



NEPTUNE GROUP LIMITED

海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)

STOCK CODE: 00070

## INTERIM REPORT 2009-10



Reaching for  
New Horizons



# Neptune Group Limited

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# Neptune Group Limited

## 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 Yau Shing, Ban

#### **Independent non-executive directors:**

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Wong Tat Tung

(Resigned on 25 November 2009)

### COMPANY SECRETARY

Mr. Lau Kwok Hung

### AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Wong Tat Tung

(Resigned on 25 November 2009)

### AUDITORS

CCIF CPA Limited

20th Floor, Sunning Plaza,

10 Hysan Avenue,

Causeway Bay, Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Chong Hing Bank Limited

### LEGAL ADVISORS

Robertsons Solicitors & Notaries

### SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Rooms 1712-16, 17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

### REGISTERED OFFICE

Room 1601, 16/F

China United Centre

28 Marble Road

North Point

Hong Kong

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### STOCK CODE

00070

# Neptune Group Limited

## CHAIRMAN'S STATEMENT

As we spoke but one year ago, we emphasized management's commitment to weather the economic storm that so strongly stood before us. Economic data universally showed such negative trends that were never before seen in the last five decades. We faced the issues and on behalf of our shareholders and employees protected our revenue and slashed our costs. While tenuous times still remain our confidence level is confident and positive. Government released year to year growth in the gaming sector in Macau were remarkable. Tourist arrivals, average hotel room rates and length of visitation all trended upwards. Our investments in the three casinos all have proven solid. Such now that the company anticipates a new period of examined expansion in both gaming and non gaming areas. When opportunity presents itself to benefit share holders value we shall react. We benefit from a multi functional management team capable of assuming responsibility in varied business ventures.

Such being the economic woes above, the company also saw the shift in leadership for the SAR. A seamless transition was necessary and in fact delivered last December. Fresh vigor is starting to be inserted in the day to day business climate in Macau. Stalled commercial and residential projects are soon to be ignited as a result of this transfer of power. The company's ability to benefit from this response is clear.

Our goals remain reinforced, shareholder value, employee sensitivity and professional recognition of the business community. Our performance, our transparency and our reputation is paramount. We continue to feel confident in ourselves, in our future and the future of the economy in general. Our crystal gaze to upcoming 6 months is a continuation of previous positive sentiment. We again are motivated to march forward together with you our shareholders to a successful conclusion of this business year.

### **Lin Cheuk Fung**

*Chairman of the Board*

Hong Kong, 26 March 2010

# Neptune Group Limited

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The unaudited net profit of the Group for six months ended 31 December 2009 amounted to HK\$94,683,000 (31 December 2008: Loss HK\$(318,600,000); earning per share HK\$0.76 cents a share, up from the same period last year of loss per shares HK\$9.57 cents a share.

Neptune posted 129.72% jump in profit and the increase pointed to a few accounting adjustments that reverse the loss into profit, partly arising from gain on redemption of convertible bonds in an amount approximately HK\$40.8 million and also from negative goodwill amounting to approximately HK\$40.7 million calculated at the time of acquisition of a new profit stream of Best Max in October 2009, but cautioned that the outlook for continued lower revenue of our Macao VIP rooms in Venetian, Sand Venetian and Galaxy had certainly shrunk faster than our expectation in last quarter of year 2009.

It is hard to assess the impact of financial crisis has ravaged on gaming industry. The world's nascent economy remains fragile. As a matter of fact after nearly a six month lull, we can see junkets are getting back into business. Assuming no further deterioration in economic conditions, we expect our fiscal 2010 profit to be broadly in line with our forecast. We project an unusually broad revenue may stretch on for months in 2010 so that we may consider to diversify our course through gradual changes in our investment strategy.

### GAMING RELATED BUSINESS

Revenue for the commission from rolling turnover for six months period ended 31 December 2009 was recorded approximately HK\$183,890,000 (31 December 2008: HK\$262,655,000). Reported significant drop in revenue from rolling turnover commission was approximately 30%. As it was clear that financial crisis had created some signs of stress that impacted our business, but the extent of that was really difficult to quantify.

# Neptune Group Limited

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **GAMING RELATED BUSINESS** *(continued)*

However, the lesser amount provided on impairment loss in intangible asset in Venetian VIP room amounted to approximately HK\$154.6 million recognized for six months period (31 December 2008: HK\$495.4 million); and together with the additional commission derived from acquisition of profit stream in Best Max since October 2009 amounted to HK\$4.4 million offset the loss which had caused by declining rolling turnover in our Macao VIP rooms' rolling turnover.

