



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 2012-13

# Neptune Group Limited

## CONTENTS

	<i>Pages</i>
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Corporate Governance Report	7
Additional Information Required by the Listing Rules	10
Financial Information	
Condensed Consolidated Statement of Comprehensive Income	13
Condensed Consolidated Statement of Financial Position	15
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Statement of Cash Flows	18
Notes to the Condensed Consolidated Financial Statements	19

# 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. Lin Chuen Chow, Andy (appointed  
on 30 November 2012)

Mr. Lau Kwok Hung (resigned  
on 30 November 2012)

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

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Chan Choi Kam

### COMPANY SECRETARY

Mr. Chan Shiu Kwong, Stephen  
(appointed on 27 August 2012)

Mr. Lau Kwok Hung  
(resigned on 27 August 2012)

### AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Mr. Chan Choi Kam

### AUDITOR

CCIF CPA Limited  
9/F, Leighton Centre  
77 Leighton Road  
Causeway Bay, Hong Kong

### PRINCIPAL BANKERS

Bank of Communications Co. Ltd.  
Chong Hing Bank Limited

### LEGAL ADVISORS

Robertsons Solicitors & Notaries  
WT Law offices

### 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

Unit 1101, 11/F  
Office Tower One  
The Harbourfront  
18-22 Tak Fung Street  
Hung Hom, Kowloon, Hong Kong

### E-MAIL

enquiry@neptune.com.hk

### STOCK CODE

00070

# Neptune Group Limited

## CHAIRMAN'S STATEMENT

These past six months have been quite possibly the most extraordinary period in the company's history. The positive spotlight has dramatically fallen upon the Group achievements from every possible venue. Financial publications, gaming analysts, fund managers, the press and the general public have all been exposed to the meritorious rise within the Neptune Group. While our earnings are certainly noteworthy, future growth and development are our driving force. The first and most successful placement exercise recently completed has provided the Group with the needed capital to fund our expressed expansion within our core business. The most significant Macau VIP Room investor anywhere is now poised to expand its network to include the leading gaming operator by market share. Soon, pending regulatory filings, the investment in the Guangdong 31 Sky Club VIP room at the Grand Lisboa will initiate. Earnings from this investment will filter quickly to the balance sheet of the company providing added profit and shareholder value. Your board of directors had placed the highest priority to this investment and a sincere commitment to completing the process from a preliminary MOU to fruition.

Moving forward, the company eyes are focused on continued controlled growth. With the robust gaming environment in Macau, many potential investment maneuvers are within our grasp. The gaming sector of Macau has clearly surpassed all gaming jurisdictions worldwide. Our Group is very fortunate to have established an early foothold in the SAR, nurturing it from inception to now. This experience will bear well in decisions to be made within the remaining fiscal year. The Group is also paying close attention to the remarkable Integrated Resorts currently operating and under construction in the Cotai sector of Macau. Investing in a part of these spectacular projects may make sense for the Group as we anticipate continued growth there. Continued optimism abounds.

By now most bearish appraisals of Macau gaming has dissipated. Record gross gaming revenues are the norm as opposed to the exception. Industry insiders have a joint expectation of strong single digit growth this coming year. The more bullish have even a higher expectation. Our confidence remains high with no foreseeable distraction on the horizon. The excitement of the future is close at hand. We shall deliver to you our most valued shareholder.

I thank you for your continued support.

**Lin Cheuk Fung**

*Chairman of the Board*

Hong Kong, 28 February 2013

# Neptune Group Limited

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The unaudited net profit of the Group for the six months ended 31 December 2012 amounted to approximately HK\$306,641,000 (2011: HK\$229,717,000); basic earnings per share of HK4.58 cents per share, an increase from the same period in last year of HK3.62 cents basic earnings per share. Return of investments in the Macau gaming sector is still our main source of net profit. It has contributed more than approximately HK\$310.4 million during the six months ended 31 December 2012. Within this period, the unaudited net profit was approximately HK\$306.60 million after deducting the general and administrative expenses of approximately HK\$3.9 million, an increase of HK\$1.3 million as compared to the last period. Conversely our revenue has approximately HK\$284.8 million was up over approximately HK\$64.4 million from a year ago, and was our third year in a row with sustained business growth, Similar gross margin is stable in 2012. We stayed very much in our business model to secure optimal investments in order to boost our profit perennially which were at the same time enriched our brand awareness and positioning after gone through those acquisitions activities in the past few years.

We continue to view administrative policies or any intervention from government, if any, as a potential material risk but are committed to overcome new challenge by envisaging programs for identity our efficiency and identifying key management staff capable to provide valuable advice based on their experience and expertise. Our recent placement which has raised approximately HK\$133 million additional capital and spontaneously drove a richer mix of investor's base.

