



NEPTUNE GROUP LIMITED

海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00070



2014/15 INTERIM REPORT

Neptune Group Limited

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Neptune Group Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. Danny Xuda Huang
Mr. Nicholas J. Niglio
Mr. Chan Shiu Kwong, Stephen
Mr. Lin Chuen Chow, Andy

Independent non-executive directors:

Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Mr. Chan Choi Kam

COMPANY SECRETARY

Mr. Chan Shiu Kwong, Stephen

AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton (*Chairman*)
Mr. Yue Fu Wing
Mr. Chan Choi Kam

REMUNERATION COMMITTEE

Mr. Cheung Yat Hung, Alton (*Chairman*)
Mr. Yue Fu Wing
Mr. Nicholas J. Niglio

NOMINATION COMMITTEE

Mr. Danny Xuda Huang (*Chairman*)
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing

AUDITOR

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

PRINCIPAL BANKERS

Bank of Communications Company Limited
Bank of China Macau Branch
Industrial And Commercial Bank of China Limited Macau Branch

LEGAL ADVISORS

Robertsons Solicitors & Notaries
LAU, CHAN & KO 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
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REGISTERED OFFICE

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STOCK CODE

00070

Neptune Group Limited

CHAIRMAN'S STATEMENT

The past six months saw a complete change of investors appetite on the Macau gaming business. Many have been shaking their heads in disbelief over the continued reduction in casino revenue. Without prejudice, all operating licensed entities recorded negative growth year over year to the gross gaming win (GGR). While contributing factors were evident the resilience of the sector could not succeed to stem the tide. The factor list, though not long, remained powerful during the period that brought along an avalanche of negative publicity. The remaining days on calendar shows no short term relief to calm apprehension of the suspicion over the future results.

Many believe and see this downturn as cyclical in nature and foresee the sector to start a recovering process towards healthy growth at bottoms end. To be conservative and prudent, we see short-term reward somewhat difficult to attain due to uncertainties around customer demand. Until the rather heated debate on policy issues cools down, we urge investors to be patient and remain neutral. The coming months are critical to gauge the true underlining momentum. A consensus of opinion shows a pause of growth and an undetermined, yet predicated, date of recovery. Those issues hurting demand such as tight capital, low risk appetite in money extension and visa restrictions can linger through the next reporting cycle. The worst may not be over.

Whilst undeniably impacted, your company's conservative business model has helped ease the burden of slumping revenue. Our cautious optimism remains however pragmatic for second half of 2015. Expanded room inventory, world class sporting events, new global entertainment and some new hotel brands of a 5 star nature shall help tourist attraction to Macau.

I thank you for your continued support of the Group.

Danny Xuda Huang

Chairman of the Board

Hong Kong, 27 February 2015

Neptune Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's underlying profit attribute to Company's shareholders for the six months ended 31 December 2014, amounted to approximately HK\$130.9 million (2013: HK\$175.5 million); Underlying earnings per shares were HK2.84 cents, a decline from corresponding period last year of HK3.80 cents.

BUSINESS OVERVIEW

Half year revenue was more disappointing than we expected as Macau operation continued to be a drag on result. Visa restriction has tightened, the anticorruption crackdown in China has slowed down the movement of mainlanders high rollers to Macau dramatically over.

Gaming revenue in Macau contracted for the first time since multinational companies arrived Macau back in early of 2004. It plummeted 30% in December last year alone in one single month. Some small size junket operators already closed their business in year 2014 and if this situation will possibly continue we may expect some more junkets business rush into a flurry of merger and amalgamation between themselves. At the moment, all news continues to be gloomy related to gaming industry in Macau.

Accordingly global economic growth is expected to pick up modestly in the year ahead. Together this with European economy showing sign of improvement after an ambitious program of quantitative easing pursued by European Central Banks, as a stimulus.

When China economy recovery shall gathering pace this year, stimulated by the gradual unfolding of various reform measures and Central bank cut the required reserve ratio (known as RRR) for its banks; as it stepped up efforts to boost lending to fill liquidity gap in money market.

Gross Domestic Product (GDP) in Macau contracted 2.10 percent in the third quarter of 2014 over the same quarter of the previous year while GDP Annual Growth Rate in Macau averaged 13.29 percent from 2002 until 2014. All these factors will bode well for the overall economy because likely there will be more liquid funds available in market.

