



Vertex Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8228)

Vertex

Third Quarterly Report 2009

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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.

FINANCIAL RESULTS

The board of directors (the “Board”) of Vertex Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three and nine months ended 30 September 2009, together with the comparative figures for the corresponding period in 2008 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended		Nine months ended	
		31 March		30 September	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	2	3,138	4,480	4,874	12,106
Other operating income		12	111	13	130
Staff costs		(1,811)	(3,378)	(3,065)	(9,704)
Subcontracting costs		(2,837)	(2,023)	(4,384)	(3,410)
Depreciation of property, plant and equipment		(73)	(125)	(218)	(404)
Royalty and production costs		(18)	(3,104)	(90)	(8,079)
Other operating expenses		(836)	(2,111)	(3,764)	(9,020)
Finance cost		(829)	(706)	(2,211)	(2,127)
Gain on disposal of an associate	3	-	-	328	-
Loss before taxation		(3,254)	(6,856)	(8,517)	(20,508)
Taxation	4	-	-	-	-
Loss for the period		(3,254)	(6,856)	(8,517)	(20,508)
Attributable to:					
Equity holders of the Company		(3,254)	(6,856)	(8,517)	(20,508)
Minority Interest		-	-	-	-
		(3,254)	(6,856)	(8,517)	(20,508)
Loss per share					
- Basic and Diluted	5	HK\$(0.53) cents	HK\$(1.11) cents	HK\$(1.20) cents	HK\$(3.33) cents

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 unaudited financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited consolidated results for the nine months ended 30 September 2009 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation adopted for the preparation of the financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2008.

2. TURNOVER

The Company is principally engaged in investment holding, provision of film production, artistes management services and provision of advertising and promotion services. The principal activities of the Group include the provision of network infrastructure services, energy consultancy services, digital solution services and consultancy services.

Turnover represents the value of goods and services recognized when services are rendered or goods are delivered and title has passed.

During the period under review, the Group's revenue from advertising barter transactions was nil (2008: HK\$2,162,000).

3. GAIN ON DISPOSAL OF AN ASSOCIATE

During the period under review, 50% issued share capital of Sino East Oil Services Limited, an inactive company, was disposed to Sino East Oil Company Limited, a company controlled by Dr. Poon Kwok Lim Steven for a consideration of HK\$388,125.

4. TAXATION

Hong Kong Profits Tax has not been provided for the nine months ended 30 September 2009 (2008: Nil) as the Group did not generate any assessable profits in Hong Kong during these periods. The tax credit incurred in the previous period was a result of written back of over provision of taxation in prior years.

Pursuant to the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises, the Company's subsidiary in the PRC is exempted from income tax for its first two profitable years of operations and is entitled to a 50% relief on the income tax of the PRC for the following three years. No provision for the PRC income tax has been provided as the Company's subsidiary in the PRC has no assessable profit in the PRC for the nine months ended 30 September 2009 (2008: Nil).

The Company is exempted from taxation in the Cayman Islands until 2019.

No provision for deferred tax has been provided for the Group because there were no significant timing differences at the balance sheet date (2008: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share for the nine months ended 30 September 2009 was based on the unaudited net loss for the period of approximately HK\$8,517,000 (2008: loss of HK\$20,508,000) and on the weighted average number of 707,776,606 shares (2008: 615,026,766 shares) deemed to be in issue throughout the periods.

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

6. DIVIDEND

The Board does not resolve the payment of an interim dividend for the nine months ended 30 September 2009 (2008: Nil).

7. UNAUDITED STATEMENT OF MOVEMENT TO AND FROM RESERVE

	Share Capital	Share Premium	Special Reserve	Capital Reserve	Trans- lation Reserve	Share Option Reserve	Accumu- lated Losses	Total	Minority Interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2008	6,149	116,519	1,000	1,750	221	2,265	(154,669)	(26,765)	-	(26,765)
Exercise of share options	2	29	-	-	-	-	-	31	-	31
Currency translation differences	-	-	-	-	82	-	-	82	-	82
Loss for the period	-	-	-	-	-	-	(20,508)	(20,508)	-	(20,508)
Employee shared-based compensation	-	-	-	-	-	10	-	10	-	10
At 30 September 2008	6,151	116,548	1,000	1,750	303	2,275	(175,177)	(47,150)	-	(47,150)
As at 1 January 2009	6,151	116,548	1,000	1,750	288	2,279	(188,279)	(60,263)	-	(60,263)
Exercise of share options	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	(5)	-	-	(5)	-	(5)
Loss for the period	-	-	-	-	-	-	(8,517)	(8,517)	-	(8,517)
Employee share-based compensation	-	-	-	-	-	6	-	6	-	6
Issuance of new shares	960	6,048	-	-	-	-	-	7,008	-	7,008
Expenses for issuance of new shares	-	(87)	-	-	-	-	-	(87)	-	(87)
Open Offer	3,555	28,444	-	-	-	-	-	31,999	-	31,999
Expenses for Open Offer	-	(1,456)	-	-	-	-	-	(1,456)	-	(1,456)
At 30 September 2009	10,666	149,497	1,000	1,750	283	2,285	(196,796)	(31,315)	-	(31,315)

