VERTEX
Communications & Technology Group Limited
(Incorporated in the Cayman Islands with Limited Liability)
(慧峯集團有限公司)*

Annual Report
2004

*For identification only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors of Vertex Communications & Technology Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: i. the information contained in this report is accurate and complete in all material respects and not misleading; ii. there are no other matters the omission of which would make any statement in this report misleading; and iii. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Poon Kwok Lim Steven, *JP (Chairman)*
Mr. Poon Shu Yan Joseph *(CEO)*
Ms. Au Yeung Pui Shan Karen

Non-executive Directors
Mr. Lee Peng Fei Allen, *CBE, BS, FHKIE, JP*
Mr. Lee Shu Fan

Independent Non-executive Directors
Mr. Tsui Yiu Wa Alec
Mr. Yeung Pak Sing
Mr. Tam Tak Wah

COMPANY SECRETARY

Ms. Au Yeung Pui Shan Karen *LL. B.*

QUALIFIED ACCOUNTANT

Mr. Mok Hay Hoi, *CPA*

COMPLIANCE OFFICER

Mr. Poon Shu Yan Joseph

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2703 China Merchants Tower
Shun Tak Centre
168-200 Connaught Road, Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICES

Principal share register and transfer office
Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
36C, Bermuda House, 3rd Floor
Dr. Roy's Drive, George Town
Grand Cayman, Cayman Islands
British West Indies

Hong Kong branch share registrar and transfer office
Secretaries Limited
G/F., Bank of East Asia Harbour View Centre, 56
Gloucester Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Poon Shu Yan Joseph
Ms. Au Yeung Pui Shan Karen

AUDIT COMMITTEE

Mr. Yeung Pak Sing *(Chairman)*
Mr. Tsui Yiu Wa Alec
Mr. Tam Tak Wah

LEGAL ADVISER

Dibb Lupton Alsop

SPONSORS

Kingsway Capital Limited

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

International Bank of Asia
Hang Seng Bank

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

GROUP'S WEBSITE

http://www.vctg.com

GEM STOCK CODE

8228

Chairman's Statement

Dear shareholders

I am pleased to report the activities of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31st December, 2004.

Following the approval for distribution of Newsweek Select in China Mainland at the first quarter of the year, the Group has focused its resource on the production and distribution of the magazine. We are in the process of developing distribution network and editorial offices in Beijing and Shanghai. The expanded distribution network will cover most of the affluent population in China Mainland. During the second half of the year, the magazine has been well received by the advertisers and readers, and the audited average monthly circulation for the Newsweek Select magazine published by the Hong Kong Audit Bureau of Circulations was approximately 80,000 copies for the 7 months from June to December 2004.

The Group has been actively exploring of bring international renowned magazines into the Chinese language markets. On 23rd June, 2004, the Group concluded a worldwide sole licensee agreement with ESPN Inc., to publish its ESPN the Magazine in Chinese language for the Greater China region. ESPN the Magazine is one of the most popular sports magazines in the U.S. We anticipate that revenue generated from advertising and circulation of ESPN Chinese Edition will contribute to the Group's overall performance in 2005.

Built on the foundations of the three titles of the magazine, I expect the Group's results will continue to improve in terms of the turnover and the Group's overall profitability in the coming years.

China Mainland will be a key market for our print media business, and the business operations in China are expected to have significant contributions to the Group. I expect our business outlook depends increasingly upon the prospects of the Mainland economy. I believe the Group has been well positioned to take advantage of the increasing economic integration between Hong Kong and China Mainland.

Looking forward, I am confident that with our experience and expertise, our business will increase steadily and our pursuit of future business opportunities will bring us to another path of profitability in the years to come. I would like to thanks our board of directors, shareholders, and business partners for their continued support and all our staff for their hard work and dedicated service.

Poon Kwok Lim Steven
Chairman
Hong Kong

30th March, 2005

Management Discussion and Analysis

PROSPECTS

With the foundations of the three titles of the Group, the management team is positive about the year 2005. The Group will further strengthen the current production and distribution platform for the China Mainland market and extend our current advertising services to include organizing more regional events for clients in the region. With the economy rebound in Hong Kong and steadily growth in the China Mainland, we expect advertisers to be more aggressive in their marketing budgets, which will be of benefit to the Group.

Newsweek Chinese Edition

Since June 2004, Newsweek Select is available in China Mainland readers on a subscription basis. We have also extended our circulation strategy to corporate partners to further strengthen the magazine as the number one lifestyle magazine in China Mainland. We shall continue to focus on increase the advertising revenue by improving margins and increasing clientele base.

MIT Technology Review Chinese Edition

MIT Technology Review Chinese Edition is available in Hong Kong and China Mainland since January 2004. We have positioned the magazine as the number one choice for technology entrepreneurs in the Greater China Region.

ESPN the Magazine Chinese Edition

The management team is in the process of launching the ESPN the Magazine Chinese language for the Greater China region. The U.S. edition has a circulation of 1.75 million copies per issue in the U.S. alone. This magazine shall be positioned as the first international renowned Chinese sport magazine in the China Mainland with international and local contents in order to better serve the need of readers and advertiser.

FINANCIAL REVIEW

Results

During the year under view, the Group reported a turnover of about HK$7.3 million. About 72% of the turnover was contributed by the Group's media publication business. The turnover for the year under review represents an increase of approximately 11% compared with the previous year. For the year of 2004, revenue generated from media publishing business has become the main stream of the Group as less projects related to broadband communication infrastructure services and system solution services have been undertaken by the Group since early of the year.

Staff costs for the year under review decreased to approximately HK$11.6 million from approximately HK$15.3 million in the previous year. The decrease in staff costs was mainly attributable to retrenchment of operations staff in communications infrastructure and technology services business at end of 2003.

The subcontracting costs for the year under review amounted to approximately HK$2.0 million, representing approximately 27% of the turnover. In previous year, the subcontracting costs was approximately HK$5.3 million or 81% of the turnover. The decrease in subcontracting costs is in line with the decrease in turnover of technology business.

For the year ended 31st December, 2004, the royalty and production cost amounted to HK$10.3 million. The increase in the royalty and production costs was attributed to royalty and production costs in relation to publication of Chinese language Newsweek, MIT Technology Review and ESPN in Hong Kong and the China Mainland.

Due to continuous losses incurred by the subsidiaries in publication, the Directors reassessed the recoverable amount of deferred expenditure arising from the development and production expenditure for the establishment of the framework and layout of the magazines, and recognized an impairment loss of approximately HK$4.7 million during the year under review.

The extraordinary gain arose from issuance of 1,360 equity shares in respect of Vertex Media Ltd to Kingsway Lion Spur Technology Limited for a cash consideration of HK$12.0 million at the last quarter of the year. The new shares represented 11.97% of the enlarged issued share capital of Vertex Media Ltd..

Net loss attributable to shareholders for the year was HK$28.4 million as compared to net loss of the preceding year of approximately HK$35.6 million.

Liquidity, Financial Resources and Capital Structure

During the year ended 31st December, 2004, the Group financed its operations with its own working capital, internally generated cash flow and proceeds from issuance of new shares and bonds. As at 31st December, 2004, the Group has cash of approximately HK$10.2 million as compared to approximately HK$1.5 million as at 31st December, 2003. There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares.

Foreign Exchange

Most of the transactions of the Group are denominated in Hong Kong Dollars and Renminbi. As the exchange rates of the Renminbi to Hong Kong Dollars are fairly stable and only minimum amount of Renminbi are kept in the China Mainland, the Directors are of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies in the course of the financial year ended 31st December, 2004.

Future Plans for Material Investments and Expected Source of Funding

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's Prospectus dated 9th October, 2002 under the sections headed "Statement of Business Objectives and Strategies" and "Reasons for the Placing and Use of Proceeds" respectively. Other than those disclosed, the Group did not have any plan for material investments or capital assets.

Contingent Liabilities

As at 31st December, 2004, the Group did not have any significant contingent liabilities (2003: nil).

Significant Investment

There was no material acquisition or disposal of investment for the year ended 31st December, 2004.

Management Discussion and Analysis

Employee

As at 31st December, 2004, the Group had a total of 34 (2003: 50) staff based in the China Mainland and Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

The Group has not experienced any significant problems with its employees or disruption to its operation due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

Biographical Details of Directors and Senior Management

DIRECTORS

BOARD OF DIRECTORS

Executive Directors

Mr. Poon Kwok Lim Steven, JP, aged 64, is the Chairman of the Group. Mr. Poon has been employed by the Group since May 1998 and was one of the founders of the Group in 1998. Mr. Poon holds a Bachelor's degree in Electrical Engineering from the National Taiwan University, a Master's degree in Electrical Engineering from the University of Hong Kong and an honorary doctoral degree in Business Administration from the Hong Kong University of Science and Technology. Mr. Poon was formerly the General Manager and Chief Operating Officer of China Light & Power Company Limited. Mr. Poon was previously a member of the Hong Kong Legislative Council, the Chairman of Land Development Corporation, a member of the Council of the Stock Exchange and a member of the Listing Committee of the Stock Exchange. Mr. Poon is currently the Managing Director of Bright World Enterprise Limited and China Merchants China Direct Investments Limited. Mr. Poon was a founding Council Member of the Hong Kong University of Science and Technology ("HKUST"). Mr. Poon is the father of Mr. Poon.

