



NEPTUNE GROUP LIMITED  
海王國際集團有限公司

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



**2016/17**  
INTERIM REPORT

# Neptune Group Limited

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **Executive directors:**

Mr. Danny Xuda Huang  
Mr. Nicholas J. Niglio  
Mr. Chan Shiu Kwong, Stephen  
*(resigned on 31 January 2017)*  
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  
*(resigned on 31 January 2017)*  
Mr. Lam Yick Man  
*(appointed on 1 February 2017)*

### 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

Zhonghui Anda CPA Limited  
Unit 701, Citicorp Centre  
18 Whitfield 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

Room 3328C, 33/F  
China Merchants Tower,  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

### COMPANY WEBSITE

[www.neptune.com.hk](http://www.neptune.com.hk)

### E-MAIL

[enquiry@neptune.com.hk](mailto:enquiry@neptune.com.hk)

### STOCK CODE

00070

# Neptune Group Limited

## CHAIRMAN'S STATEMENT

For the past six months we have seen a glimmer hope as revenue rebounded in Macau's gaming sector. Statistics from various agencies have pointed that Gross Gaming Revenue have turned to single digit of growth, which was a stark contrast from double digit of deficits for the same period last year. Obviously, the combined impact has sent the local media and gaming analysts excitement and anticipation for 2017, all hoping for better results ahead.

We continued our cautious and conservative outlook for 2017. Instead, we chose to focus on our existing businesses and trying to improve on what we already have. In the past six months, we reviewed the results of all our business partners and for those with positive cashflows, we demanded repayment for our profit share. After all, the key element that we should deliver to our shareholders is not just accounting profits, but actual cash inflow. The process has not been an easy task as these businesses remained in operating losses. We thank our management and staff for their persistent effort in recovering receivables.

The additional cashflow we recovered have been very valuable in the current economic climate as some may describe "cash as king". We shall be prudent in how we utilise these scarce resource for a better outcome to the Group. Collectively, we do not think 2017 would see any significant results from prior period. We would instead continue reviewing our existing investments and extracting more value within. Should opportunities arise, we now have the capability to execute if meeting our criterion.

We continue to offer hope and commitment on business diversification. This has been an objective of the Group since last year and we will continue on this journey. We hope diversification in other business sectors shall reduce our dependence on gaming, so to minimise the impact of ongoing negativity in Macau's gaming in worst case scenario. The money lending business is at moment one of our initiatives and management remain focus to kick start this operation.

As numerous proposals come to our attention we examine its contents in a protective fashion as mandated by our Board. Nonetheless, our prior business model will not be forsaken. We remain vigilant in Macau and our partners in the coming year shall offer hope of recovery but mixed with inconclusiveness. No promises can be cemented yet optimism combined with caution creates a new platform to work from.

# Neptune Group Limited

The Board, management and staff in the Group have worked hard last year and I sincerely thank you all for the efforts and results delivered. The momentum shall continue and lets hope the final results would prevail on what we have achieved.

I sincerely thank you for everything.

**Danny Xuda Huang**

*Chairman of the Board*

Hong Kong, 24 February 2017

# 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 2016, amounted to approximately HK\$25.9 million (2015: loss of HK\$257.0 million); Underlying earnings per shares were HK0.04, considerable difference from corresponding period last year of loss per shares of (restated) HK0.55.

### BUSINESS OVERVIEW

After yet another year of difficult economic conditions, signs of improving customer patronage and gaming turnovers have been witnessed this year. According to Macau Government statistics issued publicly on a monthly basis by DICJ, gaming revenues have reached HK\$112,062 million for the six months ended 31 December 2016, a 5.7% increase compared to the six months ended 31 December 2015. Whilst the overall market sentiment remained conservative, the recovery signs have been at least a welcome one after past years of double digit downturn since mid-2014.

The Macau gaming industry continued to see new hotels opened (two in the past few months), although at a much slower pace. Macau government's regulation remained stable and conducive to the development of the Macau gaming industry. The number of Macau's visitors continued to increase and industry effort to ramp-up marketing campaign persisted into the mass market would suggest that the Macau gaming industry will continue to improve going into 2017.

