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Neptune Group Limited

海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00070)

DISCLOSEABLE TRANSACTION

(I) SUBSCRIPTION FOR THE HERITAGE CONVERTIBLE NOTE AND (II) ISSUE OF THE NEPTUNE CONVERTIBLE NOTE AND

RESUMPTION OF TRADING

Subscription for the Heritage Convertible Note and issue of the Neptune Convertible Note

The Board is pleased to announce that after trading hours on 15 July 2009, the Company entered into the Heritage CB Subscription Agreement with Heritage, pursuant to which Heritage had conditionally agreed to issue, and the Company had conditionally agreed to subscribe or procure the subscription for, the Heritage Convertible Note in the principal amount of HK\$100,000,000. In satisfaction of the subscription price therefor, the Company entered into the Neptune CB Subscription Agreement with Heritage on the same date, pursuant to which the Company had conditionally agreed to issue, and Heritage had conditionally agreed to subscribe or procure the subscription for, the Neptune Convertible Note in the principal amount of HK\$100,000,000. The Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement are inter-conditional.

Assuming that the Heritage Convertible Note is converted in full at the initial conversion price of HK\$0.96 per Heritage Share, a total of up to 104,166,666 Heritage Shares will be issued, representing approximately 33.96% of the entire issued share capital of Heritage as at the date of this announcement and approximately 25.35% of the entire issued share capital of Heritage as enlarged by the issue of such Heritage Shares.

The Neptune Convertible Note, on the other hand, if fully converted at the initial conversion price of HK\$0.13 per Neptune Share, will give rise to an issue of up to 769,230,769 Neptune Shares, representing approximately 19.99% of the entire issued share capital of the Company as at the date of this announcement and approximately 16.66% of the entire issued share capital of the Company as enlarged by the issue of such Neptune Shares.

Completion of the Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement are inter-conditional.

The applicable percentage ratio (as defined in the Listing Rules) concerning (i) the subscription of the Heritage Convertible Note; and (ii) the issue of the Neptune Convertible Note and the Neptune Conversion Shares, exceeds 5% but is less than 25%. Accordingly, (i) the subscription of the Heritage Convertible Note; and (ii) the issue of the Neptune Convertible Note and the Neptune Conversion Shares constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Resumption of Trading

Trading in the Neptune Shares was suspended with effect from 9:30 a.m. on 16 July 2009 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Neptune Shares with effect from 2:30 p.m. on 17 July 2009.

1. SUBSCRIPTION FOR THE HERITAGE CONVERTIBLE NOTE AND ISSUE OF THE NEPTUNE CONVERTIBLE NOTE

The Board is pleased to announce that after trading hours on 15 July 2009, the Company entered into the Heritage CB Subscription Agreement with Heritage, pursuant to which Heritage had conditionally agreed to issue, and the Company had conditionally agreed to subscribe or procure the subscription for, the Heritage Convertible Note in the principal amount of HK\$100,000,000. In satisfaction of the subscription price therefor, the Company entered into the Neptune CB Subscription Agreement with Heritage on the same date, pursuant to which the Company had conditionally agreed to issue, and Heritage had conditionally agreed to subscribe or procure the subscription for, the Neptune Convertible Note in the principal amount of HK\$100,000,000. The Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement are inter-conditional. The principal terms of the Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement are summarised below:

A. Principal terms of the Heritage CB Subscription Agreement

Date : 15 July 2009

Issuer : Heritage. Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 412). Heritage is an investment holding company and its subsidiaries are principally engaged in property related investments, investment in securities, investment in advertising and lottery related businesses and money-lending businesses.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, Heritage and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subscriber : The Company

Principal amount : HK\$100,000,000
of the Heritage
Convertible Note

Conditions precedent : Completion of the Heritage CB Subscription Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which Heritage and the Company have no reasonable objection) listing of, and permission to deal in, the Heritage Conversion Shares;
- (ii) if required, the passing of the necessary resolution(s) by the Heritage Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Heritage CB Subscription Agreement by Heritage and performance of the transactions contemplated thereunder including the issue of the Heritage Convertible Note and the issue and allotment of the Heritage Conversion Shares in accordance with the Heritage Convertible Note;
- (iii) if required, the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Heritage CB Subscription Agreement by the Company and the subscription of the Heritage Convertible Note;
- (iv) all the conditions precedent under the Neptune CB Subscription Agreement (other than the condition precedent requiring fulfilment or waiver of all the conditions precedent contained under the Heritage CB Subscription Agreement) having been fulfilled or waived (as the case may be) in accordance with the provisions thereof;
- (v) the representations, warranties and undertakings given by Heritage under the Heritage CB Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect;
- (vi) there being no occurrence of circumstances which, in the reasonable opinion of the Company, will have a material adverse effect on the financial condition, prospects, earning, business, undertaking or assets of the Heritage and its subsidiaries, in each case, taken as a whole, since the date of the Heritage CB Subscription Agreement; and