Neptune Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS OVERVIEW *(continued)*

Despite these positive signs, we are cautious about how far these improvements will give an impulse for the gaming industry in Macau. We believe Macau gaming industry will be, in fact, deeply affected by the any sudden change of China and Macau government policies indeed.

We continue to see government decision on gaming tables for new casino spring up this year grant as a near term overhang for the sector sentiment could be negatively impacted even as operationally the impact would be not as large given the current under-utilisation of tables.

GAMING RELATED BUSINESS

The revenue from commission on rolling turnover decreased by HK\$67,350,000 or 19% to approximately HK\$283,909,000 (2013: HK\$351,259,000) as compare to the same period last year, largely due to significant drop in average daily revenues (ADR) in all of our VIP rooms reflecting fierce market competition and weak run rate. In market wide, VIP GGR in Macau fell by 11% for full year of 2014.

For the six months ended 31 December 2014, we have recorded of net cash inflows of approximately HK\$283.6 million from operating activities. During this period, we received cash dividend declared in previous years of HK\$57.3 million by our associated company. On other hand, our major items of cash outflow consist of payments of dividend to non-controlling shareholders which have engaged under all profit sharing stream within our investment portfolio accumulating to a total amount of HK\$260.0 million.

On monthly basis we repay approximately HK\$0.24 million to pay off interest charges and partial repayment of bank loan secured for purchase our own office premise. At at 31 December 2014, our bank balance was HK\$124.7 million.

However, this is our second year in row showing an decrease of revenue since 2012. We admittedly poor visibility that this turnaround was worse off than we first anticipated it as an intermittent pattern. If this dire situation continues, it may deter some investors from investing in new capital and expansion into this industry.

Fortunately we employ prudent disciplines to maintain strong financials over the past few years and shore up adequate working capital to meet this challenge.

Neptune Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

GAMING RELATED BUSINESS *(continued)*

With shareholders' long-term best interests at the forefront, our decisions on the scale of businesses are contingent on appropriate assessment of the prevailing political, economic and operating environment in the regions in which we operate. At present, none of the above negative sentiment shall dent our faith with gaming industry in Macau. We are still cautiously optimistic about the growth prospects for our businesses.

We are sound in financial for exploring new investment opportunities to generate additional stable revenue streams to drive forward our growth momentum. The Group will continue to strengthen the market position and competitiveness and also through further expansion of our investments in other projects which will enable the Group lay a foundation for new height in future.

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

Neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2014 (2013: HK\$ Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK\$632.2 million as at 31 December 2014 (30 June 2014: HK\$496.8 million). Except for bank mortgage loan of HK\$19.8 million which is used for purchase of our office premise, there was no other borrowings as at 31 December 2014. (30 June, 2014: HK\$20.9 million). The total equity of the Group as at 31 December 2014 was HK\$ 3,110.3 million (30 June 2014: HK\$2,967.3 million). The gearing ratio, calculated on the basis of total debts over total equity attributable to owners as at 31 December 2014, was approximately 0.93% (30 June 2014: 1.05%). The total current liabilities of the Group as at 31 December 2014 was HK\$ 71.4 million (30 June 2014: HK\$ 183.0 million) consisting of dividend payable to non-controlling shareholders of HK\$ 41.9 million (30 Jun 2014: HK\$ 152.2 million); other payable including bank loan.

Neptune Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PLEDGE OF GROUP'S ASSETS

As at 31 December 2014, the Group's investment property in Hong Kong of approximately HK\$59.1 million (30 June 2014: HK\$59.1 million) was still pledged to a bank which providing a banking facilities of HK\$19.8 million (30 June 2014: HK\$20.9 million).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Board of Directors (the "Board") are committed to the maintenance of good corporate governance practices and procedures. The Corporate Governance principles of the Company emphasize a quality Board, sound internal controls, and transparency to all shareholders.

The Company has applied the applied the principles and complied with all code provisions and, where applicable, the recommended best practices of Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout six months ended 31st December, 2014.

The Group's on-going efforts in Corporate Governance earned the recognition as one of Hong Kong's Most Valuable Companies 2015 from MediaZone's. The Group will continue its efforts to maintain its high standard of good corporate governance.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries, all Directors have confirmed that they have complied with Model Code throughout the Period.

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee") in 2001 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provision of CG Code. The Audit Committee comprises of three Independent Non- executive Directors, namely Mr. Cheung Yat Hung, Alton (Chairman of audit committee), Mr. Chan Choi Kam and Mr. Yue Fu Wing.