For the six months ended 31 December 2012, we generated a record of net cash inflows of approximately HK\$198 million arising from operating activities and net cash outflows of approximately HK\$131 million arising from investing activities which mainly comprised of (i) settlement of remaining balance of approximately HK\$66.3 million for acquisition of 10% profit sharing stream in Best Max, which operates in Star World Casino, (ii) payment of approximately HK\$53.4 million for purchase of our own office premise at Shun Tak Centre and related costs incurred and (iii) deposit of HK\$11 million paid for acquisition of 20% stakeholding in Essence Gold. Regarding the net cash outflows of approximately HK\$95 million in financing activities within this period, we paid cash of approximately HK\$102 million to the non-controlling shareholders of all our subsidiaries and advanced cash of approximately HK\$17.3 million to our Group's associate. We also obtained a mortgage loan of HK\$25 million from a bank and repaid approximately HK\$1 million to the bank in accordance with the repayment schedule of the mortgage loan.

# Neptune Group Limited

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

### **BUSINESS OVERVIEW** *(continued)*

Looking forward to 2013, it probably won't come as a surprise that we are seeing quite an uncertain economy at the moment globally, but locally – in particular China and other Asian countries with the mixed fortune of the sustainable economy growth in coming years combined with their versatility and depth of innovative and efficient to prosper. Our group will continue look for other investment opportunities discreetly to extend our stretch within these geographical boundaries. We are confidence in our business to usher into future in a robust growth path supported by all good investments and opportunity timed properly.

### **GAMING RELATED BUSINESS**

Revenue for the commission from rolling turnover for six months ended 31 December 2012 was recorded approximately HK\$284,800,000 (2011: HK\$220,370,000). Return from gaming segment still contributed 99% of our Group's profit; the core sources of profit came from our subsidiaries and the profit sharing from our associate has steadily to show marginal growth to HK\$5.7 million during the period.

Looking back in early June 2012, our increase in stake holding up to 20% acquisition of profit sharing stream in Lucky Star is a conservative investment strategy to secure satisfactory return for our Group. Lucky Star is operating as a junket representative in Star World Casino.

Our most appealing investment was transacted in September 2012. For this investment, we have to pay HK\$150 million as a consideration price for acquisition of 20% issued share capital of Essence Gold, and in return junket owner and vendor undertook a profit guarantee HK\$55 million in the first 2 years after completion of this transaction. Further to our foothold stretch toward a new concessionary Grand Lisboa, we expect to receive a significant return by sharing 0.4% of its monthly turnover in a range between HK\$6 billion to HK\$7 billion in coming few years.

### **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

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

### **INTERIM DIVIDEND**

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2012 (2011: HK\$Nil).

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

The Group had net current assets of approximately HK\$372,271,000 as at 31 December 2012 (30 June 2012: HK\$408,091,000). Except for the new bank mortgage loan of HK\$25 million which is used to finance the purchase of our own use office premise, there were no other borrowings as at 31 December 2012 (30 June 2012: HK\$Nil). The total equity of the Group as at 31 December 2012 was HK\$2,871,662,000 (30 June 2012: HK\$1,939,428,000). The gearing ratio, calculated on the basis of total debt over total equity as at 31 December 2012, was approximately 6.23% (30 June 2012: 4.51%). The total current liabilities of the Group as at 31 December 2012 was HK\$178,806,000 (30 June 2012: HK\$87,511,000), further breakdown into the following items including dividend payable to non-controlling shareholders of HK\$4,014,000, other payables of HK\$11,416,000 and consideration payable of HK\$139,000,000 for final payment of acquisition of investment in 20% stakeholding in Essence Gold, the outstanding mortgage loan of HK\$24,277,000 and income tax payable of HK\$ 99,000.

### **PLEDGE OF GROUP'S ASSETS**

As at 31 December 2012, the Group's leasehold land and building in Hong Kong of approximately HK\$52.5 million were pledged to a bank to secure the bank facilities of HK\$25,000,000 (30 June 2012: HK\$Nil).

### **EMPLOYEES**

The Group employs approximately 30 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.

# Neptune Group Limited

## **CORPORATE GOVERNANCE REPORT**

### **CORPORATE GOVERNANCE PRACTICES**

For the six months ended 31 December 2012, the Company has, as far as possible, complied with the provisions of the Corporate Governance Code and Corporate Governance Report (the “Code Provision(s)”) as set out in Appendix 14 of the Listing Rules, except for the deviation from Code Provision A.4.1 and A.1.8 which is described below:

#### A.1.8

- An issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company continues liaising with various insurance companies and will arrange appropriate insurance coverage for the directors of the Company (the “Directors”) as soon as possible.

#### 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 were 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 articles of association of the Company. On 1 January 2013, all independent non-executive directors of the Company have entered into letters of appointments with the Company for an initial term of one year, which continues thereafter until termination by inter alia either party giving not less than three months’ written notice.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code and its code of conduct regarding Directors’ securities transactions for the six months ended 31 December 2012.



# Neptune Group Limited

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

### **THE BOARD OF DIRECTORS**

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

The composition of the Board of Directors (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 four executive Directors, and three independent non-executive Directors.

