Annual Report 06

Vertex

Vertex Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8228)

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 and 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 six directors, of which three are executive directors, namely, Dr. Poon Kwok Lim Steven, Mr. Poon Shu Yan Joseph and Mr. Mok Hay Hoi, and three are independent non-executive directors, namely, Mr. Tsui Yiu Wa Alec, Mr. Yeung Pak Sing and Mr. Tam Tak Wah.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Poon Kwok Lim Steven, *JP (Chairman)*
Mr. Poon Shu Yan Joseph *(CEO)*
Mr. Mok Hay Hoi

Independent Non-executive Directors

Mr. Tsui Yiu Wa Alec
Mr. Yeung Pak Sing
Mr. Tam Tak Wah

COMPANY SECRETARY

Mr. Mok Hay Hoi, *CPA*

QUALIFIED ACCOUNTANT

Mr. Mok Hay Hoi, *CPA*

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

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

AUTHORISED REPRESENTATIVES

Mr. Poon Shu Yan Joseph
Mr. Mok Hay Hoi

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

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

GEM STOCK CODE

8228

Chairman's Statement

Dear Shareholders

I am pleased to report the activities of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2006.

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 95,000 copies are distributed every month in mainland China and the magazine is displayed in more than 4,000 locations. 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 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., commenced its operation in early 2006. The joint venture company has reported that it has completed submissions to the Government of the Hong Kong Special Administrative Region and that it is ready to commence construction for the supply of electricity to consumers as and when the Government approves its application.

The Group has recently entered into an agreement with China Power Investment Corporation for the bidding for engineering, construction and management of power plants overseas. This is the first such effort of the Group. I believe the Group is well placed to co-operate with Chinese power companies to capture overseas opportunities in electricity-related businesses. 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 for dedication and hardworking of staff members during the fiscal year of 2006.

Dr. Poon Kwok Lim Steven
CHAIRMAN

27 March 2007

Management Discussion and Analysis

PROSPECTS

The results of the Group's operations in the magazine business are expected to improve following the change of media representative in the PRC and strategic move to a premium distribution platform with high quality of readership profiles. Circulation bases will be increased substantially to make our advertising rates become more competitive. To position Newsweek Select as the No. 1 premium imported magazine in the PRC, the Group will continue to invest in brand strengthening activities.

FINANCIAL REVIEW

Results

During the year under review, the Group reported a turnover of approximately HK$15.8 million, a surge of HK$3.8 million or 32% as compared to the turnover in the previous year. About 74% of the turnover was contributed by the Group's media publication business.

Staff cost for the year under review increased to approximately HK$18.5 million from approximately HK$13.3 million in the previous year. The increase in staff cost was due to additional headcounts for providing management consultancy services during the year under review.

The subcontracting costs for the year under review amounted to approximately HK$0.6 million, representing approximately 3.8% of the turnover. In the previous year, the subcontracting cost was approximately HK$1 million or 8.6% of the turnover. The decrease in subcontracting cost is in line with the decrease in turnover of technology business.

For the year ended 31 December 2006, the royalty and production cost amounted to HK$12.7 million. The decrease in the royalty and production costs was attributable to stringent controls in production cost.

Net loss attributable to shareholders for the year was HK$27.3 million as compared to net loss of the preceding year of approximately HK$17.7 million.

Liquidity and Financial Resources

During the year ended 31 December 2006, 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 2006, the Group did not have any bank loans and has cash balance of HK$43 million as compared to HK$9.5 million as at 31 December 2005.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: 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 2006, 614,430,232 ordinary shares were issued and fully paid.

Management Discussion and Analysis

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 the 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 2006.

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

Other than those disclosed, 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-based employee compensation" in the note 31 to the financial statements.

Contingent Liabilities

As at the date of this report, the Directors had no knowledge of any material contingent liabilities (2005: Nil).

Gearing Ratio

The Group's gearing ratio as at 31 December 2006 decreased to 104% (2005: 179%). The gearing ratio was based on the Group's total liabilities 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 2006.

Employee and Remuneration Policy

As at 31 December 2006, the Group had a total of 34 (2005: 58) staff based in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. 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.

Biographical Details of Directors

Executive Directors

Dr. Poon Kwok Lim Steven, *JP*, aged 63, 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 formerly the general manager and chief operating officer of China Light & Power Company Limited. He 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") and a member of the Listing Committee of the Stock Exchange, a founding council member 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 36, 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 46, 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 16 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.

Biographical Details of Directors

Independent Non-Executive Directors

Mr. Tam Tak Wah, aged 41, 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 has over 16 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 58, 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 also an independent non-executive director of a number of listed companies in Hong Kong, including Industrial and Commercial Bank of China (Asia) Limited, China Chengtong Development Group Limited, COSCO International Holdings Limited, China Power International Development Limited and Synergis Holdings Limited. He has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management.

Mr. Yeung Pak Sing, aged 57, 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 Fujian and Jiangsu provinces. He is a member of the court and council of The University of Hong Kong. He was the council member of the Kwun Tong District Council of Hong Kong in the 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.

Directors' Report

The board of directors (the "Board") has pleasure in presenting the directors' report together with the audited financial statements of Vertex Group Limited (formerly known as "Vertex Communications & Technology Group Limited") (the "Company") and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2006.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 30 May 2006 and with the approval from the Registrar of Companies in the Cayman Islands made on 5 June 2006, the name of the Company was changed from "Vertex Communications & Technology Group Limited" to "Vertex Group Limited" with effect from 20 July 2006 and with the approval from the Hong Kong Companies Registry made on 20 July 2006, the registration of the name of the Company in Hong Kong was changed from "Vertex Communications & Technology Group Limited" to "Vertex Group Limited". The new Chinese name of "慧峰集團有限公司" was adopted to replace "慧峯集團有限公司" for identification purpose only.

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 services, digital solution services, consultancy services, as well as publication of print media. Particulars of its subsidiaries are set out in note 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 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 2006 (Year ended 31 December 2005: Nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years ended 31 December 2006 is set out on page 72.

