Vertex

Vertex Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8228)

Vertex

Annual Report **2007**

07

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of GEM is publication on the internet website operated by the 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

The report, for which the directors of Vertex Group Limited (the "Company") collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.

As at the date of this report, the board of directors of the Company comprises five directors, of which two are executive directors, namely, Dr. Poon Kwok Lim, Steven and Mr. Poon Shu Yan, Joseph, and three are independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Yeung Pak Sing and Mr. Tam Tak Wah.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. Poon Kwok Lim, Steven, *JP* *(Chairman)*
Mr. Poon Shu Yan, Joseph *(CEO)*
Mr. Mok Hay Hoi (resigned on 22 February 2008)

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

COMPANY SECRETARY

Ms. Tam Lai Kwan, Terry, *ACS, ACIS*

QUALIFIED ACCOUNTANT

Mr. Mok Hay Hoi, *CPA* (resigned on 22 February 2008)
Ms. Sham Pui Yu, *ACCA*
(appointed on 22 February 2008)

COMPLIANCE OFFICER

Mr. Poon Shu Yan, Joseph

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 3103-05, 31st Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICES

Principal share registrar 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
Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Poon Shu Yan, Joseph
Ms. Tam Lai Kwan, Terry

COMMITTEES

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

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

LEGAL ADVISORS

Richards Butler
Conyers Dill & Pearman

AUDITORS

Grant Thornton, Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank
Fubon 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.vgl.hk

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 31 December 2007.

The publishing of Newsweek Chinese edition has been progressing well. During the year, we have introduced considerable amount of local contents into the magazine. The editorial team has been strengthened by an editorial workforce located in Beijing and Shanghai and by the addition of a pool of high quality writers.

Currently, 120,000 copies of Newsweek Chinese edition are distributed every issue in mainland China and the magazine is displayed in more than 4,000 locations, in addition to extensive article exposure on locally and internationally famous portals. On-going initiative has been made to increase the magazine's circulation base in order to achieve greater market acceptance and advertising revenue, and this effort has met with encouraging results. Following the change of taking back advertising and marketing operations from third-party media representative in mainland China late last year, we see positive growth in the magazine's revenue.

During the year under review, the Group has spent significant efforts in further developing its electricity-related business. The joint venture company, China Hong Kong Power Development Company Limited, which the Group formed together with China Power International Holding Limited and China Southern Power Grid Co., Ltd., continued its operations in 2007. The joint venture company has reported that it has completed submissions to the Government of the Hong Kong Special Administrative Region.

The Group has achieved substantial progress in expanding its electricity-related business to the Middle East. The Group entered into an agreement with China Power Investment Corporation for the bidding for engineering, construction and management of power plant in the State of Kuwait.

The Group's Vertex Systems Services Limited has been granted a status of a Registered International Consultant Firm with Ministry of Planning, the State of Kuwait. Vertex Systems Services Limited is developing a long-term power system planning studies consultancy contract with Kuwait's Ministry of Electricity and Water.

The Group has embarked up an initiative to provide electricity-related equipment to the Middle East countries. Equipment has been delivered to Dubai, United Arab Emirates, and the Group is negotiating contracts in Kuwait. The equipment involved includes gas-insulated substations, power transformers, power cables, package substations and diesel generators.

The Group has submitted proposals to develop two small power stations on a Build-Operate-Transfer (BOT) basis in two of the states in United Arab Emirates.

These are our first such efforts in the Middle East market. I believe the Group is well-placed to work with our mainland Chinese partners to capture the opportunities in electricity-related businesses in this fastest-growing region of the world. I look forward to these efforts bringing in returns to the shareholders in the years to come.

I would like to take this opportunity to thank our board of directors, shareholders, business partners, and our dedicated and hardworking staff during the last fiscal year.

Dr. Poon Kwok Lim Steven
CHAIRMAN

20 March 2008

PROSPECTS

In 2007, the Group has made strategic expansion of power business in the Middle East region, especially in Kuwait & Dubai. As the demand for power production and infrastructure in the region is very high, the Group expects that its presence in the Middle East will be beneficial to the Group's long-term business.

The Group has also made substantial progress in the engineering business in Hong Kong since the third quarter of year 2007. The Group was awarded with a number of engineering projects with reputable companies in Hong Kong. The number of infrastructure projects in Hong Kong is on the increase, and the Group expects its engineering business will continue to grow in 2008.

The results of the media business are expected to increase with strengthened sales and marketing team in the PRC. Aggressive sales measures are adopted to promote our magazines as the No. 1 premium magazines in their respective sectors in PRC.

FINANCIAL REVIEW

Results

During the year under view, the Group reported a turnover of about HK$26 million, a surge of HK$10.2 million or 64.5% as compared to the turnover in the previous year. The increase was mainly attributable to the power business, which contributed 43% of turnover to the Group. Another 43% of the turnover was contributed by the Group's media publication business.

Staff costs for the year under review decreased to approximately HK$15 million from approximately HK$18.5 million in the previous year. The decrease in staff costs was mainly due to lesser headcount in media business as well as management consultancy services team during the year under review.

The subcontracting costs for the year under review amounted to approximately HK$9.4 million, representing approximately 36% of the turnover. In previous year, the subcontracting cost was approximately HK$0.6 million or 3.8% of the turnover. The increase in subcontracting costs is in line with the increase in turnover of power business.

For the year ended 31 December 2007, the royalty and production costs amounted to HK$11.3 million. The decrease in the royalty and production costs was attributed to focus on publication of Chinese language Newsweek.

Net loss attributable to shareholders for the year was HK$25 million as compared to net loss of the preceding year of approximately HK$27.5 million.

Liquidity and Financial Resources

During the year ended 31 December 2007, the Group financed its operations with its own working capital, internally generated cash flow and proceeds from issuance of new shares. As at 31 December 2007, the Group did not have any bank loans and has cash of HK$19.6 million.

Dividend

The directors do not recommend payment of a final dividend for the year ended 31 December, 2007 (2006: Nil).

Capital Structure

The shares of the Company were listed on the GEM of the Stock Exchange on 17 October 2002. 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. As at 31 December, 2007, 614,885,232 ordinary shares were issued and fully paid.

Foreign Exchange Exposure

Since most of the transactions of the Group are denominated either in Hong Kong Dollars or Renminbi or US dollars and the exchange rates of such currencies were stable over years under review, 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 31 December 2007.

Capital Commitment and Substantial Investments

The Group did not have any capital commitment and substantial investments during the year.

Future Plans for Substantial Investments or Capital Assets

The Group did not have any plan for substantial investments or capital assets.

Share Option Schemes

The Group has adopted two share option schemes whereby some Directors and employees of the Group may be granted an option to subscribe for the shares of the Company. Details of the share option schemes are set out in the section under "Share Option Scheme" in the note 31 to the consolidated financial statements.

Contingent Liabilities

As at the date of this report, the Directors have had no knowledge of any material contingent liabilities (2006: Nil).

Gearing Ratio

The Group's gearing ratio as at 31 December 2007 increased to 117% (2006: 81%). The gearing ratio was based on the Group's total debts over its total assets.

Material Acquisitions or Disposals

Other than those disclosed, the Group did not have any material acquisition or disposal of investment for the year ended 31 December 2007.

Employee and Remuneration Policy

As at 31 December 2007, the Group had a total of 33 (2006: 41) staff based in the PRC and Hong Kong. The Group remunerates its employees based on their performances, experiences and the prevailing industry practices. In addition to basic salaries and mandatory provident fund, staff benefits including medical coverage scheme and share options are offered.

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.

EXECUTIVE DIRECTORS

Dr. Poon Kwok Lim, Steven, *JP*, aged 64, is the Chairman of the Group. Dr. Poon has been employed by the Group since May 1998 and was one of the founders of the Group in 1998. He holds a bachelor degree in electrical engineering from the National Taiwan University, a master 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. Dr. Poon was previously a member of the Hong Kong Legislative Council, a member of the council of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a council member and council vice-chairman of The Hong Kong University of Science and Technology and the chairman of Land Development Corporation. Dr. Poon is currently the chairman of Estate Agents Authority and the managing director of Bright World Enterprise Limited, which has share interests in the Company. Dr. Poon Kwok Lim, Steven is the father of Mr. Poon Shu Yan, Joseph. He has interest in the share capital of the Company as defined under the Securities and Futures Ordinance (the "SFO"), which is disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" of the Directors' Report.

Mr. Poon Shu Yan, Joseph, aged 37, is the Chief Executive Officer 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. He holds a bachelor of science degree in electrical engineering from the University of Southern California. Upon graduation, Mr. Poon joined Hong Kong Cable Television Limited, where he was in charge of the design and construction of the territory-wide fibre network. He 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 Shu Yan, Joseph is the son of Dr. Poon Kwok Lim, Steven. He has interest in the share capital of the Company as defined under the SFO, which is disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" of the Directors' Report.

Mr. Mok Hay Hoi#, aged 47, is the Group Controller and Qualified Accountant of the Group. Mr. Mok has been employed by the Group since March 2000. He obtained a bachelor of commerce degree majoring in accounting and economics, and a master of information systems degree from The University of Queensland, Australia. In addition, Mr. Mok is an associate member of the Hong Kong Institute of Certified Public Accountants and a full member of the Australian Society of Certified Public Accountants and the Institute of Certified Public Accountants of Singapore. He 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 specializing in sound cards, modem and other telecommunication equipment from 1996 to 1999. Mr. Mok has about 17 years' experience in accounting and finance. He has interest in the share capital of the Company as defined under the SFO which is disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" of the Directors' Report.

resigned on 22 February 2008

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Tak Wah, aged 42, joined the Group in November 2004. Mr. Tam is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He is also an independent non-executive director of Rontex International Holdings Limited. He has over 17 years of experience in accounting, corporate finance and corporate development. He has interest in the share capital of the Company as defined under the SFO which is disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" of the Directors' Report.

Mr. Tsui Yiu Wa, Alec, aged 59, joined the Group in March 2002. Mr. Tsui is now the Chairman of WAG Worldsec Corporate Finance Limited. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004. Mr. Tsui was the chief executive of Regent Pacific Group Limited from August 2000 to February 2001. He was the chief operating officer of the Hong Kong Exchange and Clearing Limited from March to July 2000 and the chief executive of the Stock Exchange from February 1997. Mr. Tsui is an independent non-executive director of a number of listed companies in Hong Kong and NASDAQ including Industrial and Commercial Bank of China (Asia) Limited, China Chengtong Development Group Limited, COSCO International Holdings Limited, China Power International Development Limited, Synergis Holdings Limited, China BlueChemical Ltd., Greentown China Holdings Limited, China Huiyuan Juice Group Limited, Pacific Online Limited, Melco PBL Entertainment (Macau) Limited and ATA Inc. Limited. He is also an independent director of AIG Huatai Fund Management Company Limited and a director of Hong Kong Professional Consultants Association Limited. He has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management.