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

The Code Provision A.2.1 stipulates that the roles of chairman of the Board (the “Chairman”) and chief executive should be separate and should not be performed by the same individual and that the division of responsibilities between the Chairman and the chief executive should be clearly established and set out in writing. The Company fully supports such a division of responsibility between the Chairman and the chief executive in order to ensure a balance of power and authority. The positions of the Chairman and the chief executive 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, effective planning of Board meetings and ensuring the Board is acting to the best interests of the Company.

The chief executive is responsible for the administration of the Company’s business, as well as to formulate and implement Company’s policies, and is answerable to the Board in relation to the Company’s overall operation.

#### **(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(s) or officer(s) in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

# Neptune Group Limited

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

### **BOARD COMMITTEE**

Three committees, namely, audit committee, remuneration committee and nomination committee were established under the Board to oversee their functions.

#### **Audit Committee**

The audit committee comprises of three independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Chan Choi Kam. Mr. Yue Fu Wing possesses relevant professional qualifications and financial management expertise and meets the requirements of Rule 3.21 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 overseeing the Company's financial reporting system and internal control procedures and reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

The interim report and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2012 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 of two independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton and Mr. Yue Fu Wing and one executive Director, namely Mr. Nicholas J. Niglio. The remuneration committee was established with specific written terms of reference and is principally responsible for making recommendation to the Board on remuneration packages of individual Directors and senior management, including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment by establishing a formal and transparent procedure for developing remuneration policy. No Director or senior management will determine his own remuneration.

# Neptune Group Limited

## CORPORATE GOVERNANCE REPORT (continued)

### BOARD COMMITTEE (continued)

#### Nomination Committee

The nomination committee comprises of two independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton and Mr. Yue Fu Wing and one executive Director, namely Mr. Lin Cheuk Fung. The nomination committee was established with specific written terms of reference and is principally responsible for reviewing the structure, size and composition of the Board to complement the Company's corporate strategy and to identify individuals suitably qualified to become Board members. Independence of independent non-executive Directors would be regularly reviewed by the nomination committee and recommendations on the appointment, re-appointment and succession planning for Directors would be made to the Board at least on annual basis.

## 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 2012, 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*

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
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 EXECUTIVES' 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 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 ordinary share options held	Percentage of issued options
		As at 31 December 2012
Mr. Lin Cheuk Fung	2,390,000	6.87%
Mr. Chan Shiu Kwong, Stephen	2,388,000	6.87%
Mr. Nicholas J. Niglio	2,300,000	6.62%
Mr. Chan Choi Kam	23,000,000	66.15%

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 2012.

# Neptune Group Limited

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

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

At 31 December 2012, 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 share 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%
Miss Lin Yee Man	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 2012.

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

Save as disclosed above, at no time during the six months ended 31 December 2012 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, 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 2012

	Notes	For the six months ended 31 December	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Continuing operation:</b>			
Turnover	2	284,800	220,370
Other revenue		447	–
General and administrative expenses		(3,962)	(2,687)
Gain from bargain purchase of interest in a subsidiary	15	19,848	–
Gain on disposal of subsidiaries	16	–	4,581
<b>Profit from operations</b>		<b>301,133</b>	222,264
Share of profits of an associate		5,744	5,660
Finance costs	3	(236)	(536)
<b>Profit before taxation</b>	4	<b>306,641</b>	227,388
Income tax	5	–	65
<b>Profit for the period from continuing operation</b>		<b>306,641</b>	227,453
<b>Discontinued operation:</b>			
Profit for the period from discontinued operation	6	–	2,264
<b>Profit for the period</b>		<b>306,641</b>	229,717
Other comprehensive income for the period		–	–
<b>Total comprehensive income for the period</b>		<b>306,641</b>	229,717

# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

For the six months ended 31 December 2012

	Notes	For the six months ended 31 December	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Attributable to:</b>			
– Equity shareholders of the Company		<b>176,059</b>	139,232
– Non-controlling interests		<b>130,582</b>	90,485
<b>Profit and total comprehensive income for the period</b>		<b>306,641</b>	229,717
<b>Earnings per share attributable to equity shareholders of the Company</b>			
<b>Basic</b>	8(a)		
– From continuing and discontinued operations		<b>4.58 HK cents</b>	3.62 HK cents
– From continuing operation		<b>4.58 HK cents</b>	3.58 HK cents
– From discontinued operation		<b>N/A</b>	0.04 HK cents
<b>Diluted</b>	8(b)		
– From continuing and discontinued operations		<b>4.58 HK cents</b>	3.55 HK cents
– From continuing operation		<b>4.58 HK cents</b>	3.51 HK cents
– From discontinued operation		<b>N/A</b>	0.04 HK cents

The notes on pages 19 to 36 form part of this interim financial report.

# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

		At 31 December 2012 (Unaudited) <i>HK\$'000</i>	At 30 June 2012 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	52,566	62
Intangible assets	10	2,390,043	1,444,493
Goodwill		10,438	10,438
Interest in an associate		46,344	46,344
Non-current deposit	11(a)	–	30,000
		<b>2,499,391</b>	1,531,337
<b>Current assets</b>			
Securities held for trading		2	2
Trade and other receivables	11(b)	398,193	331,314
Amount due from an associate		10,328	–
Dividend receivable from an associate		50,527	44,783
Cash and cash equipments		92,027	119,503
		<b>551,077</b>	495,602
<b>Less: Current liabilities</b>			
Other payables		11,416	28,226
Bank borrowing	12	24,277	–
Consideration payable for acquisition of a subsidiary	13	139,000	–
Dividend payable to non-controlling shareholders		4,014	52,214
Amount due to an associate		–	6,972
Income tax payable		99	99
		<b>178,806</b>	87,511



# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2012

	At 31 December 2012 (Unaudited) <i>Note</i>	At 30 June 2012 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net current assets</b>	<b>372,271</b>	408,091
<b>Net assets</b>	<b>2,871,662</b>	1,939,428
<b>Capital and reserves</b>		
Share capital	14 <b>38,472</b>	38,472
Reserves	<b>1,558,156</b>	1,382,097
<b>Equity attributable to equity shareholders of the Company</b>	<b>1,596,628</b>	1,420,569
<b>Non-controlling interests</b>	<b>1,275,034</b>	518,859
<b>Total equity</b>	<b>2,871,662</b>	1,939,428

The notes on pages 19 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 2012 (Unaudited)

	Attributable to equity shareholders of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Non- distributable reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Sub total HK\$'000	Non- controlling interests HK\$'000	
At 1 July 2012 (Audited)	38,472	910,015	2,264	4,576	(51,221)	516,463	1,420,569	518,859	1,939,428
Profit and total comprehensive income for the period	-	-	-	-	-	176,059	176,059	130,582	306,641
Acquisition of a subsidiary (Note 15)	-	-	-	-	-	-	-	679,392	679,392
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	(53,799)	(53,799)
At 31 December 2012 (Unaudited)	38,472	910,015	2,264	4,576	(51,221)	695,522	1,596,628	1,275,034	2,871,662

For the six months ended 31 December 2011 (Unaudited)

	Attributable to equity shareholders of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes HK\$'000	Non- distributable reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Sub total HK\$'000	Non- controlling interests HK\$'000	
At 1 July 2011 (Audited)	38,472	910,015	9,259	2,264	4,576	227,234	1,191,820	592,139	1,783,959
Profit and total comprehensive income for the period	-	-	-	-	-	139,232	139,232	90,485	229,717
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	(107,071)	(107,071)
At 31 December 2011 (Unaudited)	38,472	910,015	9,259	2,264	4,576	366,466	1,331,052	575,553	1,906,605

The notes on pages 19 to 36 form part of this interim financial report.

# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2012

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Net cash generated from operating activities</b>	<b>198,212</b>	279,679
<b>Net cash (used in)/generated from investing activities</b>	<b>(130,430)</b>	94,034
<b>Net cash used in financing activities</b>	<b>(95,258)</b>	(243,771)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(27,476)</b>	129,942
<b>Cash and cash equivalents at beginning of the period</b>	<b>119,503</b>	7,534
<b>Cash and cash equivalents at end of the period</b>	<b>92,027</b>	137,476
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>91,780</b>	137,229
Cash at securities companies	<b>247</b>	247
	<b>92,027</b>	137,476

The notes on pages 19 to 36 form part of this interim financial report.

# Neptune Group Limited

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2012

### 1. BASIS OF PREPARATION

The Group's 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 with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The principal accounting policies used in the interim financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2012. The interim financial statements are unaudited but have been reviewed by the Audit Committee.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning 1 July 2012, the application has no material impact on the reported results and the financial position of the Group for the current and/or prior accounting periods. For those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

### 2. TURNOVER AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activities of its subsidiaries is receiving the profit streams from gaming and entertainment related business. The Group's leasing of cruise ship was discontinued during the year ended 30 June 2011 and the cruise ship was disposed of in August 2011.

Turnover from continuing operation represents the revenue from assignment of profit under the profit streams from gaming and entertainment related business during the period, while the turnover from discontinued operation represents the rental income generated from the cruise ship.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management (the board of directors of the Company) for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Continuing operation:

- Gaming and entertainment segment: Revenue from assignments of profit under the profit streams from gaming and entertainment related business carried out in Macau.

Discontinued operation:

- Cruise ship leasing segment: Rental income generated from leasing of the Group's cruise ship and the Group's cruise ship was disposed of in August 2011.

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 2. TURNOVER AND SEGMENT REPORTING (continued)

#### (a) Segment Results, Assets and Liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible and intangible assets, and current assets with the exception of the office premise, the securities held for trading and other corporate assets. Segment liabilities include other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated and the expenses incurred by respective segments or which otherwise arise from the depreciation or amortisation of assets attributable to respective segments.