Adding up all positive factors as mentioned above, our investment in gaming segment still provide a steady income of HK\$21.6 million profit, in proportion of more than 88% of our group profit within six months period.

### **CRUISE BUSINESS**

Revenue for the leasing of the cruise ship for six months was recorded HK\$12,000,000 (31 December 2008: HK\$18,000,000), a decrease of approximately 33.33% from HK\$18 million for the comparable period ending 31 December 2008. The decrease in revenue was as stemmed from cruise monthly rental income dropped to HK\$2,000,000 from HK\$3,000,000 per month since January 2009.

Reported segment profit for six month period was approximately HK\$2,712,000 (31 December 2008: HK\$6,521,000). Profit from cruise business dropped 58% as compared with same period last year as result of the baleful competition pushing our margin way down to lower level as the increased depreciation charges was taken into account before arriving a reported segment profit.

### **INTERIM DIVIDEND**

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2009 (2008: HK\$Nil)

### **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

The Group had net current assets of HK\$182,241,000 (30 June 2009: HK\$251,290,000). There are no bank and other borrowings as at 31 December 2009 (30 June 2009: Nil). The total equity of the Group as at 31 December 2009 was HK\$1,768,711,000 (30 June 2009: HK\$1,778,272,000). The gearing ratio, calculated on the basis of total debt over total shareholders' funds as at 31 December 2009 was approximately 36.63% (30 June 2009: 43.42%).

# Neptune Group Limited

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### LIQUIDITY, FINANCIAL RESOURCES AND FUNDING *(continued)*

The total liabilities of the Group comprises mainly of convertible notes. As at 31 December 2009, the face value of total liabilities amount to approximately HK\$654,295,000 (30 June 2009: HK\$770,224,000) comprising of HK\$209.5 million dividend payable, HK\$35.6 million trade payable and other payable HK\$2.5 million tax payable, HK\$18.7 millions deferred tax liabilities, other convertible notes HK\$90 million and the liability component of two convertible notes were HK\$298 million representing two convertible notes with original principal amount HK\$138,000,000 issued to Faith Mount Ltd and HK\$846,000,000 issued to Ultra Choice Ltd both notes carry coupon rate 1% per annum. The convertible notes are unsecured, with effective interest rate approximately 5% and maturing on 16 March 2018.

### EMPLOYEES

The Group employs approximately 10 staff in Hong Kong and their remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

### PLEDGE OF GROUP'S ASSETS

As at 31 December 2009, no leasehold land and buildings in Hong Kong and PRC were pledged to secure banking facilities.

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE PRACTICES

During the period ended 31 December 2009, 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 deviation from Code Provision A.4.1 which is described below:

- 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.

# Neptune Group Limited

## **CORPORATE GOVERNANCE REPORT** *(continued)*

### **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code during the period ended 31 December, 2009.

### **THE BOARD OF DIRECTORS**

#### **(a) Composition**

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises five executive directors, and three independent non-executive directors.

#### **(b) Roles of Chairman and Chief Executive Officer**

The Code Provision A.2.1 stipulates that the roles of chairman of the Board (the "Chairman") and chief executive officer (the "CEO") should be separated and should not be performed by the same individual and that the division of responsibilities between the Chairman and the CEO should be clearly stated. The Company fully supports such a division of responsibility between the Chairman and the CEO in order to ensure a balance of power and authority. 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. Nicholas J. Niglio respectively. 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 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 in relation to the Company overall operation.



# Neptune Group Limited

## **CORPORATE GOVERNANCE REPORT** *(continued)*

### **THE BOARD OF DIRECTORS** *(continued)*

#### **(c) Responsibilities**

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

#### **AUDIT COMMITTEE**

The audit committee comprises three independent non-executive directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Wong Tat Tung (resigned on 25 November 2009). At present, Mr. Chan Choi Kam joined our group as independent non-executive director on 24 February 2010. Mr. Yue Fu Wing possesses relevant professional qualifications and financial management expertise and meets the requirements of rule 3.2.1 of the Listing Rules.

The audit committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance and in meeting its external financial reporting objectives.

The interim report and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2009 has been reviewed by the audit committee and agreed to the accounting principles and practices adopted by the Company.

