

Interim Report
2009

Vertex



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

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

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The report, for which the directors of Vertex Group Limited (the “Company”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended		Six months ended	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	2	3,138	4,480	4,052	7,100
Other operating income		12	111	13	123
Staff costs		(1,811)	(3,378)	(2,534)	(6,669)
Subcontracting costs		(2,837)	(2,023)	(3,666)	(2,113)
Depreciation of property, plant and equipment		(73)	(125)	(145)	(269)
Royalty and production costs		(18)	(3,104)	(48)	(6,126)
Other operating expenses		(836)	(2,111)	(2,986)	(6,003)
Finance cost		(829)	(706)	(1,549)	(1,413)
Gain on disposal of an associate	4	-	-	328	-
Loss before taxation	5	(3,254)	(6,856)	(6,535)	(15,370)
Taxation	6	-	-	(17)	-
Loss for the period		(3,254)	(6,856)	(6,552)	(15,370)
Attributable to:					
Equity holders of the Company		(3,254)	(6,856)	(6,552)	(15,370)
Minority Interest		-	-	-	-
		(3,254)	(6,856)	(6,552)	(15,370)
Loss per share					
- Basic and Diluted	7	HK\$(0.53) cents	HK\$(1.11) cents	HK\$(1.04) cents	HK\$(2.50) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2009	31 December 2008
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	472	618
Deposits		–	236
		472	854
Current assets			
Trade receivables	10	11,383	12,088
Prepayments, deposits and other receivables		1,234	3,078
Pledged bank deposits		–	200
Cash and cash equivalents		1,692	1,613
		14,309	16,979
Current liabilities			
Trade payables	11	11,742	12,464
Other payables and accruals		4,886	3,393
Amounts due to related companies		6,286	6,881
Bonds, secured		–	15,566
Provision for income tax		8	8
		22,922	38,312
Net current (liabilities)/assets		(8,613)	(21,333)
Total assets less current liabilities		(8,141)	(20,479)
Non-current liabilities			
Convertible bonds	12	31,403	31,403
Loan	13	11,988	–
Amounts due to related companies		8,381	8,381
		51,772	39,784
Net liabilities		(59,913)	(60,263)
EQUITY			
Share capital		7,111	6,151
Reserves		(67,024)	(66,414)
Capital deficiency		(59,913)	(60,263)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(7,257)	(12,413)
Net cash (outflow)/inflow in investing activities	328	(343)
Net cash inflow/(outflow) from financing activities	7,008	2,046
Decrease in cash and cash equivalents	79	(10,710)
Cash and cash equivalents at beginning of period	1,613	19,637
Cash and cash equivalents at end of period	1,692	8,927



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Equity attributable to the equity holders of the Company									
	Share capital	Share premium	Special reserve	Warrant reserve	Translation reserve	Share		Total	Minority interests	Total equity
						options reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	6,149	116,519	1,000	1,750	221	2,265	(154,669)	(26,765)	-	(26,765)
Exercise of share options	2	29	-	-	-	-	-	31	-	31
Currency translation differences	-	-	-	-	82	-	-	82	-	82
Loss for the period	-	-	-	-	-	-	(15,370)	(15,370)	-	(15,370)
Employee share-based compensation	-	-	-	-	-	8	-	8	-	8
At 30 June 2008	6,151	116,548	1,000	1,750	303	2,273	(170,039)	(42,014)	-	(42,014)
As at 1 January 2009	6,151	116,548	1,000	1,750	288	2,279	(188,279)	(60,263)	-	(60,263)
Exercise of share options	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	(25)	-	-	(25)	-	(25)
Loss for the period	-	-	-	-	-	-	(6,552)	(6,552)	-	(6,552)
Employee share-based compensation	-	-	-	-	-	6	-	6	-	6
Issuance of new shares	960	6,048	-	-	-	-	-	7,008	-	7,008
Expenses for issuance of new shares	-	(87)	-	-	-	-	-	(87)	-	(87)
At 30 June 2009	7,111	122,509	1,000	1,750	263	2,285	(194,831)	(59,913)	-	(59,913)



Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

In preparing the condensed consolidated financial statements for the six months ended 30 June 2009, the directors have given considerations to future financial positions of the Group in light of the net liabilities of approximately HK\$8,141,000 (2008: HK\$634,000) as at 30 June 2009. The Directors are taking active steps to improve the financial position of the Group as described below.