FINANCIAL REVIEW

For the nine months ended 30 September 2009, the Group recorded a decrease in turnover of approximately HK\$7 million, representing a drop of approximately 60% over the corresponding period in 2008. The decrease was due to the suspension of media business in 2009. The turnover for the period under review was attributable to the engineering business, which given a surge of 29% as compared to the turnover of same segment in the previous year.

Staff cost for the period under review decreased to approximately HK\$3 million from as compared to the corresponding period approximately HK\$9.7 million in the previous year. The decrease in staff cost was mainly due to reduced headcounts for media business during the period under review.

Subcontracting costs for the period under review increased approximately HK\$1 million due to increasing activities for network infrastructure and electrical installation services in 2009.

HUMAN RESOURCES & REMUNERATION POLICY

The directors of the board (the “Directors”) believe that the quality of its employees is the most important factor in sustaining the Group’s growth and improving its profitability. The Group’s remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salaries and mandatory provident fund, staff benefits include medical coverage scheme and share options.

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 retirement of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the engineering business continues to bring positive impact to the Group. However, the competition in the industry has affected the margin of the projects and the Company has to exercise cautions in bidding the projects.

Due to global financial crisis, the development of energy business and power projects in various regions remained slow during the period under review.

The Directors are of the view that the Company should diversify its business in order to capture other possible investment potentials. In October 2009, the Group has completed the acquisition of National Arts Entertainment Holding Limited engaging in film production and entertainment related business. As the film production industry is believed to be positive and would benefit to the Group, the management will allocate and devote more resources in this business segment.

Pursuant to the announcement dated 5 November 2009, in order to further strengthen the Company's capital base and financial flexibility, the issue of the Placing Shares will be made under the general mandate of the Company granted by the shareholders of the Company to the Directors pursuant to the resolution of the shareholders of the Company passed at the annual general meeting held on 30 April 2009 for up to 123,018,046 Shares.

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 30 September 2009, the share options to subscribe for an aggregate of 1,416,942 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 Share Option Scheme as at 30 September 2009 are set out as follows:

Category of participants	Exercise price per share* (HK\$)	Number of share options*			Outstanding
		As at 1 January 2009	Exercised during the period	Lapsed during the period	as at 30 September 2009
Directors	0.113	4,236	-	4,236	-
Advisors and consultants	0.425	1,412,706	-	-	1,412,706
Employees	0.113	4,236	-	-	4,236
Total		1,421,178	-	4,236	1,416,942

Post-IPO Share Option Scheme

As at 30 September 2009, the share options to subscribe for an aggregate of 6,354,000 shares of the Company granted pursuant to the Post-IPO Share Option Scheme were outstanding. The details of the Post-IPO Share Option Scheme as at 30 September 2009 are set out as follows:

Category of participants	Exercise price per share* (HK\$)	Date of grant	Number of share options*				Outstanding as at 30 September 2009
			As at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	0.491	10 November 2006	12,813,900	-	-	6,459,900	6,354,000
Employees	0.475	8 August 2006	300,000	-	-	300,000	-
Total			13,113,900	-	-	6,759,900	6,354,000

* Pursuant to the announcement regarding to the result of the Open Offer dated 4 August 2009, the exercise price of the share options and the number of outstanding share options as at the completion of the Open Offer were required to be adjusted as a result of the Open Offer. The auditors of the Company has reviewed and agreed with the adjustments to the share options.

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

As at 30 September 2009, 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

Name of Directors	Number of shares of the Company			Approximate percentage of the issued share capital of the Company
	Beneficial owner	Interest in controlled corporation	Total	
Dr. Poon Kwok Lim, Steven*	-	101,544,862 ⁽¹⁾	101,544,862	9.52%
Mr. Poon Shu Yan, Joseph	6,354,000 ⁽²⁾	-	6,354,000	0.60%

* resigned on 19 May 2009

Notes:

1. Dr. Poon Kwok Lim, Steven owned 101,544,862 shares of the Company, representing approximately 9.52% of the issued share capital of the Company through Bright World Enterprise Limited ("Bright World"). The entire issued share capital of Bright World is wholly and beneficially owned by Asia Link Investment Limited which in turn is wholly and beneficially owned by Bauhinia Investment Management Limited which is legally and beneficially interested in as to 80% by Dr. Poon, a former executive Director who resigned on 19 May 2009, and as to 20% by Mrs. Poon Wong Wai Ping, the spouse of Dr. Poon. 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 Bright World Enterprise Limited, thereby he was deemed to be interested in all the shares held by the aforesaid company 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.