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 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 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 financial statements.

Directors' Report

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company has no reserves available for distribution to shareholders (As at 31 December 2005: 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

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. Tsui Yiu Wa, Alec and Mr. Yeung Pak Sing 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 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' Report

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

As at 31 December 2006, 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: 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	44.88%
Mr. Poon Shu Yan, Joseph	7,900,000 (3)	–	7,900,000	1.29%
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 1.36% 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 43.52% of the issued share capital of the Company, through (i) Amazing Nova Corporation owned 167,886,666 shares of the Company, representing approximately 27.32% of the issued share capital of the Company; (ii) Matrix Worldwide Corporation owned 61,606,666 shares of the Company, representing approximately 10.03% 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 7,900,000 shares of the Company, representing approximately 1.29% 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 2006	Exercised during the year	As at 31 December 2006
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 Granted during the year	As at 1 January 2006	Exercised during the year	As at 31 December 2006
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 2006, 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 2006, 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	1.36%
	2, 3, 4, 5	Interest of controlled corporation	267,421,528	43.52%
Mrs. Poon	1	Interest of spouse	8,330,000	1.36%
	2, 3, 4, 5	Interest of controlled corporation	267,421,528	43.52%
Amazing Nova Corporation	2	Beneficial owner	167,886,666	27.32%
Matrix Worldwide Corporation	3	Beneficial owner	61,606,666	10.03%
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	98,420,000	16.02%

Notes:

1. Dr. Poon Kwok Lim, Steven beneficially owned 8,330,000 shares of the Company, representing approximately 1.36% 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

	Number of warrants				
Name of warrantholder	**Granted on 27 February 2004**	**Exercised since the date of grant**	**As at 31 December 2006**	**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 2006.

Save as disclosed above, as at 31 December 2006, 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 2006, 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 2006 are set out as follows:

		Number of share options			
Category of participants	Exercise price per share *(HK$)*	As at 1 January 2006	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2006
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 2006, the share options to subscribe for an aggregate of 14,275,000 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 2006 are set out as follows:

			Number of share options				
Category of participants	Exercise price per share *(HK$)*	Date of grant	As at 1 January 2006	Granted during the year [(1)]	Exercised during the year [(2)]	Lapsed during the year	Outstanding as at 31 December 2006
Directors	0.52	10 November 2006	–	12,100,000	–	–	12,100,000
Employees	0.152	11 October 2004	1,375,000	–	500,000	–	875,000
	0.59	16 August 2005	1,000,000	–	–	–	1,000,000
	0.542	6 September 2005	5,000,000	–	–	5,000,000	–
	0.475	8 August 2006	–	300,000	–	–	300,000
Total			7,375,000	12,400,000	500,000	5,000,000	14,275,000

Notes:

1. The closing prices of the shares of the Company immediately before 8 August 2006 and 10 November 2006, being the dates of grant of the share options, were HK$0.47 and HK$0.52 respectively.

2. The closing prices of the shares of the Company immediately before 3 January 2006, 31 March 2006, 7 July 2006 and 3 October 2006, the dates on which the share options were exercised were HK$0.26, HK$0.52, HK$0.49 and HK$0.53 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

Details of the retirement benefits schemes of the Group are set out in note 32 to the financial statements.

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

During the year ended 31 December 2006, 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 87% of the Group's turnover for the year. The Group's largest customer accounted for approximately 24% of its turnover.

The five largest suppliers of the Group accounted for approximately 64% of the Group's purchases for the year. The Group's largest supplier accounted for approximately 31% 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 2006. Please refer to the Corporate Governance Report on pages 17 to 21 for details.

Directors' Report

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 2006.

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 2006. Please refer to the Corporate Governance Report on Pages 17 to 21 for details.

AUDITORS

Messrs. Deloitte Touche Tohmatsu retired as the Company's auditors at the conclusion of the 2005 annual general meeting held on 30 May 2006. Messrs. Grant Thornton was appointed as the Company's auditors with effect from 30 May 2006 to fill the casual vacancy.

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

On behalf of the Board

Poon Kwok Lim, Steven
CHAIRMAN

Hong Kong, 27 March 2007

Corporate Governance Report

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 A4.2 of the Code.

Under code provision A4.2 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 A4.2 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 2006.

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 2006.

BOARD OF DIRECTORS

The Company has a balanced Board composition of executive and non-executive directors. The Board currently comprises six members, three of whom are Executive Directors and three of whom are 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

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.

Corporate Governance Report

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 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 2006, a total of six 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	6/6
Mr. Poon Shu Yan, Joseph	6/6
Mr. Mok Hay Hoi	6/6
Mr. Tam Tak Wah	6/6
Mr. Tsui Yiu Wa, Alec	4/6
Mr. Yeung Pak Sing	3/6

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 A4.1 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 A4.2 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 A4.2 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 2006 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

Corporate Governance Report

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 2006 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	4/4
Mr. Yeung Pak Sing	2/4

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 2006, 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 2006, 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	426
Non-audit services rendered	–

Corporate Governance Report

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.