(vii) all necessary approvals from the relevant governmental or regulatory authorities in Hong Kong and Bermuda required of either the Company or Heritage for the consummation of the transactions contemplated under the Heritage CB Subscription Agreement having been obtained and all filings having been made by each of Heritage and the Company.

If the conditions precedent set out above are not fulfilled (or, in respect of the conditions precedent set out in (v) and (vi) above, waived by the Company in its absolute discretion) on or before 31 October 2009 (or such later date as may be agreed in writing between Heritage and the Company, the Heritage CB Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion : Completion of the Heritage CB Subscription Agreement is inter-conditional with the completion of the Neptune CB Subscription Agreement, and shall take place on the third (3rd) business day after fulfilment or waiver (as the case may be) of all of the above conditions precedent.

B. Principal terms of the Neptune CB Subscription Agreement

Date : 15 July 2009

Issuer : The Company

Subscriber : Heritage

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, Heritage and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Principal amount
of the Neptune
Convertible Note : HK\$100,000,000

- Conditions precedent : Completion of the Neptune CB Subscription Agreement is conditional upon:
- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and Heritage have no reasonable objection) listing of, and permission to deal in, the Neptune Conversion Shares;
 - (ii) if required, the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Neptune CB Subscription Agreement by the Company and performance of the transactions contemplated thereunder including the issue of the Neptune Convertible Note and the issue and allotment of the Neptune Conversion Shares in accordance with the Neptune Convertible Note;
 - (iii) if required, the passing of the necessary resolution(s) by the Heritage Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Neptune CB Subscription Agreement by Heritage and the subscription of the Neptune Convertible Note;
 - (iv) all the conditions precedent under the Heritage CB Subscription Agreement (other than the condition precedent requiring fulfilment or waiver of all the conditions precedent contained under the Neptune CB Subscription Agreement) having been fulfilled or waived (as the case may be) in accordance with the provisions thereof;
 - (v) the representations, warranties and undertakings given by the Company under the Neptune CB Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect;
 - (vi) there being no occurrence of circumstances which, in the reasonable opinion of Heritage, will have a material adverse effect on the financial condition, prospects, earning, business, undertaking or assets of the Group, in each case, taken as a whole, since the date of the Neptune CB Subscription Agreement; and

- (vii) all necessary approvals from the relevant governmental or regulatory authorities in Hong Kong and Bermuda required of either the Company or Heritage for the consummation of the transactions contemplated under the Neptune CB Subscription Agreement having been obtained and all filings having been made by each of the Company and Heritage.

If the conditions precedent set out above are not fulfilled (or, in respect of the conditions precedent set out in (v) and (vi) above, waived by Heritage in its absolute discretion) on or before 31 October 2009 (or such later date as may be agreed in writing between the Company and Heritage, the Neptune CB Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion : Completion of the Neptune CB Subscription Agreement is inter-conditional with the completion of the Heritage CB Subscription Agreement shall take place on the third (3rd) business day after fulfilment or waiver (as the case may be) of all of the above conditions precedent.

C. Principal terms of the Heritage Convertible Note and the Neptune Convertible Note

Save and except for the conversion price, most of the terms of the Heritage Convertible Note and the Neptune Convertible Note are identical and they are summarised below:

Maturity : The third (3rd) anniversary from the date of issue of the Heritage Convertible Note or the Neptune Convertible Note (as the case may be).

Interest : Both Heritage Convertible Note and Neptune Convertible Note are non-interest bearing.

Conversion rights : The holder(s) of the convertible note(s) shall have the right to convert, on any business day after the date of issue of such note(s) until the maturity date, the whole (or part only in an integral multiple of HK\$1,000,000) of the principal amount of such note(s) at their respective conversion price provided that no conversion shares will be issued if, upon such issue, the noteholder together with parties acting in concert with it will become interested in 30% or more of the then enlarged issued share capital of the issuer or be otherwise required to make a mandatory general offer for all the shares of the issuer pursuant to the Takeovers Code.