The measure used for reporting segment profit/(loss) is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributable to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs. Taxation charge is not allocated to reporting segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2012 and 2011 is set out below.

	For the six months ended 31 December 2012			For the six months ended 31 December 2011		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	Gaming and entertainment (Unaudited) HK\$'000	Cruise ship leasing (Unaudited) HK\$'000	(Unaudited) HK\$'000	Gaming and entertainment (Unaudited) HK\$'000	Cruise ship leasing (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Revenue from external customers	284,800	-	284,800	220,370	2,000	222,370
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	284,800	-	284,800	220,370	2,000	222,370
Reportable segment profit	310,378	-	310,378	226,015	2,264	228,279
Gain from bargain purchase of interest in a subsidiary*	19,848	-	19,848	-	-	-
Interest income*	-	-	-	-	77	77
Share of profits of an associate*	5,744	-	5,744	5,660	-	5,660

\* These items are included in the measurement of reportable segment profits.

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 2. TURNOVER AND SEGMENT REPORTING *(continued)*

#### (b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	For the six months ended	
	31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
<b>Continuing operation:</b>		
Reportable segment revenue	284,800	220,370
Elimination of inter-segment revenue	–	–
Consolidated turnover from continuing operation	<b>284,800</b>	220,370
<b>Discontinued operation (Note 6):</b>		
Reportable segment revenue	–	2,000
Elimination of inter-segment revenue	–	–
Consolidated turnover from discontinued operation	–	2,000
<b>Profit or loss</b>		
<b>Continuing operation:</b>		
Reportable segment profit	310,378	226,015
Elimination of inter-segment profit	–	–
Reportable segment profit derived from Group's external customers	310,378	226,015
Finance costs	(236)	(536)
Unallocated head office and corporate expenses and income	(3,501)	(2,672)
Gain on disposal of subsidiaries	–	4,581
Consolidated profit before taxation from continuing operation	<b>306,641</b>	227,388
<b>Discontinued operation (Note 6):</b>		
Reportable segment profit	–	2,264
Elimination of inter-segment profit	–	–
Reportable segment profit derived from Group's external customers and consolidated profit before taxation from discontinued operation	–	2,264

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 2. TURNOVER AND SEGMENT REPORTING (continued)

#### (b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities (continued)

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
<b>Assets</b>		
Reportable segment assets	2,944,631	1,938,188
Unallocated corporate assets (Note a)	105,837	88,751
Consolidated total assets	3,050,468	2,026,939
<b>Liabilities</b>		
Reportable segment liabilities	143,032	75,204
Income tax payable	99	99
Unallocated corporate liabilities (Note b)	35,675	12,208
Consolidated total liabilities	178,806	87,511

Notes:

- (a) The unallocated corporate assets mainly included the office premise, the unallocated cash and bank balances, and other receivables.
- (b) The unallocated corporate liabilities mainly included the bank borrowing, the interest payable for convertible notes, accruals and other payables.

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 2. TURNOVER AND SEGMENT REPORTING (continued)

#### (c) Geographical information

The Group's business operates in two principal geographical areas – (i) Macau (place of domicile) and (ii) Hong Kong and Mainland China. In presenting information on the basis of geographical segments, segment turnover is based on the location of customers. The Group's non-current assets include property, plant and equipment, investment properties, intangible assets, goodwill, non-current deposit and interest in an associate. The geographical locations of property, plant and equipment, and investment properties are based on the physical location of the asset under consideration. In the case of intangible assets, goodwill and non-current deposit, it is based on the location of the operation to which these intangibles and deposit are allocated. In the case of interest in an associate, it is the location of operation of such associate.

	Macau		Hong Kong and Mainland China	
	For the six months ended 31 December 2012		For the six months ended 31 December 2011	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover from external customers				
– Continuing operation	284,800	220,370	–	–
– Discontinued operation	–	–	–	2,000
<b>Total</b>	<b>284,800</b>	<b>220,370</b>	<b>–</b>	<b>2,000</b>
	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
Non-current assets				
– Continuing operation	2,446,825	1,531,275	52,566	62

#### (d) Information about customers

Revenue from gaming and entertainment segment approximately HK\$95,960,000 (six months ended 31 December 2011: Nil), HK\$86,837,000 (six months ended 31 December 2011: HK\$87,772,000), HK\$52,052,000 (six months ended 31 December 2011: HK\$90,320,000) and HK\$28,946,000 (six months ended 31 December 2011: HK\$29,257,000) are derived from the largest external customer, the second largest external customer, the third largest external customer (which is an entity owned by a substantial shareholder of the Company) and the fourth largest external customer (which is an entity owned by a substantial shareholder of the Company), respectively. Transactions with each of these four customers have exceeded 10% of the Group's turnover.