Neptune Group Limited

CORPORATE GOVERNANCE REPORT *(continued)*

AUDIT COMMITTEE *(continued)*

The Audit committee has reviewed the accounting principles and practices adopted by the Group and supervised financial reporting system and internal control procedures.

It also review the relationship with the external auditor of the Company.

The Audit Committee has reviewed the Group's interim results for six months ended 31 st December, 2014 with the management.

REMUNERATION COMMITTEE

In compliance with CG Code, the Company established its remuneration committee ("Remuneration Committee") on 1st April, 2008. With a majority of the members thereof being Independent Non- executive Directors. The Remuneration Committee comprises the Chief Executive Mr. Nicholas J. Niglio and two Independent Non-executive Directors, namely Mr. Cheung Yat Hung, Alton (Chairman of the Remuneration Committee) and Mr. Yue Fu Wing.

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 2014, none of the directors and their associates had any interests or short positions 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 Issuers.

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 2014
Mr. Chan Shiu Kwong, Stephen	2,388,000	4.51%
Mr. Nicholas J. Niglio	2,300,000	4.34%
Mr. Chan Choi Kam	23,000,000	43.41%

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 2014.

Neptune Group Limited

SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSABLE UNDER THE SFO

At 31 December 2014, 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.

Name of shareholders	Number of ordinary share held	Percentage of shares held
Mr. Lin Cheuk Fung	375,000,000	8.12%
Ultra Choice Limited	720,000,000	15.60%
Miss Lin Yee Man	720,000,000	15.60%

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 2014.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 31 December 2014 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2014

	<i>Notes</i>	For the six months ended 31 December	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	2	283,909	351,259
Other revenue		3,635	293
General and administrative expenses		(2,447)	(3,560)
Profit from operations		285,097	347,992
Share of profits of an associate		7,822	6,205
Finance costs	3	(294)	(326)
Profit before taxation	4	292,625	353,871
Income tax	5	–	–
Profit for the period		292,625	353,871
Other comprehensive income for the period		–	–
Total comprehensive income for the period		292,625	353,871

Neptune Group Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the six months ended 31 December 2014

		For the six months ended 31 December	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Attributable to:			
– Owners of the Company		130,930	175,541
– Non-controlling interests		161,695	178,330
Profit and total comprehensive income for the period			
		292,625	353,871
Earnings per share attributable to owners of the Company			
Basic	7(a)	2.84 HK cents	3.80 HK cents
Diluted	7(b)	2.84 HK cents	3.76 HK cents

The notes on pages 17 to 26 form part of this interim financial report.

Neptune Group Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

		At 31 December 2014 (Unaudited) HK\$'000	At 30 June 2014 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	719	965
Investment property		59,140	59,140
Intangible assets	9	2,102,793	2,102,793
Goodwill		–	–
Interest in an associate		65,906	58,084
Available-for-sale investments	10	249,524	249,524
		2,478,082	2,470,506
Current assets			
Derivative financial instruments		33,203	33,203
Securities held for trading		6	4
Trade and other receivables	11	545,346	543,780
Dividend receivable from an associate		–	55,902
Amount due from an associate		259	1,698
Cash and cash equivalents		124,720	45,190
		703,534	679,777
Less: Current liabilities			
Other payables		9,627	9,773
Bank borrowing	12	19,785	20,931
Dividend payable to non-controlling shareholders		41,853	152,169
Income tax payable		99	99
		71,364	182,972

Neptune Group Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2014

	At 31 December 2014 (Unaudited) <i>Note</i>	At 30 June 2014 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets	632,170	496,805
Net assets	3,110,252	2,967,311
Capital and reserves		
Share capital	13 1,077,853	1,077,853
Reserves	1,045,996	915,066
Equity attributable to owners of the Company	2,123,849	1,992,919
Non-controlling interests	986,403	974,392
Total equity	3,110,252	2,967,311

The notes on pages 17 to 26 form part of this interim financial report.