Mr. Poon Shu Yan Joseph, aged 34, is the Chief Executive Officer of the Group. Mr. Poon has been employed by the Group since May 1998. Mr. Poon was one of the founders of the Group in 1998. Mr. Poon holds a Bachelor of Science degree in Electrical Engineering from the University of Southern California. Upon graduation, Mr. Poon joined Hong Kong Cable Television Company, where Mr. Poon was in charge of the design and construction of the territory-wide fibre network. Mr. Poon later became the senior engineer at New T & T (Hong Kong) Limited, where Mr. Poon was responsible for the design and building of its overall telecommunication transmission network. Mr. Poon is the son of Mr. Poon.

Ms. Au Yeung Pui Shan Karen, aged 32, is the In-house Counsel and Company Secretary of the Group. Ms. Au Yeung has been employed by the Group since July 2000. Ms. Au Yeung obtained her Bachelor of Laws and Postgraduate Certificate in Laws from the University of Hong Kong and was admitted as a solicitor both in Hong Kong and England & Wales.

Non-executive Directors

Mr. Lee Peng Fei Allen, CBE, BS, FHKIE, JP, aged 64, became a non-executive Director of the Company in March 2002. Mr. Lee holds an honorary doctoral degree in Engineering from the Hong Kong Polytechnic University and an honorary doctoral degree in Law from the Chinese University of Hong Kong. He was formerly a member of the Hong Kong Legislative Council from 1978 to 1997 and a senior member of the Hong Kong Legislative Council from 1988 to 1991. Mr. Lee was also a member of the Hong Kong Executive Council from 1985 to 1992.

Mr. Lee Shu Fan, aged 41, holds a Juris Doctor degree from the American University Washington College of Law as well as a Bachelor of Arts degree in Economics from the State University of New York. Mr. Lee is a qualified US lawyer and Hong Kong solicitor. Mr. Lee is the partner of New Asia Partners Limited. Before that, Mr. Lee worked as the Chief Financial Officer of the Group. He also worked with Goodman Financial Services, a US based private investment firm for more than 1 year. Before that, Mr. Lee was a Director of Capital Markets at Nikko Securities Asia during the period from 1996 to 1998, with responsibility for the origination and execution of all Nikko group's Asia (ex-Japan) equity capital markets activities. Mr. Lee was also the Vice President of Equity Capital Markets at W.I. Carr Indosuez Capital Asia during the period from 1984 to 1996, specialising in the structuring, execution and marketing of equity investments.

Biographical Details of Directors and Senior Management

Independent non-executive Directors

Mr. Tsui Yiu Wa Alec, aged 56, joined the Group in March 2002. He is one of the founders of WAG, a financial and management consulting services group in Hong Kong. He was the chairman of the Hong Kong Securities Institute from 2001-2004. He also serves on the boards of various listed companies as an independent non-executive director. Mr. Tsui was the chief executive of iRegent Group Limited from August 2000 to February 2001. Prior to joining iRegent, he was the chief operating officer of the Stock Exchange from March to July 2000 and the Chief Executive of the Stock Exchange from February 1997. He has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management.

Mr. Yeung Pak Sing, aged 55, joined the Group in June 2002. He is one of the founders of World Power Investment Limited and World Power Management Consultancy Limited, which are investment and management companies for coal-fired, hydro and diesel power stations in Fujian and Jiangsu Provinces. He is a Member of the Court and Council of the University of Hong Kong. He was the Council Member of the Kwun Tong District Council of Hong Kong in the year 2000 to 2003 and he is a Member of the Chinese Consultative Council of Nanping City, Fujian Province. Mr. Yeung holds a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering from the University of Hong Kong.

Mr. Tam Tak Wah, aged 39, is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam has over 15 years of experience in accounting, corporate finance and corporate development. He is currently working as the financial controller of Digitel Group Limited which is listed in the GEM Board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Serina Cheung, aged 50, is the General Manager in charge of media publication of the Group. Serina has been involved in the media business in the areas of sales, marketing and general management for over 20 years. Prior to joining the Group, Serina was the Managing Director of Publicitas China, the China subsidiary of the world's largest media sales company.

Mr. Mok Hay Hoi, aged 44, is the Financial Controller and Qualified Accountant of the Group. Mr. Mok has been employed by the Group since March 2000. Mr. Mok obtained a Bachelor of Commerce degree majoring in Accounting and Economics, and a master of information systems degree from University of Queensland, Australia. Mr. Mok is an associate member of the Hong Kong Society of Accountants and a full member of the Australian Society of Certified Public Accountants and the Institute of Certified Public Accountants of Singapore. Mr. Mok previously worked with two international accounting firms for 6 years specialising in general business assurance and computer security assurance sections. Prior to joining the Group, he was the general manager of a company specialising in sound cards, modem and other telecommunication equipment from 1996 to 1999. Mr. Mok has about 14 years' experience in accounting and finance.

Mr. Tom Tsui, aged 47, is the Chief Editor of Newsweek Select. Tom has more than 17 years experience in publishing. Prior to joining the Group, Tom was the publisher of Tom's Publications and Publishing Director of S-Team Production.

Mr. Jo Chang, aged 58, is the Chief Editor of MIT Technology Review Chinese Edition. Jo has more than 30 years' experience in media and publication. Prior to joining the Group, Jo was the Chief Editor of Time Life Asia for more than 15 years.

Ms. Angela Sun, aged 39, is the General Manager of ESPN the Magazine Chinese Edition. Angela has more than 20 years' experience in China sports industry. Prior to joining the Group, she was the Head of Media and Affiliates Department of China Football Industry Development Corporation (CFIDC), Director, Operation and Support of Xing Kong Chuan Mei (Star TV, China), a subsidiary company of News Corporation, Executive Producer of Sports programs of Hong Kong Phoenix Satellite Television and Editor of China Sports Daily.

Ms. Vita Cheng, aged 32, is the Art Director of the Group. Vita has more than 10 years' experience in magazine design. Prior to joining the Group, Vita was the Art and Production Director of Fullmind International, Design Manager of Compass Group and Senior Designer of Ming Pao Weekly.

Mr. Chiu Keith, aged 34, is the Business Development Manager of the Group. Mr. Chiu has been employed by the Group since September 1998. He completed his tertiary education in the United States. Prior to joining the Group, he worked with the operation department of Japan Airlines in Hong Kong.

Comparison of Business Progress and Use of Proceeds

Business Objectives for the Review Period as set out in the Prospectus	Actual Business Progress in the Review Period
Closely monitor and match up the development of broadband and 3G networks in the Greater China Region	
• Trial run multimedia content delivery platform on 3G network	• The development of multimedia content delivery on 3G network has been delayed in accordance with market situation.
Develop cross-media content delivery business in the Greater China Region	
• Strengthen its content delivery business by expanding the sources of content	• Development of cross-media content delivery has been delayed until the print version of the magazines are well received by the market.
Strengthen its expertise in communication technology	
• Launch the PC-based Net2Voice software	• The development of PC-based Net2Voice software with voice and languages has been delayed until the market acceptance of the technology becomes more mature.
Develop new products and services, and strengthen its presence in the Greater China Region	
• Promote the DRM clearance service to electronic publishing and digital media companies in the PRC	• The project has been deferred as no viable DRM market is envisaged in the PRC
• Evaluate overseas markets for multimedia contents, especially in Taiwan and Singapore	• On-going
• Continue to look for and negotiate with well-known PRC and international media companies to develop the content delivery business online and offline	• Signed with ESPN, Inc. to publish ESPN The Magazine, in Chinese language for Greater China market.

USE OF PROCEEDS FROM THE GROUP'S INITIAL PUBLIC OFFERING ("IPO")

The net proceeds raised from the Group's Initial Public Offering (IPO) on the GEM board of The Stock Exchange of Hong Kong Limited, after deduction of related expenses pursuant to the IPO, were approximately HK$40 million. The net proceeds were fully utilized as disclosed at the interim report for the six months period ended 30th June, 2004.

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group include the provision of communication infrastructure services and information technology solution services as well as production and procurement of media contents. Particulars of the subsidiaries of the Company are set out in note 15 to the financial statements.

RESULTS

The Group's loss for the year ended 31st December, 2004 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 21 to 23.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years ended 31st December, 2004 is set out on page 58 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

INTANGIBLE ASSET

Details of the movements in the Group's intangible asset during the year are set out in note 14 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 15 and 16 respectively to the financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in note 23 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st December, 2004, the Company had no reserve available for distribution.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Poon Kwok Lim, Steven *(Chairman)*
Mr. Poon Shu Yan, Joseph
Ms. Au Yeung Pui Shan, Karen
Mr. Lee Shu Fan *(resigned on 29th February, 2004)*

Non-executive directors:

Mr. Lee Peng Fei, Allen
Mr. Lee Shu Fan *(appointed on 29th February, 2004)*

Independent non-executive directors:

Mr. Tsui Yiu Wa, Alec
Mr. Yeung Pak Sing
Mr. Tam Tak Wah *(appointed on 8th November, 2004)*

In accordance with articles 86 and 87 of the Company's Articles of Association, Mr. Tsui Yiu Wa, Alec, Mr. Yeung Pak Sing and Mr. Tam Tak Wah shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. All other directors continue in office.

All executive directors have entered into service contracts with the Company respectively. The term of each service contract will be 3 years less one day commencing from and including 17th October, 2002 subject to early termination pursuant to such service contract including either the Company or the relevant executive director giving to the other party not less than three months' notice of termination or payment in lieu of notice.