#### **REMUNERATION COMMITTEE**

The remuneration committee comprises two independent non-executive directors and one executive director. The remuneration committee was established with specific written terms of reference and is principally responsible for reviewing and approving remuneration packages of directors and senior management, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option schemes. No director or senior management will determine his own remuneration.

# Neptune Group Limited

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

#### I. Shares

As at 31 December 2009, the interest 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 Future 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 position in ordinary shares of the Company*

<b>Director</b>	<b>Nature of interest</b>	<b>Number of ordinary Shares held</b>	<b>Percentage of shares held</b>
Mr. Lin Cheuk Fung	Personal	375,000,000	9.75%

*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.

# Neptune Group Limited

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

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

#### II. Options

The Company operates a share option scheme ("the Scheme") under which the directors may, at their discretion, grant options to employee, 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*

<b>Name of director</b>	<b>Number of ordinary shares held</b>	<b>Percentage of shares held</b>
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 period ended 31 December 2009.

# Neptune Group Limited

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

### **SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSABLE UNDER THE SFO**

At 31 December 2009, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interest required to be kept by the Company pursuant to Section 336 of the SFO.

<b>Name of shareholders</b>	<b>Number of ordinary shares held</b>	<b>Percentage of shares held</b>
Mr. Lin Cheuk Fung	375,000,000	9.75%
Ultra Choice Limited	720,000,000	18.71%
Faith Mount Limited	720,000,000	18.71%

Details of the above interests of Mr. Lin Cheuk Fung are also disclosed above under directors' interest in securities. Save as disclosed above, no person had registered 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 2009.

### **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the six months ended 31 December 2009 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 debenture of the Company or any other body corporate.

### **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.

# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

		Six months ended 31 December	
		2009 (Unaudited)	2008 (Unaudited) (restated)
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>195,890</b>	280,655
<b>Cost of sales</b>		<b>(8,608)</b>	(4,255)
<b>Gross profit</b>		<b>187,282</b>	276,400
<b>Other revenue</b>		<b>68,955</b>	3,923
<b>Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost</b>	15	<b>40,738</b>	–
<b>Administrative expenses</b>		<b>(4,346)</b>	(10,100)
<b>Share of results of an associate</b>		<b>(76,590)</b>	22,068
<b>Gain on redemption of convertible notes</b>		<b>40,776</b>	20,368
<b>Impairment loss of intangible assets</b>	11	<b>(154,600)</b>	(495,400)
<b>Fair value charges on derivative financial instruments</b>		–	(124,976)
<b>Fair value changes on financial assets at fair value through profit or loss</b>		<b>257</b>	(199)
<b>Profit/(loss) from operations</b>		<b>102,472</b>	(307,916)
<b>Finance costs</b>	5	<b>(8,841)</b>	(16,654)
<b>Profit/(loss) before taxation</b>	4	<b>93,631</b>	(324,570)
<b>Income tax credit</b>	6(a)	<b>1,052</b>	2,009
<b>Net profit/(loss) for the period from continuing operations</b>		<b>94,683</b>	(322,561)
<b>Discontinued operations:</b>			
Profit for the period from discontinued operations	7	–	3,961
Profit/(loss) for the period		<b>94,683</b>	(318,600)
Other comprehensive income/(loss) for the period		–	–
<b>Total comprehensive income/(loss) for the period</b>		<b>94,683</b>	(318,600)

# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

For the six months ended 31 December 2009

	Notes	Six months ended 31 December	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) (restated) HK\$'000
<b>Attributable to:</b>			
– Minority interests		65,253	49,552
– Equity holders of the Company		29,430	(368,152)
<b>Net profit/(loss) and total comprehensive income/ (loss) for the period</b>		<b>94,683</b>	<b>(318,600)</b>
<b>Dividend</b>	8	–	–
<b>Earnings/(loss) per share attributable to equity holders of the Company</b>			
<b>Basic</b>	9(a)		
– From continuing and discontinued operations		0.76 cents	(9.57 cents)
– From continuing operations		0.76 cents	(9.65 cents)
– From discontinued operations		–	8 cents
<b>Diluted</b>	9(b)		
– From continuing and discontinued operations		(0.06 cents)	(9.57 cents)
– From continuing operations		(0.06 cents)	(9.65 cents)
– From discontinued operations		–	8 cents

The notes on pages 18 to 36 form part of this interim financial report.