Mr. Yeung Pak Sing, aged 58, joined the Group in June 2002. Mr. Yeung 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 Fujan and Jiangsu provinces. He had been a member of the court and council of The University of Hong Kong and an Honorary Fellowship was conferred by the University in December 2007. He was the council member of the Kwun Tong District Council of Hong Kong in the years 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.

The board of directors (the "Board") has pleasure in presenting the directors' report together with the audited financial statements of Vertex Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of energy consultancy services. The principal activities of the Group include the provision of network infrastructure and electrical installation services, digital solution services, as well as publication of print media. Particulars of its subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 24.

No dividend was paid during the year. The Board does not recommend the payment of a dividend for the year ended 31 December 2007 (2006: Nil).

FINANCIAL SUMMARY

A summary of the financial results and the assets, liabilities and equity of the Group for the last five financial years is set out on page 80.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in note 15 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 16 and 18 respectively to the consolidated financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements in share capital and outstanding warrants of the Company during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company has no reserves available for distribution to the shareholders (2006: Nil).

DIRECTORS

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

Executive Directors:
Dr. Poon Kwok Lim, Steven *(Chairman)*
Mr. Poon Shu Yan, Joseph *(Chief Executive Officer)*
Mr. Mok Hay Hoi – resigned on 22 February 2008

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

In accordance with article 87 of the Articles of Association of the Company, Mr. Poon Shu Yan, Joseph 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.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors of the Company has entered into a service contract with the Company for a term of three years less one day. The service contract is terminable from either party by serving a written notice to the other of not less than three calendar months. Each Executive Director is entitled to a basic salary and remuneration subject to an annual revision by the Board.

Details of the directors' fees or emolument payable to Directors are set out in note 14 to the consolidated financial statements.

Each of the Independent Non-executive Directors of the Company has been appointed for a term of two years with specific terms as stated in the letter of appointment. The letter of appointment is terminable from either party by serving a written notice to the other of not less than three calendar months.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The Board considers all the Independent Non-executive Directors of the Company are independent.

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

As at 31 December 2007, the interests and short positions of the Directors and chief executive of the Company and their respective 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 required to be 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 and short positions which they were 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 referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

1. Long Positions in the shares of the Company

	Number of shares of the Company			
Name of Directors	**Personal Interest**	**Corporate Interest**	**Total**	**Approximate percentage of the issued share capital of the Company**
Dr. Poon Kwok Lim, Steven	8,330,000[(1)]	267,421,528[(2)]	275,751,528	44.85%
Mr. Poon Shu Yan, Joseph	7,400,000[(3)]	–	7,400,000	1.20%
Mr. Mok Hay Hoi	430,000	–	430,000	0.07%
Mr. Tam Tak Wah	120,000	–	120,000	0.02%

Notes:

1. Dr. Poon Kwok Lim, Steven beneficially owned 8,330,000 shares of the Company, representing approximately 1.35% of the issued share capital of the Company. By virtue of the SFO, Mrs. Poon Wong Wai Ping ("Mrs. Poon"), the spouse of Dr. Poon Kwok Lim, Steven, was deemed to be interested in all the shares in which Dr. Poon Kwok Lim, Steven was interested.

2. Dr. Poon Kwok Lim, Steven owned 267,421,528 shares of the Company, representing approximately 43.49% of the issued share capital of the Company, through (i) Amazing Nova Corporation owned 167,886,666 shares of the Company, representing approximately 27.30% of the issued share capital of the Company; (ii) Matrix Worldwide Corporation owned 61,606,666 shares of the Company, representing approximately 10.02% of the issued share capital of the Company; (iii) Forever Triumph Limited owned 13,208,196 shares of the Company, representing approximately 2.15% of the issued share capital of the Company; and (iv) Bright World Enterprise Limited owned 24,720,000 shares of the Company, representing approximately 4.02% of the issued share capital of the Company. These shares were the same as those shares as disclosed in the section headed "Interests and Short Positions in the Shares and Underlying Shares" below.

   Dr. Poon Kwok Lim, Steven was entitled to exercise or control the exercise of one-third or more of the voting rights of Amazing Nova Corporation, Matrix Worldwide Corporation, Forever Triumph Limited and Bright World Enterprise Limited, thereby he was deemed to be interested in all the shares held by the aforesaid companies by virtue of the SFO. By virtue of the SFO, Mrs. Poon was deemed to be interested in all the shares in which Dr. Poon Kwok Lim, Steven was interested.

3. Mr. Poon Shu Yan, Joseph beneficially owned 7,400,000 shares of the Company, representing approximately 1.20% of the issued share capital of the Company. By virtue of the SFO, Mrs. Poon Loo Margaret Teresa, the spouse of Mr. Poon Shu Yan, Joseph, was deemed to be interested in all the shares in which Mr. Poon Shu Yan, Joseph was interested.

2. Rights to acquire shares in the Company

i. Pre-IPO Share Option Scheme

Name of Directors	Date of grant	Exercise price per share (HK$)	Exercisable period	Number of share options: As at 1 January 2007	Exercised during the year	As at 31 December 2007
Dr. Poon Kwok Lim, Steven	24 July 2002	0.12	17 October 2003 to 23 July 2012	4,000	–	4,000
Mr. Mok Hay Hoi	24 July 2002	0.21	17 October 2003 to 23 July 2012	4,000	–	4,000

ii. Post-IPO Share Option Scheme

Name of Directors	Date of grant	Exercise price per share (HK$)	Exercisable period	Number of share options: As at 1 January 2007	Exercised during the year	As at 31 December 2007
Dr. Poon Kwok Lim, Steven	10 November 2006	0.52	10 November 2006 to 9 November 2016	6,100,000	–	6,100,000
Mr. Poon Shu Yan, Joseph	10 November 2006	0.52	10 November 2006 to 9 November 2016	6,000,000	–	6,000,000
Mr. Mok Hay Hoi	16 August 2005	0.59	16 August 2005 to 16 October 2011	1,000,000	–	1,000,000

Save as disclosed above, none of the Directors, chief executive or their associates had, as at 31 December 2007, 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 interests or short positions which they were 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 referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Other than as disclosed above, at no time during the year was the Company, its subsidiaries or holding company a party to any arrangement to enable the Directors, their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2007, the persons or corporations who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO or had otherwise been notified to the Company were as follows:

1. Long Positions in the shares of the Company

Name of shareholders	Note	Capacity	No. of shares held	Approximate percentage of the issued share capital of the Company
Dr. Poon Kwok Lim, Steven	1	Beneficial owner	8,330,000	1.35%
	2,3,4,5	Interest of controlled corporation	267,421,528	43.49%
Mrs. Poon	1	Interest of spouse	8,330,000	1.35%
	2,3,4,5	Interest of controlled corporation	267,421,528	43.49%
Amazing Nova Corporation	2	Beneficial owner	167,886,666	27.30%
Matrix Worldwide Corporation	3	Beneficial owner	61,606,666	10.02%
Forever Triumph Limited	4	Beneficial owner	13,208,196	2.15%
Bright World Enterprise Limited	5	Beneficial owner	24,720,000	4.02%
Deutsche Bank Aktiengesellschaft		Beneficial owner	70,220,000	11.42%

Notes:

1. Dr. Poon Kwok Lim, Steven beneficially owned 8,330,000 shares of the Company, representing approximately 1.35% of the issued share capital of the Company. By virtue of the SFO, Mrs. Poon was deemed to be interested in all the shares in which Dr. Poon Kwok Lim, Steven was interested.

2. Amazing Nova Corporation is beneficially owned as to 40% by Dr. Poon Kwok Lim, Steven and as to 40% by Mrs. Poon. By virtue of the SFO, Dr. Poon Kwok Lim, Steven and Mrs. Poon were deemed to be interested in all the shares held by Amazing Nova Corporation since both of them are entitled to exercise more than one-third of the voting rights in Amazing Nova Corporation.

3. Matrix Worldwide Corporation is wholly and beneficially owned by Dr. Poon Kwok Lim, Steven. By virtue of the SFO, Dr. Poon Kwok Lim, Steven and Mrs. Poon were deemed to be interested in all the shares held by Matrix Worldwide Corporation.

4. Forever Triumph Limited is wholly and beneficially owned by Dr. Poon Kwok Lim, Steven. By virtue of the SFO, Dr. Poon Kwok Lim, Steven and Mrs. Poon were deemed to be interested in all the shares held by Forever Triumph Limited.

5. Bright World Enterprise Limited is beneficially owned as to 80% by Dr. Poon Kwok Lim, Steven and as to 20% by Mrs. Poon. By virtue of the SFO, Dr. Poon Kwok Lim, Steven and Mrs. Poon were deemed to be interested in all the shares held by Bright World Enterprise Limited.

2. Long Positions in the underlying shares of the Company

Warrants

Name of warrantholder	Number of warrants: Granted on 27 February 2004	Number of warrants: Exercised since the date of grant	Number of warrants: As at 31 December 2007	Number of shares issued since the date of grant	Approximate percentage of the issued share capital of the Company
Lim Asia Arbitrage Fund Inc	41,010,000	(16,010,000)	25,000,000	16,010,000	4.07% (Note)

Note:

For the avoidance of doubt, interests in the underlying shares have not been taken into account when calculating the percentage as set out above since these underlying shares have not been issued as at 31 December 2007.

Save as disclosed above, as at 31 December 2007, the Company had not been notified of any other persons or corporations who had interests or short positions in the shares and/or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

SHARE OPTION SCHEMES

Pursuant to a written resolution of the sole shareholder of the Company dated 22 July 2002, the Company conditionally adopted and approved the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, the principal terms of which are set out in the sections headed "Pre-IPO Share Option Scheme" and "Post-IPO Share Option Scheme" in Appendix IV to the prospectus of the Company dated 9 October 2002 (the "Prospectus").

Pre-IPO Share Option Scheme

As at 31 December 2007, the share options to subscribe for an aggregate of 1,350,000 shares of the Company granted pursuant to the Pre-IPO Share Option Scheme were outstanding. A portion of each grantee's right to exercise the options that has been conditionally granted under the Pre-IPO Share Option Scheme shall be deemed to have vested on 17 June 2002 (such portion is fixed on the basis of the grantee's employment period and/or contribution to the Group and is set in the table below) and the rest of the right shall continue to vest over a period of not more than 4 years from 17 June 2002 (the "Listing Date") on a monthly basis each time from 1/48th of the total number of shares comprised in the options and, subject to that no options granted under the Pre-IPO Share Option Scheme can be exercised before the expiration of 1 year from the Listing Date, any vested right shall remain exercisable for 10 years from the date of acceptance of the relevant options. No further options will be offered or granted under the Pre-IPO Share Option Scheme as the right to do so ends on 9 October 2002, being the date of publication of the Prospectus.