We are optimistic on the Macau's gaming market since the industry has shown the first sight of a positive growth. Hope is now on the horizon for all operators in the VIP gaming industry. Looking forward to 2017, we would think positive results are achievable in the gaming segment. Further, our Group will continue to explore any viable investment opportunities and expand on the money lending business which will enable the Group to diversify on the reliance on single income stream and embark on a more sustainable path.

# Neptune Group Limited

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

### **CORE BUSINESS ON GAMING**

The Revenue from commission on rolling turnover have recorded just under HK\$136 millions for the 6 months ended 31 December 2016, which has remained stable with minor increase when compared with HK\$133 millions for the same period in 2015. Whilst General and Administrative expenses have marginally increased, extra efforts and focus in 2016 have been placed by management to collect trade receivables that have been long overdue from some of our business partners. The result has been a very positive one, in particular to debts over 365 days which was recorded in 2015 for HK\$654 millions outstanding compared to HK\$363 millions for 2016. Our Group's cashflow has accordingly recorded significant increment after successful collection of the receivables.

For the six months ended 31 December 2016, our Cash and Cash Equivalent assets have reached HK\$644.7 millions, compared to only HK\$148.5 millions for the same period in 2015. The net cash inflows of approximately HK\$496.2 millions have undoubtedly brought our Group much needed cashflow to our balance sheet. More importantly, this provided our Group the ability to take on viable business opportunities when they arise. The hard efforts would not be let off and we will continue to manage the trade receivables effectively and ensure repayment schedule has been met.

Look forward to 2017, we are optimistic with the underlying results given the improving signs of the gaming sector and the improvement of trade receivables. With the additional cash on hand, our Group will keep developing the new money lending business and continue exploring new investment opportunities.

### **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 2016 (2015: HK\$ Nil).

# Neptune Group Limited

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

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

The Group had net current assets of approximately HK\$881.7 million as at 31 December 2016 (30 June 2016: HK\$746.9 million). Except for bank mortgage loan of HK\$15.2 million which is used for purchase of our office premise, there was no other borrowings as at 31 December 2016 (30 June 2016: HK\$16.4 million). The total equity of the Group as at 31 December 2016 was HK\$1,491.4 million (30 June 2016: HK\$1,451.7 million). The gearing ratio, calculated on the basis of total debts over total equity attributable to equity shareholders as at 31 December 2016, was approximately 1.40% (30 June 2016: 1.55%). The total current liabilities of the Group as at 31 December 2016 was HK\$24.7 million (30 June 2016: HK\$27.0 million) mainly consisting of interest payable of HK\$6.1 million (30 June 2016: HK\$6.1 million); other payable and accrual item including bank loan.

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

As at 31 December 2016, the Group's leasehold land and building in Hong Kong of approximately HK\$60.0 million (30 June 2016: HK\$60.0 million) was still pledged to a bank which providing a banking facilities of HK\$15.2 million (30 June 2016: HK\$16.4 million).

# Neptune Group Limited

## **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 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 2016.

### **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 2016 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 2016, 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*

<b>Name of director</b>	<b>Number of ordinary share options held</b>	<b>Percentage of issued options As at 31 December 2016</b>
Mr. Danny Xuda Huang	4,178,000	23.99%
Mr. Chan Shiu Kwong, Stephen (resigned on 31 January 2017)	4,412,000	25.34%
Mr. Nicholas J. Niglio	4,412,000	25.34%
Mr. Lin Chuen Chow, Andy	4,178,000	23.99%

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 2016.

# Neptune Group Limited

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

At 31 December 2016, 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>
Miss Lin Yee Man	205,125,000	29.62%
Mr. Wong Yau Shing	108,000,000	15.6%

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 2016.