# Neptune Group Limited

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2009

		<b>31 December 2009 (Unaudited) HK\$'000</b>	30 June 2009 (Audited) HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>112,179</b>	120,808
Investment properties		<b>31,527</b>	31,527
Note receivables		<b>90,000</b>	–
Interest in an associate		<b>57,338</b>	133,928
Intangible assets	11	<b>1,691,693</b>	1,754,993
Goodwill		<b>10,483</b>	10,483
		<b>1,993,220</b>	2,051,739
<b>Current assets</b>			
Trade and other receivables	12	<b>391,800</b>	378,571
Deposit for acquisition of a subsidiary		–	50,000
Securities held for trading		<b>602</b>	345
Dividend receivable from an associate		<b>27,455</b>	27,455
Derivative financial instruments		–	–
Cash at securities companies		<b>264</b>	264
Cash and bank balances		<b>9,665</b>	40,122
		<b>429,786</b>	496,757
<b>Total assets</b>		<b>2,423,006</b>	2,548,496
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	13	<b>38,472</b>	769,449
Reserves		<b>1,020,789</b>	364,626
		<b>1,059,261</b>	1,134,075
Minority interests		<b>709,450</b>	644,197
<b>Total equity</b>		<b>1,768,711</b>	1,778,272

# Neptune Group Limited

## CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 31 December 2009

		<b>31 December</b>	30 June
		<b>2009</b>	2009
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>18,723</b>	32,317
Convertible notes	14	<b>298,027</b>	492,440
Other convertible notes		<b>90,000</b>	–
		<b>406,750</b>	524,757
<b>Current liabilities</b>			
Accruals and other payables		<b>35,609</b>	33,353
Dividend payable to minority shareholders		<b>209,447</b>	209,447
Tax payable		<b>2,489</b>	2,667
		<b>247,545</b>	245,467
<b>Total liabilities</b>		<b>654,295</b>	770,224
<b>Total equity and liabilities</b>		<b>2,423,006</b>	2,548,496
<b>Net current assets</b>		<b>182,241</b>	251,290
<b>Total assets less current liabilities</b>		<b>2,175,461</b>	2,303,029

The notes on pages 18 to 36 form part of this interim financial report.



# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009 (Unaudited)

	Equity attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes HK\$'000	Non-distributable reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Sub total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
At 1 July 2009 (Audited)	769,449	179,038	377,213	2,264	27,008	(220,897)	1,134,075	644,197	1,778,272
Total comprehensive income for the period	-	-	-	-	-	29,430	29,430	65,253	94,683
Redemption of convertible notes	-	-	(167,594)	-	-	50,809	(116,785)	-	(116,785)
Deferred tax credit arising on redemption of convertible notes	-	-	12,541	-	-	-	12,541	-	12,541
Capital reduction	(730,977)	730,977	-	-	-	-	-	-	-
At 31 December 2009 (Unaudited)	38,472	910,015	222,160	2,264	27,008	(140,658)	1,059,261	709,450	1,768,711

For the six months ended 31 December 2008 (Unaudited)

	Equity attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes HK\$'000	Non-distributable reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Sub total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
At 1 July 2008 (Audited)	769,449	179,038	545,379	2,264	27,008	(217,243)	1,305,895	691,595	1,997,490
Total comprehensive income for the period	-	-	-	-	-	(368,152)	(368,152)	49,552	(318,600)
Redemption of convertible notes	-	-	(113,526)	-	-	17,842	(95,684)	-	(95,684)
Deferred tax credit arising on redemption of convertible notes	-	-	9,070	-	-	-	9,070	-	9,070
At 31 December 2008 (Unaudited)	769,449	179,038	440,923	2,264	27,008	(567,553)	851,129	741,147	1,592,276

The notes on pages 18 to 36 form part of this interim financial report.

# Neptune Group Limited

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2009

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Net cash generated from operating activities</b>	<b>254,063</b>	418,329
<b>Net cash used in investing activities</b>	<b>(7,720)</b>	(6,864)
<b>Net cash used in financing activities</b>	<b>(276,800)</b>	(404,728)
<b>Increase in cash and cash equivalents</b>	<b>(30,457)</b>	6,737
<b>Cash and cash equivalents at beginning of period</b>	<b>40,386</b>	38,821
<b>Cash and cash equivalents at end of period</b>	<b>9,929</b>	45,558
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>9,665</b>	45,294
Cash at securities companies	<b>264</b>	264
	<b>9,929</b>	45,558

The notes on pages 18 to 36 form part of this interim financial report.