All non-executive directors have been appointed for a term of two years from the date of appointment.

Save as disclosed above, no other director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2004, the interests or short positions of the directors or chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Rules 5.40 to 5.58 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

1. Long position in the ordinary shares of HK$0.01 each in the Company

Name of director	Nature of interest	Number of shares held	Percentage of shareholding
Mr. Poon Kwok Lim, Steven *(Note)*	Corporate and family	304,701,528	61.50%
Mr. Tam Tak Wah	Beneficial owner	120,000	0.024%

Note: Each of Mr. Poon Kwok Lim, Steven and his spouse, Mrs. Poon Wong Wai Ping, is entitled to exercise or control the exercise of one-third or more of the voting rights of Amazing Nova Corporation. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 167,886,666 shares held by Amazing Nova Corporation. Matrix Worldwide Corporation is wholly and beneficially owned by Mr. Poon Kwok Lim, Steven. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 61,606,666 shares held by Matrix Worldwide Corporation. Forever Triumph Limited is wholly and beneficially owned by Mr. Poon Kwok Lim, Steven. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 53,208,196 shares held by Forever Triumph Limited. Bright World Enterprise Limited is beneficially owned as to 80% by Mr. Poon Kwok Lim, Steven and as to 20% by Mrs. Poon Wong Wai Ping. Under the SFO, each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed to be interested in the same 22,000,000 shares held by Bright World Enterprise Limited.

2. Long position in the shares in an associated corporation of the Company

Name of Director	Name of associated corporation	Number and class of shares held	Percentage of shareholding
Mr. Poon Kwok Lim Steven *(Note)*	SinoWorld CNW Publishing Limited	100,000 ordinary shares	10%

Note: Mr. Poon Kwok Lim Steven is the beneficial owner of the entire issued share capital of Forever Triumph Limited, which owns 10% of SinoWorld CNW Publishing Limited, a company of which the Company is indirectly interested in 56% of its share capital.

Directors' Report

3. Rights to acquire shares in the Company

Pursuant to the share option schemes of the Company, certain directors were granted share options to subscribe for shares of HK$0.01 each in the Company, details of which were as follows:

			Number of share options			
Name	**Capacity**	**Exercise price per share** *HK$*	**outstanding at 1.1.2004**	**lapsed during the year**	**outstanding at 31.12.2004**	**Number of underlying shares**
Mr. Poon Kwok Lim, Steven	Beneficial owner	0.12	8,334,000	–	8,334,000	8,334,000
Mr. Poon Shu Yan, Joseph	Beneficial owner	0.12	8,000,000	–	8,000,000	8,000,000
Mr. Lee Shu Fan	Beneficial owner	0.21	2,767,000	(2,767,000)	–	–
Ms. Au Yeung Pui Shan, Karen	Beneficial owner	0.21	667,000	–	667,000	667,000
			19,768,000	(2,767,000)	17,001,000	17,001,000

Note: A portion of each grantee's right to exercise the share option that has been granted under the pre-initial public offer share option scheme was deemed to have vested on 17th June, 2002 and the rest of the right shall continue to vest over a period of not more than 4 years from 17th June, 2002 on a monthly basis each time for 1/48th of the total number of shares comprised in the share option and, subject to that no share option granted under the pre-initial public offer share option scheme can be exercised before 17th October, 2003, any vested right shall remain exercisable on or before 23rd July, 2012.

Save as disclosed above, at 31st December, 2004, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK$0.01 each in the Company granted under the share option schemes during the year are set out in note 27 to the financial statements.

As disclosed in note 27 to the financial statements, the Company had granted a total number of 2,000,000 share options during the year. The directors consider that it is not appropriate to disclose the value of share options granted during the year since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

So far as the directors are aware at 31st December, 2004, the person/entities (including directors or chief executives of the Company) who have interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	**Notes**	**Capacity**	**Number of issued shares**	**Number of shares issuable upon the exercise of options**	**Percentage of the issued capital of the Company**
Mr. Poon Kwok Lim, Steven	i, ii, iii & iv	Held by controlled corporations	304,701,528	8,334,000	61.50%
Mrs. Poon Wong Wai Ping	i, ii, iii & iv	Held by controlled corporations	304,701,528	–	61.50%
Amazing Nova Corporation	i	Beneficial owner	167,886,666	–	33.89%
Matrix Worldwide Corporation	ii	Beneficial owner	61,606,666	–	12.44%
Forever Triumph Limited	iii	Beneficial owner	53,208,196	–	10.74%
Bright World Enterprise Limited	iv	Beneficial owner	22,000,000	–	4.44%
Bahrain Middle East Bank (E.C.)	v	Beneficial owner	28,724,812	–	5.80%

Notes:

i. Amazing Nova Corporation is beneficially owned as to 40% by Mr. Poon Kwok Lim, Steven, as to 40% by Mrs. Poon Wong Wai Ping, as to 10% by Mr. Poon Shu Yan, Joseph and as to the remaining 10% by Ms. Poon Ching Mei. Mrs. Poon Wong Wai Ping is the spouse of Mr. Poon Kwok Lim, Steven whilst Mr. Poon Shu Yan, Joseph and Ms. Poon Ching Mei are children over the age of 18 of Mr. Poon Kwok Lim, Steven. Mrs. Poon Wong Wai Ping and Ms. Poon Ching Mei have no management role in the Group. Under the SFO, each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed to be interested in the same 167,886,666 shares held by Amazing Nova Corporation as each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is entitled to exercise more than one-third of the voting rights of Amazing Nova Corporation.

Directors' Report

ii. Matrix Worldwide Corporation is wholly and beneficially owned by Mr. Poon Kwok Lim, Steven. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 61,606,666 shares held by Matrix Worldwide Corporation.

iii. Forever Triumph Limited is wholly and beneficially owned by Mr. Poon Kwok Lim, Steven. Under Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 53,208,196 shares held by Forever Triumph Limited.

iv. Bright World Enterprise Limited is beneficially owned as to 80% by Mr. Poon Kwok Lim, Steven and as to 20% by Mrs. Poon Wong Wai Ping. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 22,000,000 shares held by Bright World Enterprise Limited.

v. Bahrain Middle East Bank (E.C.) is a company listed on the Bahrain Stock Exchange since June 1989. Its principal business is banking and equity investment. Bahrain Middle East Bank (E.C.) has no involvement in the management of the Group.

Save as disclosed above, at 31st December, 2004, the directors are not aware of any other person who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of SFO, or who is interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 28 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest customers of the Group for the year accounted for approximately 84% of the Group's turnover. The Group's largest customer accounted for approximately 28% of its turnover for the year.

The five largest suppliers of the Group for the year accounted for approximately 54% of the Group's purchase. The Group's largest supplier accounted for approximately 23% of its purchase for the year.

To the best knowledge of the directors, neither of the directors, their respective associates nor any shareholders who own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers or suppliers during the year.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and, the prevailing industry practice.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

SPONSORS' INTERESTS

As updated by the Company's sponsor, Kingsway Capital Limited ("Kingsway"), at 31st December, 2004, Kingsway's associate, namely Kingsway Lion Spur Technology Limited, had 1,360 shares in Vertex Media Ltd., a subsidiary of the Company. These shares represent 11.97% of the issued share capital of Vertex Media Ltd.

Pursuant to the sponsorship agreement dated 8th October, 2002 entered into between the Company and Kingsway, Kingsway has received and will receive fees for acting as the Company's sponsor for the year ended 31st December, 2002 and two years thereafter or until the sponsorship agreement is terminated upon the terms and conditions set out therein.

Save as disclosed above, neither Kingsway nor its directors or employees or associates (as referred to in note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or any other companies in the Group (including share options or right to subscribe for such share capital) as at the date of this report.

CORPORATE GOVERNANCE

Since the listing of its share on the GEM of the Stock Exchange on 17th October, 2002, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.68 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive director of the Company a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee on 22nd July, 2002 with written terms of reference which deal clearly with its authority and duties. The audit committee comprises three independent non-executive directors of Mr. Tsui Yiu Wa, Alec, Mr. Yeung Pak Sing and Mr. Tam Tak Wah. Mr. Yeung Pak Sing is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, half-year reports and quarterly reports and providing advice and comments thereon to the board of Directors.

During the year, the audit committee held four meetings.