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

Save as disclosed above, at no time during the six months ended 31 December 2016 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 2016

	Notes	For the six months ended 31 December	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	2	135,933	132,955
Other revenue		3,373	1,188
Impairment loss of trade receivables	10	–	(117,281)
Impairment loss of intangible assets	9	–	(277,256)
Amortisation of intangible assets		(102,708)	–
General and administrative expenses		(4,365)	(2,837)
<b>Profit/(loss) from operations</b>		<b>32,233</b>	(263,231)
Share of profits of an associate		7,781	12,950
Finance costs	3	(230)	(262)
<b>Profit/(loss) before taxation</b>	4	<b>39,784</b>	(250,543)
Income tax	5	–	–
<b>Profit/(loss) for the period</b>		<b>39,784</b>	(250,543)
Other comprehensive income for the period		–	–
<b>Total comprehensive income/(loss) for the period</b>		<b>39,784</b>	(250,543)

# Neptune Group Limited

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

For the six months ended 31 December 2016

		For the six months ended 31 December	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>Attributable to:</b>			
– Owners of the Company		<b>25,938</b>	(257,016)
– Non-controlling interests		<b>13,846</b>	6,473
<b>Profit/(loss) and total comprehensive income/(loss) for the period</b>			
		<b>39,784</b>	(250,543)
		<b>HK\$</b>	<b>HK\$</b>
			(Restated)
<b>Earnings/(loss) per share attributable to owners of the Company</b>			
Basic	7(a)	<b>0.04</b>	(0.55)
Diluted	7(b)	<b>0.04</b>	(0.55)

The notes on pages 17 to 24 form part of this interim financial report.

# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	8	283	403
Investment property		60,000	60,000
Intangible assets	9	468,577	571,285
Goodwill		–	–
Interest in an associate		80,901	73,100
Available-for-sale investments		–	–
		<b>609,761</b>	704,788
<b>Current assets</b>			
Derivative financial instruments		–	–
Trade and other receivables	10	261,583	625,340
Cash and cash equivalents		644,775	148,562
		<b>906,358</b>	773,902
<b>Less: Current liabilities</b>			
Other payables		9,444	10,590
Bank borrowing	11	15,239	16,448
		<b>24,683</b>	27,038
<b>Net current assets</b>		<b>881,675</b>	746,864
<b>Net assets</b>		<b>1,491,436</b>	1,451,652

# Neptune Group Limited

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

At 31 December 2016

		At 31 December 2016 (Unaudited) <i>HK\$'000</i>	At 30 June 2016 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>Capital and reserves</b>			
Share capital	12	<b>1,171,921</b>	1,171,921
Reserves		<b>(83,864)</b>	(109,802)
<b>Equity attributable to owners of the Company</b>			
		<b>1,088,057</b>	1,062,119
<b>Non-controlling interests</b>		<b>403,379</b>	389,533
<b>Total equity</b>		<b>1,491,436</b>	1,451,652

The notes on pages 17 to 24 form part of this interim financial report.

# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016 (Unaudited)

	Attributable to owners of the Company								Total
	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 2016 (Audited)	1,171,921	5,922	2,264	6,133	(51,221)	(72,900)	1,062,119	389,533	1,451,652
Profit and total comprehensive income for the period	-	-	-	-	-	25,938	25,938	13,846	39,784
At 31 December 2016 (Unaudited)	1,171,921	5,922	2,264	6,133	(51,221)	(46,962)	1,088,057	403,379	1,491,436

For the six months ended 31 December 2015 (Unaudited)

	Attributable to owners of the Company								Total
	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

The notes on pages 17 to 24 form part of this interim financial report.



# Neptune Group Limited

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Net cash generated from/(used in) operating activities</b>	<b>464,748</b>	(2,166)
<b>Net cash generated from/(used in) investing activities</b>	<b>32,904</b>	(327)
<b>Net cash used in financing activities</b>	<b>(1,439)</b>	(1,438)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>496,213</b>	(3,931)
<b>Cash and cash equivalents at beginning of the period</b>	<b>148,562</b>	58,207
<b>Cash and cash equivalents at end of the period</b>	<b>644,775</b>	54,276

The notes on pages 17 to 24 form part of this interim financial report.

# Neptune Group Limited

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2016

### 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 2016. The condensed consolidated financial information are unaudited but have been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 30 June 2016 that is included in this interim report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 30 June 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report dated 19 December 2016 was qualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; did not contain a statement under section 406(2) and 407(2) of the Hong Kong Companies Ordinance; and contained a statement under section 407(3) of the Hong Kong Companies Ordinance.