The details of the Pre-IPO Option Scheme as at 31 December 2007 are set out as follows:

		Number of share options			
Category of participants	**Exercise price per share** (HK$)	**As at 1 January 2007**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2007**
Directors	0.12	4,000	–	–	4,000
	0.21	4,000	–	–	4,000
Advisors and consultants	0.45	1,334,000	–	–	1,334,000
Employees	0.12	4,000	–	–	4,000
	0.21	4,000	–	–	4,000
Total		1,350,000	–	–	1,350,000

Post-IPO Share Option Scheme

As at 31 December 2007, the share options to subscribe for an aggregate of 13,820,000 shares of the Company granted pursuant to the Post-IPO Share Option Scheme were outstanding. The details of the Post-IPO Option Scheme as at 31 December 2007 are set out as follows:

			Number of share options				
Category of participants	**Exercise price per share** (HK$)	**Date of grant**	**As at 1 January 2007**	**Granted during the year**	**Exercised during the year**[1]	**Lapsed during the year**	**Outstanding as at 31 December 2007**
Directors	0.52	10 November 2006	12,100,000	–	–	–	12,100,000
	0.59	16 August 2005	1,000,000	–	–	–	1,000,000
Employees	0.152	11 October 2004	875,000	–	(455,000)	–	420,000
	0.475	8 August 2006	300,000	–	–	–	300,000
Total			14,275,000	–	(455,000)	–	13,820,000

Note:

1. The closing prices of the shares of the Company immediately before 15 January 2007, 22 March 2007, 3 July 2007 and 3 September 2007, the dates on which the share options were exercised, were HK$0.41, HK$0.66, HK$0.51 and HK$0.37 respectively.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any Directors 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.

RETIREMENT BENEFITS SCHEMES

Before 30 November 2000, the Group did not contribute to any retirement benefit scheme for either its employees or the Directors in Hong Kong. With effect from 1 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 benefit 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 Group and the employees on a specified proportion of the employees' salaries laid down under the relevant PRC law.

During the year, the employer's contributions to the retirement benefit scheme charged to the income statement amounted to approximately HK$365,000 (2006: HK$590,000).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 the existing shareholders.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest, whether directly or indirectly, in a business which competes or may compete with the business of the Group.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest customers of the Group accounted for approximately 95% of the Group's turnover for the year. The Group's largest customer accounted for approximately 53% of its turnover.

The five largest suppliers of the Group accounted for approximately 81% of the Group's purchases for the year. The Group's largest supplier accounted for approximately 40% of its purchases.

Save as disclosed above, none of the Directors, their respective associates nor shareholders (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers at any time during the year.

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2007. Please refer to the Corporate Governance Report on pages 17 to 21 for details.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2007.

AUDIT COMMITTEE

The Company has established an Audit Committee in 2002 which now comprises three Independent Non-executive Directors, Mr. Tam Tak Wah (Chairman), Mr. Tsui Yiu Wa, Alec and Mr. Yeung Pak Sing.

During the year, the Audit Committee has met four times to review the Company's annual reports and accounts, half-year reports and quarterly reports and discuss with the management over issues relating to auditing, internal control and financial reporting. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2007. Please refer to the Corporate Governance Report on pages 17 to 21 for details.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

Poon Kwok Lim, Steven
CHAIRMAN

Hong Kong, 20 March 2008

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures with an aim to maximizing the shareholders' interests as well as to enhancing the stakeholders' transparency and accountability. In this respect, the Company has complied with most of the code provisions set out in the Code on Corporate Governance (the "Code") contained in Appendix 15 of the GEM Listing Rules, except for the deviation from code provision A.4.2 of the Code.

Under code provision A.4.2 of the Code, every director should be subject to retirement by rotation at least once every three years. The Directors have not been required by the Articles of Association to retire by rotation once every three years. However, according to Article 87 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save any Director holding office as Chairman and/or Managing Director. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman and/or Managing Director, by rotation at least once every three years in order to comply with the Code provisions. The Chairman of the Company will not be subject to retirement by rotation as stipulated under code provision A.4.2 of the Code as the Board considers the continuity of office of the Chairman enables the Group to maintain a consistent leadership which is of crucial importance to the smooth operations of the Group.

To the best knowledge of the Board, the Company has complied with most of the Code provisions during the year ended 31 December 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct").

Specific enquiry has been made with all Directors of the Company and the Directors have confirmed that they have complied with the required standard of dealings set out in the Code of Conduct throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

The Company has a balanced Board composition of executive and non-executive directors. During the year ended 31 December 2007, the Board comprised six members, three of whom were Executive Directors and three of whom were Independent Non-executive Directors:

Executive Directors:
Dr. Poon Kwok Lim, Steven *(Chairman)*
Mr. Poon Shu Yan, Joseph *(Chief Executive Officer)*
Mr. Mok Hay Hoi [#]

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

Mr. Mok Hay Hoi has resigned as an Executive Director of the Company with effect from 22 February 2008.

The Board is responsible for the overall strategic planning and business development of the Group. It monitors the financial performance and internal controls of the Group's business operations. The day-to-day operations of the Company and implementation of business strategies are delegated to the management with department heads responsible for different aspects of the business.

The Board represents a mixture of expertise specializing in management, engineering, accounts and finance. All the Directors have comprehensive qualifications and experience as well as exposure to diversified business which are crucial to the business growth of the Group. With at least half of the Board members being Independent Non-executive Directors, the Board can effectively exercise independent judgement and advice to the management of the Company and can make decisions objectively for the best interests of the Company and all shareholders. Details of backgrounds and qualifications of each Director are set out in the section headed "Biographical Details of Directors" in this annual report.

To the best knowledge of the Board, there is no financial, business and family relationship among the members of the Board except that Dr. Poon Kwok Lim, Steven is the father of Mr. Poon Shu Yan, Joseph.

Regular Board meetings are held at least four times each year at approximately quarterly intervals to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all Directors for all regular Board meetings to give all Directors an opportunity to attend.

All regular Board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All Directors have access to board papers and related materials, and are provided with sufficient information in order to make informed decisions on the matters to be discussed and considered at the Board meetings. Proper minutes of Board meetings are kept by the Company Secretary of the Company and are readily available for inspection by any Director upon request.

During the year ended 31 December 2007, a total of four Board meetings was held and the attendance record of each individual Board member at these Board meetings is set out in the following table:

	Directors' Attendance
Dr. Poon Kwok Lim, Steven	4/4
Mr. Poon Shu Yan, Joseph	4/4
Mr. Mok Hay Hoi	4/4
Mr. Tam Tak Wah	4/4
Mr. Tsui Yiu Wa, Alec	3/4
Mr. Yeung Pak Sing	4/4

Chairman and Chief Executive Officer

The Chairman of the Board and the Chief Executive Officer are held separately by two individuals with an aim to ensuring their respective independence and accountability as well as to maintaining a balance of power and authority. The Chairman, Dr. Poon Kwok Lim, Steven, is responsible for formulating the long-term strategies of the Group and overseeing its overall business development. The Chief Executive Officer, Mr. Poon Shu Yan, Joseph, is responsible for implementing the Group's business strategies and overseeing its day-to-day operations.

Non-executive Directors

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. All the current Independent Non-executive Directors of the Company have been appointed for a specific term of two years and are subject to retirement by rotation in accordance with the Articles of Association of the Company.

At least one of the Independent Non-executive Directors has the appropriate professional qualifications or accounting or related financial management expertise as required under the GEM Listing Rules. The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers them to be independent.

Appointment and Re-election of Directors

The Board is responsible for the appointment of any potential new directors and the nomination of directors for re-election by shareholders at the annual general meeting of the Company. In accordance with the Articles of Association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board, whom is subject to retirement and re-election at the first annual general meeting after his appointment.

Under code provision A.4.2 of the Code, every director should be subject to retirement by rotation at least once every three years. The Directors have not been required by the Articles of Association to retire by rotation once every three years. However, according to Article 87 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save any Director holding office as Chairman and/or Managing Director. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman and/or Managing Director, by rotation at least once every three years in order to comply with the Code provisions. The Chairman of the Company will not be subject to retirement by rotation as stipulated under code provision A.4.2 of the Code as the Board considers the continuity of office of the Chairman enables the Group to maintain a consistent leadership which is of crucial importance to the smooth operations of the Group.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in 2005. The Remuneration Committee currently comprises three members, Mr. Yeung Pak Sing (Chairman), Mr. Tam Tak Wah and Mr. Tsui Yiu Wa, Alec. All of them are Independent Non-executive Directors.

The major responsibilities of the Remuneration Committee include: i) to recommend to the Board on the Company's policy and structure for all remuneration of directors and senior management and to establish a formal and transparent procedure for developing such remuneration policy; ii) to review and determine the remuneration packages of the executive directors and senior management and to ensure that no director is involved in deciding his own remuneration; and iii) to review and make recommendations to the Board about the overall remuneration policy of the Company.

The Remuneration Committee held two meetings during the year ended 31 December 2007 and the attendance record of these meetings is set out in the following table:

	Directors' Attendance
Mr. Yeung Pak Sing *(Chairman)*	2/2
Mr. Tam Tak Wah	2/2
Mr. Tsui Yiu Wa, Alec	2/2

AUDIT COMMITTEE

The Audit Committee was established in 2002. The Audit Committee currently comprises three members, Mr. Tam Tak Wah (Chairman), Mr. Tsui Yiu Wa, Alec and Mr. Yeung Pak Sing. All of them are Independent Non-executive Directors.

The major responsibilities of the Audit Committee include: i) to review the financial information of the Group such as annual and quarterly results prior to recommending to the Board's approval; ii) to review and monitor financial reporting principles and practices; iii) to recommend to the Board on the appointment and reappointment or removal of external auditors; and iv) to oversee the financial reporting system and internal control procedures of the Group.

The Audit Committee held four meetings during the year ended 31 December 2007 and the attendance record of these meetings is set out in the following table:

	Directors' Attendance
Mr. Tam Tak Wah *(Chairman)*	4/4
Mr. Tsui Yiu Wa, Alec	3/4
Mr. Yeung Pak Sing	4/4

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2007, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report, which is on pages 22 to 23 of this annual report.

AUDITORS' REMUNERATION

During the year ended 31 December 2007, the Group had engaged Messrs. Grant Thornton to provide the following services and their respective fees charged are set out below:

	Fee paid/payable
	HK$'000
Audit services rendered	450
Non-audit services rendered	–

INTERNAL CONTROL

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. In order to maintain a sound and effective internal control for safeguarding the Company's assets and shareholders' interests, the Board has adopted internal control policy and procedures (the "Internal Control") within the Company. The Internal Control is designed to provide reasonable assurance against misappropriate use of the Company's assets and to manage the Group's operational system in an efficient manner.

The Internal Control mainly covers areas of finance, operations and compliance. The Company shall conduct an annual review of the Internal Control to assess its effectiveness and shall make recommendations to the Board if any significant areas of concern are identified.