Directors' Report

POST BALANCE SHEET EVENT

Details of the significant event occuring after the balance sheet date are set out in note 30 to financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu will retire at the conclusion of the forthcoming annual general meeting. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Poon Kwok Lim Steven
CHAIRMAN

30th March, 2005

Auditors' Report

Deloitte.
德勤

TO THE MEMBERS OF
VERTEX COMMUNICATIONS & TECHNOLOGY GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the financial statements on pages 21 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements regarding the liquidity of the Group and the active steps being taken by the directors of the Company. At 31st December, 2004, the Group and the Company had deficit in shareholders' funds of approximately HK$11,289,000 and HK$11,539,000 respectively. Provided that the addition funding can be secured, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that may result from the failure to obtain such funding. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

Auditors' Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st December, 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th March, 2005

Consolidated Income Statement

For the Year Ended 31st December, 2004

	NOTES	2004	2003
		HK$'000	*HK$'000*
Turnover	5	**7,283**	6,586
Other operating income		**25**	85
Impairment loss recognised in respect of goodwill	14	**(229)**	(2,613)
Impairment loss recognised in respect of investment securities	17	**(4,600)**	–
Impairment loss recognised in respect of deferred expenditure for publication	18	**(4,709)**	–
Depreciation of property, plant and equipment		**(1,088)**	(1,287)
Royalty and production costs		**(10,294)**	(3,060)
Subcontracting costs		**(1,997)**	(5,315)
Staff costs		**(11,565)**	(15,305)
Other operating expenses		**(13,339)**	(12,200)
Loss from operations	7	**(40,513)**	(33,109)
Finance costs	8	**(264)**	–
Gain on deemed partial disposal of subsidiaries		**11,968**	–
Allowance for amount due from an associate		**–**	(1,006)
Share of results of associates		**–**	(1,895)
Loss before taxation		**(28,809)**	(36,010)
Taxation	10	**–**	–
Loss before minority interests		**(28,809)**	(36,010)
Minority interests		**408**	458
Net loss for the year		**(28,401)**	(35,552)
Loss per share	12		
– Basic and diluted		**HK5.74 cents**	HK7.22 cents

Consolidated Balance Sheet

At 31st December, 2004

	NOTES	2004	2003
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	13	2,213	4,398
Goodwill	14	–	282
Interests in associates	16	–	–
Investment securities	17	1,400	6,000
Deferred expenditure for publication	18	–	4,015
		3,613	14,695
Current assets			
Trade receivables	19	3,973	2,684
Amounts due from customers for contract work	20	424	1,239
Prepayments, deposits and other receivables		649	1,206
Deferred expenditure for publication	18	–	1,081
Bank balances and cash		10,225	1,500
		15,271	7,710
Current liabilities			
Trade payables	21	1,789	341
Other payables and accrued expenses		4,076	1,725
Amount due to a related company	22	–	3,200
Taxation		8	8
		5,873	5,274
Net current assets		9,398	2,436
		13,011	17,131
Capital and reserves			
Share capital	23	4,954	4,922
Reserves	24	(16,243)	11,801
		(11,289)	16,723
Minority interests		–	408
Non-current liabilities			
Amount due to a related company	22	8,700	–
Bonds, secured	25	15,600	–
		24,300	–
		13,011	17,131

The financial statements on pages 21 to 57 were approved and authorised for issue by the Board of Directors on 30th March, 2005 and are signed on its behalf by:

POON KWOK LIM STEVEN
DIRECTOR

POON SHU YAN JOSEPH
DIRECTOR

Balance Sheet

At 31st December, 2004

	NOTES	2004	2003
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	13	**1,720**	324
Investments in subsidiaries	15	**2,865**	2,787
Deferred expenditure for publication	18	**–**	902
		4,585	4,013
Current assets			
Trade receivables		**–**	27
Prepayments, deposits and other receivables		**395**	562
Amounts due from subsidiaries		**8,005**	14,430
Bank balances and cash		**670**	699
		9,070	15,718
Current liabilities			
Other payables and accrued expenses		**894**	774
Amount due to a related company	22	**–**	3,200
Amounts due to subsidiaries		**–**	889
		894	4,863
Net current assets		**8,176**	10,855
		12,761	14,868
Capital and reserves			
Share capital	23	**4,954**	4,922
Reserves	24	**(16,493)**	9,946
		(11,539)	14,868
Non-current liabilities			
Amount due to a related company	22	**8,700**	–
Bonds, secured	25	**15,600**	–
		24,300	–
		12,761	14,868

POON KWOK LIM STEVEN
DIRECTOR

POON SHU YAN JOSEPH
DIRECTOR

Consolidated Cash Flow Statement

For the Year Ended 31st December, 2004

	2004	2003
	HK$'000	*HK$'000*
Operating activities		
Loss from operations	**(40,513)**	(33,109)
Adjustments for:		
Interest income	**(14)**	(85)
Amortisation of deferred expenditure for publication	**387**	–
Amortisation of goodwill	**53**	394
Allowances for bad and doubtful debts	**371**	1,320
Depreciation of property, plant and equipment	**1,088**	1,287
Impairment loss recognised in respect of goodwill	**229**	2,613
Impairment loss recognised in respect of investment securities	**4,600**	–
Impairment loss recognised in respect of deferred expenditure for publication	**4,709**	–
Loss on disposal of property, plant and equipment	**1,042**	772
Operating cash flows before movements in working capital	**(28,048)**	(26,808)
Decrease in inventories	**–**	71
(Increase) decrease in trade receivables	**(1,608)**	1,476
Decrease (increase) in amounts due from customers for contract work	**815**	(614)
Decrease in prepayments, deposits and other receivables	**557**	4,792
Increase in deferred expenditure for publication	**–**	(4,015)
Increase in amount due from an associate	**(52)**	(627)
Increase (decrease) in trade payables	**1,448**	(1,219)
Increase in other payables and accrued expenses	**2,351**	511
Net cash used in operating activities	**(24,537)**	(26,433)
Investing activities		
Interest received	**14**	85
Purchase of property, plant and equipment	**(848)**	(722)
Proceeds from disposal of property, plant and equipment	**903**	–
Decrease in pledged bank deposits	**–**	2,033
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	**–**	101
Acquisition of investment in an associate	**–**	(1,008)
Acquisition of investment securities	**–**	(6,000)
Net cash from (used in) investing activities	**69**	(5,511)

	2004	2003
	HK$'000	*HK$'000*
Financing activities		
Advance from a related company	**5,500**	3,200
Contribution from a minority shareholder	**11,968**	–
Proceeds from issue of bonds	**15,600**	–
Proceeds from issue of shares	**389**	–
Interest paid	**(264)**	–
Net cash from financing activities	**33,193**	3,200
Increase (decrease) in cash and cash equivalents	**8,725**	(28,744)
Cash and cash equivalents at beginning of year	**1,500**	30,244
Cash and cash equivalents at end of year	**10,225**	1,500
Analysis of the balances of cash and cash equivalents Bank balances and cash	**10,225**	1,500

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2004

	Total equity
	HK$'000
At 1st January, 2003	**52,275**
Net loss for the year	**(35,552)**
At 31st December, 2003 and 1st January, 2004	**16,723**
Net loss for the year	**(28,401)**
Shares issued for cash	**389**
At 31st December, 2004	**(11,289)**

Notes to the Financial Statements

For the Year Ended 31st December, 2004

1. GENERAL

The Company was incorporated in the Cayman Islands on 16th November, 2001 as an exempted company under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The principal activities of the Group include the provision of communication infrastructure services and information technology services as well as production and procurement of media contents.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's and the Company's deficiency in shareholders' funds of approximately HK$11,289,000 and HK$11,539,000 respectively as at 31st December, 2004. Since the balance sheet date, the directors of the Company have taken various active steps to obtain additional funding to the Group. Provided that the additional funding can be secured, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "New HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these New HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these New HKFRSs but is not yet in a position to determine whether these New HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These New HKFRSs, particularly HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKFRS 2 "Share-based Payment", may result in changes in the future as to how the results and financial position are prepared and presented.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances between group companies are eliminated on consolidation.

Notes to the Financial Statements

For the Year Ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES *(Continues)*

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of associates is included within the carrying amount of the associates. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at 20% per annum.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill on acquisition in so far as it has not already been amortised to the income statement, less any identified impairment loss.

Investment securities

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continues)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Contract costs

When the outcome of a contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received under other payables and accrued expenses. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under prepayments, deposits and other receivables.

Deferred expenditure for publication

Deferred expenditure for publication is stated at cost less impairment loss, if any. Cost comprises the development expenditure for the establishment of the framework and layout of the magazines, as well as the production cost of the publication which consists of direct expenditure and an appropriate portion of production overhead. Development expenditure for the establishment of the framework and layout of the magazines is amortised on a straight-line basis over estimated their useful lives while the production costs of the publication are charged to the income statement upon the issue of the publication.

Notes to the Financial Statements

For the Year Ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES *(Continues)*

Revenue recognition

Income derived from communication infrastructure services and application and development of content delivery technology service

When the outcome of a contract can be estimated reliably, revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Income is accrued in the financial statements if the estimated percentage of the contract completed exceeds 20%. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Revenue from sales of magazines is recognised when the magazines are delivered and title has passed.

Advertising income is recognised when the advertisements are published.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continues)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items of income and expense that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Retirement benefits costs

Payments to the retirement benefits schemes are charged as an expense as they fall due.

Notes to the Financial Statements

For the Year Ended 31st December, 2004

5. TURNOVER

	2004 HK$'000	2003 HK$'000
Communication infrastructure service income	**313**	4,076
Service income from application and development of content delivery technology	**1,722**	2,497
Income from content productions, procurement and delivery		
Sales of magazines	**662**	13
Advertising income	**4,586**	–
	7,283	6,586

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating segments, namely communication infrastructure, application and development of content delivery technology and content production, procurement and delivery. These segments are the basis on which the Group reports its primary segment information. The principal activities of these segments are as follows:

Communication infrastructure	–	provision of communication infrastructure services
Application and development of content delivery technology	–	provision of information technology solutions including web solutions, system integration and payment solution
Content production, procurement and delivery	–	production and procurement of media contents, including traditional media and online contents

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continues)*

Segment information about these businesses is presented below.