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 2016, 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. REVENUE AND SEGMENT REPORTING

The principal activities of the Company and its subsidiaries is introducing customers to respective casino’s VIP rooms in Macau and receiving the profit streams from junket business at respective casino’s VIP rooms in Macau (the “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 CODM, being the directors of the Company, for the purposes of resource allocation and performance assessment, the CODM reviewed the Group’s result as a whole which was generated solely from the Gaming and Entertainment Business and 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.

# Neptune Group Limited

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

For the six months ended 31 December 2016

### 3. FINANCE COSTS

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank borrowing	230	262

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

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit/(loss) before taxation is arrived at after charging:</b>		
Depreciation of property, plant and equipment	120	120
Amortisation of intangible assets	102,708	–

### 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 2016 and 2015.

### 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 2016 and 2015.

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

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

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to owners of the Company of approximately HK\$25,938,000 (2015: loss of approximately HK\$257,016,000) and the total of 692,437,000 ordinary shares (31 December 2015 (restated): 469,934,000 ordinary shares) in issue during the period. The weighted average number of ordinary shares for the purpose of calculating loss per share for the six months ended 31 December 2015 has been restated to reflect the effects of the consolidation of ten shares into one share of the Company with effect in May 2016 and open offer.

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

Diluted earnings/(loss) per share for the six months ended 31 December 2016 and 2015 were the same as the basic earnings/(loss) 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 2016

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

During the six months ended 31 December 2016 and 2015, the Group did not acquire any property, plant and equipment and the Group did not dispose of any property, plant and equipment.

### 9. INTANGIBLE ASSETS

	<b>Rights in sharing of profit streams</b> <i>HK\$'000</i>
<b>Cost:</b>	
At 1 July 2015	2,918,693
Write-off	(168,900)
At 30 June 2016, 1 July 2016 and 31 December 2016	2,749,793
<b>Accumulated amortisation:</b>	
At 1 July 2015	–
Charge for the year	205,416
At 30 June 2016	205,416
Charge for the period	102,708
At 31 December 2016	308,124
<b>Accumulated impairment losses:</b>	
At 1 July 2015	1,691,122
Write-off	(168,900)
Impairment loss recognised during the year	450,870
At 30 June 2016	1,973,092
Impairment loss recognised during the period	–
At 31 December 2016	1,973,092
<b>Carrying amount:</b>	
At 31 December 2016 (unaudited)	468,577
At 30 June 2016 (audited)	571,285

# Neptune Group Limited

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

For the six months ended 31 December 2016

### 9. INTANGIBLE ASSETS (continued)

The intangible assets represent the rights in sharing of profit streams from junket businesses at respective casinos' VIP rooms in Macau, and are related to Gaming and Entertainment Business.

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	Lucky Star Profit Agreement HK\$'000	Hoi Long Profit Agreement HK\$'000	Total HK\$'000
At 1 July 2015	326,118	115,599	341,806	-	444,048	1,227,571
Amortisation for the year	(46,588)	(16,514)	(48,830)	-	(93,484)	(205,416)
Impairment loss recognised during the year	(96,082)	(71,593)	(66,852)	-	(216,343)	(450,870)
At 30 June 2016	183,448	27,492	226,124	-	134,221	571,285
Amortisation for the year	(23,294)	(8,257)	(24,415)	-	(46,742)	(102,708)
Impairment loss recognised during the period	-	-	-	-	-	-
At 31 December 2016	160,154	19,235	201,709	-	87,479	468,577

Prior to 1 July 2015, the directors considered that the useful life of the Group's intangible assets which represented the rights in sharing of profit streams from junket businesses at the respective casinos' VIP rooms in Macau was indefinite because the directors expected that the intangible assets could contribute cash flows to the Group indefinitely.

From time to time, the directors reviewed the useful life of intangible assets. Since the termination of the Lucky Star Profits Agreements on 1 July 2015, the directors reassessed the useful life of the remaining profit sharing agreements. When assessing the useful life of the intangible assets, the directors have taken into account the prolonged difficult business environment of the gaming industry, particularly the VIP room operations, the shifting of focus to tourists and recreational players in the gaming industry in Macau as well as the uncertainty of the outcome of the renewal of the relevant gaming concession contracts by the Macau government. After the assessment, the directors considered that the useful life of the intangible assets is estimated to be in the range of 5 to 7 years. As such, an amortisation of intangible assets was provided over the estimated useful life of 5 to 7 years starting from 1 July 2015.