2. Mr. Poon Shu Yan, Joseph beneficially owned 6,354,000 shares of the Company, representing approximately 0.60% 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 2009	Exercised during the period	Lapsed during the period	As at 30 September 2009
Dr. Poon Kwok Lim, Steven**	24 July 2002	0.113	17 October 2003 to 23 July 2012	4,236	-	4,236	-

ii. Post-IPO Share Option Scheme

Name of Directors	Date of grant	Exercise price per share* (HK\$)	Exercisable period	Number of share options [†]				
				Granted during the period	As at 1 January 2009	Exercised during the period	Lapsed during the period	As at 30 September 2009
Dr. Poon Kwok Lim, Steven**	10 November 2006	0.491	10 November 2006 to 9 November 2016	-	6,459,900	-	6,459,900	-
Mr. Poon Shu Yan, Joseph	10 November 2006	0.491	10 November 2006 to 9 November 2016	-	6,354,000	-	-	6,354,000

* Pursuant to the announcement regarding to the result of the Open Offer dated 4 August 2009, the exercise price of the share options and the number of outstanding share options as at the completion of the Open Offer were required to be adjusted as a result of the Open Offer. The auditors of the Company has reviewed and agreed with the adjustments to the share options.

** resigned on 19 May 2009

Save as disclosed above, none of the Directors, chief executive or their associates had, as at 30 September 2009, 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 period 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 30 September 2009, 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	Capacity	No. of shares held	Approximate percentage of the issued share capital of the Company
Bright World (note)	Beneficial owner	101,544,862	9.52%

Note:

Bright World is the legal and beneficial owner of 101,544,862 Shares. The entire issued share capital of Bright World is wholly and beneficially owned by Asia Link Investment Limited which in turn is wholly and beneficially owned by Bauhinia Investment Management Limited which is legally and beneficially interested in as to 80% by Dr. Poon, a former executive Director who resigned on 19 May 2009, and as to 20% by Mrs. Poon Wong Wai Ping, the spouse of Dr. Poon.

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 nine months ended 30 September 2009.

CORPORATE GOVERNANCE

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.

The Company has prepared a corporate governance report in accordance with Rule 18.44(2) of the GEM Listing Rules attached to the 2008 annual report of the Company.

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.

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

During the nine months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") in 2002 with written terms of reference, which deal clearly with its authorities and duties. The primary duties of the Audit Committee are 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 now comprises three independent non-executive Directors, namely Mr. Chui Chi Yun, Robert (Chairman), Mr. Chan Tin Lup, Trevor and Mr. Lam Kwok Hing, Wilfred.

The Group's unaudited results for the nine months ended 30 September 2009 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

POST BALANCE SHEET EVENT

1. Pursuant to the announcements dated 24 June 2009 and 28 August 2009, the Company has completed the acquisition of National Arts Entertainment Holding Limited at a consideration of HK\$9,000,000 in cash in October 2009.
2. Pursuant to the announcement dated 5 November 2009, the Company entered into the Placing Agreement with the Placing Agent. The Placing Agent has agreed to place, on best effort basis, to not less than six independent places for up to 123,000,000 Shares at a price of HK\$0.108 per Placing Share, for and on behalf of the Company, the issue of the Placing Shares will be made under the general mandate of the Company granted by the shareholders of the Company to the Directors pursuant to the resolution of the shareholders of the Company passed at the annual general meeting held on 30 April 2009 for up to 123,018,046 Shares. The estimated net proceeds of the Placing will be approximately HK\$12.9 million which will be used for general working capital of the Group.

As at the date of this report, the Directors are as follows:

Executive Directors:

Mr. Yum Pui

Mr. Poon Shu Yan, Joseph

Mr. Li Sin Hung, Maxim

Independent Non-executive Directors:

Mr. Chan Tin Lup, Trevor

Mr. Chui Chi Yun, Robert

Mr. Lam Kwok Hing, Wilfred

Hong Kong, 6 November 2009

On behalf of the Board

Vertex Group Limited

Poon Shu Yan, Joseph

Chief Executive Officer