Income statement for the year ended 31st December, 2004

	Communication infrastructure	Application and development of content delivery technology	Content production, procurement and delivery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	313	1,722	5,248	7,283
RESULTS				
Segment results	(2,571)	(1,243)	(22,530)	(26,344)
Other operating income				25
Unallocated corporate expenses				(14,194)
Loss from operations				(40,513)
Finance costs				(264)
Gain on deemed partial disposal of subsidiaries	–	–	11,968	11,968
Loss before taxation				(28,809)
Taxation				–
Loss before minority interests				(28,809)

Notes to the Financial Statements

For the Year Ended 31st December, 2004

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continues)*

Balance sheet as at 31st December, 2004

	Communication infrastructure	Application and development of content delivery technology	Content production, procurement and delivery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	832	1,675	13,422	15,929
Unallocated corporate assets				2,955
Consolidated total assets				18,884
LIABILITIES				
Segment liabilities	438	640	4,215	5,293
Unallocated corporate liabilities				24,880
Consolidated total liabilities				30,173

Other information for the year ended 31st December, 2004

	Communication infrastructure	Application and development of content delivery technology	Content production, procurement and delivery	Unallocated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Allowances for bad and doubtful debts	319	–	–	52
Additions to property, plant and equipment	57	–	95	696
Amortisation of deferred expenditure for publication	–	–	387	–
Amortisation of goodwill	–	–	53	–
Depreciation	485	533	53	17
Loss on disposal of property, plant and equipment	762	280	–	–
Impairment losses recognised	–	–	9,538	–

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continues)*

Income statement for the year ended 31st December, 2003

	Communication infrastructure	**Application and development of content delivery technology**	**Content production, procurement and delivery**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	4,076	2,497	13	6,586
RESULTS				
Segment results	(7,243)	(1,408)	(7,286)	(15,937)
Other operating income				85
Unallocated corporate expenses				(17,257)
Loss from operations				(33,109)
Allowance for amount due from an associate	–	–	(1,006)	(1,006)
Share of results of associates	–	–	(1,895)	(1,895)
Loss before taxation				(36,010)
Taxation				–
Loss before minority interests				(36,010)

Notes to the Financial Statements

For the Year Ended 31st December, 2004

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continues)*

Balance sheet as at 31st December, 2003

	Communication infrastructure	Application and development of content delivery technology	Content production, procurement and delivery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	4,610	3,431	8,525	16,566
Unallocated corporate assets				5,839
Consolidated total assets				22,405
LIABILITIES				
Segment liabilities	571	185	504	1,260
Unallocated corporate liabilities				4,014
Consolidated total liabilities				5,274

Other information for the year ended 31st December, 2003

	Communication infrastructure	Application and development of content delivery technology	Content production, procurement and delivery	Unallocated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Allowances for bad and doubtful debts	662	658	1,006	–
Allowances for inventory obsolescence	–	–	71	–
Additions to property, plant and equipment	361	–	361	–
Amortisation of goodwill	–	–	394	–
Depreciation	631	577	37	42
Loss on disposal of property, plant and equipment	752	8	12	–
Impairment losses recognised	–	–	3,862	–

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continues)*

Geographical segments

The Group's operations are located in the People's Republic of China ("PRC") including Hong Kong and Macau and its turnover is substantially derived in the PRC including Hong Kong and Macau and its assets are also substantially located in the PRC including Hong Kong and Macau. Accordingly, no analysis by geographical segment is presented.

7. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging (crediting):

	2004	2003
	HK$'000	*HK$'000*
Allowances for bad and doubtful debts	**371**	2,326
Allowances for inventory obsolescence (including in other operating expenses)	**–**	71
Amortisation of deferred expenditure for publication (included in the operating expenses)	**387**	–
Amortisation of goodwill (included in other operating expenses)	**53**	394
Auditors' remuneration	**400**	360
Business development expenses	**290**	178
Loss on disposal of property, plant and equipment	**1,042**	772
Operating lease rentals in respect of land and buildings	**1,798**	2,197
Staff costs, including directors' remuneration		
Retirement benefits schemes contributions	**365**	356
Redundancy payments	**–**	504
Salaries and allowances	**11,200**	14,445
	11,565	15,305
Interest income on bank deposits	**(14)**	(85)

8. FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest on bonds wholly repayable within five years	**264**	–

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For the Year Ended 31st December, 2004

9. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

Directors' emoluments

	2004	2003
	HK$'000	*HK$'000*
Fees:		
Executive directors	**367**	425
Non-executive directors	**225**	213
Independent non-executive directors	**418**	400
	1,010	1,038
Other emoluments – Executive directors:		
– salaries and other benefits	**2,716**	4,664
– discretionary bonus	**–**	500
– retirement benefits schemes contributions	**38**	50
	2,754	5,214
	3,764	6,252

During the year, the four executive directors received emoluments of approximately HK$1,192,000, HK$1,096,000, HK$604,000 and HK$229,000 respectively, the two non-executive directors received director's fees of approximately HK$150,000 and HK$75,000 respectively and the three independent non-executive directors received director's fees of approximately HK$200,000, HK$200,000 and HK$18,000 respectively.

During the year ended 31st December, 2003 the five executive directors received emoluments of approximately HK$2,292,000, HK$1,456,000, HK$1,072,000, HK$604,000 and HK$215,000 respectively, the two non-executive directors received director's fees of approximately HK$150,000 and HK$63,000 respectively and the two independent non-executive directors each received director's fees of approximately HK$200,000.

No directors of the Company waived any emoluments in the years ended 31st December, 2003 and 2004.

9. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS *(Continues)*

Employees' emoluments

Of the five highest paid individuals, three (2003: three) were directors of the Company, details of whose emoluments are included in the above disclosures. The emoluments of the remaining two (2003: two) individuals were set out as follows:

	2004	2003
	HK$'000	*HK$'000*
Salaries and other benefits	**1,080**	1,297
Retirement benefits schemes contributions	**24**	23
	1,104	1,320

Their emoluments were within the following bands:

	2004	2003
HK$1,000,000 or less	**2**	2

During the year, no emoluments were paid by the Group to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. TAXATION

No provision for Hong Kong Profits Tax was made for both years as the Company and its subsidiaries had no estimated assessable profits.

The taxation can be reconciled to the loss per the income statement as follows:

	2004	2003
	HK$'000	*HK$'000*
Loss before taxation	**(28,809)**	(36,010)
Taxation at income tax rate of 17.5%	**(5,042)**	(6,302)
Tax effect of income that is not taxable in determining taxable profit	**(2,097)**	(15)
Tax effect of estimated tax losses for which deferred tax assets have not been recognised	**5,926**	4,317
Tax effect of expenses that are not deductible in determining taxable profit	**1,213**	2,000
Taxation for the year	**–**	–

At the balance sheet date, the Group had unused estimated tax losses of approximately HK$75,800,000 (2003: HK$42,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the Year Ended 31st December, 2004

11. DIVIDEND

No dividend was paid or proposed for 2003 and 2004, nor has any dividend been proposed since the balance sheet date.

12. LOSS PER SHARE

	2004	2003
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share	**(28,401)**	(35,552)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**495,064,029**	492,196,232

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option schemes and warrants since their exercises would result in a reduction in net loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP				
COST				
At 1st January, 2004	395	6,401	205	7,001
Additions	–	848	–	848
Disposals	(263)	(2,802)	(205)	(3,270)
At 31st December, 2004	132	4,447	–	4,579
DEPRECIATION				
At 1st January, 2004	53	2,503	47	2,603
Provided for the year	57	1,014	17	1,088
Eliminated on disposals	(89)	(1,172)	(64)	(1,325)
At 31st December, 2004	21	2,345	–	2,366
NET BOOK VALUES				
At 31st December, 2004	111	2,102	–	2,213
At 31st December, 2003	342	3,898	158	4,398

13. PROPERTY, PLANT AND EQUIPMENT *(Continues)*

	Leasehold improvements	Furniture, fixtures and office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At 1st January, 2004	186	196	382
Additions	–	56	56
Transfer from a subsidiary	–	1,425	1,425
Disposals	–	(7)	(7)
At 31st December, 2004	186	1,670	1,856
DEPRECIATION			
At 1st January, 2004	38	20	58
Provided for the year	37	43	80
Eliminated on disposals	–	(2)	(2)
At 31st December, 2004	75	61	136
NET BOOK VALUES			
At 31st December, 2004	111	1,609	1,720
At 31st December, 2003	148	176	324

Notes to the Financial Statements

For the Year Ended 31st December, 2004

14. GOODWILL

	THE GROUP
	HK$'000
COST	
At 1st January, 2004 and 31st December, 2004	3,585
AMORTISATION AND IMPAIRMENT	
At 1st January, 2004	3,303
Charged for the year	53
Impairment loss recognised	229
AT 31st December, 2004	3,585
NET BOOK VALUES	
At 31st December, 2004	–
At 31st December, 2003	282

The amortisation period adopted for goodwill is 5 to 10 years.

Due to continuous losses incurred by the subsidiaries engaging in the production and procurement of media contents, the directors reassessed the recoverable amount of the goodwill arising from the acquisition of these subsidiaries at the balance sheet date and recognised an impairment loss of approximately HK$229,000.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at carrying value	**2,787**	2,787
Unlisted shares, at cost	**3,078**	3,000
Impairment loss recognised	**(3,000)**	(3,000)
	2,865	2,787

The carrying value of the Company's subsidiaries is based on the book value of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation.