- (a) The Group has been taking stringent cost controls in production and general administrative expenses.
- (b) The Group is expanding its engineering business in Hong Kong. Substantial revenues are expected to flow into the Group following successful implementation of this line of business as the number of infrastructure projects in Hong Kong is on the increase.
- (c) The Group will diversify its business by entering into a sale and purchase agreement with Independent Third Parties for an acquisition of a company engaging in film production and entertainment related business.
- (d) The Group completed an Open Offer of 355,545,116 Offer Shares at HK\$0.09 per Offer Share on the basis of one Offer Share for every two Shares held on the Record Date.

2. TURNOVER

The Company is principally engaged in investment holding and provision of energy consultancy services. The principal activities of the Group include the provision of network infrastructure and electrical installation services, information technology solution, and procurement of energy resources services.

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

During the period under review, the Group's revenue from advertising barter transactions was Nil (2008: HK\$1,120,000).

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Network infrastructure and electrical installation services	–	provision of network infrastructure and electrical installation services
Digital solution services	–	provision of information technology solutions including web solutions and system integration
Energy consultancy services	–	provision of energy consultancy services



Segment information about these businesses is presented below.

Statement of Comprehensive Income for the six months ended 30 June 2009

	Network infrastructure and electrical installation services HK\$'000	Digital solution services HK\$'000	Energy consultancy services HK\$'000	Consolidated HK\$'000
Turnover	4,028	24	-	4,052
Segment result	13	(2)	-	11
Other operating income				13
Unallocated corporate expenses				(5,027)
Finance costs				(1,549)
				(6,552)

Statement of Financial Position as at 30 June 2009

	Network infrastructure and electrical installation services HK\$'000	Digital solution services HK\$'000	Energy consultancy services HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	10,876	37	-	10,913
Unallocated corporate assets				3,868
Total assets				14,781
Liabilities				
Segment liabilities	(13,522)	(43)	-	(13,565)
Unallocated corporate liabilities				(61,129)
Total liabilities				(74,694)

Other information for the six months ended 30 June 2009

	Network infrastructure and electrical installation services HK\$'000	Digital solution services HK\$'000	Energy consultancy services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions to property, plant and equipment	-	-	-	-	-
Depreciation of property, plant and equipment	-	-	-	146	146

Statement of Comprehensive Income for the six months ended 30 June 2008

	Network infrastructure and electrical installation services HK\$'000	Digital solution services HK\$'000	Publication of print media HK\$'000	Energy consultancy services HK\$'000	Consolidated HK\$'000
Turnover	2,637	26	4,437	-	7,100
Segment result	156	(59)	(8,089)	-	(7,992)
Other operating income					123
Unallocated corporate expenses					(6,088)
Finance costs					(1,413)
					(15,370)

Statement of Financial Position as at 30 June 2008

	Network infrastructure and electrical installation services HK\$'000	Digital solution services HK\$'000	Publication of print media HK\$'000	Energy consultancy services HK\$'000	Unallocated	Consolidated HK\$'000
Assets						
Segment assets	12,600	92	6,024	-		18,716
Unallocated corporate assets						12,070
Total assets						30,786
Liabilities						
Segment liabilities	(9,360)	(83)	(5,521)	-		(14,964)
Unallocated corporate liabilities						(57,836)
Total liabilities						(72,800)

Other information for the six months ended 30 June 2008

	Network infrastructure and electrical installation services HK\$'000	Digital solution services HK\$'000	Publication of print media HK\$'000	Energy consultancy services HK\$'000	Unallocated	Consolidated HK\$'000
Additions to property, plant and equipment	-	-	119	-	47	166
Depreciation of property, plant and equipment	-	-	64	-	203	267

Geographical segments

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

4. GAIN ON DISPOSAL OF AN ASSOCIATE

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

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	Three months ended		Six months ended	
	31 March		30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operation lease rentals in respect of land and building	240	456	437	914
Staff costs, including directors' remuneration				
Retirement benefits scheme contributions	22	98	28	175
Salaries and allowances	1,764	2,967	2,457	6,195
	1,786	3,065	2,485	6,370
Interest income on bank deposits	-	(12)	-	(123)

6. TAXATION

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

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

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

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

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2009 was based on the unaudited net loss for the period of approximately HK\$6,552,000 (2008: loss of HK\$15,370,000) and on the weighted average number of 629,029,958 shares (2008: 614,957,177 shares) deemed to be in issue throughout the periods.

