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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)

I. DISCLOSEABLE TRANSACTION – SUPPLEMENTAL AGREEMENTS TO THE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES AND II. RESUMPTION OF TRADING

The Board wishes to announce that after trading hours on 7 September 2009, the Company and Heritage entered into Neptune Supplemental Agreement to amend certain terms of the Neptune CB Subscription Agreement and Heritage Supplemental Agreement to amend certain terms of the Heritage CB Subscription Agreement as follows:

- (i) both the principal amount of the Neptune Convertible Note and the Heritage Convertible Note is reduced from HK\$100 million to HK\$90 million;
- (ii) the initial Neptune Conversion Price is reduced from HK\$0.13 to HK\$0.117 per Neptune Share;
- (iii) the initial Heritage Conversion Price is reduced from HK\$0.96 to HK\$0.76 per Heritage Share;
- (iv) completion of both the Neptune CB Subscription Agreement, the Neptune Supplemental Agreement and the Heritage CB Subscription Agreement, the Heritage Supplemental Agreement shall not be taken place simultaneously;
- (v) Conditions Precedent of the Neptune CB Subscription Agreement remains unchanged, save and except (1) the condition of Capital Reduction of the Company becoming effective is provided; (2) the fulfillment of Conditions Precedent of the Heritage CB Subscription Agreement is removed; and (3) the Long Stop Date for fulfillment of the Conditions Precedent of the Neptune CB Subscription Agreement is extended from 31 October 2009 to 31 December 2009;
- (vi) the Conditions Precedent of the Heritage CB Subscription Agreement remains unchanged, save and except the fulfillment of Conditions Precedent of the Neptune CB Subscription Agreement is removed;
- (vii) the subscription price for the Heritage Convertible Note will be satisfied (1) by issue of the Neptune Convertible Note, or (2) by monies if the Neptune Subscription Agreement and the Neptune Supplemental Agreement does not become unconditional before 31 December 2009; and

- (viii) the subscription price for the Neptune Convertible Note will be satisfied (1) by issue of the Heritage Convertible Note, or (2) by monies on Completion if the Heritage Subscription Agreement and the Heritage Supplemental Agreement does not become unconditional on or before the Completion Date.

The Neptune CB Subscription Agreement, the Neptune Supplemental Agreement and the Heritage CB Subscription Agreement, the Heritage Supplemental Agreement are not inter-conditional and may or may not proceed respectively. Shareholders and potential investors in the Company are advised to exercise caution when dealing with the Neptune Shares.

Despite the above amendments, the Subscription remains a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

Resumption of Trading

Trading in the Neptune Shares was suspended with effect from 9:30 a.m. on 8 September 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 9:30 a.m. on 9 September 2009.

Reference is made to the announcement issued by the Company on 17 July 2009 (the “Announcement”). Unless otherwise defined herein, terms defined in the Announcement shall have the same meanings when used herein.

1. SUPPLEMENTAL AGREEMENTS DATED 7 SEPTEMBER 2009

The Board wishes to announce that after trading hours on 7 September 2009, the Company and Heritage entered into the Neptune Supplemental Agreement to amend certain terms of the Neptune CB Subscription Agreement and the Heritage Supplemental Agreement to amend certain terms of the Heritage CB Subscription Agreement. The amended terms are summarised as follows:

A. Neptune Supplemental Agreement

	Existing terms under the Neptune CB Subscription Agreement	Amendments
Principal amount of the Neptune Convertible Note:	HK\$100 million	HK\$90 million
Settlement method:	By issue of the Heritage Convertible Note.	(1) By issue of the Heritage Convertible Note, or (2) by monies on Completion if the Heritage Subscription Agreement and the Heritage Supplemental Agreement does not become unconditional on or before the Completion Date.

	Existing terms under the Neptune CB Subscription Agreement	Amendments
Conditions precedent:	Completion of the Neptune CB Subscription Agreement is conditional upon, among other things, 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.	Conditions precedent of the Neptune CB Subscription Agreement remains unchanged, save and except (1) the condition of Capital Reduction of the Company becoming effective is provided, (2) the fulfillment of Conditions Precedent of the Heritage CB Subscription Agreement is removed and (3) the Long Stop Date for fulfillment of the Conditions Precedent of the Neptune CB Subscription Agreement is extended from 31 October 2009 to 31 December 2009.
Long stop date for fulfillment of the conditions precedent:	31 October 2009	31 December 2009
Conversion price:	HK\$0.13	HK\$0.117
		The revised initial Neptune Conversion Price represents: <ul style="list-style-type: none"> (i) a discount of approximately 10% to the original initial Neptune Conversion Price; (ii) a discount of approximately 5.65% to closing price of HK\$0.124 per Neptune Share as quoted on the Stock Exchange on the Last Trading Day; (iii) a discount of approximately 7.87% to the average closing price of HK\$0.127 per Neptune Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and