COMMUNICATION WITH SHAREHOLDERS

The Board is committed to maintaining an ongoing and transparent communication with all shareholders. The Directors host annual general meeting each year to meet the shareholders and answer their enquiries. The Company uses various communication channels, such as publication of annual and quarterly reports, press announcements and circulars, to update the shareholders on the Group's business developments and financial performance. Such information is also available on the Company's website: http://www.vgl.hk.

Grant Thornton
均富

Grant Thornton
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

To the members of Vertex Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vertex Group Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 24 to 79, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER – MATERIAL UNCERTAINTY REGARDING THE GOING CONCERN ASSUMPTION

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2007, the Group and the Company had deficits in equity of approximately HK$26,765,000 and HK$22,457,000 respectively and the Group also incurred a loss attributable to the equity holders of the Company of approximately HK$25,033,000 for the year then ended. These conditions, along with other matters as disclosed in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Grant Thornton
Certified Public Accountants

20 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	6	26,023	15,817
Other operating income		1,553	1,577
Royalty and production costs		(11,348)	(12,719)
Staff costs	13	(15,145)	(18,488)
Subcontracting costs		(9,400)	(603)
Depreciation of property, plant and equipment		(515)	(915)
Other operating expenses		(9,461)	(10,522)
Finance costs	8	(2,795)	(2,290)
Change in fair value of convertible bonds		(2,445)	645
Impairment loss on available-for-sale investments		(1,500)	–
Loss before income tax	9	(25,033)	(27,498)
Income tax expense	10	–	–
Loss for the year		(25,033)	(27,498)
Attributable to:			
Equity holders of the Company	11	(25,033)	(27,330)
Minority interests		–	(168)
Loss for the year		(25,033)	(27,498)
Loss per share for loss attributable to the equity holders of the Company for the year	12		
– Basic		HK4.07 cents	HK4.64 cents
– Diluted		N/A	N/A

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	1,228	1,695
Available-for-sale investments	19	1,500	3,000
Deposits		33	354
		2,761	5,049
Current assets			
Trade receivables	20	13,058	4,087
Prepayments, deposits and other receivables		5,369	3,292
Cash and cash equivalents	21	19,637	43,090
		38,064	50,469
Current liabilities			
Trade payables	22	10,391	2,376
Other payables and accruals		3,914	4,444
Amounts due to related companies	23	5,364	5,829
Provision for income tax		8	8
		19,677	12,657
Net current assets		18,387	37,812
Total assets less current liabilities		21,148	42,861
Non-current liabilities			
Convertible bonds	26	32,999	30,554
Bonds, secured	27	14,914	14,303
		47,913	44,857
Net liabilities		(26,765)	(1,996)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	28	6,149	6,144
Reserves	29	(32,914)	(8,140)
Capital deficiency		(26,765)	(1,996)

Director — **Poon Kwok Lim Steven**

Director — **Poon Shu Yan Joseph**

Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	957	1,280
Interests in subsidiaries	16	715	715
Deposits		15	354
		1,687	2,349
Current assets			
Trade receivables		–	408
Prepayments, deposits and other receivables		946	959
Amounts due from subsidiaries	24	5,619	4,896
Cash and cash equivalents	21	15,475	12,221
		22,040	18,484
Current liabilities			
Other payables and accruals		836	1,027
Amounts due to related companies	23	5,364	5,829
Amounts due to subsidiaries	25	24,523	1,147
Financial guarantee liabilities	32	135	110
		30,858	8,113
Net current (liabilities)/assets		(8,818)	10,371
Total assets less current liabilities		(7,131)	12,720
Non-current liabilities			
Bonds, secured	27	14,914	14,303
Financial guarantee liabilities	32	412	547
		15,326	14,850
Net liabilities		(22,457)	(2,130)
EQUITY			
Share capital	28	6,149	6,144
Reserves	29	(28,606)	(8,274)
Capital deficiency		(22,457)	(2,130)

Director	*Director*
Poon Kwok Lim Steven	**Poon Shu Yan Joseph**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Equity attributable to the equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 29)	Warrant reserve HK$'000 (note 29)	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	5,303	77,828	1,000	1,750	(71)	200	(102,470)	(16,460)	168	(16,292)
Currency translation differences	–	–	–	–	126	–	–	126	–	126
Net results recognised directly in equity	–	–	–	–	126	–	–	126	–	126
Loss for the year	–	–	–	–	–	–	(27,330)	(27,330)	(168)	(27,498)
Total recognised income and expense for the year	–	–	–	–	126	–	(27,330)	(27,204)	(168)	(27,372)
Issuance of new shares	836	39,705	–	–	–	–	–	40,541	–	40,541
Expenses for issuance of new shares	–	(1,149)	–	–	–	–	–	(1,149)	–	(1,149)
Employee share-based compensation	–	–	–	–	–	2,036	164	2,200	–	2,200
Exercise of share options	5	71	–	–	–	–	–	76	–	76
At 31 December 2006 and 1 January 2007	6,144	116,455*	1,000*	1,750*	55*	2,236*	(129,636)*	(1,996)	–	(1,996)
Currency translation differences	–	–	–	–	166	–	–	166	–	166
Net results recognised directly in equity	–	–	–	–	166	–	–	166	–	166
Loss for the year	–	–	–	–	–	–	(25,033)	(25,033)	–	(25,033)
Total recognised income and expense for the year	–	–	–	–	166	–	(25,033)	(24,867)	–	(24,867)
Employee share-based compensation	–	–	–	–	–	29	–	29	–	29
Exercise of share options	5	64	–	–	–	–	–	69	–	69
At 31 December 2007	**6,149**	**116,519***	**1,000***	**1,750***	**221***	**2,265***	**(154,669)***	**(26,765)**	**–**	**(26,765)**

* *The aggregate amount of these balances of HK$32,914,000 (2006 : HK$8,140,000) in deficit is included as reserves in the consolidated balance sheet.*

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Cash flows from operating activities		
Loss before income tax	**(25,033)**	(27,498)
Adjustments for:		
Finance costs	**2,795**	2,290
Interest income	**(1,485)**	(1,447)
Allowances for bad and doubtful debts	**175**	120
Depreciation of the property, plant and equipment	**515**	915
Change in fair value of convertible bonds	**2,445**	(645)
Impairment loss on available-for-sale investments	**1,500**	–
Loss/(Gain) on disposal of property, plant and equipment	**55**	(9)
Equity settled share-based payment expenses	**29**	2,200
Operating cash flows before movements in working capital	**(19,004)**	(24,074)
(Increase)/Decrease in trade receivables	**(9,146)**	1,965
Increase in prepayments, deposits and other receivables	**(1,756)**	(1,049)
Increase/(Decrease) in trade payables	**8,015**	(1,025)
Decrease in other payables and accruals	**(530)**	(1,965)
Net cash used in operating activities	**(22,421)**	(26,148)
Cash flows from investing activities		
Acquisition of available-for-sale investments	**–**	(3,000)
Interest received	**1,485**	1,447
Purchase of property, plant and equipment	**(103)**	(194)
Proceeds from disposal of property, plant and equipment	**16**	62
Net cash generated from/(used in) investing activities	**1,398**	(1,685)
Cash flows from financing activities		
Repayment to related companies	**(465)**	(7,660)
Interest paid	**(2,184)**	(1,714)
Proceeds from issuance of bonds	**–**	31,199
Proceeds from issuance of shares	**69**	39,468
Net cash (used in)/generated from financing activities	**(2,580)**	61,293
(Decrease)/Increase in cash and cash equivalents	**(23,603)**	33,460
Cash and cash equivalents at 1 January	**43,090**	9,506
Effect of foreign exchange rate changes	**150**	124
Cash and cash equivalents at 31 December (note 21)	**19,637**	43,090

1. GENERAL INFORMATION

Vertex Group Limited (the "Company") was incorporated in the Cayman Islands on 16 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's registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies. The Company's principal place of business in Hong Kong is at Units 3103-05, 31st Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is principally engaged in investment holding and provision of energy consultancy services. Details of the principal activities of its subsidiaries are set out in note 16 to the consolidated financial statements. The Company and its subsidiaries are referred to as the Group hereafter.

The consolidated financial statements on pages 24 to 79 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standard, Hong Kong Accounting Standard ("HKAS") and Interpretation ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 20 March 2008.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements for the year end 31 December 2007, the directors of the Company (the "Directors") have given considerations to the future financial positions of the Group and the Company in light of the deficits in equity of approximately HK$26,765,000 (2006: HK$1,996,000) and HK$22,457,000 (2006: HK$2,130,000) as at 31 December 2007 respectively and the Group's loss of approximately HK$25,033,000 (2006: HK$27,330,000) attributable to the equity holders of the Company for the year ended 31 December 2007. The Directors are taking active steps to improve the financial positions of the Group and the Company as described below.

The consolidated financial statements have been prepared on the assumption that the Group and the Company will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2007 and subsequently thereto up to the date of approval of these consolidated financial statements. In order to improve the Group's and the Company's financial positions, immediate liquidity and cash flows, the Directors have adopted several measures together with other measures in progress at the date of approval of these consolidated financial statements which include, but not limited to, the following:

(a) The Group has been taking stringent cost controls in production and general administrative expenses;

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(b) The Group is at the final stage of tendering various engineering projects with reputable companies in Hong Kong, substantial revenues are expected to flow into the Group if it puts through successfully during the financial year ending 31 December 2008; and

(c) The Group has strengthened its sales and marketing team in the People's Republic of China (the "PRC") to promote the publication of its print media business with aggressive sales measures.

As such, the Directors are satisfied that both the Group and the Company will be able to meet in full their financial obligations as they fall due for the foreseeable future without significant curtailments of operations. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should these measures be failed or insufficient, or should the going concern basis be inappropriate, adjustments would have to be made to the consolidated financial statements to reduce the value of the Group's and the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these potential adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations (the "New HKFRSs") issued by the HKICPA, which are first effective for the Group's accounting period beginning on 1 January 2007 and are relevant to the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of the New HKRFSs did not result in significant changes to the accounting policies applied in the consolidated financial statements for the years presented but gave rise to additional disclosures as follows:

3.1 HKAS 1 (Amendment) – Capital Disclosures

HKAS 1 (Amendment) introduces additional disclosure requirements to provide information about the level of capital and the Group's capital management objectives, policies and procedures. The new disclosures that become necessary due to this change are set out in note 35.

3.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 is mandatory for accounting periods beginning on or after 1 January 2007. It replaces and amends the disclosure requirements previously set out in HKAS 32 – *Financial Instruments: Disclosure and Presentation*. As a result of the adoption of HKFRS 7, the consolidated financial statements for the year ended 31 December 2007 include expanded disclosures about the significance of the Group's financial instruments and the nature and the extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32.

