



NEPTUNE GROUP LIMITED
海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)
Stock Code: 00070



2015-16
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. Chow Chung Lam, Louis

COMPANY SECRETARY

Mr. Chan Shiu Kwong, Stephen

AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton (*Chairman*)
Mr. Yue Fu Wing
Mr. Chow Chung Lam, Louis

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

Crowe Horwath (HK) 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
Hong Kong

REGISTERED OFFICE

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STOCK CODE

00070

Neptune Group Limited

CHAIRMAN'S STATEMENT

As we come to the interim reporting of 2016, financial difficulties experienced by our operators remain a hard reality experienced by all and under tough conditions our Group's underlying results continued to be impacted. The macroeconomics on the Macau gaming industry has not improved in the last half. The downturn in the VIP contribution to the yearly Gross Gaming Revenue has exceeded 50%, certainly a number not welcome by all stakeholders. At this point, continuation of the free fall potentially exists with only a modest single digit recovery placed for consideration by only a handful of gaming analysts. The concept of business as usual will not play out well in 2016.

Can the coming year show any promises of renewed strength. Tracking two full years of downturn one would lean to a hint of recovery, yet this is difficult. Our obligations to our shareholders insist on not idling as a third year of VIP stagnation is uniquely viable. In 2015 we saw two major billion USD projects placed in operation in Macau yet bore no contribution to any growth. This does not sit well for the current year with only one major project coming to Cotai. Clearly, one can see the risk of not actively searching for an alternative business model. We have taken the first steps in setting a new direction for your company. Without totally discarding all our past accumulations, we look for change.

This change will come in a form of assembling past experiences with selected growth opportunities that are available to our Group. We will explore the financial sector, property accretion and other sectors that make sense for inclusion into our portfolio. Running parallel to our current business model this will allow a careful placement to shore up our turnover as well as our earnings. We realize our obligation and as such will adjust accordingly to benefit all. We look forward to the challenges ahead and respect your commitment to the Group.

I sincerely thank you for everything.

Danny Xuda Huang

Chairman of the Board

Hong Kong, 29 February 2016

Neptune Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's underlying loss attribute to Company's shareholders for the six months ended 31 December 2015, amounted to approximately HK\$257.0 million (2014: profit of HK\$103.9 million); Underlying loss per shares were HK5.57 cents, considerable difference from corresponding period last year of earning per shares of HK2.84 cents.

BUSINESS OVERVIEW

None of our VIP junket operators are collectively clear on when their situation are going to evolve as business was sluggish and overall macro economy feel restive on the surface, tense beneath. Certainly a bad combination, Macau casino gross gaming revenue (GGR) reached MOP18.67 billion (US\$2.33 billion) in January 2016, down by 21.4 percent year-on-year, according to official data released that was after twenty months consecutive months of year-on-year declines in casino GGR. Another similar six to twelve months downturn is on the horizon.

The current untenable situation persists more than one year smacking of desperation among junkets which need to packaging their bad debts and distressed assets and selling them to third-party financial investors at a big discount, no get away.

In October last year Macau's gaming regulator announced stricter accounting rules for junket operators. They took effect from January this year. According to the new guidelines, all junket operators are to compile and submit monthly accounting reports to the gaming regulator. This creates a path for better disclosure and more transparency of financial status of each junket operators. This policy could be instrumental to keep the gaming industry in healthy development.

Now two casinos are currently building their second projects in Macau, all located in the city's Coati district but one proclaim to defer its grand opening to the mid of this year, a small and significant delay and another new casino expects not complete until early of 2017.

We hope these new projects stir up the momentum of Macau gaming industry and bring back nostalgia remembrance from prosperous days.

Neptune Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS OVERVIEW *(continued)*

For the benefit of our shareholders, the Group keeps on exploring new business, including money lending and identifying suitable locations for buying new assets whilst existing properties market price are relative more affordable than before in consideration of long term investment.

Looking forward, the Group will keep on its business diversification strategy and boost the development of each of its operation with a view to maintain low risk while securing stable returns and sufficient capital for the Group's future business development.

GAMING RELATED BUSINESS

The revenue from commission on rolling turnover decreased by approximately HK\$150,954,000 or 53% to approximately HK\$132,955,000 (2014: HK\$283,909,000) as compare to same period last year.

As followers of the Macau gaming industry undoubtedly know, the VIP sector has contracted substantially during the second half of 2015 and into 2016. The resulting anticorruption cases in China reportedly forced indirectly a similar contraction in Macau's gaming industry, with news of VIP room closures and even some major operators going out of business. At present overall market sentiment tends to believe more risk to the downside looming problem if there will have further currency devaluation in this region and the softening China macro economy as a whole.