Independent Auditors' Report

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

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") set out on pages 24 to 71, which comprise the consolidated and company balance sheets as at 31 December 2006, 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.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 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

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which discloses that as at 31 December 2006, the Group had deficit in equity of approximately HK$1,996,000 and the Group also incurred a loss attributable to equity holders of the Company of approximately HK$27,330,000 for the year then ended. These conditions, along with other matters as disclosed in note 2 to the 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
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

27 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Turnover	6	**15,817**	12,036
Other operating income		**1,577**	400
Royalty and production costs		**(12,719)**	(13,997)
Staff costs	13	**(18,488)**	(13,277)
Subcontracting costs		**(603)**	(1,037)
Depreciation of property, plant and equipment		**(915)**	(923)
Other operating expenses		**(10,522)**	(10,885)
Finance costs	8	**(2,290)**	(851)
Impairment loss recognised in respect of property, plant and equipment		**–**	(233)
Impairment loss recognised in respect of goodwill		**–**	(11,482)
Change in fair value of convertible bonds		**645**	–
Gain on disposal of available-for-sale investment		**–**	3,189
Gain on partial disposal of a subsidiary		**–**	19,300
Loss before income tax	9	**(27,498)**	(17,760)
Income tax expense	10	**–**	–
Loss for the year		**(27,498)**	(17,760)
Attributable to:			
Equity holders of the Company	11	**(27,330)**	(17,728)
Minority interests		**(168)**	(32)
Loss for the year		**(27,498)**	(17,760)
Loss per share for loss attributable to equity holders of the Company during the year	12		
– Basic		**HK4.64 cents**	HK3.43 cents
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**1,695**	2,467
Available-for-sale investments	*19*	**3,000**	–
Deposits		**354**	–
		5,049	2,467
Current assets			
Trade receivables	*20*	**4,087**	6,172
Prepayments, deposits and other receivables		**3,292**	2,597
Cash and cash equivalents	*21*	**43,090**	9,506
		50,469	18,275
Current liabilities			
Trade payables	*22*	**2,376**	3,401
Other payables and accruals		**4,444**	6,409
Amounts due to related companies	*23*	**5,829**	13,489
Provision for income tax		**8**	8
		12,657	23,307
Net current assets/(liabilities)		**37,812**	(5,032)
Total assets less current liabilities		**42,861**	(2,565)
Non-current liabilities			
Convertible bonds	*26*	**30,554**	–
Bonds, secured	*27*	**14,303**	13,727
		44,857	13,727
Net liabilities		**(1,996)**	(16,292)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*28*	**6,144**	5,303
Reserves	*29*	**(8,140)**	(21,763)
		(1,996)	(16,460)
Minority interests		**–**	168
Capital deficiency		**(1,996)**	(16,292)

Director
Poon Kwok Lim Steven

Director
Poon Shu Yan Joseph

Balance Sheet

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**1,280**	2,022
Interest in subsidiaries	*16*	**715**	6
Deposits		**354**	–
		2,349	2,028
Current assets			
Trade receivables		**408**	–
Prepayments, deposits and other receivables		**959**	871
Amounts due from subsidiaries	*24*	**4,896**	5,009
Cash and cash equivalents	*21*	**12,221**	8,410
		18,484	14,290
Current liabilities			
Other payables and accruals		**1,027**	1,608
Amounts due to related companies	*23*	**5,829**	13,489
Amounts due to subsidiaries	*25*	**1,147**	1,325
Financial guarantee liabilities	*33*	**110**	–
		8,113	16,422
Net current assets/(liabilities)		**10,371**	(2,132)
Total assets less current liabilities		**12,720**	(104)
Non-current liabilities			
Bonds, secured	*27*	**14,303**	13,727
Financial guarantee liabilities	*33*	**547**	–
		14,850	13,727
Net liabilities		**(2,130)**	(13,831)
EQUITY			
Share capital	*28*	**6,144**	5,303
Reserves	*29*	**(8,274)**	(19,134)
Capital deficiency		**(2,130)**	(13,831)

Director
Poon Kwok Lim Steven

Director
Poon Shu Yan Joseph

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Equity attributable to equity holders of the Company								Minority interests	Total equity
	Share capital	Share premium	Special reserve	Warrant reserve	Translation reserve	Share options reserve	Accumulated losses	Total		
	HK$'000	*HK$'000*	*HK$'000* (note 29)	*HK$'000* (note 29)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	4,954	67,040	1,000	2,871	–	–	(84,742)	(8,877)	–	(8,877)
Currency translation	–	–	–	–	(71)	–	–	(71)	–	(71)
Net result recognised directly in equity	–	–	–	–	(71)	–	–	(71)	–	(71)
Loss for the year	–	–	–	–	–	–	(17,728)	(17,728)	(32)	(17,760)
Total recognised expense for the year	–	–	–	–	(71)	–	(17,728)	(17,799)	(32)	(17,831)
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	200	200
Employee share-based compensation	–	–	–	–	–	200	–	200	–	200
Exercise of share options	189	2,238	–	–	–	–	–	2,427	–	2,427
Exercise of warrants	160	8,550	–	(1,121)	–	–	–	7,589	–	7,589
At 31 December 2005 and 1 January 2006	5,303	77,828	1,000	1,750	(71)	200	(102,470)	(16,460)	168	(16,292)
Currency translation	–	–	–	–	126	–	–	126	–	126
Net result 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	6,144	116,455	1,000	1,750	55	2,236	(129,636)	(1,996)	–	(1,996)

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
Cash flows from operating activities		
Loss before income tax	**(27,498)**	(17,760)
Adjustments for:		
Finance costs	**2,290**	851
Interest income	**(1,447)**	(145)
Allowances for bad and doubtful debts	**120**	12
Depreciation	**915**	923
Change in fair value of convertible bond	**(645)**	–
Gain on disposal of available-for-sale investment	**–**	(3,189)
Gain on partial disposal of a subsidiary	**–**	(19,300)
Impairment loss recognised in respect of goodwill	**–**	11,482
Impairment loss recognised in respect of property, plant and equipment	**–**	233
(Gain)/Loss on disposal of property, plant and equipment	**(9)**	274
Equity settled share-based payment expenses	**2,200**	200
Operating cash flows before movements in working capital	**(24,074)**	(26,419)
Decrease/(Increase) in trade receivables	**1,965**	(2,211)
Decrease in amounts due from customers for contract work	**–**	424
Increase in prepayments, deposits and other receivables	**(1,049)**	(1,948)
(Decrease)/Increase in trade payables	**(1,025)**	1,612
(Decrease)/Increase in other payables and accruals	**(1,965)**	2,333
Cash used in operations and net cash used in operating activities	**(26,148)**	(26,209)
Cash flows from investing activities		
Acquisition of additional registered capital in subsidiaries	**–**	(11,482)
Acquisition of available-for-sale investments	**(3,000)**	–
Interest received	**1,447**	145
Purchase of property, plant and equipment	**(194)**	(1,686)
Proceeds on disposal of available-for-sale investment	**–**	4,500
Proceeds from disposal of property, plant and equipment	**62**	2
Proceeds from partial disposal of a subsidiary	**–**	19,500
Net cash (used in)/generated from investing activities	**(1,685)**	10,979