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

8. DIVIDEND

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

9. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group were:

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Net book value, beginning of period/year	618	1,228
Additions	–	474
Disposals	–	(594)
Depreciation	(146)	(505)
Exchange realignment	–	15
	472	618

10. TRADE RECEIVABLES

The Group generally allows a credit period from 60 to 90 days to its trade customers. The ageing analysis of trade receivables, net allowance for bad and doubtful debts as follows:

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
0 to 60 days	420	610
61 to 90 days	298	104
91 to 180 days	1,646	1,193
Over 180 days	9,019	10,181
	11,383	12,088

Included in the balances are debtors with carrying amounts of HK\$10,665,000 (2008: HK\$11,747,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss. Trade receivables that are past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

Include in the balances of debtors with no carrying amount (2008: HK\$941,000) arising from the barter transaction and are expected to be expenses off in the coming periods.

11. TRADE PAYABLES

The aged analysis of trade payables is stated as follows:

	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 30 days	166	560
31 to 60 days	415	597
61 to 90 days	760	473
91 to 180 days	37	1,543
Over 180 days	10,364	9,291
	11,742	12,464

12. 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.

13. LOAN

In February 2009, the Group has borrowed a loan of HK\$12 million, interest bearing at 8.45% per annum and maturing on 15 February 2011, from a financial institution in Hong Kong.

14. CONTINGENT LIABILITIES

During the period, Network Engineering Limited (the “Network”), a subsidiary of the Company has entered into an agreement to provide engineering services in favor of a reputable company in Hong Kong (the “contractor”). Pursuant to which, Network has offered a performance bonds of HK\$200,000 in favor of the contractor to indemnify the contractor the due performance of the agreement signed. The Directors, on the basis of work schedule, have not considered it necessary to make a provision for in the financial statements.

15. SUBSEQUENT EVENTS

- (a) Pursuant to the prospectus issued by the Group dated 15 July 2009 and the announcement regarding to the result of the Open Offer dated 4 August 2009, the Group completed an Open Offer of 355,545,116 Offer Shares at HK\$0.09 per Offer Share on the basis of one Offer Share for every two Shares held on the Record Date. The net proceeds from the Open Offer will be applied to (i) HK\$8.55 million for partial payment of an acquisition announced by the Company on 24 June 2009; and (ii) the remaining net proceeds from the Open Offer for the general working capital of the Group.

FINANCIAL REVIEW

For the six months ended 30 June 2009, the Group recorded a decrease in turnover of approximately HK\$3 million, representing a drop of approximately 43% over the corresponding period in 2008. The decrease was due to the suspension of media business in 2009. The turnover for the period under review was attributable to the engineering business, which given a surge of 53% as compared to the turnover of same segment in the previous year.

Staff cost for the period under review decreased to approximately HK\$2.5 million from as compared to the corresponding period approximately HK\$6.7 million in the previous year. The decrease in staff cost was mainly due to reduced headcounts for media business during the period under review.

Subcontracting costs for the period under review increased approximately HK\$1.6 million due to increasing activities for network infrastructure and electrical installation services in 2009.

HUMAN RESOURCES & REMUNERATION POLICY

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the annual report 2008, the Company has been expanding its engineering business in Hong Kong for the period under review. As the number of infrastructure projects in Hong Kong is on the increase, the Group expects its engineering business will bring positive impact to the Group business in the future.

Due to global financial crisis, the development of energy business and power projects in various regions were slow during the period under review and the media business was suspended in the year of 2008.

In spite of the economic environment, the Company will continue to seek for possible investment diversification potentials. On 24 June 2009, the Company entered into a sale and purchase agreement with Independent Third Parties for an acquisition of a company engaging in film production and entertainment related business at a consideration of HK\$9 million in cash. The Directors are of the view that the film production industry is positive and such acquisition will diversify the Group's business.

In order to strengthen the Company's capital base and provide the Company with financial flexibility for future development and investment opportunities, the Group completed an Open Offer of 355,545,116 Offer Shares at HK\$0.09 per Offer Share on the basis of one Offer Share for every two Shares held on the Record Date. The proceeds of the Open Offer will be used for acquisition of a target company as announced on 24 June 2009 and for the general working capital of the Group.