The adoption of HKAS 1 (Amendment) and HKFRS 7 has had no material financial impact on the Group's results and financial position in the current and prior accounting periods.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

3.3 New and revised HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued at the time of preparing the consolidated financial statements but are not yet effective. The Directors are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK(IFRIC) – Int 12	Service Concession Arrangements [3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

Notes:

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 March 2007*
[3] *Effective for annual periods beginning on or after 1 January 2008*
[4] *Effective for annual periods beginning on or after 1 July 2008*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost convention except for certain financial assets and liabilities which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Basis of consolidation

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

4.3 Subsidiaries

Subsidiaries are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In the consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 4.9) of the associate and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statement in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

4.6 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable can be measured reliably on the following bases:

Income derived from provision of network infrastructure, electrical installation and digital solution services is recognised and determined using the percentage of completion method. The percentage of completion is calculated by comparing the costs incurred to date with the total estimated costs of the contract. When the contract is considered profitable, it is valued at cost plus attributable profits by reference to the percentage of completion. Any expected loss on individual construction contract is recognised immediately as an expense in the income statement.

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

Revenue from rendering of services is recognised when the agreed services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

Advertising income is recognised when the advertisements are published.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Revenue recognition *(Continued)*

Advertising barter transactions

Revenue and expense from an advertising barter transaction are recognised at fair value only if the fair value of the advertising services surrendered in the transaction can be determined by reference to the non-barter transactions involves cash of similar advertising services that occurs frequently with the buyers not related to the counter-party in the barter transactions.

4.7 Borrowing costs

All borrowing costs are expensed as incurred.

4.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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 the following rates per annum:

Leasehold improvements	over the shorter of the lease term and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The assets' estimated useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

4.9 Impairment of assets

Property, plant and equipment and interests in subsidiaries and associates are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Impairment of assets *(Continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

4.11 Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial assets *(Continued)*

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity until the financial asset is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity would be recognised in the income statement. Interest calculated using the effective interest rate method is recognised in the income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial assets *(Continued)*

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

A provision for impairment on loans and receivables carried at amortised cost is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the loans and receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement during the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement during the period in which the reversal occurs.

(ii) *Financial assets carried at cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

4.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Accounting for income taxes *(Continued)*

Deferred tax is calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

4.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short-term bank deposits with original maturities of three months or less which are subject to insignificant risk of changes in value.

4.14 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of shares over the par value. Any transaction costs associated with the issuance of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Retirement benefit costs and short-term employee benefits

Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contribution as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Company's subsidiary which operates in the PRC, except Hong Kong, are required to participate in the employee retirement scheme operated by the relevant local government bureau in the PRC and to make contributions for their eligible employees. The contributions payable by the subsidiary are calculated based on a certain percentage of the salaries and wages of those eligible employees and are charged to the income statement during the period to which they relate.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.16 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the consolidated financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees and directors.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Share-based employee compensation *(Continued)*

All share-based compensation is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

4.17 Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Convertible bonds at fair value through profit or loss

Convertible bonds that will or may not be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are accounted for as financial liabilities with embedded derivatives. Derivatives embedded in a financial instrument are treated as separate derivatives when their economic risk and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The convertible bonds with embedded derivatives that are not closely related to the host debt contract are designated as a whole as financial liabilities at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, the convertible bonds are measured at fair value with changes in fair value recognised directly in the income statement during the period in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Financial liabilities *(Continued)*

Convertible bonds at fair value through profit or loss *(Continued)*

Transaction costs that are directly attributable to the issuance of the convertible bonds designated as financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or

– the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

– the financial liability contains an embedded derivative that would need to be separately recorded.

Other financial liabilities

Other financial liabilities (including trade and other payables, secured bonds and amounts due to related/group companies) are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

4.18 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transactions costs that are directly attributable to the acquisition or issuance of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at higher of: (i) the amount determined in accordance with HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, accumulated amortisation recognised in accordance with HKAS 18 “Revenue”.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.20 Related parties

A party is considered to be related to the Group if:

(i) the party directly, or indirectly through one or more intermediaries:

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family or any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No geographical segment information is presented as the Group's operations are located in the PRC including Hong Kong and Macau. The Group's revenue 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.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, receivables and operating cash, and mainly exclude corporate assets and available-for-sale investments. Segment liabilities comprise operating liabilities and exclude items such as provision for income tax and other payables.

Capital expenditure mainly represents additions to property, plant and equipment.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of share option granted

The fair value of share options granted was calculated using the Black-Scholes valuation model based on the Company's management's significant estimates and inputs into the calculation including the estimated life of share options granted to be ten years based on exercise restrictions and behavioural consideration, the volatility of share price, the weighted average share prices (all of which were determined by reference to historical data) and the exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends. The fair value of share options varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of share options. Details of the inputs are set out in note 31.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Valuation of convertible bonds

The Directors use their judgement in selecting an appropriate valuation technique for the Group's convertible bonds which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of the Group's convertible bonds was valued using the binomial option pricing model (the "Model"). Details of the key inputs into the Model are disclosed in note 26. The fair value of convertible bonds varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of convertible bonds.

Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. The estimate is based on the credit history of its customers and current market conditions. Management of the Group reassesses the impairment of receivables at the balance sheet date.

Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

6. TURNOVER

An analysis of the Group's turnover is as follows:

	2007 **HK$'000**	2006 HK$'000
Income from publication of print media		
– Advertising income	**10,601**	11,571
– Sales of magazines	**626**	211
Service income from digital solution services	**134**	109
Network infrastructure and electrical installation services income	**11,197**	430
Energy consultancy fee income	**3,465**	3,496
	26,023	15,817

During the year, the Group's revenue from advertising barter transactions was HK$2,190,000 (2006: HK$1,924,000).

The fair value of the advertising barter transactions is determined by reference to the non-barter transactions involves cash of similar advertising services that occurs frequently with the buyers not related to the counter-party in the barter transactions.

7. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating segments, namely network infrastructure and electrical installation services, digital solution services, publication of print media and energy consultancy services. These segments are the basis on which the Group reports its primary segment information. The principal activities of these segments are as follows:

Network infrastructure and electrical installation services	–	Provision of network infrastructure and electrical installation services
Digital solution services	–	Provision of information technology solutions including web solutions and system integration
Publication of print media	–	Production and procurement of media contents
Energy consultancy services	–	Provision of energy consultancy services

Segment information about these businesses is presented below.

Year ended 31 December 2007

	Network infrastructure and electrical installation services HK$'000	Digital solution services HK$'000	Publication of print media HK$'000	Energy consultancy services HK$'000	Consolidated HK$'000
Turnover	11,197	134	11,227	3,465	26,023
Segment results	1,321	(194)	(9,388)	483	(7,778)
Other operating income					1,553
Change in fair value of convertible bonds					(2,445)
Impairment loss on available-for-sale investments					(1,500)
Unallocated corporate expenses					(12,068)
Finance costs					(2,795)
Loss before income tax					(25,033)
Income tax expense					–
Loss for the year					(25,033)

7. SEGMENT INFORMATION *(Continued)*

As at 31 December 2007

	Network infrastructure and electrical installation services HK$'000	Digital solution services HK$'000	Publication of print media HK$'000	Energy consultancy services HK$'000	Consolidated HK$'000
Assets					
Segment assets	10,476	103	8,871	–	19,450
Unallocated corporate assets					21,375
Total assets					40,825
Liabilities					
Segment liabilities	(8,741)	(103)	(4,671)	–	(13,515)
Unallocated corporate liabilities					(54,075)
Total liabilities					(67,590)

Other information for the year ended 31 December 2007

	Network infrastructure and electrical installation services HK$'000	Digital solution services HK$'000	Publication of print media HK$'000	Energy consultancy services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Allowances for bad and doubtful debts	–	–	175	–	–	175
Additions to property, plant and equipment	–	–	27	–	76	103
Depreciation	–	–	117	–	398	515
Loss on disposal of property, plant and equipment	–	–	45	–	10	55

7. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2006

	Network infrastructure services HK$'000	Digital solution services HK$'000	Publication of print media HK$'000	Energy consultancy services HK$'000	Consolidated HK$'000
Turnover	430	109	11,782	3,496	15,817
Segment results	(479)	(502)	(12,063)	754	(12,290)
Other operating income					1,577
Change in fair value of convertible bonds					645
Unallocated corporate expenses					(15,140)
Finance costs					(2,290)
Loss before income tax					(27,498)
Income tax expense					–
Loss for the year					(27,498)

As at 31 December 2006

	Network infrastructure services HK$'000	Digital solution services HK$'000	Publication of print media HK$'000	Energy consultancy services HK$'000	Consolidated HK$'000
Assets					
Segment assets	1,189	391	7,740	–	9,320
Unallocated corporate assets					46,198
Total assets					55,518
Liabilities					
Segment liabilities	(1,094)	(149)	(4,343)	–	(5,586)
Unallocated corporate liabilities					(51,928)
Total liabilities					(57,514)

7. SEGMENT INFORMATION *(Continued)*

Other information for the year ended 31 December 2006

	Network infrastructure services HK$'000	Digital solution services HK$'000	Publication of print media HK$'000	Energy consultancy services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Allowances for bad and doubtful debts	–	120	–	–	–	120
Additions to property, plant and equipment	–	–	194	–	–	194
Depreciation	–	–	116	–	799	915
Gain on disposal of property, plant and equipment	–	–	4	–	5	9

Geographical segments

The Group's operations are located in the 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.

8. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on secured bonds wholly repayable within five years	924	886
Interest on convertible bonds wholly repayable within five years	1,871	1,404
	2,795	2,290

9. LOSS BEFORE INCOME TAX

	2007 HK$'000	2006 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Allowances for bad and doubtful debts	175	120
Auditors' remuneration	450	426
Loss/(Gain) on disposal of property, plant and equipment	55	(9)
Minimum lease payments under operating leases in respect of rented premises	1,845	1,970
Bank interest income	(1,485)	(1,447)

10. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for both years. PRC foreign enterprise income tax has not been provided as the PRC subsidiary incurred a loss for taxation purposes for both years.

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2007 HK$'000	2006 HK$'000
Loss before income tax	(25,033)	(27,498)
Tax at the applicable tax rates	(4,466)	(4,933)
Tax effect of non-deductible expenses	1,296	1,343
Tax effect of non-taxable revenue	(92)	(259)
Tax effect of unrecognised tax losses	3,220	3,719
Tax effect of temporary difference not recognised	42	130
Income tax expense	–	–

At the balance sheet date, the Group and the Company had unused estimated tax losses of approximately HK$142,919,000 (2006: HK$124,521,000) and approximately HK$27,101,000 (2006: HK$22,418,000) respectively, which was available for offsetting against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Under the current tax legislation, the tax losses can be carried forward indefinitely.

At the balance sheet date, the Group and the Company did not have any significant unrecognised deferred tax liabilities (2006: Nil).

11. LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to the equity holders of the Company for the year includes a loss of HK$20,425,000 (2006: HK$29,967,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company of HK$25,033,000 (2006: HK$27,330,000) and the weighted average of 614,732,520 (2006: 588,819,299) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2007 and 2006 have not been disclosed as the share options, warrants and convertible bonds outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000
Salaries and allowances	14,751	15,698
Equity settled share-based payment expenses	29	2,200
Retirement benefit costs	365	590
	15,145	18,488

Included in employee benefit expense are key management personnel compensation. The key management personnel are the Directors, whose emoluments are set out in note 14.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' emoluments

	Fees HK$'000	Salaries and allowances HK$'000	Equity settled share-based payment expenses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Year ended 31 December 2007					
Executive directors					
Dr. Poon Kwok Lim, Steven	100	1,161	–	12	1,273
Mr. Poon Shun Yan, Joseph	100	1,043	–	12	1,155
Mr. Mok Hay Hoi *	100	636	–	12	748
Independent non-executive directors					
Mr. Tam Tak Wah	120	–	–	–	120
Mr. Tsui Yiu Wa, Alec	200	–	–	–	200
Mr. Yeung Pak Sing	200	–	–	–	200
	820	2,840	–	36	3,696

	Fees HK$'000	Salaries and allowances HK$'000	Equity settled share-based payment expenses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Year ended 31 December 2006					
Executive directors					
Dr. Poon Kwok Lim, Steven	100	1,080	975	12	2,167
Mr. Poon Shun Yan, Joseph	100	984	959	12	2,055
Mr. Mok Hay Hoi *	100	600	174	12	886
Independent non-executive directors					
Mr. Tam Tak Wah	120	–	–	–	120
Mr. Tsui Yiu Wa, Alec	200	–	–	–	200
Mr. Yeung Pak Sing	200	–	–	–	200
	820	2,664	2,108	36	5,628

* Mr. Mok Hay Hoi resigned on 22 February 2008

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2007 and 2006.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

14.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: three) Directors whose emoluments are reflected in the analysis presented in note 14.1 above. The emoluments payable to the remaining two (2006: two) individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and allowance	1,563	1,520
Equity settled share-based payment expenses	16	16
Retirement benefit costs	20	20
	1,599	1,556

Their emoluments were within the following band:

	Number of individuals 2007	2006
NIL to HK$1,000,000	2	2

During the year, no emoluments were paid by the Group to the Directors or the two (2006: two) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006				
Cost	809	4,214	200	5,223
Accumulated depreciation	(56)	(2,673)	(27)	(2,756)
Net book amount	753	1,541	173	2,467
Year ended 31 December 2006				
Opening net book amount	753	1,541	173	2,467
Additions	75	119	–	194
Depreciation	(185)	(690)	(40)	(915)
Disposals	–	(53)	–	(53)
Exchange realignment	2	–	–	2
Closing net book amount	645	917	133	1,695
At 31 December 2006				
Cost	884	4,255	200	5,339
Accumulated depreciation	(239)	(3,338)	(67)	(3,644)
Net book amount	645	917	133	1,695
Year ended 31 December 2007				
Opening net book amount	**645**	**917**	**133**	**1,695**
Additions	**–**	**103**	**–**	**103**
Depreciation	**(186)**	**(289)**	**(40)**	**(515)**
Disposals	**(24)**	**(47)**	**–**	**(71)**
Exchange realignment	**6**	**10**	**–**	**16**
Closing net book amount	**441**	**694**	**93**	**1,228**
At 31 December 2007				
Cost	**845**	**4,296**	**200**	**5,341**
Accumulated depreciation	**(404)**	**(3,602)**	**(107)**	**(4,113)**
Net book amount	**441**	**694**	**93**	**1,228**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 December 2006				
Cost	752	1,473	200	2,425
Accumulated depreciation	(36)	(340)	(27)	(403)
Net book amount	716	1,133	173	2,022
Year ended 31 December 2006				
Opening net book amount	716	1,133	173	2,022
Additions	–	53	–	53
Depreciation	(149)	(606)	(40)	(795)
Closing net book amount	567	580	133	1,280
At 31 December 2006				
Cost	752	1,526	200	2,478
Accumulated depreciation	(185)	(946)	(67)	(1,198)
Net book amount	567	580	133	1,280
Year ended 31 December 2007				
Opening net book amount	**567**	**580**	**133**	**1,280**
Additions	**–**	**76**	**–**	**76**
Depreciation	**(152)**	**(207)**	**(40)**	**(399)**
Closing net book amount	**415**	**449**	**93**	**957**
At 31 December 2007				
Cost	**752**	**1,602**	**200**	**2,554**
Accumulated depreciation	**(337)**	**(1,153)**	**(107)**	**(1,597)**
Net book amount	**415**	**449**	**93**	**957**

16. INTERESTS IN SUBSIDIARIES

	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**24,406**	24,406
Less: Provision for impairment	**(24,400)**	(24,400)
Financial guarantee granted to a subsidiary	**709**	709
	715	715

Particulars of the Company's subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ Registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Network Engineering Limited	Hong Kong	Ordinary HK$1,000,000	100%	–	Provision of network infrastructure services
Vertex Systems Services Limited (formerly known as "Nestor Pacific Limited")	Hong Kong	Ordinary HK$2	100%	–	Inactive
VCTG Technology Limited	Hong Kong	Ordinary HK$2	100%	–	Provision of digital solution services
Great Wall Telecommunications Group Ltd. (formerly known as "Optimum Cyber Limited")	British Virgin Islands	Ordinary US$157,844	100%	–	Investment holding
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.	British Virgin Islands	Ordinary US$19,860	100%	–	Investment holding
VCTG Amonic Solutions (Macau) Limited	Macau	Ordinary MOP50,000	–	100%	Provision of digital solution services
Vertex Digital Media Limited	British Virgin Islands	Ordinary US$1	–	100%	Inactive
SinoWorld Media Company Limited	Hong Kong	Ordinary HK$5,165,000	–	80%	Investment holding

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ Registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
SinoWorld CNW Publishing Limited	Hong Kong	Ordinary HK$2,050,000	–	72%	Publication of magazine
Vertex TRC Publishing Company Limited	Hong Kong	Ordinary HK$2	–	100%	Publication of magazine
China Sports Enterprises Limited	Hong Kong	Ordinary HK$1	–	100%	Publication of magazine
Gulf Pacific Services Limited (formerly known as "Vertex (Gulf) Enterprises Holdings Limited")	British Virgin Islands	Ordinary US$160,000	100%	–	Investment holding
Coastal Power Company Limited	Hong Kong	Ordinary HK$1,000,000	80%	–	Investment holding
Vertex CDM Limited	British Virgin Islands	Ordinary US$1	100%	–	Inactive
China Hong Kong Power Engineering Company Limited	Hong Kong	Ordinary HK$1	100%	–	Provision of electrical installation services

Note: The principal place of operation of all the companies is in Hong Kong except 上海創一信息技術有限公司 and VCTG Amonic Solutions (Macau) Limited which are operated in other regions in the PRC and Macau respectively.

None of the subsidiaries had issued any listed securities at the balance sheet date.

17. GOODWILL

The Group

The net carrying amount of goodwill is analysed as follows:

	2007 HK$'000	2006 HK$'000
At 1 January and **31 December**		
Gross carrying amount	11,482	11,482
Accumulated impairment	(11,482)	(11,482)
Net carrying amount	–	–

18. INTEREST IN AN ASSOCIATE

The Group

	2007 HK$'000	2006 HK$'000
Cost of investment in an associate – unlisted	–	–
Share of post-acquisition losses	–	–
	–	–

At 31 December 2007, the Group had interest in the following associate:

Name of entity	Form of business structure	Country of incorporation	Class of share held	Proportion of nominal value of issued capital held by the Group	Principal activity
Sino East Oil Services Limited ("Sino East Oil")	Incorporated	British Virgin Islands	Ordinary	50%*	Inactive

* The Directors consider that the Group merely exercises significant influence over Sino East Oil and it is therefore classified as an associate of the Group. The principal place of operation of this associate is Hong Kong.

19. AVAILABLE-FOR-SALE INVESTMENTS

The Group

	2007 HK$'000	2006 HK$'000
Unlisted equity securities, at cost	3,000	3,000
Less: Provision for impairment	(1,500)	–
	1,500	3,000

This represents the Group's unlisted equity interests in China Hong Kong Power Development Company Limited, a private company incorporated in Hong Kong (the "Investment"). The Group held 12% effective equity interests in the Investment. The Investment is classified as available-for-sale investments in accordance with HKAS 39 upon initial recognition and is carried at cost less impairment loss.

20. TRADE RECEIVABLES

The Group

	2007 HK$'000	2006 HK$'000
Trade receivables	13,233	4,207
Less: Allowance for bad and doubtful debts	(175)	(120)
	13,058	4,087

The Group generally allows a credit period from 60 to 90 days to its trade customers. The following is the ageing analysis of trade receivables, net of allowance for bad and doubtful debts, at the balance sheet date:

The Group

	2007 HK$'000	2006 HK$'000
0 to 60 days	1,196	1,409
61 to 90 days	531	728
91 to 180 days	5,711	1,135
Over 180 days	5,620	815
	13,058	4,087

20. TRADE RECEIVABLES *(Continued)*

The Group *(Continued)*

Included in the balances are debtors with carrying amounts of HK$11,331,000 (2006: HK$1,950,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss. Trade receivables that are past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Directors considered that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

The following is the ageing of trade receivables which are past due but not impaired:

The Group

	2007 HK$'000	2006 HK$'000
91 to 180 days	5,711	1,135
Over 180 days	5,620	815
	11,331	1,950

The following is the movement in the allowance for bad and doubtful debts:

The Group

	2007 HK$'000	2006 HK$'000
At 1 January	120	–
Impairment loss recognised	175	120
Amount written off	(120)	–
At 31 December	175	120

Included in the allowance for bad and doubtful debts are individually impaired trade receivable with a balance of HK$175,000 (2006: HK$120,000). Such impaired trade receivable was aged over 180 days (2006: 91 to 180 days). The Group does not hold any collateral over this balance.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

The Group

	2007 HK$'000	2006 HK$'000
Cash at banks and in hand	4,628	8,246
Short-term bank deposits	15,009	34,844
	19,637	43,090

The Company

	2007 HK$'000	2006 HK$'000
Cash at banks and in hand	2,995	2,662
Short-term bank deposits	12,480	9,559
	15,475	12,221

Cash at banks earn interest at the floating rates based on the daily bank deposits rates. Short-term bank deposits are placed with the banks and earn interest at the respective short-term bank deposit rates ranging from 2.3% to 5.4% (2006: 3.65% to 5%) per annum.

Included in cash at banks and in hand of the Group is HK$296,000 (2006: HK$1,617,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. TRADE PAYABLES

The following is the ageing analysis of trade payables at the balance sheet date:

The Group

	2007 HK$'000	2006 HK$'000
0 to 30 days	961	1,674
31 to 60 days	1,272	47
61 to 90 days	13	335
91 to 180 days	8,038	21
Over 180 days	107	299
	10,391	2,376

23. AMOUNTS DUE TO RELATED COMPANIES

The amounts represent advances from Bright World Enterprise Limited and Forever Triumph Limited, in which Dr. Poon Kwok Lim, Steven has a beneficial interest and Dr. Poon Kwok Lim, Steven and Mr. Poon Shu Yan, Joseph are also directors. The amounts due are unsecured, interest-free and repayable on demand.