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
Cash flows from financing activities		
(Repayment to)/Advance from a related company	**(7,660)**	4,789
Interest paid	**(1,714)**	(312)
Proceeds from issuance of bonds	**31,199**	–
Proceeds from issuance of shares	**39,468**	10,016
Net cash generated from financing activities	**61,293**	14,493
Increase/(Decrease) in cash and cash equivalents	**33,460**	(737)
Cash and cash equivalents at 1 January	**9,506**	10,225
Effect of foreign exchange rate changes	**124**	18
Cash and cash equivalents at 31 December	**43,090**	9,506
Analysis of the balances of cash and cash equivalents		
Bank balances and cash *(note 21)*	**43,090**	9,506

Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

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 address of the Company's registered office is 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 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 ("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 financial statements. The Company and its subsidiaries are referred to as the Group hereafter.

Pursuant to a special resolution passed at an extraordinary general meeting held on 30 May 2006 and with the approval from the Registrar of Companies in the Cayman Islands made on 5 June 2006, the name of the Company was changed from "Vertex Communications & Technology Group Limited" to "Vertex Group Limited" with effect from 20 July 2006 and with the approval from the Hong Kong Companies Registry made on 20 July 2006, the registration of the name of the Company in Hong Kong was changed from "Vertex Communications and Technology Group Limited" to "Vertex Group Limited". The new Chinese name of "慧峰集團有限公司" was adopted to replace "慧峯集團有限公司" for identification purpose only.

The financial statements on pages 24 to 71 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The financial statements for the year ended 31 December 2006 were approved for issue by the board of directors on 27 March 2007.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its deficit in equity of approximately HK$1,996,000 (2005: HK$16,460,000) as at 31 December 2006 and loss of approximately HK$27,330,000 (2005: HK$17,728,000) attributable to the equity holders of the Company for the year ended 31 December 2006. The Directors are taking active steps to improve the liquidity position of the Group as described below. The financial statements do not include any adjustments that would result from a failure of implementation of the measures noted below.

The financial statements have been prepared on the assumption that the Group will continue to operate as going concern notwithstanding the conditions prevailing as at 31 December 2006 and subsequently thereto up to the date of approval of these financial statements. In order to improve the Group's financial position, immediate liquidity and cash flows, the Directors have adopted several measures together with other measures in progress at the date of this report which include, but are not limited to, the following:

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

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

(b) The Group had engaged a new media representative in the People's Republic of China (the "PRC") to promote its publication business since October 2006. The new media representative shall provide a steady advertising revenue to the Group.

As such, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

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

3. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 January 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on

– financial guarantee contracts;

Other than the above, the adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures. The adoption of these new and amended HKFRSs did not result in any significant changes in the Company's accounting policies.

3.1 Amendments to HKAS 39 Financial Instruments: Recognition and Measurement

– Financial Guarantee Contracts.

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision Contingent Liabilities and Contingent Assets" ("HKAS 37").

Details of this new accounting policy are set out in note 4.19.

This new accounting policy has resulted in an increase in the Company's profit for the year ended 31 December 2006 amounting to HK$52,000 and an increase in the Company's interests in subsidiaries of HK$709,000 and an increase in the Company's financial guarantee liabilities of HK$657,000 as at 31 December 2006. The adoption of this new accounting policy had no material impact on the comparative financial statements as the Group and the Company did not have such financial guarantee contracts during the year ended 31 December 2005.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

3.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company is 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 Group's financial statements.

Amendment to HKAS 1	"Presentation of Financial Statements" – Capital Disclosures [1]
HKFRS 7	"Financial Instruments: Disclosures" [1]
HKFRS 8	"Operating Segments" [8]
HK(IFRIC) Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" [2]
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2" [3]
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives" [4]
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment" [5]
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions" [6]
HK(IFRIC) Interpretation 12	"Service Concession Arrangements" [7]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 March 2006
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008
[8] Effective for annual periods beginning on or after 1 January 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the 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 financial statements, are disclosed in note 5 to the financial statements.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Group made up to 31 December each year.

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

4.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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.

4.4 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.

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

4.4 Associates *(Continued)*

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 4.10) 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 profit or loss 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.

4.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

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 Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars 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 sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

4.6 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Income derived from network infrastructure services and digital solution services is recognised in accordance with the policy as set out for construction contracts in note 4.21.

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

Consultancy fee income is recognised when the agreed services are rendered.

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

Advertising income is recognised when the advertisements are published.

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 non-barter transactions that involves cash of similar advertising services that occurs frequently with buyers unrelated to the counter-party in the barter transaction.

4.7 Borrowing costs

All borrowing costs are expensed as incurred.

4.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 4.4.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination or an investment 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 business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 4.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

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

4.9 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 terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The assets' useful lives 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.

4.10 Impairment of assets

Goodwill arising on an acquisition of a subsidiary, property, plant and equipment and interests in subsidiaries and associates are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets 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.

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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other 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.

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

4.10 Impairment of assets *(Continued)*

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, 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.

4.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

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.

4.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Financial assets other than hedging instruments are classified into the following categories:

– loans and receivables
– 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.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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.

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

4.12 Financial assets *(Continued)*

(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, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

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

If there is objective evidence that an impairment loss on loans and receivables 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 amount of the loss is recognised in the income statement of 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 in the period in which the reversal occurs.

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

4.12 Financial assets *(Continued)*

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in the income statement.

(iii) 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.

4.13 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 tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term bank deposit.

4.15 Share capital

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

Any transaction costs associated with the issuing 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.