Neptune Group Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014 (Unaudited)

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Property revaluation reserve	Non-distributable reserve	Share option reserve	Other reserve	Retained profits	Sub total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2014 (Audited)	1,077,853	-	5,922	2,264	3,868	(51,221)	954,233	1,992,919	974,392	2,967,311
Profit and total comprehensive income for the period	-	-	-	-	-	-	130,930	130,930	161,695	292,625
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	(149,684)	(149,684)
At 31 December 2014 (Unaudited)	1,077,853	-	5,922	2,264	3,868	(51,221)	1,085,163	2,123,849	986,403	3,110,252

For the six months ended 31 December 2013 (Unaudited)

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Non-distributable reserve	Share option reserve	Other reserve	Retained profits	Sub total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2013 (Audited)	46,162	1,031,691	2,264	4,223	(51,221)	805,116	1,838,235	968,451	2,806,686	
Profit and total comprehensive income for the period	-	-	-	-	-	175,541	175,541	178,330	353,871	
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	(160,493)	(160,493)	
At 31 December 2013 (Unaudited)	46,162	1,031,691	2,264	4,223	(51,221)	980,657	2,013,776	986,288	3,000,064	

The notes on pages 17 to 26 form part of this interim financial report.

Neptune Group Limited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	For the six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	283,628	196,902
Net cash generated from/(used in) investing activities	57,342	(240,710)
Net cash used in financing activities	(261,440)	(19,461)
Net increase/(decrease) in cash and cash equivalents	79,530	(63,269)
Cash and cash equivalents at beginning of the period	45,190	95,575
Cash and cash equivalents at end of the period	124,720	32,306
Analysis of balances of cash and cash equivalents		
Cash and bank balances	124,473	32,059
Cash at securities companies	247	247
	124,720	32,306

The notes on pages 17 to 26 form part of this interim financial report.

Neptune Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

1. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The principal accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 June 2014. The condensed consolidated financial information are unaudited but have been reviewed by the Company’s Audit Committee.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning 1 July 2014, 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 (“Gaming and Entertainment Business”).

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group’s chief operating decision makers being the directors of the Company, for the purposes of resource allocation and performance assessment, the Group has identified the Gaming and Entertainment Business as the Group’s sole operating reportable segment. The Group’s results and financial position are reviewed as a whole. Accordingly, no segment analysis is presented other than entity wide disclosure.

Neptune Group Limited

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

For the six months ended 31 December 2014

2. TURNOVER AND SEGMENT REPORTING *(continued)*

(a) Geographical information

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

	Macau		Hong Kong	
	For the six months ended 31 December		For the six months ended 31 December	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers	283,909	351,259	–	–
	At	At	At	At
	31 December	30 June	31 December	30 June
	2014	2014	2014	2014
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	2,168,699	2,160,877	59,859	60,105

(b) Information about the customers

For the six months ended 31 December 2014, revenue from Gaming and Entertainment Business of approximately HK\$129,994,000 (2013: HK\$115,065,000), HK\$81,803,000 (2013: HK\$97,629,000) and HK\$60,062,000 (2013: HK\$88,553,000) were derived from the largest external customer (which is an entity owned by a non-controlling shareholder of a subsidiary), the second largest external customer (which is an entity owned by a non-controlling shareholder of another subsidiary) and the third largest external customer (which is an entity owned by a substantial shareholder of the Company), respectively. Transactions with each of these three 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 2014

3. FINANCE COSTS

	For the six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank borrowing which contains a repayable on demand clause	294	326

4. PROFIT BEFORE TAXATION

	For the six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from operations is stated after charging:		
Depreciation of property, plant and equipment	246	1,228

5. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

No provision for Hong Kong Profits Tax and other income taxes has been made as the Group's entities did not have estimated assessable profits subject to any income tax in Hong Kong and other tax jurisdiction concerned during the six months ended 31 December 2014 and 2013.

6. 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 2014 and 2013.

Neptune Group Limited

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

For the six months ended 31 December 2014

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of approximately HK\$130,930,000 (2013: HK\$175,541,000) and the total of 4,616,245,000 ordinary shares (31 December 2013: 4,616,245,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 December 2013 was based on the profit attributable to owners of the Company of HK\$175,541,000 and the weighted average number of approximately 4,671,445,000 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential shares, calculated as follows:

	Weighted average Number of Ordinary shares
	<i>'000</i>
Weighted average number of ordinary shares at 31 December 2013	4,616,245
Effect of exercise of share options	55,200
	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December 2013	4,671,445
	<hr/> <hr/>

Diluted earnings per share for the six months ended 31 December 2014 were 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.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2014 and 2013, the Group did not acquire any property, plant and equipment and the Group did not dispose of any property, plant and equipment.