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2009

### 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 March 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2009, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ended 30 June 2010. Details of these changes in accounting policies are set out in note 2.

### 2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments of HKFRSs and new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group’s financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instrument: Disclosures – improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment - vesting conditions and cancellations*

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2009

### 2. CHANGE IN ACCOUNTING POLICIES *(continued)*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the group's financial statements as the amendments were consistent with policies already adopted by the group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the group's chief operating decision maker regards and manages the group, with the amounts reported for each reportable segment being the measures reported to the group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 3). As this is the first period in which the group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in the interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2009

### 2. CHANGE IN ACCOUNTING POLICIES *(continued)*

- The “Improvements to HKFRSs (2008)” comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the group’s accounting policies:
  - As a result of amendments to HKAS 28, *Investments in associates*, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the group allocated impairment losses to goodwill and, in accordance with the accounting policy of goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.
  - As a result of amendments to HKAS 40, *Investment property*, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.
- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2009

### 3. SEGMENTAL REPORTING

The group manages its businesses by division, which are organised by a mixture of both business lines (products and services) and geography. On first-time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resource allocation and performance assessment, the group has identified the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

#### **Continuing operations:**

- the gaming and entertainment segment consisted of the receive of profit streams from gaming and entertainment related business; and
- the cruise leasing segment consisted of the leasing and management of the cruise.

#### **Discontinued operations:**

- The sale of electrical equipments segment consisted of the manufacture and trading of electrical equipments; and
- the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services.

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 3. SEGMENTAL REPORTING (continued) Segment results

	Six months ended 31 December 2009 (Unaudited)			Discontinued operations			Consolidated HK\$'000
	Continuing operations			Electrical engineering and contracting services			
	Gaming and entertainment HK\$'000	Cruise leasing HK\$'000	Sub-Total HK\$'000	Sales of electrical equipment HK\$'000	contracting services HK\$'000	Sub-Total HK\$'000	
<b>Segment revenue:</b>							
Revenue from external customers	183,890	12,000	195,890	-	-	-	195,890
Inter-segment revenue	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>183,890</b>	<b>12,000</b>	<b>195,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,890</b>
<b>Reportable segment profit/(loss)</b>	<b>21,636</b>	<b>2,712</b>	<b>24,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,348</b>
Interest income	1	-	1	-	-	-	1
Compensations from the vendors for shortfall in guaranteed profit	68,951	-	68,951	-	-	-	68,951
Share of loss of an associate	(76,590)	-	(76,590)	-	-	-	(76,590)
Impairment loss on intangible assets	(154,600)	-	(154,600)	-	-	-	(154,600)

	Six months ended 31 December 2008 (Unaudited)			Discontinued operations			Consolidated HK\$'000
	Continuing operations			Electrical engineering and contracting services			
	Gaming and entertainment HK\$'000	Cruise leasing HK\$'000	Sub-Total HK\$'000	Sales of electrical equipment HK\$'000	contracting services HK\$'000	Sub-Total HK\$'000	
<b>Segment revenue:</b>							
Revenue from external customers	262,655	18,000	280,655	44,102	20,042	64,144	344,799
Inter-segment revenue	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>262,655</b>	<b>18,000</b>	<b>280,655</b>	<b>44,102</b>	<b>20,042</b>	<b>64,144</b>	<b>344,799</b>
<b>Reportable segment profit/(loss)</b>	<b>(206,577)</b>	<b>6,521</b>	<b>(200,056)</b>	<b>1,746</b>	<b>2,968</b>	<b>4,714</b>	<b>(195,342)</b>
Interest income	5	3	8	183	9	192	200
Share of profit of an associate	22,068	-	22,068	-	-	-	22,068
Impairment loss on intangible assets	(495,400)	-	(495,400)	-	-	-	(495,400)

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 3. SEGMENTAL REPORTING (continued)