4.16 Retirement benefit costs and short term employee benefits

Retirement benefit costs

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 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 subsidiaries which operate in the PRC 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 these subsidiaries are calculated based on a certain percentage of the salaries and wages of those eligible employees and are charged to the income statement in 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.

4.17 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 financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

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 (for example, profitability and sales growth targets).

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

4.17 Share-based employee compensation *(Continued)*

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in share option 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 option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4.18 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

The convertible bonds with embedded derivatives as a whole are designated as financial liabilities at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, the entire convertible bond is measured at fair value recognised directly in the income statement in the period in which they arise.

Transaction costs that are directly attributable to the issue of the convertible bond designated as financial liabilities at fair value through profit or loss are recognised immediately in 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 recognitions 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;

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

Trade payables

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

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

4.19 Financial guarantees 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 issue 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, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

4.20 Provisions and contingencies

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.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

4.21 Construction contracts

Revenue on construction contracts is determined using the percentage of completion method. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If 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 contracts is recognised immediately as an expense in the income statement.

4.22 Related parties

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

(i) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) 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;

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

4.22 Related parties *(Continued)*

(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.

4.23 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 and its revenue and turnover and its assets are 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 investment. Segment liabilities comprise operating liabilities.

Capital expenditure comprises 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.

5.1 Critical accounting estimates and assumptions

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 option granted was calculated using the Black-Scholes valuation model based on the Company's management's significant inputs into calculation including an estimated life of share options grated to be ten years based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends. The fair value of share option 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 option.

5.2 Critical judgements in applying the entity's accounting policies

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. The management of the Group reassesses the impairment of receivables at the balance sheet date.

6. TURNOVER

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

	2006	2005
	HK$'000	HK$'000
Income from publication of print media		
– Advertising income	**11,571**	10,703
– Sales of magazines	**211**	17
Service income from digital solution services	**109**	1,316
Network infrastructure service income	**430**	–
Energy consultancy fee income	**3,496**	–
	15,817	12,036

During the year, the Group's revenue from advertising barter transactions was HK$1,924,000 (2005: HK$1,295,000).

The fair value of the advertising barter transactions can be determined by reference to non-barter transactions that involves cash of similar advertising services that occurs frequently with buyers unrelated to the counter-party in the barter transaction.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating segments, namely network infrastructure 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 services	–	Provision of network infrastructure 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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below.

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	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
Consolidated total assets					55,518
Liabilities					
Segment liabilities	(1,094)	(149)	(4,343)	–	(5,586)
Unallocated corporate liabilities					(51,928)
Consolidated total liabilities					(57,514)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(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

Year ended 31 December 2005

	Network infrastructure services HK$'000	Digital solution services HK$'000	Publication of print media HK$'000	Consolidated HK$'000
Turnover	–	1,316	10,720	12,036
Segment results	(113)	(432)	(13,868)	(14,413)
Other operating income				400
Unallocated corporate expense				(13,670)
Finance costs				(851)
Gain on partial disposal of subsidiary				19,300
Gain on disposal of available-for-sale investment	–	–	3,189	3,189
Impairment loss recognised in respect of goodwill	–	(112)	(11,370)	(11,482)
Impairment loss recognised in respect of property, plant and equipment	–	–	(233)	(233)
Loss before income tax				(17,760)
Income tax expense				–
Loss for the year				(17,760)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

As at 31 December 2005

	Network infrastructure services HK$'000	Digital solution services HK$'000	Print media HK$'000	Consolidated HK$'000
Assets				
Segment assets	66	875	7,034	7,975
Unallocated corporate assets				12,767
Consolidated total assets				20,742
Liabilities				
Segment liabilities	(10)	(540)	(7,646)	(8,196)
Unallocated corporate liabilities				(28,838)
Consolidated total liabilities				(37,034)

Other information for the year ended 31 December 2005

	Network infrastructure services HK$'000	Digital solution services HK$'000	Print media HK$'000	Unallocated HK$'000	Consolidated HK$'000
Allowances for bad and doubtful debts	12	–	–	–	12
Additions to property, plant and equipment	–	–	543	1,143	1,686
Depreciation	–	–	138	785	923
Loss on disposal of property, plant and equipment	–	–	1	273	274
Impairment losses recognised for goodwill	–	112	11,370	–	11,482
Impairment loss recognised for property, plant and equipment	–	–	233	–	233

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

	2006 HK$'000	2005 HK$'000
Interest on bonds wholly repayable within five years	886	851
Interest on convertible notes wholly repayable within five years	1,404	–
	2,290	851

9. LOSS BEFORE INCOME TAX

	2006 HK$'000	2005 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Allowances for bad and doubtful debts	120	12
Auditors' remuneration	426	550
(Gain)/Loss on disposal of property, plant and equipment	(9)	274
Minimum lease payments under operating leases in respect of rented premises	1,970	2,064
Bank interest income	(1,447)	(145)

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 during the year (2005: Nil). Taxation on profits assessable elsewhere have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

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

	2006 HK$'000	2005 HK$'000
Loss before income tax	(27,498)	(17,760)
Tax at the applicable tax rates	(4,933)	(3,108)
Tax effect of non-deductible expenses	1,343	2,164
Tax effect of non-taxable revenue	(259)	(3,863)
Tax effect of unrecognised tax losses	3,719	4,807
Tax effect of temporary difference not recognised	130	–
Income tax expense	–	–

10. INCOME TAX EXPENSE *(Continued)*

At the balance sheet date, the Group and the Company had unused estimated tax losses of approximately HK$124,521,000 (2005: HK$103,269,000) and approximately HK$22,418,000 (2005: HK$13,154,000) 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 (2005: Nil).