Against such obstacles, we are gutting a cluster of policies to response to this seismic change. Palpably when there are small numbers of high roller players in the market and with other competition is encroaching to be managed, under this circumstances, we found ourselves in competition with a whole selection of companies hashing out new strategy as well and do our best to avoid ourselves placing into mayhem. It has been gospel for us to give relentless effort to urge our VIP junkets to collect all doubtful debts from their clients within short period of time, but the distress is still hanging on.

It is too early to render judgement till few years later to know whether we are now managing an economic jitter resulting from an intermittent tremble, or not, but if this dire condition will sprawling across in Macau; this may not only hamper the VIP gaming alone.

Neptune Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

GAMING RELATED BUSINESS *(continued)*

If when eventually China economy becomes stabilize, this will drive the Macau gaming industry to keep chugging along and rejuvenate the once dominant world class gaming and entertainment city to its former stature.

Until that come to light, we face a daunting challenge right now to see slumping profit and lackluster turnover from the existing business model which is no long sustainable not even to say any further development. The hope is our new business strategy to secure a stable investments return from other assets and money lending business will provide us some much needed leeway to weather such a tough moment.

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 2015 (2014: HK\$ Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK\$449.0 million as at 31 December 2015 (30 June 2015: HK\$435.7 million). Except for bank mortgage loan of HK\$17.6 million which is used for purchase of our office premise, there was no other borrowings as at 31 December 2015 (30 June 2015: HK\$18.8 million). The total equity of the Group as at 31 December 2015 was HK\$1,568.5 million (30 June 2015: HK\$1,819.0 million). The gearing ratio, calculated on the basis of total debts over total equity attributable to equity shareholders as at 31 December 2015, was approximately 1.94% (30 June 2015: 1.61%). The total current liabilities of the Group as at 31 December 2015 was HK\$27.4 million (30 June 2015: HK\$28.8 million) mainly consisting of interest payable of HK\$6.1 million (30 June 2015: HK\$6.1 million); other payable and accrual item including bank loan.

Neptune Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PLEDGE OF GROUP'S ASSETS

As at 31 December 2015, the Group's leasehold land and building in Hong Kong of approximately HK\$59.9 million (30 June 2015: HK\$59.2 million) was still pledged to a bank which providing a banking facilities of HK\$17.6 million (30 June 2015: HK\$18.8 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 emphasis a quality Board, sound internal controls, and transparency to all shareholders.

The Company has applied the applied the principles and complied with all code provisions and, where applicable, the recommended best practices of Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout six months ended 31 December 2015.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee") on 29 August 2001 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provision of CG Code. The Audit Committee comprises of three Independent Non-executive Directors, namely Mr. Cheung Yat Hung, Alton (Chairman of audit committee), Mr. Chow Chung Lam, Louis and Mr. Yue Fu Wing.

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 reviews the relationship with the external auditor of the Company.

The Audit Committee has reviewed the Group's interim results for six months ended 31 December 2015 with the management.

REMUNERATION COMMITTEE

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

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 2015, 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 2015
Mr. Chan Shiu Kwong, Stephen	2,388,000	4.51%
Mr. Nicholas J. Niglio	2,300,000	4.34%

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 2015.

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SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSABLE UNDER THE SFO

At 31 December 2015, 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 2015.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 31 December 2015 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 2015

	Notes	For the six months ended 31 December	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	2	132,955	283,909
Other revenue		1,188	3,635
Impairment loss of trade receivables	12	(117,281)	–
Impairment loss of intangible assets	10	(277,256)	–
General and administrative expenses		(2,837)	(2,447)
(Loss)/profit from operations		(263,231)	285,097
Share of profits of an associate		12,950	7,822
Finance costs	3	(262)	(294)
(Loss)/profit before taxation	4	(250,543)	292,625
Income tax	5	–	–
(Loss)/profit for the period		(250,543)	292,625
Other comprehensive income for the period		–	–
Total comprehensive (loss)/income for the period		(250,543)	292,625

Neptune Group Limited

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

For the six months ended 31 December 2015

	Notes	For the six months ended 31 December	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Attributable to:			
– Owners of the Company		(257,016)	130,930
– Non-controlling interests		6,473	161,695
(Loss)/profit and total comprehensive (loss)/income for the period			
		(250,543)	292,625
(Loss)/earnings per share attributable to owners of the Company			
Basic	7(a)	(5.57) HK cents	2.84 HK cents
Diluted	7(b)	(5.57) HK cents	2.84 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 2015