# Neptune Group Limited

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

For the six months ended 31 December 2012

### 3. FINANCE COSTS

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Continuing operation:</b>		
Total interest expense on financial liabilities not at fair value through profit or loss		
– Imputed interest on convertible notes	–	536
– Interest on bank borrowing wholly repayable after five years	236	–
	<b>236</b>	<b>536</b>

### 4. PROFIT BEFORE TAXATION

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit from operations is stated after charging:</b>		
<b>Continuing operation:</b>		
Depreciation of property, plant and equipment	908	–
<b>Discontinued operation:</b>		
Depreciation of property, plant and equipment	–	5,067

### 5. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Current tax:</b>		
Provision for taxation	–	–
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	–	(65)
Income tax credit	–	(65)

No provision for Hong Kong Profits Tax and other income taxes has been made as the Group's entities comprising the continuing and discontinued operations did not have estimated assessable profits subject to any income tax in Hong Kong and other tax jurisdiction concerned during the six months ended 31 December 2012 and 2011.

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 6. DISCONTINUED OPERATION

On 24 June 2011, the Group entered into a memorandum of agreement with an independent third party to sell the cruise ship owned by a subsidiary of the Company for a consideration of US\$11,800,000 (equivalent to approximately HK\$91,804,000). The disposal of the cruise ship was completed in August 2011.

The operation of cruise ship leasing was classified as discontinued operation and the results of the discontinued operation for the six months ended 31 December 2011 and 2012 were as follows:

	Notes	For the six months ended 31 December	
		2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
<b>Turnover</b>	2	–	2,000
Cost of sales		–	–
<b>Gross profit</b>		–	2,000
Other revenue		–	77
General and administrative expenses		–	(2)
<b>Profit before taxation</b>	4	–	2,075
Income tax		–	–
		–	2,075
Gain on disposal of assets classified as held for sale		–	189
<b>Profit for the period from discontinued operation</b>		–	2,264

### 7. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend in respect of the six months ended 31 December 2012.

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 8. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company (see below) and the total of 3,847,245,000 ordinary shares (2011: 3,847,245,000 ordinary shares) in issue during the period.

#### Profit attributable to equity shareholders of the Company.

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operation	176,059	137,648
Discontinued operation	–	1,584
	<b>176,059</b>	<b>139,232</b>

#### (b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2012 was the same as the basic earnings per share because the exercise prices of the Company's outstanding share options were higher than the market prices of the Company's shares during the period.

The calculation of diluted earnings per share for the six months ended 31 December 2011 is based on the adjusted profit attributable to equity shareholders of the Company (see (i) below) and the weighted average number of approximately 3,939,579,000 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential shares, calculated as follows:

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 8. EARNINGS PER SHARE *(continued)*

#### (b) Diluted earnings per share *(continued)*

##### (i) Profit attributable to equity shareholders of the Company (diluted)

	For the six months ended 31 December 2011 <i>HK\$'000</i>
<b>From continuing and discontinued operations:</b>	
Profit attributable to equity shareholders	139,232
After tax effect of effective interest on liability component of convertible bonds	471
<b>Adjusted profit attributable to equity shareholders</b>	<b>139,703</b>
<b>Attributable to:</b>	
Continuing operation	138,119
Discontinued operation	1,584
	<b>139,703</b>
<b>(ii) Weighted average number of ordinary shares (diluted)</b>	
	<b>Weighted average number of ordinary shares '000</b>
Weighted average number of ordinary shares at 1 July 2011	<b>3,847,245</b>
Effect of conversion of convertible bonds	<b>92,334</b>
Weighted average number of ordinary shares at 31 December 2011	<b>3,939,579</b>

During the six months ended 31 December 2011, the computation of diluted earnings per share did not assume the exercise of the Company's share options since the exercise price of the share options exceeded the average market price of the Company's shares during that period.

# Neptune Group Limited

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

For the six months ended 31 December 2012

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

During the six months ended 31 December 2012, the Group acquired property, plant and equipment of approximately HK\$53,412,000 and the Group did not dispose of any property, plant and equipment.

During the six months ended 31 December 2011, there were no additions and disposals of property, plant and equipment.

### 10. INTANGIBLE ASSETS

	<b>Rights in sharing of profit streams</b>
	<i>HK\$'000</i>
<b>Cost:</b>	
At 1 July 2011, 30 June 2012 and 1 July 2012	2,260,393
Acquired through acquisition of a subsidiary (note 15)	849,250
Acquired through acquisition of an additional 10% beneficial interest in profit streams (note 11(a))	96,300
<hr/>	
At 31 December 2012	3,205,943
<b>Accumulated impairment losses:</b>	
At 1 July 2011, 30 June 2012 and 31 December 2012	815,900
<b>Carrying amount:</b>	
At 31 December 2012 (unaudited)	2,390,043
<hr/>	
At 30 June 2012 (audited)	1,444,493

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 10. 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	New Star Profit Agreement HK\$'000	Hoi Long Profit Agreement HK\$'000	Total HK\$'000
At 1 July 2011, 30 June 2012 and 1 July 2012	567,793	201,000	603,100	72,600	-	1,444,493
Additions for the period	-	-	-	96,300	849,250	945,550
At 31 December 2012	567,793	201,000	603,100	168,900	849,250	2,390,043

The intangible assets represent the rights in sharing of profit streams from junket businesses at respective casinos' VIP rooms in Macau for an indefinite period of time. As a result, the intangible assets are considered by the directors of the Company as having an indefinite useful life because they are expected to contribute net cash inflows to the Group indefinitely. Such intangible assets are carried at cost less accumulated impairment losses, and are related to gaming and entertainment segment.