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

Of the consolidated loss of HK$27,330,000 (2005: HK$17,728,000) attributable to the equity holders of the Company, a loss of HK$29,967,000 (2005: HK$14,920,000) 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$27,330,000 (2005: HK$17,728,000) and the weighted average of 588,819,299 (2005: 516,863,109) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2006 and 2005 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)

	2006 HK$'000	2005 HK$'000
Salaries and allowances	**15,698**	12,697
Share-based payment	**2,200**	200
Retirement benefits schemes contributions	**590**	380
	18,488	13,277

Included in employee benefit expense are key management personnel compensation. The key management personnel are the directors of the Company, details of the remuneration paid to them 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	Share-based payments HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Year ended 31 December 2006					
Executive directors					
Mr. 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**

	Fees HK$'000	Salaries and allowances HK$'000	Share-based payments HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Year ended 31 December 2005					
Executive directors					
Mr. Poon Kwok Lim, Steven	100	1,080	–	12	1,192
Mr. Poon Shun Yan, Joseph	100	984	–	12	1,096
Mr. Mok Hay Hoi *(note a)*	58	350	83	7	498
Ms. Au Yeung Pui Shan, Karen *(note b)*	58	246	–	7	311
Non-executive directors					
Mr. Lee Peng Fei, Allen *(note c)*	38	–	–	–	38
Mr. Lee Shu Fan *(note d)*	78	–	–	–	78
Independent non-executive directors					
Mr. Tam Tak Wah	120	–	–	–	120
Mr. Tsui Yiu Wa, Alec	200	–	–	–	200
Mr. Yeung Pak Sing	200	–	–	–	200
	952	2,660	83	38	3,733

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

14.1 Directors' emoluments *(Continued)*

Notes:

(a) Mr. Mok Hay Hoi was appointed on 1 June 2005.
(b) Ms. Au Yeung Pui Shan, Karen resigned on 31 July 2005.
(c) Mr. Lee Peng Fei, Allen resigned on 1 April 2005.
(d) Mr. Lee Shu Fan resigned on 7 July 2005.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2006 and 2005.

14.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2005: two) individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and allowance	**1,520**	1,200
Share-based payment	**16**	–
Retirement benefits schemes contributions	**20**	24
	1,556	1,224

Their emoluments were within the following band:

	2006	2005
HK$Nil to HK$1,000,000	**2**	2

During the year, no emoluments were paid by the Group to the directors or the two (2005: 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 2005				
Cost	132	4,447	–	4,579
Accumulated depreciation and impairment	(21)	(2,345)	–	(2,366)
Net book amount	111	2,102	–	2,213
Year ended 31 December 2005				
Opening net book amount	111	2,102	–	2,213
Additions	863	623	200	1,686
Depreciation	(79)	(817)	(27)	(923)
Disposals	(142)	(134)	–	(276)
Impairment loss	–	(233)	–	(233)
Closing net book amount	753	1,541	173	2,467
At 31 December 2005				
Cost	809	4,214	200	5,223
Accumulated depreciation and impairment	(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**
At 31 December 2006	**645**	**917**	**133**	**1,695**
At 31 December 2006				
Cost	**884**	**4,255**	**200**	**5,339**
Accumulated depreciation and impairment	**(239)**	**(3,338)**	**(67)**	**(3,644)**
Net book amount	**645**	**917**	**133**	**1,695**

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 January 2005				
Cost	186	1,670	–	1,856
Accumulated depreciation	(75)	(61)	–	(136)
Net book amount	111	1,609	–	1,720
Year ended 31 December 2005				
Opening net book amount	111	1,609	–	1,720
Additions	752	136	200	1,088
Transfer from a subsidiary	–	269	–	269
Depreciation	(67)	(687)	(27)	(781)
Disposals	(80)	(194)	–	(274)
Closing net book amount	716	1,133	173	2,022
At 31 December 2005				
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)**
At 31 December 2006	**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**

16. INTERESTS IN SUBSIDIARIES

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**24,406**	24,406
Less: Provision for impairment	**(24,400)**	(24,400)
Financial guarantee granted to a subsidiary *(note 33)*	**709**	–
	715	6

Particulars of the subsidiaries of the Company at 31 December 2006 are as follows:

Name of subsidiary	Place/country of incorporation or registration	Issued and fully paid/registered share capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Network Engineering Limited	Hong Kong	Ordinary HK$1,000,000	100%	–	Provision of network infrastructure services
Nestor Pacific Limited (formerly known as "VCTG Advertising Services Limited")	Hong Kong	Ordinary HK$2	100%	–	Inactive
VCTG Technology Limited	Hong Kong	Ordinary HK$2	100%	–	Provision of digital solution services
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

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation or registration	Issued and fully paid/registered share capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
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
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
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

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

	2006 HK$'000	2005 HK$'000
At 1 January		
Gross carrying amount	**11,482**	–
Accumulated impairment losses	**(11,482)**	–
Carrying amount	**–**	–
Carrying amount at 1 January	**–**	–
Acquisition of additional interest in a subsidiary	**–**	11,482
Impairment loss during the year	**–**	(11,482)
Carrying amount at 31 December	**–**	–
At 31 December		
Gross carrying amount	**11,482**	11,482
Accumulated impairment losses	**(11,482)**	(11,482)
Carrying amount	**–**	–

18. INTEREST IN ASSOCIATES

The Group

	2006 HK$'000	2005 HK$'000
Cost of investment in associates – unlisted	**–**	1,967
Share of post-acquisition losses	**–**	(1,967)
	–	–

18. INTEREST IN ASSOCIATES *(Continued)*

At 31 December 2006, 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 registered/issued capital held by the Group	Principal activity
Sino East Oil Services Limited ("Sino East Oil")	Incorporated	British Virgin Islands	Ordinary	50% *(note a)*	Inactive

Notes:

(a) 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.

(b) Beijing CAV Vertex Digital Technology Company Limited 北京中錄慧峯數碼技術有限公司, the Group's associate as at 31 December 2005, was deregistered during the year ended 31 December 2006 whilst East Art International Limited, the Group's other associate as at 31 December 2005, was dissolved during the year ended 31 December 2006. Accordingly, the Directors consider that the assets, liabilities and amounts of unrecognised share of losses of these associates are insignificant.

19. AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2006	2005
	HK$'000	HK$'000
Unlisted equity securities, at cost	**3,000**	–

The investment represents the Group's interest in unlisted equity share in China Hong Kong Power Development Company Limited, a private company incorporated in Hong Kong (the "Investment"). The Group held a 12% effective equity interest 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 (if any), as the Investment does not have a quoted market price in an active market. The Directors considered that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. In the opinion of the Directors, there is no objective evidence of impairment as a result of a past event that occurred after initial recognition of the Investment and accordingly, no impairment loss is recognised in the income statement.

20. TRADE RECEIVABLES

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 at the balance sheet date:

	The Group	
	2006	2005
	HK$'000	HK$'000
0 to 60 days	**1,409**	1,986
61 to 90 days	**728**	1,185
91 to 180 days	**1,135**	2,999
Over 180 days	**815**	2
	4,087	6,172

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	The Group	
	2006	2005
	HK$'000	HK$'000
Cash at banks and in hand	**8,246**	9,506
Short-term bank deposits	**34,844**	–
	43,090	9,506

	The Company	
	2006	2005
	HK$'000	HK$'000
Cash at banks and in hand	**2,662**	8,410
Short-term bank deposits	**9,559**	–
	12,221	8,410

Cash at banks earn interest at floating rates based on 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 3.65% to 5%.

21. CASH AND CASH EQUIVALENTS *(Continued)*

Included in cash at banks and in hand of the Group is HK$1,617,000 (2005: HK$175,000) 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	
	2006	2005
	HK$'000	HK$'000
0 to 30 days	**1,674**	1,315
31 to 60 days	**47**	333
61 to 90 days	**335**	757
91 to 180 days	**21**	904
Over 180 days	**299**	92
	2,376	3,401

23. AMOUNTS DUE TO RELATED COMPANIES

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

24. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Amounts due from subsidiaries	**75,639**	51,353
Less: Impairment losses recognised	**(70,743)**	(46,344)
	4,896	5,009

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$24,399,000 (2005: HK$6,845,000) 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 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 Group incurred one-off expenses of HK$1,383,000 for the issuance of the Convertible Bonds. Such expenses have been recognised in the income statement for the year.

The functional currency of CPCL is HK$ and the conversion option of the Convertible Bonds is denominated in US$. Since 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, in accordance with HKAS 32 and HKAS 39, the Group determined that the Convertible Bonds do not contain any equity component and the entire Convertible Bonds were designated as "financial liabilities at fair value through profit or loss" which requires the Convertible Bonds to be carried at fair value at the balance sheet date and the changes in fair values are recognised in the income statement. During the year, a gain on change in its fair value of HK$645,000 is recognised in the income statement.

The fair value of the Convertible Bonds was calculated using the binomial option pricing model. The inputs into the model were as follows:

Stock price	US$12.89
Stock borrow cost	7.49%
Expected volatility	12.27%
Expected dividend yield	4.6%
Issuer's credit spread	2.83%

27. BONDS, SECURED

On 27 February 2004, the Company issued bonds in an aggregate amount of US$2,000,000 (the "Bonds") to LIM Asia Arbitrage Fund Inc. ("LIM Fund"), together with warrants which entitled the Bondholder 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.

27. BONDS, SECURED *(Continued)*

The Bonds, which are transferable, bear a coupon of 2 per cent, per annum which will be 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 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 Bondholder 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.

	The Group and The Company	
	2006	2005
	HK$'000	HK$'000
Liability component at date of issue	**13,727**	13,188
Interest charged *(note 8)*	**886**	851
Interest paid	**(310)**	(312)
Liability component at 31 December	**14,303**	13,727

During the year, no warrants (2005: 16,010,000 warrants) were exercised. At the balance sheet date, the Company had outstanding 25,000,000 (2005: 25,000,000) warrants.

28. SHARE CAPITAL

	Number of shares		Share capital	
	2006	2005	**2006**	2005
	'000	'000	**HK$'000**	HK$'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	**530,340**	495,420	**5,303**	4,954
Issuance of shares	**83,590**	–	**836**	–
Exercise of share options	**500**	18,910	**5**	189
Exercise of warrants	**–**	16,010	**–**	160
At 31 December	**614,430**	530,340	**6,144**	5,303

Issuance of shares

During the year, 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. The Company intended to use the net proceeds for future expansion and for making investments in the energy field. Further details of the placement of shares were set out in the Company's announcement dated 7 April 2006.

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, no warrants (2005: 16,010,000 warrants) were exercised. At the balance sheet date, the Company had outstanding 25,000,000 (2005: 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

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 financial statements.

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

29. RESERVES *(Continued)*

Company

	Share premium HK$'000	Capital reserve HK$'000	Warrant reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	67,040	2,787	2,871	–	(86,779)	(14,081)
Loss and total recognised expenses for the year	–	–	–	–	(14,920)	(14,920)
Employee share-based compensation	–	–	–	200	–	200
Exercise of share options	2,238	–	–	–	–	2,238
Exercise of warrants	8,550	–	(1,121)	–	–	7,429
At 31 December 2005 and 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 expenses for the year	–	–	–	–	(29,967)	(29,967)
At 31 December 2006	**116,455**	**2,787**	**1,750**	**2,236**	**(131,502)**	**(8,274)**

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 reserves of the Group and the Company arose as a result of the issuance of bonds together with warrants (the "Bonds") which entitled to the bondholder to subscribe for the ordinary shares of the Company. Details of the Bonds are set out in note 27. The warrant reserve represents the value of equity element of this 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	
	2006	2005
	HK$'000	HK$'000
Within one year	**1,546**	1,596
In the second to fifth year inclusive	**1,008**	1,991
	2,554	3,587

	The Company	
	2006	2005
	HK$'000	HK$'000
Within one year	**1,519**	1,495
In the second to fifth year inclusive	**1,008**	1,965
	2,527	3,460

The Group and the Company lease a number of rented premises under operating leases. Leases are mainly 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 2006, 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.