		At 31 December 2015 (Unaudited) <i>HK\$'000</i>	At 30 June 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	523	643
Investment property	9	59,863	59,200
Intangible assets	10	950,315	1,227,571
Goodwill		–	–
Interest in an associate		69,155	56,205
Available-for-sale investments	11	39,672	39,672
		1,119,528	1,383,291
Current assets			
Derivative financial instruments		67	67
Trade and other receivables	12	421,777	406,080
Amount due from an associate		245	233
Cash and cash equivalents		54,276	58,207
		476,365	464,587
Less: Current liabilities			
Other payables		9,764	10,030
Bank borrowing	13	17,641	18,817
		27,405	28,847

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2015

	At 31 December 2015 (Unaudited) <i>HK\$'000</i>	At 30 June 2015 (Audited) <i>HK\$'000</i>
<i>Note</i>		
Net current assets	448,960	435,740
Net assets	1,568,488	1,819,031
Capital and reserves		
Share capital	14	1,077,853
Reserves	(169,962)	87,054
Equity attributable to owners of the Company	907,891	1,164,907
Non-controlling interests	660,597	654,124
Total equity	1,568,488	1,819,031

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 2015 (Unaudited)

	Attributable to owners of the Company								Total HK\$'000
	Share capital	Property revaluation reserve	Non- distributable reserve	Share option reserve	Other reserve	Retained profits	Sub- total	Non- controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2015 (Audited)	1,077,853	5,922	2,264	2,405	(51,221)	127,684	1,164,907	654,124	1,819,031
Loss and total comprehensive loss for the period	-	-	-	-	-	(257,016)	(257,016)	6,473	(250,543)
At 31 December 2015 (Unaudited)	1,077,853	5,922	2,264	2,405	(51,221)	(129,332)	907,891	660,597	1,568,488

For the six months ended 31 December 2014 (Unaudited)

	Attributable to owners of the Company								Total HK\$'000
	Share capital	Property revaluation reserve	Non- distributable reserve	Share option reserve	Other reserve	Retained profits	Sub- total	Non- controlling interests	
	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

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

	For the six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(2,166)	283,628
Net cash (used in)/generated from investing activities	(327)	57,342
Net cash used in financing activities	(1,438)	(261,440)
Net (decrease)/increase in cash and cash equivalents	(3,931)	79,530
Cash and cash equivalents at beginning of the period	58,207	45,190
Cash and cash equivalents at end of the period	54,276	124,720
Analysis of balances of cash and cash equivalents		
Cash and bank balances	54,276	124,473
Cash at securities companies	–	247
	54,276	124,720

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 2015

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 2015. 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 2015, 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.

(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.

Neptune Group Limited

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

For the six months ended 31 December 2015

2. TURNOVER AND SEGMENT REPORTING *(continued)*

(a) Geographical information *(continued)*

	Macau		Hong Kong	
	For the six months ended 31 December		For the six months ended 31 December	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers	132,955	283,909	-	-

	At	At	At	At
	31 December	30 June	31 December	30 June
	2015	2015	2015	2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	1,019,470	1,283,776	60,386	59,843

(b) Information about the customers

For the six months ended 31 December 2015, revenue from Gaming and Entertainment Business of approximately HK\$42,706,000 (2014: HK\$60,062,000), HK\$39,211,000 (2014: HK\$129,994,000), HK\$36,803,000 (2014: HK\$61,803,000) and HK\$14,235,000 (2014: HK\$20,021,000) were derived from the largest external customer (which is an entity owned by a substantial shareholder of the Company), the second largest external customer (which is an entity owned by a non-controlling shareholder of a subsidiary), the third largest external customer (which is an entity owned by a non-controlling shareholder of another subsidiary) and the fourth largest external customer (which is an entity owned by another non-controlling shareholder of the Company). Transactions with each of these 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 2015

3. FINANCE COSTS

	For the six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank borrowing	262	294

4. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
(Loss)/profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment	120	246

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 2015 and 2014.

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 2015 and 2014.

7. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to owners of the Company of approximately HK\$257,016,000 (2014: profit of approximately HK\$130,930,000) and the total of 4,616,245,000 ordinary shares (31 December 2014: 4,616,245,000 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 31 December 2015 and 2014 were the same as the basic (loss)/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 both periods.

Neptune Group Limited

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

For the six months ended 31 December 2015

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2015 and 2014, the Group did not acquire any property, plant and equipment and the Group did not dispose of any property, plant and equipment.