Conversion price : The initial Heritage Conversion Price is HK\$0.96 per Heritage Share, subject to adjustments in certain events such as share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

The initial Heritage Conversion Price represents:

- (i) a discount of approximately 15.79% to the closing price of HK\$1.14 per Heritage Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 15.34% to the average closing price of approximately HK\$1.134 per Heritage Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 16.81% to the average closing price of approximately HK\$1.154 per Heritage Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day.

The initial Neptune Conversion Price is HK\$0.13 per Neptune Share, subject to adjustments in certain events such as share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

The initial Neptune Conversion Price represents:

- (i) a discount of approximately 16.13% to the closing price of HK\$0.155 per Neptune Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.20% to the average closing price of approximately HK\$0.157 per Heritage Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 18.24% to the average closing price of approximately HK\$0.159 per Heritage Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day.

Conversion shares : The issue of the Heritage Convertible Note and the Heritage Conversion Shares is also subject to the approval of the Heritage Shareholders. Assuming that the Heritage Convertible Note is converted in full at the initial conversion price of HK\$0.96 per Heritage Share, a total of up to 104,166,666 Heritage Shares will be issued, representing approximately 33.96% of the entire issued share capital of Heritage as at the date of this announcement and approximately 25.35% of the entire issued share capital of Heritage as enlarged by the issue of such Heritage Shares.

The Neptune Conversion Shares on the other hand, will be issued under the general mandate granted to the Directors by a resolution of its shareholders passed at the annual general meeting of the Company held on 22 December 2008. Such general mandate has not been utilised since the date of passing of the relevant resolution.

Early redemption : To the extent not previously converted, the issuer shall have the right, exercisable at any time from the date of issue of the convertible note up to the maturity date by giving to the noteholder not less than three (3) business days' prior written notice, to redeem the whole or any part (in an integral multiple of HK\$1,000,000) of the note outstanding.

Voting : The noteholder will not be entitled to receive notice of, attend or vote at any meeting of the issuer by reason only of its being a holder of the convertible note.

Transferability : The convertible note may be transferred to any third party provided that the transfer must be in respect of the whole (or part only in an integral multiple of HK\$1,000,000) of the outstanding principal amount of the convertible note.

In the event of a transfer to a connected person of the issuer, the noteholder(s) shall notify the issuer in writing of such transfer, so that the issuer may promptly notify the Stock Exchange of such transfer.

Ranking : The shares to be issued upon exercise of the conversion rights attaching to the convertible note will rank pari passu in all respects with all other existing shares outstanding at the date of exercise of the conversion rights and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of exercise of the conversion rights.

Listing : No application will be made for the listing of, or permission to deal in, the Heritage Convertible Note or the Neptune Convertible Note but application will be made to the Stock Exchange for the listing of, and permission to deal in, the conversion shares to be issued upon exercise of the conversion rights attaching to the Heritage Convertible Note and the Neptune Convertible Note.

D. Effect on the shareholding structure of the Company

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after exercise of the conversion rights attaching to the Neptune Convertible Note in full is as follows:

	As at the date of this announcement		Immediately after the issue of the Neptune Conversion Shares	
	<i>Number of Neptune Shares</i>	<i>Approximate %</i>	<i>Number of Neptune Shares</i>	<i>Approximate %</i>
Directors				
Mr. Lin Cheuk Fung	375,000,000	9.75	375,000,000	8.12
Other substantial Shareholders				
Faith Mount Limited	720,000,000	18.71	720,000,000	15.60
Ultra Choice Limited	720,000,000	18.71	720,000,000	15.60
Heritage	0	0.00	769,230,769	16.66
Other public Shareholders	<u>2,032,244,500</u>	<u>52.82</u>	<u>2,032,244,500</u>	<u>44.02</u>
Total	<u><u>3,847,244,500</u></u>	<u><u>100.00</u></u>	<u><u>4,616,475,269</u></u>	<u><u>100.00</u></u>

Notes:

- As at the date of this announcement, the Company has 167,766,000 outstanding share options and a principal amount of HK\$682,500,090 of convertible note in issue, Save as aforementioned, the Company does not have other outstanding options, warrants, derivatives or securities convertible into Neptune Shares.
- The above calculation assumes no Neptune Shares would be issued or repurchased by the Company before the issue of the Neptune Conversion Shares.

2. REASONS FOR THE ENTERING INTO OF THE HERITAGE CB SUBSCRIPTION AGREEMENT AND THE NEPTUNE CB SUBSCRIPTION AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in investment in gaming related business, the cruise business and trading of listed securities.

Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 412). Heritage is an investment holding company and its subsidiaries are principally engaged in property related investments, investment in securities, investment in advertising and lottery related businesses and money-lending businesses.

The Directors consider that the Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement would help the Company to develop a strategic alliance with Heritage in respect of property related investments, investment in securities, investment in advertising and lottery related businesses and money-lending businesses.

Given that the initial Heritage Conversion Price represents:

- (i) a discount of approximately 15.79% to the closing price of HK\$1.14 per Heritage Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 15.34% to the average closing price of approximately HK\$1.134 per Heritage Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 16.81% to the average closing price of approximately HK\$1.154 per Heritage Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day.

Given that the initial Heritage Conversion Price is discounted to the prevailing market prices of Heritage Shares, the Directors consider that the initial Heritage Conversion Price is favorable to the Company and the entering into of the Heritage CB Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

As (i) the Neptune Convertible Note is issued in satisfaction of the subscription price payable by the Company under the Heritage CB Subscription Agreement for the Heritage Convertible Note; and (ii) the Neptune Convertible Note is interest-free, the entering into of the Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement creates no interest expenses burden to the Company.

Accordingly, the Directors consider that the terms of the Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement (including the conversion prices therefor which were determined with reference to the prevailing market prices of the shares and negotiated on an arm's length basis between the parties) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. GENERAL

The applicable percentage ratio (as defined in the Listing Rules) concerning (i) the subscription of the Heritage Convertible Note; and (ii) the issue of the Neptune Convertible Note and the Neptune Conversion Shares, exceeds 5% but is less than 25%. Accordingly, (i) the subscription of the Heritage Convertible Note; and (ii) the issue of the Neptune Convertible Note and the Neptune Conversion Shares constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

4. RESUMPTION OF TRADING

Trading in the Neptune Shares was suspended with effect from 9:30 a.m. on 16 July 2009 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Neptune Shares with effect from 2:30 p.m. on 17 July 2009.

5. DEFINITIONS

In this announcement, the following terms shall have the meanings set opposite them unless the context otherwise requires:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Neptune Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Heritage”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 412)
“Heritage CB Subscription Agreement”	the conditional agreement dated 15 July 2009 entered into between the Heritage as the issuer and the Company as the subscriber in relation to the subscription of the Heritage Convertible Note
“Heritage Conversion Price”	the conversion price of each Heritage Share to be issued upon exercise of the conversion rights attaching to the Heritage Convertible Note, being HK\$0.96 initially and subject to the adjustments which may be made pursuant to the terms of the Heritage Convertible Note

“Heritage Conversion Shares”	the new Heritage Shares to be issued by Heritage upon the exercise of the conversion rights attaching to the Heritage Convertible Note
“Heritage Convertible Note”	the zero coupon convertible note due 2012 in the principal amount of HK\$100,000,000 to be issued by Heritage to the Company or its nominee(s) pursuant to the Heritage CB Subscription Agreement
“Heritage Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Heritage
“Heritage Shareholder(s)”	the shareholder(s) of Heritage
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	14 July 2009, being the last trading day prior to the entering of the Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Neptune CB Subscription Agreement”	the conditional agreement dated 15 July 2009 entered into between the Company as the issuer and Heritage as the subscriber in relation to the subscription of the Neptune Convertible Note
“Neptune Conversion Price”	the conversion price of each Neptune Share to be issued upon exercise of the conversion rights attaching to the Neptune Convertible Note, being HK\$0.13 initially and subject to the adjustments which may be made pursuant to the terms of the Neptune Convertible Note
“Neptune Conversion Shares”	the new Neptune Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Neptune Convertible Note
“Neptune Convertible Note”	the zero coupon convertible note due 2012 in the principal amount of HK\$100,000,000 to be issued by Company to the Heritage or its nominee(s) pursuant to the Neptune CB Subscription Agreement
“Neptune Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code” the Hong Kong Code on Takeovers and Mergers
“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.

By order of the Board
Neptune Group Limited
Lin Cheuk Fung
Chairman

Hong Kong, 17 July 2009

At the date of announcement, the Board comprises Mr. Lin Cheuk Fung, Mr. Nicholas J. Niglio, Mr. Chan Shiu Kwong, Stephen, Mr. Lau Kwok Hung and Mr. Wan Yau Shing, Ban (all being executive Directors), Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Mr. Wong Tat Tung (all being independent non-executive Directors).