No impairment loss in respect of the rights in sharing of profit streams was recognised during the six months ended 31 December 2012 and 2011 by reference to the assessments of the Company's directors.

### 11. NON-CURRENT DEPOSIT/TRADE AND OTHER RECEIVABLES

#### (a) Non-current deposit comprise:

	At 31 December 2012 (unaudited) HK\$'000	At 30 June 2012 (audited) HK\$'000
Non-current deposit	-	30,000

The non-current deposit of HK\$30,000,000 at 30 June 2012 represented a deposit paid by the Group for the acquisition of an additional 10% beneficial interest in profit streams from rolling chips turnover through a junket business in Macau with a consideration of HK\$96,300,000. During the six months ended 31 December 2012, the acquisition was completed by end of August 2012 and the Group is entitled to an aggregate 20% of income from rolling chips turnover through this junket business. The remaining consideration of HK\$66,300,000 was settled by the Group upon completion of the acquisition.

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 11. NON-CURRENT DEPOSIT/TRADE AND OTHER RECEIVABLES (continued)

#### (b) Trade and other receivables comprise:

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period from 30 days to 60 days for gaming and entertainment segment and cruise leasing segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of each reporting period, no impairment loss on trade receivables was recognised by the Group.

Included in the Group's trade and other receivables are trade receivables with the following ageing analysis as of the end of each reporting period:

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
0 – 30 days	72,687	25,822
31 – 60 days	54,688	34,263
61 – 90 days	58,016	35,547
Over 90 days	210,526	225,485
	<b>395,917</b>	<b>321,117</b>

### 12. BANK BORROWING

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
Mortgage loan – secured	24,277	–
<b>Carrying amount repayable*:</b>		
Within one year	2,213	–
More than one year, but not exceeding two years	2,277	–
More than two years, but not more than five years	7,232	–
More than five years	12,555	–
	<b>24,277</b>	<b>–</b>

\* The amounts due are based on schedule repayment dates set out in the loan agreement.

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 12. BANK BORROWING *(continued)*

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
Within one year	2,213	–
Carrying amount of bank borrowing that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	22,064	–
Amount due within one year shown under current liabilities	24,277	–

At 31 December 2012, the bank borrowing was secured by fixed charge over the Group's office premise.

For the six months ended 31 December 2012, the effective interest rate for the bank borrowing was 2.85% per annum.

### 13. CONSIDERATION PAYABLE FOR ACQUISITION OF A SUBSIDIARY

The amount represented the remaining consideration of HK\$139,000,000 for the acquisition of 20% equity interest in Essence Gold Investment Limited ("Essence Gold"), a company engaged in receiving profit streams from gaming and entertainment related business in Macau (see note 15). Subsequent to 31 December 2012, the remaining consideration of HK\$139,000,000 was settled by the Group in February 2013.

### 14. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<b>Authorised:</b>		
<b>At 1 July 2011, 30 June 2012 and 31 December 2012</b>		
– Ordinary shares of HK\$0.01 each	50,000,000	500,000
<b>Issued and fully paid:</b>		
<b>At 1 July 2011, 30 June 2012 and 31 December 2012</b>		
– Ordinary shares of HK\$0.01 each	3,847,245	38,472



# Neptune Group Limited

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

For the six months ended 31 December 2012

### 15. ACQUISITION OF A SUBSIDIARY

On 19 September 2012, the Group entered into a sale and purchase agreement with the vendor, the junket promoter and the junket owner, pursuant to which the Group agreed to acquire and the vendor agreed to sell 20% of the issued share capital of Essence Gold for a consideration of HK\$150,000,000. The Group also entered into a call option agreement dated 19 September 2012 with the vendor for a consideration of HK\$1 and the vendor irrevocably granted to the Group the right to require the vendor to transfer the shares (the "Call Option") representing in aggregate up to 80% of the issued share capital of Essence Gold (the "Call Option Shares") or any part to the Group at HK\$7.5 million per the Call Option Share. The Call Option will be expired after 36 months after completion of this acquisition.