15. INVESTMENTS IN SUBSIDIARIES *(Continues)*

Particulars of the subsidiaries of the Company are as follows:

Name	Place/country of incorporation or registration	Issued and fully paid/ registered share capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Network Engineering Limited	Hong Kong	Ordinary HK$1,000,000	100%	–	Provision of communication infrastructure services
VCTG Advertising Services Limited (formerly known as Net2Voice (Hong Kong) Limited)	Hong Kong	Ordinary HK$2	100% *(note i)*	–	Inactive
VCTG Technology Limited	Hong Kong	Ordinary HK$2	100%	–	Provision of application and development of content delivery technology services
Optimum Cyber Limited	British Virgin Islands	Ordinary US$157,844	100%	–	Investment holding
Shanghai Vertex Communications & Technology Group Limited 上海創一信息技術有限公司	PRC	Registered US$140,000	–	100%	Software and hardware development
Vertex Media Ltd. (formerly known as Unifine Ltd.)	British Virgin Islands	Ordinary US$11,360	88%	–	Investment holding
VCTG Amonic Solutions (Macau) Limited	Macau	Ordinary MOP$50,000	–	51%	Provision of application and development of content delivery technology services
Vertex Digitial Media Limited	British Virgin Islands	Ordinary US$1	–	100%	Investment holding

Notes to the Financial Statements

For the Year Ended 31st December, 2004

15. INVESTMENTS IN SUBSIDIARIES *(Continues)*

Name	Place/country of incorporation or registration	Issued and fully paid/ registered share capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
SinoWorld Media Company Limited	Hong Kong	Ordinary HK$5,165,000	–	70%	Investment holding
SinoWorld CNW Publishing Limited	Hong Kong	Ordinary HK$1,000,000	–	56%	Publication of magazine
Vertex TRC Publishing Company Limited ("Vertex TRC")	Hong Kong	Ordinary HK$2	–	88%	Publication of magazine
China Sports Enterprises Limited	Hong Kong	Ordinary HK$2	–	88%	Publication of magazine
Vertex (Gulf) Enterprises Holdings Limited ("Vertex Gulf")	British Virgin Islands	Ordinary US$1	100%	–	Investment holding

Notes:

i. Pursuant to an agreement entered into between SAR1 Innovations Limited ("SAR1"), the then ultimate holding company, and Net2Voice Inc. dated 20th October, 2001 and a letter of assignment dated 31st January, 2002, the issued share capital of Net2Voice (Hong Kong) Limited (now known as VCTG Advertising Services Limited) will be increased to 2,000,000 shares of which 1,020,000 shares will be subscribed by Net2Voice Inc. at the par value of HK$1 each and the remaining shares will be subscribed by the Company at the par value of HK$1 each. After the enlarged share capital of Net2Voice (Hong Kong) Limited (now known as VCTG Advertising Services Limited) has been issued and subscribed, the Company will hold a 49% interest in Net2Voice (Hong Kong) Limited (now known as VCTG Advertising Services Limited), which will become an associate of the Company.

ii. The principal place of operation of all the companies is in Hong Kong except Shanghai Vertex Communications & Technology Group Limited and VCTG Amonic Solutions (Macau) Limited which are operated in other regions in the PRC and Macau respectively.

16. INTERESTS IN ASSOCIATES

At 31st December, 2004, the Group had interests in the following associates:

Name of entity	Form of business structure	Country/ place of registration/ incorporation	Class of share held	Proportion of nominal value of registered issued capital indirectly held by the Group	Name of business
Beijing CAV Vertex Digital Technology Company Limited ("Beijing CAV Vertex") 北京中錄慧峯數碼技術有限公司	Incorporated	PRC	Registered	51% *(note i)*	Provision of development of digital media technology services
East Art International Limited	Incorporated	Hong Kong	Ordinary	31%	Provision of entertainment agency services
Sino East Oil Services Limited	Incorporated	British Virgin Islands	Ordinary	50%	Inactive

Notes: (i) The Group holds a 51% interest in Beijing CAV Vertex. However, under the agreement entered into between the Group and the other shareholder, the other shareholder controls the composition of the board of directors of Beijing CAV Vertex and therefore the Group does not control Beijing CAV Vertex. The directors consider that the Group does exercise significant influence over Beijing CAV Vertex and it is therefore classified as an associate of the Group.

(ii) The Group's share of the post-acquisition losses of its assoicates, to the extent that it exceeds the carrying amount of its equity investment in that company, has been provided for to the extent that the Group has incurred obligations or made payments to satisfy obligations of the associates that the Group has guaranteed.

(iii) The principal place of operation of all the companies is in Hong Kong except Beijing CAV Vertex which is operated in other regions in the PRC.

The Group's entitlement to share in the profits of its associates is in proportion to its ownership interest.

Notes to the Financial Statements

For the Year Ended 31st December, 2004

17. INVESTMENT SECURITIES

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
Non-current:		
Unlisted equity securities	**6,000**	6,000
Impairment loss recognised	**(4,600)**	–
	1,400	6,000

The amount represents the Group's investments in 天意華創峰廣告有限公司, a company registered in the PRC. The Group holds a 16% equity interest in this company.

The directors reassessed the recoverable amount of investment securities at the balance sheet date and recognised an impairment loss of HK$4,600,000. The carrying amount of the investment securities as 31st December, 2004 represented the estimated net amount to be recoverable as at that date.

18. DEFERRED EXPENDITURE FOR PUBLICATION

	THE GROUP	**THE COMPANY**
	HK$'000	*HK$'000*
COST		
At 1st January, 2004	**5,096**	902
Transfer to a subsidiary	**–**	(902)
At 31st December, 2004	**5,096**	–
AMORTISATION AND IMPAIRMENT		
At 1st January, 2004	**–**	–
Amortised for the year	**387**	–
Impairment loss recognised	**4,709**	–
At 31st December, 2004	**5,096**	–
NET BOOK VALUES		
At 31st December, 2004	**–**	–
At 31st December, 2003	**5,096**	902

18. DEFERRED EXPENDITURE FOR PUBLICATION *(Continues)*

	THE GROUP		THE COMPANY	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed as:				
Non-current portion	**–**	4,015	**–**	902
Current portion	**–**	1,081	**–**	–
	–	5,096	**–**	902

Deferred expenditure for publication represents development expenditure for the establishment of the framework and layout of the magazines and is amortised over 4 years.

Due to losses incurred by the production and procurement of media contents business, the directors reassessed the recoverable amount of deferred expenditure for publication, and recognised an impairment loss of approximately HK$4,709,000.

19. TRADE RECEIVABLES

The credit terms offered by the Group to its customers is 60 to 90 days. The aged analysis of trade receivables is stated as follows:

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
0 to 60 days	**2,601**	665
61 to 90 days	**749**	150
91 to 180 days	**186**	542
Over 180 days	**437**	1,327
	3,973	2,684

Notes to the Financial Statements

For the Year Ended 31st December, 2004

20. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
Contracts in progress:		
Contract costs incurred plus recognised profit less recognised losses	**424**	1,239
Less: Progress billings	**–**	–
Amounts due from customers for contract works	**424**	1,239

At 31st December, 2004, retention monies held by customers for contract work amounted to HK$45,000 (2003: HK$97,000) and were included in prepayments, deposits and other receivables. Advances received from customers for contract work amounted to nil (2003: HK$136,000) and were included in other payables and accrued expenses.

21. TRADE PAYABLES

The aged analysis of trade payables is stated as follows:

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
0 to 30 days	**1,292**	170
31 to 60 days	**342**	22
61 to 90 days	**49**	44
91 to 180 days	**–**	105
Over 180 days	**106**	–
	1,789	341

22. AMOUNT DUE TO A RELATED COMPANY

The amount represents advance from Bright World Enterprise Limited, in which Mr. Poon Kwok Lim, Steven has a beneficial interest and Mr. Poon Kwok Lim, Steven and Mr. Poon Shu Yan, Joseph are also directors. It is unsecured, non-interest bearing and has no fixed repayment terms.

In the opinion of the directors, Bright would Enterprise Limited will not require the repayment of the balance in the next twelve months. Accordingly, it is classified as a non-current liability.

23. SHARE CAPITAL

	Number of shares	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31st December, 2003 and 31st December, 2004	60,000,000,000	600,000
Issued and fully paid:		
At 1st January, 2003 and 31st December, 2003	492,196,232	4,922
Exercise of share options *(Note)*	3,224,000	32
At 31st December, 2004	495,420,232	4,954

There was no movement in the Company's authorised share capital during both years.

Note: During the year, certain share option holders exercised their share option rights to subscribe for 3,199,000 and 25,000 shares in the capital of the Company at an exercise price of HK$0.12 and HK$0.21 per share respectively in an aggregate amount of HK$389,000.

Warrants

Pursuant to the subscription agreement relating to US$2,000,000 2 per cent. bonds due 2009 and warrants in respect of 41,010,000 new shares to be issued by the Company dated 6th February, 2004, the Company agreed to issue and allot warrants which carry the rights to subscribe for 41,010,000 ordinary shares of HK$0.01 each in the share capital of the Company to LIM Asia Arbitrage Fund Inc. ("LIM Fund"), an independent third party, at an initial subscription price of HK$0.474 per share (subject to adjustment) at any time between 27th February, 2004 to 27th February, 2009, both dates inclusive. Details of the bonds are set out in note 25 to the financial statements.