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

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

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

(v) The subscription price for shares under the Post-IPO Option Scheme will be determined by the board of directors of the Company and notified to each grantee and will be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange'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.

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

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 (2005: 1,350,000) equivalent to approximately 0.22% (2005: 0.25%) 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

(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 2006, the share options to subscribe for an aggregate of 1,350,000 (2005: 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.

Details of the share options granted under the Post-IPO Option Scheme during the 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

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

31.2 Pre-initial public offering share option scheme

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 Directors and employees during the year for taking up the share options granted amounted to HK$3 (2005: HK$2).

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

	Number of share options				
	Outstanding at 1 January 2006	Granted during the year *note (a)*	Exercised during the year *note (b)*	Lapsed during the year *note (c)*	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

Notes:

(a) 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.

(b) 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.

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

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 in prior year:

	Number of share options				
	Outstanding at 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2005
Option type					
Pre-IPO option scheme	19,637,000	–	(18,285,000)	(2,000)	1,350,000
Post-IPO option scheme	2,000,000	6,000,000	(625,000)	–	7,375,000
	21,637,000	6,000,000	(18,910,000)	(2,000)	8,725,000
Exercisable at the end of the year					2,266,667
Weighted average exercise price	0.15	0.29	0.29	0.21	0.29

The Company has used the Black-Scholes option pricing model (the "Model") to value the share options granted since 1 January 2005, upon the first-time adoption of HKFRS 2. The 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 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 Black-Scholes option pricing model:

	16 August 2005	6 September 2005	6 August 2006	10 November 2006
Share price on 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 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$2,200,000 (2005: HK$200,000) in the income statement in relation to share options granted by the Company (HK$2,108,000 (2005: HK$83,000) related to directors, see note 14), with a corresponding adjustment recognised in the Group's share option reserve.

32. RETIREMENT BENEFITS SCHEMES

Before 30 November 2000, the Group did not contribute to any retirement benefits scheme for either its employees or its directors in Hong Kong. With effect from 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 benefits scheme, medical insurance scheme and unemployment benefit scheme) operated by the relevant local government authorities. The Group is required to make contribution to the social insurance schemes on behalf of employees who are registered permanent residents in the PRC. The insurance premium is borne by the Company and the employees on a specified proportion of the employees' salaries laid down under the relevant PRC law.

During the year, the employer's contributions to the retirement benefits scheme charged to the income statement amounted to approximately HK$590,000 (2005: HK$380,000).

33. FINANCIAL GUARANTEE LIABILITIES

In connection with the issuance of convertible bonds by the Company's subsidiary, Coastal Power Company Limited ("CPCL"), as mentioned in note 26, the Company has executed a guarantee in favour of the bond holder and pursuant to which, the Company has agreed irrevocably to guarantee and indemnify the bond holders the due and punctual discharge of the Guaranteed Obligations. Guaranteed Obligations represents 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 bond holder.

33. FINANCIAL GUARANTEE LIABILITIES *(Continued)*

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 follow:

	2006	2005
	HK$'000	HK$'000
Total carrying amount at balance sheet date	**657**	–
Less: amount shown as current liabilities	**(110)**	–
Amount shown as non-current liabilities	**547**	–

The financial guarantee contract was eliminated on consolidation.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's major financial instruments include bonds, convertible bonds, amounts due to related parties, 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 on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34.1 Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain trade receivables, trade payables and the bonds and the convertible bonds issued by the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

34.2 Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the 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 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. The Group has concentration of credit risks on trade receivables with exposure limited to certain counterparties and customers, however, the management closely monitors the subsequent settlement of the customers and does not grant long credit period to the counterparties. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

34.3 Cash flow and interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows since the Group has significant interest-bearing assets. Management monitors the related cash flow and interest rate risk exposure closely and will consider any derivative financial instrument, where necessary, should the need arise.

34.4 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 of the Company 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 financial statements have been prepared on a going concern basis.

34.5 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.

35. POST BALANCE SHEET EVENTS

On 11 January 2007, the Company and China Power Investment Corporation ("China Power") have entered into an agreement, under which the Company agreed to provide certain services relating to the supply, installation, operation and maintenance of power generating units by China Power for the benefit of the government of the State of Kuwait (the "Project") if and when China Power is selected as the provider of such power generating units under a tendering process administered by the government of the State of Kuwait (the "Agreement"). The Company will not be obliged to provide the services to China Power under the Agreement if the Project is not awarded to China Power. The Project may or may not be awarded to China Power. Further details of the Agreement and the Project are set out in the Company's announcement made on 20 March 2007.

Financial summary

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

	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000
Turnover	**15,817**	12,036	7,283	6,586	13,366
Loss before income tax	**(27,498)**	(17,760)	(29,268)	(36,010)	(22,863)
Income tax credit	**–**	–	–	–	81
Loss for the year	**(27,498)**	(17,760)	(29,268)	(36,010)	(22,782)
Attributable to:					
Equity holders of the Company	**(27,330)**	(17,728)	(28,860)	(35,552)	(22,007)
Minority interests	**(168)**	(32)	(408)	(458)	(775)
	(27,498)	(17,760)	(29,268)	(36,010)	(22,782)

ASSETS, LIABILITIES AND EQUITY

	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000
Total assets	**55,518**	20,742	18,884	22,405	55,841
Total liabilities	**(57,514)**	(37,034)	(27,761)	(5,274)	(2,782)
	(1,996)	(16,292)	(8,877)	17,131	53,059
Equity attributable to the equity holders of the Company	**(1,996)**	(16,460)	(8,877)	16,723	52,275
Minority interests	**–**	168	–	408	784
	(1,996)	(16,292)	(8,877)	17,131	53,059

Notice of Annual General Meeting

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, 27 April 2007 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 2006 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 Director's 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
Mok Hay Hoi
Company Secretary

Hong Kong, 27 March 2007

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

Notice of Annual General Meeting

Notes:

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

2. 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.