Essence Gold, which is a company incorporated in the British Virgin Islands with limited liability, entered into a profit assignment agreement (the "Profit Assignment Agreement") on 19 September 2012 with the junket promoter and the junket owner, pursuant to which the junket promoter assigned, as legal and beneficial owner, and the junket owner procured the junket promoter to assign to Essence Gold absolutely and free from any encumbrance whatsoever the junket promoter's right, title interest and benefits in and to 0.4% of the rolling turnover (the "Profit Streams") generated from not less than 11 gaming tables at Guangdong 31 Sky Club at Grand Lisboa in Macau.

Under the Profit Assignment Agreement and the supplemental profit assignment agreement dated 30 January 2013, the junket promoter irrevocably and unconditionally guaranteed to Essence Gold that the Profit Streams for the first and the second relevant periods shall not be less than HK\$275 million for each relevant period. In the event that the Profit Streams received and/or receivable by Essence Gold for each relevant period shall be less than HK\$275 million, the junket promoter undertook to pay to Essence Gold an amount equivalent to the difference between HK\$275 million and the Profit Streams received and/or receivable by Essence Gold during the first and the second relevant periods.

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 15. ACQUISITION OF A SUBSIDIARY *(continued)*

The Call Option, if fully exercised, would give the Group 100% voting power over Essence Gold. Based on the directors' assessment, the Call Option provides the Group with the potential voting right over Essence Gold which in turn provides the Group with the ability to control Essence Gold. As a result, Essence Gold was consolidated as a subsidiary on 30 September 2012, which was the date of legal transfer of the 20% issued share capital of Essence Gold by the vendor to the Group. As the Group currently holds 20% equity interests in Essence Gold, 80% of the post-acquisition results and net assets of Essence Gold are allocated to non-controlling interests.

	<b>Acquiree's carrying amount HK\$'000</b>	<b>Fair value adjustment HK\$'000</b>	<b>Fair value HK\$'000</b>
<b>Net assets acquired:</b>			
Intangible asset – right in sharing profit stream	–	849,250	849,250
Other payables	(10)	–	(10)
100% equity interests of Essence Gold	(10)	849,250	849,240
Less: Non-controlling interests			<u>(679,392)</u>
20% equity interests of Essence Gold			169,848
Less: Gain from bargain purchase of interest in a subsidiary			<u>(19,848)</u>
Total consideration			<u>150,000</u>
			<b>HK\$'000</b>
<b>Total consideration satisfied by:</b>			
Cash paid			11,000
Consideration payable for acquisition of a subsidiary (Note 13)			<u>139,000</u>
			<u>150,000</u>

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 16. DISPOSAL OF SUBSIDIARIES

On 23 August 2011, the Company entered into a conditional sale and purchase agreement with an independent third party to dispose of its entire equity interests in certain subsidiaries including Jumbo Profit Investments Limited, World Target International Limited and their subsidiaries (collectively referred to as the "Disposal Group") at a consideration of HK\$33,000,000. The principal activities of the Disposal Group were property development and securities trading. The disposal was completed in December 2011.

Details of net assets of the Disposal Group at the date of disposal were summarised below:

	<i>HK\$'000</i>
<b>Assets and liabilities over which control was lost:</b>	
Investment properties	32,800
Securities held for trading	221
Cash and bank balances	148
Other receivables	15
Other payables	(1,760)
Income tax payable	(1,730)
Deferred tax liabilities	(1,275)
	<hr/>
Net assets disposed of	28,419
Gain on disposal of subsidiaries	4,581
	<hr/>
	33,000
<b>Total consideration satisfied by:</b>	
Cash consideration received	33,000
	<hr/>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration received	33,000
Less: Cash and bank balances disposed of	(148)
	<hr/>
	32,852
	<hr/>

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 17. CONTINGENT LIABILITIES

#### Contingent liability in respect of legal claim for office rental

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented 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 Company's 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 2012 and the year ended 30 June 2012, there has been no significant progress.

### 18. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of the properties are payable as follows:

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2012</b>	2012
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within 1 year	<b>180</b>	180

### 19. CAPITAL COMMITMENTS

Capital commitments outstanding at the end of each reporting period not provided for in the financial statements were as follows:

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2012</b>	2012
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Contracted for		
– acquisition of additional beneficial interest in profit streams (see note 11(a))	–	66,300

# Neptune Group Limited

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

For the six months ended 31 December 2012

### 20. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the condensed consolidated financial statements, during the period, the Group had entered into transactions with related parties which, in the opinion of the Company's directors, were carried out a normal commercial terms and in the ordinary course of the Group's business, as shown below.

#### Key management personnel remuneration

The remuneration of key management personnel during the period is as follows:

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term benefits	1,184	1,110
Post-employment benefits	33	26
	<b>1,217</b>	1,136

### 21. EVENT AFTER THE END OF REPORTING PERIOD

Subsequent to 31 December 2012, the Group completed the placement of its shares on 6 February 2013 of which a total of 769,000,000 placing shares have been successfully placed to not less than six places at HK\$0.173 per share. The gross proceeds from the placement amounted to HK\$133,037,000 (before deduction of any placing agent commission and direct cost).