24. AMOUNTS DUE FROM SUBSIDIARIES

The Company

	2007 HK$'000	2006 HK$'000
Amounts due from subsidiaries	91,328	75,639
Less: Provision for impairment	(85,709)	(70,743)
	5,619	4,896

During the year, the Directors reviewed the carrying value of the amounts due from subsidiaries with reference to the business operated by these subsidiaries. An impairment loss of approximately HK$14,966,000 (2006: HK$24,399,000) was recognised in the Company's income statement.

The amounts due are unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE TO SUBSIDIARIES

The amounts due are unsecured, interest-free and repayable on demand.

26. CONVERTIBLE BONDS

In March 2006, Coastal Power Company Limited ("CPCL"), a subsidiary of the Company, issued bonds in the principal amount of US$4,000,000 (equivalent to approximately HK$31,199,000) to LIM Asia Arbitrage Fund Inc. ("LIM Fund") with a maturity date due on 31 March 2011 (the "Convertible Bonds"). The Convertible Bonds will, at the option of LIM Fund, be convertible on or after 27 March 2006 up to and including 31 March 2011 into ordinary shares of CPCL at an initial conversion price of US$36 per share subject to adjustment. There are adjustments to the conversion price of the Convertible Bonds in the event of bonus issue or free distribution of the shares of CPCL, subdivision, consolidations, capital distribution, rights issue and issues of shares at less than the conversion price by CPCL. The interest rate of the Convertible Bonds is 6% per annum payable quarterly in advance. The Convertible Bonds that are not converted into ordinary shares will be redeemed at 133.822% of its principal amount on 31 March 2011. Details of the terms of the Convertible Bonds are set out in the Company's circular dated 11 April 2006.

The functional currency of CPCL is HK$ and the conversion option of the Convertible Bonds is denominated in US$. As the conversion price for the Convertible Bonds is subject to change, the conversion will not result in settlement by the exchange of a fixed number of equity instruments. Therefore, upon application of HKAS 32 and HKAS 39, the Group determined that the Convertible Bonds do not contain any equity component and the entire Convertible Bonds are designated as "financial liabilities at fair value through profit or loss" which require the Convertible Bonds to be carried at fair value at the balance sheet date with the changes in fair value being recognised in the income statement. The fair value of the Convertible Bonds was calculated using the Model and the inputs into the Model were as follows:

Stock price	US$12.82
Stock borrowing cost	9.81%
Expected volatility	14.67%
Expected dividend yield	4.66%
Issuer's credit spread	40.93%

26. CONVERTIBLE BONDS *(Continued)*

The movement of the carrying value of the Convertible Bonds is set out below:

The Group

	2007 HK$'000	2006 HK$'000
At 1 January/date of issue	30,554	31,199
Change in fair value charged/(credited) to income statement	2,445	(645)
At 31 December	32,999	30,554

During the year, a loss on change in its fair value of HK$2,445,000 (2006: a gain of HK$645,000) is recognised in the income statement.

27. BONDS, SECURED

On 27 February 2004, the Company issued bonds in an aggregate amount of US$2,000,000 (the "Bonds") to LIM Fund, together with the warrants which entitled the bondholders to subscribe for the ordinary shares of the Company.

The Company has the right to repay early part or the entire amount and the accrued interest of the Bonds at any time prior to the maturity date. The Directors had assessed the fair value of the early redemption right and considered the fair value is insignificant.

The Bonds, which are transferable, bear a coupon of 2 per cent, per annum which is payable biannually on the last business day in June and December of each year and will mature on 27 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., 160,000 ordinary shares in Gulf Pacific Services Limited (formerly known as "Vertex (Gulf) Enterprises Holdings Limited") and 2 ordinary shares in Vertex TRC Publishing Company Limited, being the Company's entire interests in these companies, in favour of LIM Fund.

The warrants entitled the bondholders to subscribe for 41,010,000 ordinary shares of HK$0.01 each of the Company at a subscription price of HK$0.474 each at any time between 27 February 2004 to 27 February 2009, both dates inclusive.

The net proceeds received from the issue of Bonds attaching the warrants therefore contain a liability element and an equity element which are required to be separately accounted for in accordance with HKAS 32. An effective rate of 6.4% p.a. is used to determine the fair value of the liability element at initial recognition.

27. BONDS, SECURED *(Continued)*

The Group and the Company

	2007 HK$'000	2006 HK$'000
Liability component at 1 January	14,303	13,727
Interest charged (note 8)	924	886
Interest paid	(313)	(310)
Liability component at 31 December	14,914	14,303

28. SHARE CAPITAL

	Number of shares		Share capital	
	2007 '000	2006 '000	2007 HK$'000	2006 HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and **31 December**	60,000,000	60,000,000	600,000	600,000
Issued and fully paid:				
At 1 January	614,430	530,340	6,144	5,303
Issuance of shares	–	83,590	–	836
Exercise of share options	455	500	5	5
At 31 December	614,885	614,430	6,149	6,144

Issuance of shares

In 2006, the Company through a placing agent placed 83,590,000 ordinary shares of HK$0.01 each at the placing price of HK$0.485 each. The total proceeds from the placing of shares were approximately HK$40,541,000, before the related placing expenses of approximately HK$1,149,000. Further details of the placement of shares were set out in the Company's announcement dated 7 April 2006.

28. SHARE CAPITAL *(Continued)*

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31.

Warrants

During the year, none of the warrants (2006: NIL) were exercised. At the balance sheet date, the Company had outstanding 25,000,000 (2006: 25,000,000) warrants. The exercise in full of such warrants would result in the issue of 25,000,000 additional ordinary shares of HK$0.01 each.

29. RESERVES

The Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the consolidated financial statements.

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the shares of the Company issued in exchange for the shares of the acquired subsidiaries under the reorganisation.

The Company

	Share premium	Capital reserve	Warrant reserve	Share options reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	77,828	2,787	1,750	200	(101,699)	(19,134)
Exercise of share options	71	–	–	–	–	71
Issuance of new ordinary shares	39,705	–	–	–	–	39,705
Expenses for issuance of new shares	(1,149)	–	–	–	–	(1,149)
Employee share-based compensation	–	–	–	2,036	164	2,200
Loss and total recognised expense for the year	–	–	–	–	(29,967)	(29,967)
At 31 December 2006 and 1 January 2007	116,455	2,787	1,750	2,236	(131,502)	(8,274)
Exercise of share options	64	–	–	–	–	64
Employee share-based compensation	–	–	–	29	–	29
Loss and total recognised expense for the year	–	–	–	–	(20,425)	(20,425)
At 31 December 2007	**116,519**	**2,787**	**1,750**	**2,265**	**(151,927)**	**(28,606)**

29. RESERVES *(Continued)*

Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company 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.

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 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.

The warrant reserve of the Group and the Company arose as a result of the issuance of Bonds as set out in note 27, which entitled the bondholder to subscribe for the ordinary shares of the Company. The warrant reserve represents the value of equity element of the Bonds on initial recognition.

30. OPERATING LEASE COMMITMENTS

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

The Group

	2007 HK$'000	2006 HK$'000
Within one year	958	1,546
In the second to fifth year inclusive	6	1,008
	964	2,554

The Company

	2007 HK$'000	2006 HK$'000
Within one year	945	1,519
In the second to fifth year inclusive	6	1,008
	951	2,527

The Group and the Company lease a number of rented premises under operating leases. Leases are negotiated for a term of two to three years and none of the leases include contingent rentals.

31. SHARE-BASED EMPLOYEE COMPENSATION

As at 31 December 2007, the Group maintained two share options schemes for employee compensation as set out below.

31.1 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 22 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 the 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'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 17 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.

31. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

31.1 Post initial public offering share option scheme *(Continued)*

(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.

31.2 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 principal terms of the Pre-IPO Option Scheme, which conditionally approved by a written resolution of the sole shareholder dated 22 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 1,350,000 (2006: 1,350,000) equivalent to approximately 0.22% (2006: 0.22%) of the issued share capital of the Company as of the balance sheet date;

(iii) save for the share options which were granted on 24 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 9 October 2002;

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

31. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

31.2 Pre-initial public offering share option scheme *(Continued)*

(v) the Pre-IPO Option Scheme contains no provisions on (a) the granting of share options to connected persons (as defined in the GEM Listing Rules); (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.

As at 31 December 2007, the share options to subscribe for an aggregate of 1,350,000 (2006: 1,350,000) 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, advisors 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 17 June 2002 and the rest of the right shall continue to vest over a period of not more than 4 years from 17 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 17 October 2003, any vested right shall remain exercisable on or before 23 July 2012.

No share options were granted under the Post-IPO Option Scheme in the current year. Details of the share options granted under the Post-IPO Option Scheme in prior year are as follows:

Date of grant	Number of options granted	Vesting period	Exercisable period	Exercise price per share
8 August 2006	300,000	see note (a) below	see note (a) below	HK$0.475
10 November 2006	12,100,000	see note (b) below	see note (b) below	HK$0.520

Notes:

(a) The share options granted shall vest over a period of 4 years 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 12 months after the vesting commencement date, any vested right shall lapse and not exercisable 10 years after the date of grant.

(b) The share options granted shall vest over a period of 2 years on a monthly basis each time for 1/24th 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 12 months after the vesting commencement date, any vested right shall lapse and not exercisable 10 years after the date of grant.

Total consideration received from the Directors and employees during the year for taking up the share options granted amounted to NIL (2006: HK$3).

31. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

The following table discloses movements of the Company's share options held by the Directors, employees as well as advisors and consultants:

	Number of share options				
	Outstanding at 1 January 2007	Granted during the year	Exercised during the year Note (a)	Lapsed during the year	Outstanding at 31 December 2007
Option type					
Pre-IPO Option Scheme	1,350,000	–	–	–	1,350,000
Post-IPO Option Scheme	14,275,000	–	(455,000)	–	13,820,000
	15,625,000	–	(455,000)	–	15,170,000
Exercisable at the end of the year					14,753,000
Weighted average exercise price	HK$0.50	–	HK$0.15	–	HK$0.51

	Number of share options				
	Outstanding at 1 January 2006	Granted during the year Note (b)	Exercised during the year Note (c)	Lapsed during the year Note (d)	Outstanding at 31 December 2006
Option type					
Pre-IPO Option Scheme	1,350,000	–	–	–	1,350,000
Post-IPO Option Scheme	7,375,000	12,400,000	(500,000)	(5,000,000)	14,275,000
	8,725,000	12,400,000	(500,000)	(5,000,000)	15,625,000
Exercisable at the end of the year					14,633,000
Weighted average exercise price	HK$0.29	HK$0.52	HK$0.15	HK$0.23	HK$0.50

31. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Notes :

(a) The closing prices of the Company's shares immediately before the dates on which the share options were exercised were HK$0.41, HK$0.66, HK$0.51 and HK$0.37 respectively.

