associate	–	159,000	159,000
Advance to an associate	3,109	–	3,109
Cash and bank balances	(6)	–	(6)
			<u>162,103</u>
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost			<u>(64,262)</u>
			<u>97,841</u>
			HK\$'000
Total consideration satisfied by:			
Cash consideration			70,000
Promissory notes			<u>27,841</u>
Total consideration			<u>97,841</u>
Net cash outflow arising on acquisition:			
			HK'000
Cash consideration			<u>(70,000)</u>

The subsidiary acquired during the period ended 31 December 2007 attributed approximately HK\$12,269,000 to the Group's profit after taxation.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2007

15. CONTINGENT LIABILITIES

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
(i) Irrecoverable letters of credit	–	–
Other trade guarantees	68	68
	68	68

- (ii) On 1 September 2004, a writ of summons and statement of claim was made by The Centre (49) Limited in respect of the office premises previously surrendered by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest again such claim. After obtaining legal advice, a provision of approximately HK\$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the periods ended 31 December 2006 and 2007, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

16. CAPITAL COMMITMENTS

On 16 November 2007, the Group entered into share acquisition agreements to acquire 85% of the total issued share capital of Profit Forest Limited ("Profit Forest") and Sky Advantage Limited ("Sky Advantage") at consideration of HK\$1,144,440,000 and HK\$381,480,000 respectively. Details of the acquisitions please refer to the Company's circular dated 13 February 2008 and note 18 to the condensed financial statements.

Capital commitments as at 31 December 2007 and 30 June 2007 in aggregate for acquisitions of subsidiaries are as follow:

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
Contracted but not provided for acquisition of:		
– Profit Forest	1,119,440	–
– Sky Advantage	371,480	–
– Credible	–	140,000
– Koppert	–	100,000
	1,490,920	240,000

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2007

17. MATERIAL RELATED PARTY TRANSACTIONS

Related parties	Relationship	Nature of transactions	Six months ended	
			31 December	
			2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Gason Electrical Contracting Ltd.	Company in which two directors of subsidiaries have beneficial interests	Sales – received	12,726	8,796
Gold Arch Engineering Ltd	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	–	180
Key management personnel	Directors	Directors' emoluments	4,450	1,370

18. SUBSEQUENT EVENTS

- (a) On 16 November 2007, Stand Great Limited (“Stand Great”), a wholly-owned subsidiary of the Company, entered into a share acquisition agreement to acquire from Ultra Choice Limited (“Ultra Choice”), 85% of the total issued share capital of Profit Forest Limited at a total consideration of HK\$1,144,440,000. The consideration for the acquisition shall be satisfied by Stand Great (1) paying a refundable deposit in a sum of HK\$25,000,000 on the date of the share acquisition agreement and paying HK\$57,440,000 in cash upon completion; (2) procuring the Company to issue the convertible bond I in a principal amount of HK\$846,000,000 to Ultra Choice upon completion; and (3) procuring the Company to allot and issue the consideration shares at an issue price of HK\$0.30 per consideration share, credited as fully paid for the balance of the consideration in a sum of HK\$216,000,000 upon completion. Details please refer to the Company’s circular dated 13 February 2008.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2007

18. SUBSEQUENT EVENTS *(continued)*

- (b) On 16 November 2007, Hero Will Limited (“Hero Will”), a wholly-owned subsidiary of the Company, entered into a share acquisition agreement to acquire from Faith Mount Limited (“Faith Mount”), 85% of the total issued share capital of Sky Advantage at a total consideration of HK\$381,480,000. The consideration for the acquisition shall be satisfied by Hero Will (1) paying a refundable deposit in a sum of HK\$10,000,000 on the date of the share acquisition agreement and paying HK\$17,480,000 in cash upon completion; (2) procuring the Company to issue the convertible bond II in a principal amount of HK\$138,000,000 to Faith Mount upon completion; and (3) procuring the Company to allot and issue the consideration shares at an issue price of HK\$0.30 per consideration share, credited as fully paid for the balance of the consideration in a sum of HK\$216,000,000 to Faith Mount. Details please refer to the Company’s circular dated 13 February 2008.
- (c) On 18 March 2008, the Board announce that the special resolution in relation to change of Chinese name was duly passed by the shareholders at the extraordinary general meeting held on 7 March 2008 and the certificate of change of name was issued by Registrar of Companies in Hong Kong on 17 March 2008 which approved the Change of Chinese Name from “海王集團有限公司” to “海王國際集團有限公司” with effective from 17 March 2008. Details please refer to the Company’s circular dated 13 February 2008.
- (d) The Company held an extraordinary general meeting on 7 March 2008 and approved the increase of the authorised share capital of the Company from HK\$1,000,000,000 comprising 5,000,000,000 shares of par value of HK\$0.20 each to HK\$10,000,000,000 comprising 50,000,000,000 shares of par value of HK\$0.20 each by the creation of 45,000,000,000 new shares of par value of HK\$0.20 each. Details please refer to the Company’s circular dated 13 February 2008.