#### Reconciliation of reportable segment revenue and profit or loss

	For the six months ended	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Revenue</b>		
<b>Continuing operations:</b>		
Reportable segment revenue	195,890	280,655
Elimination of inter-segment revenue	-	-
Consolidated turnover from continuing operation	195,890	280,655
<b>Discontinued operations (Note 7):</b>		
Reportable segment revenue	-	64,144
Elimination of inter-segment revenue	-	-
Consolidated turnover from discontinued operations	-	64,144
<b>Profit or loss</b>		
<b>Continuing operations:</b>		
Reportable segment profit/(loss)	24,348	(200,056)
Elimination of inter-segment profits	-	-
Reportable segment profit/(loss) derived from Group's external customers	24,348	(200,056)
Finance costs	(8,841)	(16,654)
Unallocated head office and corporate expenses and income	(3,390)	(3,252)
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	40,738	-
Fair value changes on derivative financial instruments	-	(124,976)
Gain on redemption of convertible notes	40,776	20,368
Consolidated profit/(loss) before taxation from continuing operations	93,631	(324,570)
<b>Discontinued operations (Note 7):</b>		
Reportable segment profit	-	4,714
Elimination of inter-segment profits	-	-
Reportable segment profit derived from Group's external customers	-	4,714
Consolidated profit before taxation from discontinued operations	-	4,714



# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 4. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit/(loss) from operations is stated after charging:</b>		
<b>Continuing operations:</b>		
Depreciation of property, plant and equipment	8,629	8,055
Valuation loss on investment properties	–	216
<b>Discontinued operations (Note 7):</b>		
Amortisation of prepaid land premiums	–	65
Depreciation of property, plant and equipment	–	46

### 5. FINANCE COSTS

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Continuing operations:</b>		
Imputed interest on convertible notes	8,841	16,654
	<b>8,841</b>	<b>16,654</b>

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2009

### 6. TAXATION

#### (a) Continuing operations

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Deferred tax:		
Origination and reversal of temporary differences	(1,052)	(2,009)
Income tax credit	(1,052)	(2,009)

#### (b) Discontinued operations *(Note 7)*

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	–	753
Income tax expenses	–	753

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period.

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 7. DISCONTINUED OPERATIONS

During the year ended 30 June 2009, the Group's manufacturing and trading of electrical equipment and provision of electrical engineering and contracting services were discontinued following the disposal of the Group's 80% equity interests in Linfield International Limited and its subsidiaries (the "Linfield Group") to an independent third party, resulting in a loss on disposal of approximately HK\$15,222,000 during the year ended 30 June 2009.

The results of the discontinued operations for the six months ended 31 December 2008 were as follows:

	Notes	2008 HK\$'000
<b>Turnover</b>	3	64,144
Cost of sales		(55,584)
<b>Gross profit</b>		8,560
Other revenue		326
Selling and distribution expenses		(354)
General and administrative expenses		(3,818)
<b>Profit from operations</b>		4,714
Finance costs		-
<b>Profit before taxation</b>	4	4,714
Income tax	6(b)	(753)
<b>Profit for the year</b>		3,961

### 8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the six months ended 31 December 2009 (2008: HK\$Nil).

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 9. EARNINGS/(LOSS) PER SHARE

#### (a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share attributable to equity holders of the Company is based on the following data:

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Earnings/(loss)</b>		
Earnings/(loss) attributable to the equity holders of the Company		
– Continuing operations	29,430	(371,321)
– Discontinued operations	–	3,169
	<b>29,430</b>	<b>(368,152)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares	3,847,244,500	3,847,244,500

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 9. EARNINGS/(LOSS) PER SHARE (continued)

#### (b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the consolidated profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of approximately 5,594,035,388 (2008: 3,847,244,500) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

#### (i) Profit/(loss) attributable To equity shareholders of the Company (diluted)

	2009 HK\$'000	2008 HK\$'000
<b>From continuing and discontinued operations:</b>		
Profit attributable to equity shareholders	29,430	(368,152)
After tax effect of effective interest on liability component of convertible bonds	(32,987)	—*
<b>Profit attributable to equity shareholders (diluted)</b>	<b>(3,557)</b>	<b>(368,152)</b>
<b>Attributable to:</b>		
Continuing operations	(3,557)	(371,321)
Discontinued operation	—	3,169
	<b>(3,557)</b>	<b>(368,152)</b>

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 9. EARNINGS/(LOSS) PER SHARE (continued)

#### (b) Diluted earnings/(loss) per share (continued)

##### (ii) Weighted average number of ordinary shares (diluted)

	2009 Shares	2008 Shares
Weighted average number of ordinary shares (basic)	3,847,244,500	3,847,244,500
Effect of conversion of convertible bonds	1,746,790,888	—*
Weighted average number of ordinary shares (diluted)	5,594,035,388	3,847,244,500

- \* Diluted loss per share for the six months ended 31 December 2008 was the same as basic loss per share because (i) the average market price of ordinary shares, at no time during the period, exceeds the exercise price of the share options, therefore, the exercise of share options would be anti-dilutive, and (ii) the effect of the Company's outstanding convertible notes were anti-dilutive.