During the year, no warrant was exercised. At the balance sheet date, the Company had outstanding 41,010,000 warrants. The exercise in full of such warrants would result in the issue of 41,010,000 additional ordinary shares of HK$0.01 each.

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For the Year Ended 31st December, 2004

24. RESERVES

	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE GROUP					
At 1st January, 2003	66,683	1,000	–	(20,330)	47,353
Net loss for the year	–	–	–	(35,552)	(35,552)
At 31st December, 2003	66,683	1,000	–	(55,882)	11,801
Exercise of share options	357	–	–	–	357
Net loss for the year	–	–	–	(28,401)	(28,401)
At 31st December, 2004	67,040	1,000	–	(84,283)	(16,243)
THE COMPANY					
At 1st January, 2003	66,683	–	2,787	(21,038)	48,432
Net loss for the year	–	–	–	(38,486)	(38,486)
At 31st December, 2003	66,683	–	2,787	(59,524)	9,946
Exercise of share options	357	–	–	–	357
Net loss for the year	–	–	–	(26,796)	(26,796)
At 31st December, 2004	67,040	–	2,787	(86,320)	(16,493)

All the reserves of the Group are attributable to the Company and its subsidiaries.

The special reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisitions at the time of a previous reorganisation.

Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company may be distributed subject to the provision of the Company's Memorandum and Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. This share premium account may also be distributed in the form of fully paid bonus shares.

The capital reserve of the Company arose as a result of the reorganisation and represents the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, this reserve is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend, the Company is also able to pay its debts as they fall due in the ordinary course of business. In accordance with the articles of association of the Company, with the sanction of an ordinary resolution, dividends may also be declared and paid out of the capital reserve.

24. RESERVES *(Continues)*

Pursuant to the PRC law, a wholly foreign owned enterprise shall make reservation on reserve fund and bonus and welfare funds. The proportion of reserve fund to be withdrawn shall not be lower than 10% of the total amount of profits after payment of tax. The withdrawal of reserve fund may be stopped when the total cumulative reserve has reached 50% of the registered capital. The proportion of bonus and welfare funds for workers and staff members to be withdrawn shall be determined by the wholly foreign owned enterprise. Under the PRC law, the reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholdings, and the bonus and welfare funds are utilised for the capital expenditure on employees' welfare facilities. No appropriation was made to the reserve fund and bonus and welfare funds as the Company's subsidiary in the PRC incurred a loss for the year.

25. BONDS, SECURED

During the year, the Company issued bonds without any conversion rights attaching thereto, in an aggregate amount of US$2,000,000 to LIM Fund. The bonds, which are transferrable, bear a coupon of 2 per cent. per annum which will be payable bi-annually on the last business day in June and December of each year and will mature on 27th February, 2009. The Company may, at any time by giving 30 days prior notice to the bondholders, redeem the bonds prior to the maturity date. The bondholders have no right to request for early repayment.

The bonds are secured by a charge of 10,000 ordinary shares in Vertex Media Ltd, 1 ordinary share in Vertex Gulf and 2 ordinary shares in Vertex TRC, being the Company's entire interests in these companies, in favour of LIM Fund.

26. LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had the following future minimum payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		**THE COMPANY**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,085**	1,448	**422**	864
In the second to fifth year inclusive	**330**	589	**331**	331
	1,415	2,037	**753**	1,195

Operating lease payments represent rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.

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For the Year Ended 31st December, 2004

27. SHARE OPTIONS SCHEMES

(a) Post initial public offering share option scheme

The post initial public offering share option scheme ("Post-IPO Option Scheme") was conditionally approved by a written resolution of the sole shareholder dated 22nd July, 2002 (the "Effective Date"). The major terms of the Post-IPO Option Scheme are summarised as follows:

(i) The Post-IPO Option Scheme enables the Company to grant share options to selected persons as incentives or rewards for their contribution to the Group.

(ii) The participants of the Post-IPO Option Scheme include any employee, director, advisor and consultant, supplier, customer and shareholder of any member of the Group as well as any provider of financial assistance to any member of the Group.

(iii) HK$1 is payable by the grantee to the Company on acceptance of the share option offer. The share option offer will be offered for acceptance for a period of 14 days from the date on which the offer is granted.

(iv) Share options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the board of directors of the Company may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the Post-IPO Option Scheme. The grantees are not required to hold any share options or any shares allotted pursuant to any share options for any minimum period.

(v) The subscription price for shares under the Post-IPO Option Scheme will be determined by the board of directors of the Company and notified to each grantee and will be at least the highest of (a) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange's") daily quotations sheet on the date of grant of the share option, which must be a business day, (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (c) the nominal value of a share.

(vi) The limit on the number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Post-IPO Option Scheme and other share option schemes must not exceed 30% of the shares in issue from time to time.

(vii) The total number of shares which may be issued upon exercise of all share options to be granted under the Post-IPO Option Scheme and any other share option schemes must not in aggregate exceed 10% of the shares in issue as at 17th October, 2002, amounting to 49,219,623 shares (the "Scheme Mandate Limit"). The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval. However, the Scheme Mandate Limit as renewed must not exceed 10% of the shares in issue as at the date of the aforesaid shareholders' approval.

27. SHARE OPTIONS SCHEMES *(Continues)*

(a) Post initial public offering share option scheme *(Continues)*

(viii) The total number of shares issued and to be issued upon exercise of the share options granted under the Post-IPO Option Scheme to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. Any further grant of share options to such grantee which would result in the shares issued and to be issued upon exercise of all share options granted and to be granted to such grantee (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, must be subject to shareholders' approval with such grantee and his associates abstaining from voting.

(ix) A share option may be exercised in accordance with the terms of the Post-IPO Option Scheme at any time during the period notified by the board of directors of the Company to each grantee provided that the period within which the share option must be exercised shall not be more than 10 years from the date of grant of the share option.

(x) The Post-IPO Option Scheme will remain valid for a period of 10 years commencing on the Effective Date. In addition, the Company may, by ordinary resolution in general meeting or the board of directors of the Company may at any time terminate the operation of the Post-IPO Option Scheme. Share options which are granted during the life of the Post-IPO Option Scheme may continue to be exercisable in accordance with their terms of issue.

(b) Pre-initial public offering share option scheme

The purpose of the pre-initial public offering share option scheme ("Pre-IPO Option Scheme") is to recognise the contribution of certain directors, employees, advisors and consultants of the Company to the growth of the Company and/or to the listing of the Company's shares on the GEM. The employment periods of grantees range from 1 to 3 years. The principal terms of the Pre-IPO Option Scheme, which conditionally approved by a written resolution of the sole shareholder dated 22nd July, 2002, are substantially the same as the terms of the Post-IPO Option Scheme except that:

(i) the subscription price per share ranged from HK$0.12 to HK$0.45, depending on the employment period of the grantee and/or the grantee's contribution to the Group;

(ii) the total number of shares subject to the Pre-IPO Option Scheme is 19,637,000 (2003: 25,630,000) equivalent to approximately 3.96% (2003: 5.09%) of the issued share capital of the Company as of the balance sheet date;

(iii) save for the share options which were granted on 24th July, 2002, no further share options would be offered or granted under the Pre-IPO Option Scheme, as the right to do so ended on 9th October, 2002;

(iv) no share option granted under the Pre-IPO Share Option Scheme can be exercised before 17th October, 2003; and

Notes to the Financial Statements

For the Year Ended 31st December, 2004

27. SHARE OPTIONS SCHEMES *(Continues)*

(b) Pre-initial public offering share option scheme *(Continues)*

(v) the Pre-IPO Option Scheme contains no provisions on (a) the granting of share options to connected persons (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange); (b) the restrictions of the total number of shares which may be issued upon exercise of all the share options to be granted; and (c) the maximum entitlement of a grantee under the Pre-IPO Option Scheme.

The share options to subscribe for an aggregate of 19,637,000 (2003: 25,630,000) shares of the Company at a subscription price ranging from HK$0.12 to HK$0.45 were granted by the Company to the directors, advisers and consultants and employees under the Pre-IPO Option Scheme each for HK$1 and in return for each of the grantee's surrender of their share options previously granted by SAR1 under a share option scheme for subscription of shares in SAR1. A portion of each grantee's right to exercise the share option that has been granted under the Pre-IPO Option Scheme was deemed to have vested on 17th June, 2002 and the rest of the right shall continue to vest over a period of not more than 4 years from 17th June, 2002 on a monthly basis each time for 1/48th of the total number of shares comprised in the share option and, subject to that no share option granted under the Pre-IPO Option Scheme can be exercised before 17th October, 2003, any vested right shall remain exercisable on or before 23rd July, 2012.

The share options to subscribe for an aggregate of 2,000,000 (2003: nil) shares of the Company were granted by the Company to an employee under the Post-IPO Option Scheme. The grantee's right to exercise the share options shall vest over a period of 4 years from 2nd July, 2004 on a monthly basis each time for 1/48th of the total number of shares comprised in the share option and, subject to that no share option granted under the Post-IPO Option Scheme can be exercised before 2nd July, 2005, any vested right shall remain exercisable on or before 10th October, 2014.