(b) The closing prices of the Company's shares immediately before 8 August 2006 and 10 November 2006, the dates of grant of the share options were HK$0.47 and HK$0.52 respectively.

(c) The closing prices of the Company's shares immediately before the dates on which the share options were exercised were HK$0.26, HK$0.52, HK$0.49 and HK$0.53 respectively.

(d) These options were lapsed when the employee resigned and left the Group.

The Company has used the Black-Scholes option pricing model (the "BS Model") to value the share options granted since 1 January 2005, upon the first-time application of HKFRS 2. The BS Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The fair values of options granted after 1 January 2005, under the Post-IPO Option Scheme on 16 August 2005, 6 September 2005, 6 August 2006 and 10 November 2006, measured at the respective date of grant, were approximately HK$257,000, HK$1,170,000, HK$51,000 and HK$1,934,000 respectively. The following significant assumptions were used to derive the fair values, using the BS Model:

	16 August 2005	**6 September 2005**	**6 August 2006**	**10 November 2006**
Share price at date of grant	HK$0.56	HK$0.54	HK$0.47	HK$0.51
Exercise price	HK$0.59	HK$0.542	HK$0.475	HK$0.52
Expected volatility (note a)	23%	23.4%	9%	8%
Expected life of option (note b)	10 years	10 years	10 years	10 years
Risk-free interest rate (note c)	4.0%	4.0%	4.5%	3.9%
Expected dividend yield	Nil	Nil	Nil	Nil

31. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Notes:

(a) Expected volatility: being the approximate historical volatility of closing prices of the share of the company in the past one year immediately before the date of grant.

(b) Expected life of option: being the period of 10 years commencing on the date of grant.

(c) Risk-free interest rate: being the approximate yields of 10-year Hong Kong Exchange Fund Notes traded on the date of grant, matching the expected life of each option.

In the current year, the Group recognised the share option expenses of HK$29,000 (2006: HK$2,200,000) in the income statement in relation to share options granted to the employees by the Company (Nil (2006: HK$2,108,000) related to the Directors, see note 14), with a corresponding adjustment recognised in the Group's share options reserve.

32. FINANCIAL GUARANTEE LIABILITIES

In connection with the issuance of Convertible Bonds by CPCL, as set out in note 26, the Company has executed a guarantee in favour of the bondholders and pursuant to which, the Company has agreed irrevocably to guarantee and indemnify the bondholders the due and punctual discharge of the guaranteed obligations (the "Guaranteed Obligations"). The Guaranteed Obligations represents the amount of approximately HK$33,402,000 and all obligations (whether actual or contingent) which are or may at any time be required to be performed (including, without limitation, the payment of any monies due, owing or payable) by CPCL in favour of or to the bondholders.

The carrying amount of the financial guarantee contract recognised in the Company's balance sheet in accordance with HKAS 39 and HKFRS 4 (Amendments) is as follows:

	2007 **HK$'000**	2006 HK$'000
Total carrying amount at balance sheet date	**547**	657
Less: Amount shown as current liabilities	**(135)**	(110)
Amount shown as non-current liabilities	**412**	547

The financial guarantee contract was eliminated on consolidation.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating, investing and financing activities. The Group's major financial instruments include convertible bonds, secured bonds, amounts due to related companies, trade receivables, trade payables and cash and cash equivalents. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner.

33.1 Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain trade receivables and payables of the Group and the secured bonds and the convertible bonds issued by the Group are denominated in either Renminbi ("RMB") or United States dollars ("US$"). The Group currently does not have a foreign currency hedging policy as the Directors considered that the volatility of the exchange rates between HK$, RMB and US$ is limited. However, the Directors monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

33.2 Interest rate risk

The interest rates and terms of repayment of the convertible bonds and the secured bonds are disclosed in notes 26 and 27 respectively. The Group has no borrowing which bears floating interest rates. The Group does not have significant exposure to the risk of changes in interest rates as the Group does not have long term receivables or debts which are subject to floating interest rate. The Group currently does not have any interest rate hedging policy, however, the Directors monitor the interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

33.3 Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's bank balances and cash are deposited with banks in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

33.3 Credit risk *(Continued)*

The Group has concentration of credit risks on trade receivables with exposure limited to certain counterparties and customers, however, management of the Group closely monitors the subsequent settlements of the customers and reviews the overdue balances regularly. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

33.4 Liquidity risk

As mentioned in note 2, the Group had taken various active steps to improve its cash flows. Provided that the additional 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 in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

In the management of liquidity risk, the Directors monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Group's operations and to meet its debt obligations as they fall due. The Group finances its working capital requirements mainly by the funds obtained from the issuance of debt instruments.

At the balance sheet date, the maturity profile of the Group's and the Company's financial liabilities was as follows:

The Group

	Within 1 year	In the second year	Over 2 but less than 5 years
	HK$'000	HK$'000	HK$'000
At 31 December 2007			
Trade and other payables	**14,305**	**–**	**–**
Amounts due to related companies	**5,364**	**–**	**–**
Bonds, secured	**–**	**14,914**	**–**
Convertible bonds	**–**	**–**	**32,999**
	19,669	**14,914**	**32,999**
At 31 December 2006			
Trade and other payables	6,820	–	–
Amounts due to related companies	5,829	–	–
Bonds, secured	–	–	14,303
Convertible bonds	–	–	30,554
	12,649	–	44,857

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

33.4 Liquidity risk *(Continued)*

The Company

	Within 1 year HK$'000	In the second year HK$'000	Over 2 but less than 5 years HK$'000
At 31 December 2007			
Other payables	**836**	**–**	**–**
Amounts due to related companies	**5,364**	**–**	**–**
Amounts due to subsidiaries	**24,523**	**–**	**–**
Bonds, secured	**–**	**14,914**	**–**
Financial guarantee liabilities	**135**	**174**	**238**
	30,858	**15,088**	**238**
At 31 December 2006			
Other payables	1,027	–	–
Amounts due to related companies	5,829	–	–
Amounts due to subsidiaries	1,147	–	–
Bonds, secured	–	–	14,303
Financial guarantee liabilities	110	135	412
	8,113	135	14,715

33.5 Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of non-current financial liabilities closely approximates their carrying value.

34. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the balance sheet date may also be categorised as follows. See notes 4.11 and 4.17 for explanations on how the category of financial instruments affects their subsequent measurement.

Financial assets – The Group

	2007 HK$'000	2006 HK$'000
Available-for-sale financial assets	1,500	3,000
Loans and receivables		
– Trade receivables	13,058	4,087
– Deposits and other receivables	2,681	1,438
– Cash and cash equivalents	19,637	43,090
	35,376	48,615
	36,876	51,615

Financial assets – The Company

	2007 HK$'000	2006 HK$'000
Loans and receivables		
– Trade receivables	–	408
– Deposits and other receivables	403	607
– Amounts due from subsidiaries	5,619	4,896
– Cash and cash equivalents	15,475	12,221
	21,497	18,132

34. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY *(Continued)*

Financial liabilities – The Group

	2007 HK$'000	2006 HK$'000
Financial liabilities measured at fair value		
– Convertible bonds	32,999	30,554
Financial liabilities measured at amortised cost		
– Trade payables	10,391	2,376
– Other payables and accruals	3,914	4,444
– Amounts due to related companies	5,364	5,829
– Bonds, secured	14,914	14,303
	34,583	26,952
	67,582	57,506

Financial liabilities – The Company

	2007 HK$'000	2006 HK$'000
Financial liabilities measured at amortised cost		
– Other payables and accruals	836	1,027
– Amounts due to related companies	5,364	5,829
– Amounts due to subsidiaries	24,523	1,147
– Financial guarantee liabilities	547	657
– Bonds, secured	14,914	14,303
	46,184	22,963

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders and other stakeholders;

(b) to support the Group's stability and growth; and

(c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. The Group currently does not adopt any formal dividend policy. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total assets.

The gearing ratio at the balance sheet date is as follows:

	2007 HK$'000	2006 HK$'000
Total debts		
– Bonds, secured	14,914	14,303
– Convertible bonds	32,999	30,554
	47,913	44,857
Total assets		
– Non-current assets	2,761	5,049
– Current assets	38,064	50,469
	40,825	55,518

	2007	2006
Gearing ratio	117%	81%

36. POST BALANCE SHEET EVENTS

Further to the formation of a joint venture company, China Hong Kong Power Development Company Limited ("CHKP"), during the year ended 31 December 2005 and the shareholders' agreement signed on 8 February 2006, CPCL had entered into a supplementary shareholders' agreement on 7 January 2008 (the "Supplementary agreement"). Under the Supplementary agreement, the issued share capital of CHKP will be increased from 20,000,000 ordinary shares of HK$1 each to 32,000,000 ordinary shares of HK$1 each. CPCL will then take up 1,800,000 ordinary shares in proportion to its existing shareholding in CHKP.

A summary of the financial results and the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

FINANCIAL RESULTS

	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**26,023**	15,817	12,036	7,283	6,586
Loss before income tax	**(25,033)**	(27,498)	(17,760)	(29,268)	(36,010)
Income tax expense	**–**	–	–	–	–
Loss for the year	**(25,033)**	(27,498)	(17,760)	(29,268)	(36,010)
Attributable to:					
Equity holders of the Company	**(25,033)**	(27,330)	(17,728)	(28,860)	(35,552)
Minority interests	**–**	(168)	(32)	(408)	(458)
	(25,033)	(27,498)	(17,760)	(29,268)	(36,010)

ASSETS, LIABILITIES AND EQUITY

	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**40,825**	55,518	20,742	18,884	22,405
Total liabilities	**(67,590)**	(57,514)	(37,034)	(27,761)	(5,274)
	(26,765)	(1,996)	(16,292)	(8,877)	17,131
Equity attributable to the equity holders of the Company	**(26,765)**	(1,996)	(16,460)	(8,877)	16,723
Minority interests	**–**	–	168	–	408
	(26,765)	(1,996)	(16,292)	(8,877)	17,131

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the "Meeting") of Vertex Group Limited (the "Company") will be held at Boardroom, Wharney Guang Dong Hotel, 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 18 April 2008 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 31 December 2007 together with the reports of the board of directors of the Company (the "Board") and the auditors of the Company;

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

3. to re-appoint the auditors of the Company and authorise the Board 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

(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 ("SFC") and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, 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 Group Limited
Terry Tam
Company Secretary

Hong Kong, 20 March 2008

Principal place of business in Hong Kong:
Units 3103-5, 31st Floor
West 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

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. A form of proxy in respect of the annual general meeting is enclosed herewith. Whether or not you intend to attend the annual general meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon.

3. 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 Units 3103-5, 31st Floor, West 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.

4. 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.

5. Where there are joint registered holders of any shares of the Company ("Shares"), any one of such holders may vote at the annual general meeting, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the annual general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any Share stands shall for this purpose be deemed joint holders thereof.