### 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2009, the Group has not acquired any property, plant and equipment (six months ended 31 December 2008: HK\$44,000) and has not disposed any property, plant and equipment (six months ended 31 December 2008: NIL).

### 11. INTANGIBLE ASSETS

	Rights in sharing of profit streams HK\$'000
At 30 June 2009 and 1 July 2009	2,187,793
Additions	91,300
At 31 December 2009	2,279,093
<b>Accumulated amortisation and impairment:</b>	
At 30 June 2009 and 1 July 2009	432,800
Impairment loss recognised for the period	154,600
At 31 December 2009	587,400
<b>Net book value:</b>	
<b>At 31 December 2009</b>	<b>1,691,693</b>
<b>At 30 June 2009</b>	<b>1,754,993</b>

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 11. INTANGIBLE ASSETS (continued)

Details of rights in sharing of profit streams are as follows:

	Hou Wan Profit Agreement HK\$'000	Neptune Ouro Profit Agreement HK\$'000	Hao Cai Profit Agreement HK\$'000	Star Junket Representative Agreement HK\$'000	Total HK\$'000
At 30 June 2009 and 1 July 2009	567,793	296,800	890,400	-	1,754,993
Additions	-	-	-	91,300	91,300
Impairment loss recognised for the period	-	(38,600)	(116,000)	-	(154,600)
<b>At 31 December 2009</b>	<b>567,793</b>	<b>258,200</b>	<b>774,400</b>	<b>91,300</b>	<b>1,691,693</b>

The intangible assets of the rights in sharing of profit streams are from junket business at the casinos' VIP rooms in Macau for an indefinite period of time. Such intangible assets are carried at cost less accumulated impairment losses.

Impairment loss in respect of rights in sharing of profit streams of approximately HK\$154,600,000 was recognised during the period ended 31 December 2009 by reference to the valuation report issued by Ascent Partners Transaction Service Limited, independent qualified professional valuers, at 31 December 2009 which valued the rights in sharing of profit streams on discounted cash flow method. The main factor contributing to the impairment was that the estimated profits generated from the Neptune Ouro Profit Agreement and Hao Cai Profit Agreement was decreased.

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 12. TRADE AND OTHER RECEIVABLES

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

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

#### Ageing analysis

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debt(s)) with the following ageing analysis as of the balance sheet date:

	<b>31 December 2009 (Unaudited) HK\$'000</b>	30 June 2009 (Audited) HK\$'000
0 – 30 days	<b>51,592</b>	23,434
31 – 60 days	<b>51,864</b>	28,889
61 – 90 days	<b>30,094</b>	28,054
Over 90 days	<b>109,975</b>	224,891
	<b>243,525</b>	305,268

### 13. SHARE CAPITAL

	<b>Number of Shares '000</b>	<b>Share Capital HK\$'000</b>
<b>Authorised:</b>		
<b>At 30 June 2009 and 1 July 2008</b>		
– Ordinary shares of HK\$0.2 each	50,000,000	10,000,000
Capital reduction (Note)	–	(9,500,000)
<b>At 31 December 2009</b>		
– Ordinary shares of HK\$0.01 each	50,000,000	500,000



# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2009

### 13. SHARE CAPITAL *(continued)*

	Number of Ordinary share '000	Share Capital HK\$'000
<b>Issued and fully paid:</b>		
<b>At 30 June 2009 and 1 July 2009</b>		
– Ordinary shares of HK\$0.2 each	3,847,245	769,449
Capital reduction <i>(Note)</i>	–	(730,977)
<b>At 31 December 2009</b>		
– Ordinary shares of HK\$0.01 each	3,847,245	38,472

*Note:*

On 7 October 2009, a special resolution for approving the Capital Reduction was duly passed by the Shareholders by way of poll at the extraordinary general meeting.

The Capital Reduction pursuant to the Companies Ordinance under which the authorised share capital of the Company was reduced from HK\$10,000,000,000 divided into 50,000,000,000 Shares of HK\$0.20 each to HK\$500,000,000 divided into 50,000,000,000 Reduced Shares of HK\$0.01 each and that such reduction be effected by cancelling HK\$0.19 of the paid up capital on each issued Share and reducing the nominal value of each issued or unissued share in the capital of the Company from HK\$0.20 per Share to HK\$0.01 per Reduced Share.