Neptune Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2014

9. INTANGIBLE ASSETS

	Rights in sharing of profit streams <i>HK\$'000</i>
Cost:	
At 1 July 2013, 30 June 2014, 1 July 2014 and 31 December 2014	2,918,693
Accumulated impairment losses:	
At 1 July 2013, 30 June 2014 and 31 December 2014	815,900
Carrying amount:	
At 31 December 2014 (unaudited)	2,102,793
At 30 June 2014 (audited)	2,102,793

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

	Hou Wan Profit Agreement <i>HK\$'000</i>	Neptune Ouro Profit Agreement <i>HK\$'000</i>	Hao Cai Profit Agreement <i>HK\$'000</i>	Lucky Star Profit Agreement <i>HK\$'000</i>	Hoi Long Profit Agreement <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2013, 30 June 2014, 1 July 2014 and 31 December 2014	567,793	201,000	603,100	168,900	562,000	2,102,793

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 2014 and 2013 by reference to the assessments of the Company's directors.

Neptune Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2014

10. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December 2014 (Unaudited) HK\$'000	At 30 June 2014 (Audited) HK\$'000
Available-for-sale equity security		
– Unlisted	249,524	249,524

All of the unlisted investments were measured at fair value at the end of the reporting period and were held for strategy purpose not to be disposed of in the foreseeable future.

No impairment loss in respect of the available-for-sale investments was recognised during the six months ended 31 December 2014 and 2013 by reference to the assessments of the Company's directors.

11. TRADE AND OTHER RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period from 30 days to 60 days for Gaming and Entertainment Business. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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 2014 (Unaudited) HK\$'000	At 30 June 2014 (Audited) HK\$'000
0 – 30 days	39,360	44,285
31 – 60 days	42,521	79,548
61 – 90 days	58,838	52,248
Over 90 days	329,511	363,181
	470,230	539,262

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For the six months ended 31 December 2014

12. BANK BORROWING

	At 31 December 2014 (Unaudited) HK\$'000	At 30 June 2014 (Audited) HK\$'000
Mortgage loan – secured	19,785	20,931
Carrying amount repayable*:		
Within one year	2,339	2,305
More than one year, but not exceeding two years	2,406	2,372
More than two years, but not more than five years	7,642	7,534
More than five years	7,398	8,720
	19,785	20,931

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

	At 31 December 2014 (Unaudited) HK\$'000	At 30 June 2014 (Audited) HK\$'000
Within one year	2,339	2,305
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)	17,446	18,626
Amount due within one year shown under current liabilities	19,785	20,931

At 31 December 2014 and 30 June 2014, the bank borrowing was secured by fixed charge over the Group's office premise.

For the six months ended 31 December 2014, the effective interest rate for the bank borrowing was 2.85% per annum (six months ended 31 December 2013: 2.85% per annum).

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

For the six months ended 31 December 2014

13. SHARE CAPITAL

	At 31 December 2014		At 30 June 2014	
	No. of shares (‘000)	Amount \$‘000	No. of shares (‘000)	Amount \$‘000
Ordinary shares, issued and fully paid:				
At 1 July 2014/1 July 2013	4,616,245	1,077,853	4,616,245	46,162
Transition to no-par value regime on 3 March 2014	-	-	-	1,031,691
At 31 December 2014/30 June 2014	4,616,245	1,077,853	4,616,245	1,077,853

The transition to the no-par value regime under the new Hong Kong Companies Ordinance (Cap.622) occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the new Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the new Ordinance.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

14. FAIR VALUE MEASUREMENT

i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 “Financial Instruments: Disclosures”, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Neptune Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2014

14. FAIR VALUE MEASUREMENT (continued)

i) Financial instruments carried at fair value (continued)

31 December 2014 (unaudited)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instrument	–	–	33,203	33,203
Securities for trading	6	–	–	6
Available-for-sale investments	–	–	249,524	249,524
	6	–	282,727	282,733

30 June 2014 (audited)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instrument	–	–	33,203	33,203
Securities for trading	4	–	–	4
Available-for-sale investment	–	–	249,524	249,524
	4	–	282,727	282,731

ii) Fair values of financial instruments carried at other than fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements were approximately equal to their fair values.

Neptune Group Limited

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

For the six months ended 31 December 2014

15. 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 2014 and the year ended 30 June 2014, there has been no significant progress.

16. 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Salaries and other short-term benefits	931	1,187
Post-employment benefits	27	29
	958	1,216