Existing terms under the Neptune CB Subscription Agreement

Amendments

- (iv) a discount of approximately 10.69% to the average closing price of HK\$0.131 per Neptune Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

Conversion shares:	Assuming that the Neptune Convertible Note is converted in full at the original initial Neptune Conversion Price, a total of 769,230,769 Neptune Shares will be issued, 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.	Assuming that the Neptune Convertible Note is converted in full at the revised initial Neptune Conversion Price, a total of 769,230,769 Neptune Shares will be issued, 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:	The 3rd Business Day after fulfillment or wavier of all of the Conditions Precedent, Completion shall take place at the offices of the Company in Hong Kong (or at such other venue as the parties may agree) at or before 5:00 p.m. (Hong Kong time) simultaneously with completion of the Heritage CB Subscription Agreement, at which each party hereto shall perform or shall procure the performance of its obligations set out in Schedule 2 of the Neptune CB Subscription Agreement.	The 3rd Business Day after fulfillment or wavier of all of the Conditions Precedent, Completion shall take place at the offices of the Company in Hong Kong (or at such other venue as the parties may agree) at or before 5:00 p.m. (Hong Kong time), at which each party hereto shall perform or shall procure the performance of its obligations set out in Schedule 2 of the Neptune CB Subscription Agreement.

B. Heritage Supplemental Agreement

	Existing terms Under the Heritage CB Subscription Agreement	Amendments
Principal amount of the Heritage Convertible Note:	HK\$100 million	HK\$90 million
Settlement method:	By issue of the Neptune Convertible Note.	(1) By issue of the Neptune Convertible Note, or (2) by monies if the Neptune Subscription Agreement and the Neptune Supplemental Agreement does not become unconditional before 31 December 2009.
Conditions precedent:	Completion of the Heritage CB Subscription Agreement is conditional upon, among other things, 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.	Conditions precedent of the Heritage CB Subscription Agreement remains unchanged, save and except the fulfillment of Conditions Precedent of the Neptune CB Subscription Agreement is removed.
Conversion price:	HK\$0.96	HK\$0.76 The revised initial Heritage Conversion Price represents: (i) a discount of approximately 20.83% to the original initial Heritage Conversion Price; (ii) a discount of approximately 1.3% to the closing price of HK\$0.77 per Heritage Share as quoted on the Stock Exchange on the Last Trading Day;

**Existing terms Under the
Heritage CB Subscription
Agreement**

Amendments

- (iii) a discount of approximately 6.17% to the average closing price of HK\$0.81 per Heritage Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 15.56% to the average closing price of HK\$0.90 per Heritage Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

Conversion shares:

Assuming that the Heritage Convertible Note is converted in full at the original initial Heritage Conversion Price, a total of 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.

Assuming that the Heritage Convertible Note is converted in full at the revised initial Heritage Conversion Price, a total of 118,421,052 Heritage Shares will be issued, representing approximately 38.60% of the entire issued share capital of Heritage as at the date of this announcement and approximately 27.85% of the entire issued share capital of Heritage as enlarged by the issue of such Heritage Shares.

Existing terms Under the Heritage CB Subscription Agreement

Amendments

Completion:

The 3rd Business Day after fulfillment or waiver of all of the Conditions Precedent, Completion shall take place at the offices of the Heritage in Hong Kong (or at such other venue as the parties may agree) at or before 5:00 p.m. (Hong Kong time) simultaneously with completion of the Neptune CB Subscription Agreement, at which each party hereto shall perform or shall procure the performance of its obligations set out in Schedule 2 of the Heritage CB Subscription Agreement.

The 3rd Business Day after fulfillment or waiver of all of the Conditions Precedent, Completion shall take place at the offices of the Heritage in Hong Kong (or at such other venue as the parties may agree) at or before 5:00 p.m. (Hong Kong time), at which each party hereto shall perform or shall procure the performance of its obligations set out in Schedule 2 of the Heritage CB Subscription Agreement.

The following post-completion undertaking provided by the Company is added:

In case the Neptune CB Subscription Agreement does not become unconditional before 31 December 2009, the Company shall effect payment of the total subscription monies for the Heritage Convertible Note in full to Heritage, by the delivery to Heritage of a cheque for that amount payable to Heritage or as it may direct; or remittance of such sum in immediate available funds to Heritage's Hong Kong dollar bank account (details of which will be notified in writing by Heritage to the Company at least 24 hours prior to the aforesaid payment) at or before 4:00 p.m. on 31 December 2009.