27. SHARE OPTIONS SCHEMES *(Continues)*

The following tables disclose details of the Company's share options held by directors, employees as well as advisors and consultants and movements in such holdings:

Name of scheme	Category of participants	Exercise price per share HK$	Outstanding at 1.1.2003	Lapsed during the year (Note i)	Outstanding at 31.12.2003 and 1.1.2004	Granted during the year (Note ii)	Exercised during the year (Note iii)	Lapsed during the year (Note i)	Outstanding at 31.12.2004
			Number of share options						
Pre-IPO Option Scheme	Directors	0.120	17,668,000	(1,334,000)	16,334,000	–	–	–	16,334,000
		0.210	3,434,000	–	3,434,000	–	–	(2,767,000)	667,000
			21,102,000	(1,334,000)	19,768,000	–	–	(2,767,000)	17,001,000
	Advisors and consultants	0.120	434,000	–	434,000	–	(434,000)	–	–
		0.450	1,334,000	–	1,334,000	–	–	–	1,334,000
			1,768,000	–	1,768,000	–	(434,000)	–	1,334,000
	Employees	0.120	3,205,000	(4,000)	3,201,000	–	(2,765,000)	(2,000)	434,000
		0.210	893,000	–	893,000	–	(25,000)	–	868,000
			4,098,000	(4,000)	4,094,000	–	(2,790,000)	(2,000)	1,302,000
			26,968,000	(1,338,000)	25,630,000	–	(3,224,000)	(2,769,000)	19,637,000
Post-IPO Option Scheme	Employees	0.152	–	–	–	2,000,000	–	–	2,000,000
			26,968,000	(1,388,000)	25,630,000	2,000,000	(3,224,000)	(2,769,000)	21,637,000

Notes:

(i) These options were lapsed as they resigned from the Group.

(ii) The closing price of the Company's shares immediately before 24th September, 2004, the date of grant of the share options was HK$0.117.

(iii) The closing prices of the Company's shares immediately before the dates on which the share options were exercised were HK$0.48, HK$0.33, HK$0.456, HK$0.465 and HK$0.64 respectively.

Notes to the Financial Statements

For the Year Ended 31st December, 2004

27. SHARE OPTIONS SCHEMES *(Continues)*

Total consideration received during the year from an employee for taking up the share options granted is amounted to HK$1 (2003: nil).

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recognised in the income statement in respect of the value of share options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share option which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding share options.

The exercise in full of the outstanding 21,637,000 (2003: 25,630,000) share options at 31st December, 2004 would, under the present capital structure of the Company, result in the issue of 21,637,000 (2003: 25,630,000) additional shares for a total consideration, before expenses, of approximately HK$3,238,000 (2003: HK$3,905,000).

28. RETIREMENT BENEFITS SCHEMES

Before 30th November, 2000, the Group did not contribute to any retirement benefits scheme for either its employees or its directors in Hong Kong. With effect from 1st December, 2000, the Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The Group's employees in Hong Kong are required to join the scheme. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

The Group's subsidiary in the PRC, in compliance with the applicable regulations of the PRC, participated in social insurance schemes (including retirement benefits scheme, medical insurance scheme and unemployment benefit scheme) operated by the relevant local government authorities. The Group is required to make contribution to the social insurance schemes on behalf of employees who are registered permanent residents in the PRC. The insurance premium is borne by the Company and the employees on a specified proportion of the employees' salaries laid down under the relevant PRC law.

29. CAPITAL COMMITMENTS

	THE GROUP		**THE COMPANY**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Commitment to subscribe for shares of Net2Voice (Hong Kong) Limited (now known as VCTG Advertising Services Limited)	**980**	980	**980**	980

30. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Company entered into the shareholders' agreement with China Power International Holding Limited ("CPI") to form a joint venture company ("JV Company"), in which CPI and the Company would hold 70% and 30% interest respectively. The JV Company will be named as China Hong Kong Power Development Company Limited and engaged in the electric power generation and electricity supply business in Hong Kong including the power generation and transmission, supply of electricity to Hong Kong consumers, sourcing of electric power from the PRC and building of electric generating facilities in the PRC for electricity supply in Hong Kong. The initial authorised share capital of the JV Company will be HK$20,000,000. The issued capital of the JV Company will be agreed by the parties upon the incorporation of the JV Company. There is no capital commitment or pre-agreed investment amount pursuant to the shareholders' agreement.

Financial Summary

RESULTS

	2004	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Note 1)
Turnover	**7,283**	6,586	13,366	12,380	8,599
(Loss) profit from operations	**(40,513)**	(33,109)	(22,791)	465	(6,803)
Finance costs	**(264)**	–	–	–	–
Gain on deemed partial disposal of subsidiaries	**11,968**	–	–	–	–
Allowance for amount due from an associate	**–**	(1,006)	–	–	–
Share of results of associates	**–**	(1,895)	(72)	–	–
(Loss) profit before taxation	**(28,809)**	(36,010)	(22,863)	465	(6,803)
Taxation credit (charge)	**–**	–	81	(52)	81
(Loss) profit before minority interests	**(28,809)**	(36,010)	(22,782)	413	(6,722)
Minority interests	**408**	458	775	27	566
Net (loss) profit for the year	**(28,401)**	(35,552)	(22,007)	440	(6,156)

ASSETS AND LIABILITIES

	2004	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 2)*	*(Note 2)*	*(Note 2)*
Total assets	**18,884**	22,405	55,841	41,156
Total liabilities	**(30,173)**	(5,274)	(2,782)	(37,816)
Minority interests	**–**	(408)	(784)	(663)
(Deficit in)/Surplus of Shareholders' funds	**(11,289)**	16,723	52,275	2,677

Notes:

1. The results of the Group for the year ended 31st December, 2000 have been prepared on a combined basis as if the group structure as at the date of the group organisation had been in existence throughout the year concerned and have been extracted from the Company's prospectus dated 9th October, 2002.

2. The Company was incorporated in Cayman Islands on 16th November, 2001 and became the holding company of the Group with effect from 18th December, 2001 as a result of the group reorganisation, details of which are set out in the Company's prospectus dated 9th October, 2002. Accordingly, the balance sheets of the Group that have been prepared are those set out above.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the "Meeting") of the shareholders of Vertex Communications & Technology Group Limited (the "Company") will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 29th April, 2005 at 3:30 p.m. for the following purposes: –

1. to receive and consider the audited financial statements of the Company for the year ended 31st December, 2004 together with the reports of the board of directors of the Company (the "**Board of Directors**") and Deloitte Touche Tohmatsu, the auditors of the Company;

2. to re-elect directors of the Company (the "**Directors**") and authorise the Board of Directors to fix the Director's remuneration;

3. to re-appoint Deloitte Touche Tohmatsu as the auditors of the Company and to authorise the Board of Directors to fix their remuneration;

4. to consider as special business and, if thought fit, pass, with or without modification, the following resolution as an ordinary resolution:

   "THAT:

   (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertibles into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertibles into shares of the Company) which might require the exercise of such powers after the end of the Relevant Period;

   (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under the share option scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue to any officers and/or other participants of such scheme or arrangement of shares or rights to acquire shares of the Company; or (iii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) an issue of shares in the Company upon the exercise of subscription or conversion rights attaching to any warrants which may be issued by the Company from time to time or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal value of the share capital of the Company in issue at the date of passing of this resolution, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

Notice of Annual General Meeting

(d) for the purpose of this resolution,

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors by this resolution; and

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving the right to subscribe for shares, open for a period fixed by the Directors to holders of shares whose names appear on the register of shareholders of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company)."

5. to consider as special business and, if thought fit, pass, with or without modification, the following resolution as an ordinary resolution:

"**THAT**:

(a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its shares on the GEM or any other stock exchange on which the shares of the Company may be listed and recognised by The Securities and Futures Commission of Hong Kong ("Securities and Futures Commission") and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal value of shares of the Company authorised to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate of the total nominal value of the issued share capital of the Company at the date of the passing of this resolution, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(c) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, or any applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors by this resolution."

6. to consider as special business and, if thought fit, pass, with or without modification, the following resolution as an ordinary resolution:

"**THAT** conditional upon resolutions nos. 4 and 5 being passed, the unconditional general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with any additional shares in the share capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertibles into shares of the Company) which might require the exercise of such power pursuant to resolution no. 4 above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company at the date of the passing of the said resolution."

By Order of the Board
Vertex Communications & Technology Group Limited
AU YEUNG Pui Shan Karen
Company Secretary

Hong Kong, 31st March, 2005

Principal place of business in Hong Kong:
Room 2703, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Registered office:
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Notice of Annual General Meeting

Notes:

1. Every shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company.

2. In order to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the principal place of business of the Company in Hong Kong at Room 2703, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or, as the case may be, any adjournment thereof.

3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting if the shareholder of the Company so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. The Register of Members of the Company will be closed from 28th April, 2005 to 29th April, 2005, both days inclusive, during which period no share transfers will be registered. To qualify for attendance of the annual general meeting, all transfers accompanied by the relevant share certificates of the Company must be lodged with the Company's share registrar, Secretaries Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, no later than 4:00 p.m. on 27th April, 2005, for registration.

As at the date of this report, the executive Directors of the Company are Dr. Poon Kwok Lim Steven, Mr. Poon Shu Yan Joseph and Ms. Au Yeung Pui Shan Karen, the non-executive Directors of the Company are Dr. Lee Peng Fei Allen and Mr. Lee Shu Fan, and the independent non-executive Directors of the Company are Mr. Tsui Yiu Wa Alec, Mr. Yeung Pak Sing and Mr. Tam Tak Wah.