9. MOVEMENTS IN INVESTMENT PROPERTY

The directors of the Company are of the opinion that the carrying value of the Group's investment property as at 31 December 2015 is not materially difference from its fair value at that date. Accordingly, no valuation movement has been recognised in respect of the Group's investment property.

During the six months ended 31 December 2015, the Group spent approximately HK\$663,000 (2014: Nil) on addition of investment property.

10. INTANGIBLE ASSETS

	Rights in sharing of profit streams
	<i>HK\$'000</i>
Cost:	
At 1 July 2014, 30 June 2015, 1 July 2015 and 31 December 2015	2,918,693
Accumulated impairment losses:	
At 1 July 2014	815,900
Impairment loss recognised during the year	875,222
At 30 June 2015	1,691,122
Impairment loss recognised during the period	277,256
At 31 December 2015	1,968,378
Carrying amount:	
At 31 December 2015 (unaudited)	950,315
At 30 June 2015 (audited)	1,227,571

Neptune Group Limited

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

For the six months ended 31 December 2015

10. INTANGIBLE ASSETS *(continued)*

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 2014	567,793	201,000	603,100	168,900	562,000	2,102,793
Impairment loss recognised during the year	(241,675)	(85,401)	(261,294)	(168,900)	(117,952)	(875,222)
At 30 June 2015	326,118	115,599	341,806	–	444,048	1,227,571
Impairment loss recognised during the period	–	(72,324)	(204,932)	–	–	(277,256)
At 31 December 2015	326,118	43,275	136,874	–	444,048	950,315

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.

During the six months ended 31 December 2015, an impairment loss of approximately HK\$277,256,000 (2014: Nil) was recognised in respect of the Group's Gaming and Entertainment Business by reference to the valuation report issued by an independent qualified professional valuer.

Neptune Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2015

11. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
Available-for-sale equity investments		
– Unlisted investments, at fair values	39,672	39,672

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 2015 and 2014 by reference to the assessments of the Company's directors.

12. 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. As at 31 December 2015, trade receivables of the Group amounting to approximately HK\$461,570,000 (30 June 2015: HK\$344,289,000) were individually determined to be impaired with reference to the valuation report issued by an independent qualified professional valuer. Accordingly, specific allowances for doubtful debts of trade receivables of approximately HK\$117,281,000 (2014: Nil) were recognised during the six months ended 31 December 2015.

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 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
0 – 30 days	19,628	23,525
31 – 60 days	18,696	32,741
61 – 90 days	24,749	28,365
Over 90 days	726,701	572,188
	789,774	656,819
Less: Impairment loss on trade receivables	(461,570)	(344,289)
	328,204	312,530

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2015

13. BANK BORROWING

	At 31 December 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
Mortgage loan – secured	17,641	18,817
Carrying amount repayable*:		
Within one year	2,403	2,369
More than one year, but not exceeding two years	2,474	2,439
More than two years, but not more than five years	7,858	7,747
More than five years	4,906	6,262
	17,641	18,817

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

	At 31 December 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
Within one year	2,403	2,369
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)	15,238	16,448
Amount due within one year shown under current liabilities	17,641	18,817

As at 31 December 2015 and 30 June 2015, the bank borrowing was secured by fixed charge over the Group's office premise.

For the six months ended 31 December 2015, the effective interest rate for the bank borrowing was 2.85% per annum (six months ended 31 December 2014: 2.85% per annum).

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

For the six months ended 31 December 2015

14. SHARE CAPITAL

	At 31 December 2015		At 30 June 2015	
	No. of shares (<i>'000</i>)	Amount \$ <i>'000</i>	No. of shares (<i>'000</i>)	Amount \$ <i>'000</i>
Ordinary shares, issued and fully paid:				
At beginning and end of the period	4,616,245	1,077,853	4,616,245	1,077,853

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

15. 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 2015

15. FAIR VALUE MEASUREMENT *(continued)*

i) Financial instruments carried at fair value *(continued)* 31 December 2015 (unaudited)

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Derivative financial instruments	–	–	67	67
Available-for-sale investments	–	–	39,672	39,672
	–	–	39,739	39,739

30 June 2015 (audited)

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Derivative financial instruments	–	–	67	67
Available-for-sale investments	–	–	39,672	39,672
	–	–	39,739	39,739

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 2015

16. 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 2015 and the year ended 30 June 2015, there has been no significant progress.

17. 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term benefits	1,038	931
Post-employment benefits	27	27
	1,065	958