Save for the aforesaid amendments, there were no other material changes to the terms of the Neptune CB Subscription Agreement or Heritage CB Subscription Agreement.

2. 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 at the revised initial Neptune Conversion Price 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	–	0.00	769,230,769	16.66
Other public Shareholders	<u>2,032,244,500</u>	<u>52.83</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:

1. As at the date of this announcement, the Company has 167,766,000 outstanding share options and a principal amount of HK\$568,500,090 of convertible note in issue. Save as aforementioned, the Company does not have other outstanding options, warrants, derivatives or securities convertible into Neptune Shares.
2. The above calculation assumes no Neptune Shares would be issued or repurchased by the Company before the issue of the Neptune Conversion Shares.

3. REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENTS

The market prices of the Neptune Shares and the Heritage Shares have both declined as a result of the recent fluctuations in the stock market. The Company and Heritage therefore entered into negotiation and agreed to lower both Neptune Conversion Price and Heritage Conversion Price so as to reflect more closely the prevailing trading prices of the Neptune Shares and the Heritage Shares. The entering into the Neptune Supplemental Agreement and the Heritage Supplemental Agreement provides commercial flexibility to the Company that even if the Capital Reduction of the Company cannot become effective, the Company can still subscribe the Heritage Convertible Note at a cash consideration of HK\$90 million at zero coupon rate.

In addition, as the Neptune CB Subscription Agreement, the Neptune Supplemental Agreement and the Heritage CB Subscription Agreement, the Heritage Supplemental Agreement together with the transactions to be contemplated thereunder remain major transactions to Heritage under the Listing Rules, Heritage is required to convene a shareholders' meeting for approving the relevant resolutions. As such, (i) if Heritage Shareholders only approve the Heritage CB Subscription Agreement and the Heritage Supplemental Agreement together with the transactions to be contemplated thereunder but not the Neptune CB Subscription Agreement and the Neptune Supplemental Agreement together with the transactions to be contemplated thereunder, or the Neptune CB Subscription Agreement cannot be unconditional on or before 31 December 2009, the Company can still subscribe the Heritage Convertible Note at a cash consideration of HK\$90 million at zero coupon rate; and (ii) if Heritage Shareholders only approve the Neptune CB Subscription Agreement and the Neptune Supplemental Agreement together with the transactions to be contemplated thereunder but not the Heritage CB Subscription Agreement and the Heritage Supplemental Agreement together with the transactions to be contemplated thereunder, the Company can still issue the Neptune Convertible Note upon the Capital Reduction being effective and receive HK\$90 million cash from Heritage at zero coupon rate, which will strengthen the cash position of the Group.

The entering into the Neptune CB Subscription Agreement, the Neptune Supplemental Agreement and the Heritage Subscription Agreement, the Heritage Supplemental Agreement will enable the Group to have more flexibility and provide opportunities to further develop and diversify its businesses. Therefore, the Directors consider that the terms of the Neptune CB Subscription Agreement, the Neptune Supplemental Agreement and the Heritage CB Subscription Agreement, the Heritage Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

If the Neptune CB Subscription Agreement and the Neptune Supplemental Agreement does not become unconditional, the Company currently intends to use its internal resources to settle the consideration which may be payable to Heritage. If the Heritage Subscription Agreement and the Heritage Supplemental Agreement does not become unconditional, the Company currently intends to use the net proceeds which may be received from Heritage as working capital of the Group.

The Neptune CB Subscription Agreement, the Neptune Supplemental Agreement and the Heritage CB Subscription Agreement, the Heritage Supplemental Agreement are not inter-conditional and may or may not proceed respectively. Shareholders and potential investors in the Company are advised to exercise caution when dealing with the Neptune Shares.

4. RESUMPTION OF TRADING

Trading in the Neptune Shares was suspended with effect from 9:30 a.m. on 8 September 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 9:30 a.m. on 9 September 2009.

5. DEFINITIONS

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

- “Capital Reduction” the proposed cancellation of the paid up capital of the Company to the extent of HK\$0.19 of each Neptune Share in issue from HK\$0.20 to HK\$0.01 and the reduction of the nominal value of all the issued and unissued Neptune Shares as more particularly described in the announcement issued by the Company on 2 September 2009
- “Last Trading Day” 4 September 2009, being the last trading day of the Heritage Shares on the Stock Exchange prior to the release of this announcement
- “Heritage Supplemental Agreement” Heritage and the Company entered into supplemental agreement to amend certain terms of the Heritage CB Subscription Agreement on 7 September 2009
- “Neptune Supplemental Agreement” the Company and Heritage entered into supplemental agreement to amend certain terms of the Neptune CB Subscription Agreement on 7 September 2009

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

Hong Kong, 8 September 2009

As at the date of this 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).