As a result of this change in accounting estimate on the useful life of the intangible assets with effect on 1 July 2015, the amortisation of intangible assets of approximately HK\$102,708,000 (2015: nil) was recognised during the six months ended 31 December 2016.

During the six months ended 31 December 2016, an impairment loss of approximately HK\$nil (2015: HK\$277,256,000) 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 2016

### 10. TRADE AND OTHER RECEIVABLES

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:

	<b>At 31 December 2016 (Unaudited) HK\$'000</b>	At 30 June 2016 (Audited) HK\$'000
0 – 30 days	<b>24,525</b>	26,789
31 – 60 days	<b>27,113</b>	21,510
61 – 90 days	–	21,317
91 – 180 days	<b>38,543</b>	76,080
181 – 365 days	<b>145,697</b>	132,955
Over 365 days	<b>363,274</b>	653,819
	<b>599,152</b>	932,470
Less: Impairment loss on trade receivables	<b>(407,286)</b>	(407,286)
	<b>191,866</b>	525,184

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. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In September 2016, the Group entered into various agreements with trade debtors pursuant to which (i) the trade debtors agreed to settle the overdue trade receivables of HK\$517,470,000 by monthly installments commencing from October 2016; (ii) the trade debtors and owners of the trade debtors charged all the undertaking, property, assets and rights of the gaming promoters to the Group; and (iii) the owners of the trade debtors guaranteed the full repayments of the outstanding amounts by the trade debtors.

Subsequent to 31 December 2016 and up to the date of approval of these financial statements, the trade debtors made a total payments of HK\$83,638,000 (including two monthly installments for January and February 2017) to the Group. In November 2016, the trade debtors procured several independent third parties to charge their properties located in Macau to the Group as securities for repayment of the overdue trade receivables. The market value of these properties as at 31 October 2016 were amounted to HK\$151,728,000. Together with the amount of HK\$83,638,000 already settled subsequent to 31 December 2016, the directors considered that only part of the outstanding trade receivables amounting HK\$191,866,000 would be recoverable in full. Accordingly, specific allowances for doubtful debts of trade receivables of approximately HK\$nil (2015: HK\$117,281,000) were recognised during the six months ended 31 December 2016.

# Neptune Group Limited

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

For the six months ended 31 December 2016

### 11. BANK BORROWING

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2016</b>	2016
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Mortgage loan – secured	<b>15,239</b>	16,448
<b>Carrying amount repayable*:</b>		
Within one year	<b>2,474</b>	2,439
More than one year, but not exceeding two years	<b>2,546</b>	2,509
More than two years, but not more than five years	<b>8,085</b>	7,971
More than five years	<b>2,134</b>	3,529
	<b>15,239</b>	16,448

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

	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2016</b>	2016
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>2,474</b>	2,439
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)	<b>12,765</b>	14,009
Amount due within one year shown under current liabilities	<b>15,239</b>	16,448

As at 31 December 2016 and 30 June 2016, the bank borrowing was secured by fixed charge over the Group's investment property.

For the six months ended 31 December 2016, the effective interest rate for the bank borrowing was 2.85% per annum (six months ended 31 December 2015: 2.85% per annum).

# Neptune Group Limited

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

For the six months ended 31 December 2016

### 12. SHARE CAPITAL

	At 31 December 2016		At 30 June 2016	
	(Unaudited)		(Audited)	
	No. of shares ( <i>'000</i> )	Amount HK\$ <i>'000</i>	No. of shares ( <i>'000</i> )	Amount HK\$ <i>'000</i>
<b>Ordinary shares, issued and fully paid:</b>				
At beginning and end of the period	<b>692,437</b>	<b>1,171,921</b>	692,437	1,171,921

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.

### 13. 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\$1,592,000 has been made in the financial statements for the year ended 30 June 2004. During the six months ended 31 December 2016 and the year ended 30 June 2016, there has been no significant progress.



# Neptune Group Limited

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

For the six months ended 31 December 2016

### 14. 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Salaries and other short-term benefits	1,038	1,038
Post-employment benefits	27	27
	<b>1,065</b>	1,065