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 14. CONVERTIBLE NOTES

- (i) On 17 March 2008, the Company issued convertible notes due on 16 March 2018 with a principal amount of HK\$846,000,000 which is interest bearing at 1% per annum payable semi-annually in arrears (the "First Convertible Note"). The First Convertible Note due on 16 March 2018 is convertible into fully paid ordinary shares with a par value of HK\$0.2 each of the Company at an initial conversion price of HK\$0.3 per share, subject to adjustment. The effective interest rate is approximately 5%.

During the six months ended 31 December 2009, the Company partially redeemed the First Convertible Note with a principal amount of HK\$237,800,000 by cash.

- (ii) On 17 March 2008, the Company issued convertible notes due on 16 March 2018 with a principal amount of HK\$138,000,000 which is interest bearing at 1% per annum payable semi-annually in arrears (the "Second Convertible Note"). The Second Convertible Note due on 16 March 2018 is convertible into fully paid ordinary shares with a par value of HK\$0.2 each of the Company at an initial conversion price of HK\$0.3 per share, subject to adjustment. The effective interest rate is approximately 5%.

During the six months ended 31 December 2009, the Company partially redeemed the Second Convertible Note with a principal amount of HK\$39,000,000 by cash.

The convertible notes contain liability component, equity component and redemption option. The equity component is presented in equity heading "convertible notes reserve" and the redemption option is presented in current assets heading "derivative financial instruments".

	<b>First Convertible Note</b>	<b>Second Convertible Note</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 30 June 2009</b>	<b>424,256</b>	<b>68,184</b>	<b>492,440</b>
Interest expenses charged	7,617	1,224	8,841
Interest expenses payable	(2,122)	(341)	(2,463)
Redemption	(172,494)	(28,297)	(200,791)
<b>At 31 December 2009</b>	<b>257,257</b>	<b>40,770</b>	<b>298,027</b>

The fair value of the liability component of the convertible notes at 31 December 2009 and 30 June 2009 was determined based on the present value of the estimate future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximately the corresponding carrying amounts.

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 15. ACQUISITION OF SUBSIDIARIES

On 11 September 2009, Rich Pearl Limited ("Rich Pearl"), a wholly owned subsidiary of the Company acquired the entire issued share capital of Best Max Enterprises Limited ("Best Max"). The main asset of Best Max is 10% of the Star Profit, which represents 0.4% of the rolling turnover generated by Lucky Star Entretenimento Sociedade Unipessoal Limitada.

The consideration for the acquisition was approximately HK\$57,720,000 which represented the cash paid. The amount of excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost arising as a result of the acquisition was approximately HK\$40,738,000.

	<b>Acquiree's carrying amount</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net assets acquired:</b>			
Right in sharing of profit streams	–	91,300	91,300
Trade and other receivables	7,168	–	7,168
Other payables	(10)	–	(10)
<hr/>			
100% equity interest of Best Max	7,158	91,300	98,458
<hr/>			
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost			(40,738)
<hr/>			
Total consideration paid			57,720
<hr/>			

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2009

### 15. ACQUISITION OF SUBSIDIARIES (continued)

	<i>HK\$'000</i>
<hr/>	
<b>Total consideration satisfied by:</b>	
Cash consideration	7,708
Deposits for acquisition of a subsidiary	50,000
Related expense paid on acquisition	12
	<hr/>
	57,720
	<hr/>

The subsidiary acquired during the period did not contribute significantly to the Group's revenue and results.

### 16. CONTINGENT LIABILITIES

#### Contingent liability in respect of legal claim

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 against 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 six months ended 31 December 2009 and year ended 30 June 2009, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

### 17. CAPITAL COMMITMENTS

Capital commitment as at 31 December 2009 and 30 June 2009 in aggregate for acquisition of a company are as follows:

	<b>31 December 2009 (Unaudited) <i>HK\$'000</i></b>	30 June 2009 (Audited) <i>HK\$'000</i>
Contracted but not provided for		
– Acquisition of a subsidiary	–	7,708
	<hr/>	<hr/>

# Neptune Group Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2009

### 18. MATERIAL RELATED PARTY TRANSACTIONS

#### Transactions with key managements personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended	
	31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Short-term employee benefits	1,122	1,692
Post-employment benefits	24	30
	<b>1,146</b>	1,722

In the opinion of the Company's directors, the related party transactions mentioned above were conducted on normal commercial terms and in the ordinary course of the Group's business.