SHARE OPTION SCHEMES

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

Pre-IPO Share Option Scheme

As at 30 June 2009, the share options to subscribe for an aggregate of 1,342,000 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 Share Option Scheme as at 30 June 2009 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Number of share options			Outstanding as at 30 June 2009
		As at 1 January 2009	Exercised during the period	Lapsed during the period	
Directors	0.12	4,000	-	-	4,000
Advisors and consultants	0.45	1,334,000	-	-	1,334,000
Employees	0.12	4,000	-	-	4,000
Total		1,342,000	-	-	1,342,000

Post-IPO Share Option Scheme

As at 30 June 2009, the share options to subscribe for an aggregate of 12,400,000 shares of the Company granted pursuant to the Post-IPO Share Option Scheme were outstanding. The details of the Post-IPO Share Option Scheme as at 30 June 2009 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding as at 30 June 2009
			As at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	0.52	10 November 2006	12,100,000	-	-	-	12,100,000
Employees	0.475	8 August 2006	300,000	-	-	-	300,000
Total			12,400,000	-	-	-	12,400,000

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

As at 30 June 2009, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

1. Long Positions in the shares of the Company

Name of Directors	Number of shares of the Company			Approximate percentage of the issued share capital of the Company
	Beneficial owner	Interest in controlled corporation	Total	
Dr. Poon Kwok Lim, Steven*	6,104,000 ⁽¹⁾	101,544,862 ⁽²⁾	107,648,862	15.14%
Mr. Poon Shu Yan, Joseph	6,000,000 ⁽³⁾	–	6,000,000	0.84%

* resigned on 19 May 2009



Notes:

1. Dr. Poon Kwok Lim, Steven beneficially owned 6,104,000 shares of the Company, representing approximately 0.86% 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 101,544,862 shares of the Company, representing approximately 14.28% of the issued share capital of the Company through Bright World Enterprise Limited (“Bright World”). The entire issued share capital of Bright World is wholly and beneficially owned by Asia Link Investment Limited which in turn is wholly and beneficially owned by Bauhinia Investment Management Limited which is legally and beneficially interested in as to 80% by Dr. Poon, a former executive Director who resigned on 19 May 2009, and as to 20% by Mrs. Poon Wong Wai Ping, the spouse of Dr. Poon. These shares were the same as those shares as disclosed in the section headed “Interests and Short Positions in the Shares and Underlying Shares” below.

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

3. Mr. Poon Shu Yan, Joseph beneficially owned 6,000,000 shares of the Company, representing approximately 0.84% of the issued share capital of the Company. By virtue of the SFO, Mrs. Poon Loo Margaret Teresa, the spouse of Mr. Poon Shu Yan, Joseph, was deemed to be interested in all the shares in which Mr. Poon Shu Yan, Joseph was interested.

2. Rights to acquire shares in the Company

i. Pre-IPO Share Option Scheme

Name of Directors	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options			
				As at 1 January 2009	Exercised during the period	Lapsed during the period	As at 30 June 2009
Dr. Poon Kwok Lim, Steven*	24 July 2002	0.12	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 period	As at 1 January 2009	Exercised during the period	Lapsed during the period	As at 30 June 2009
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

* resigned on 19 May 2009

Save as disclosed above, none of the Directors, chief executive or their associates had, as at 30 June 2009, any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2009, the persons or corporations who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO or had otherwise been notified to the Company were as follows:

1. Long Positions in the shares of the Company

<u>Name of shareholders</u>	<u>Capacity</u>	<u>No. of shares held</u>	<u>Approximate percentage of the issued share capital of the Company</u>
Bright World (note)	Beneficial owner	101,544,862	14.28%

Notes:

Bright World is the legal and beneficial owner of 101,544,862 Shares. The entire issued share capital of Bright World is wholly and beneficially owned by Asia Link Investment Limited which in turn is wholly and beneficially owned by Bauhinia Investment Management Limited which is legally and beneficially interested in as to 80% by Dr. Poon, a former executive Director who resigned on 19 May 2009, and as to 20% by Mrs. Poon Wong Wai Ping, the spouse of Dr. Poon. Dr. Poon is also interested in as to 6,104,000 Share Options as at the 30 June 2009.



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 six months ended 30 June 2009.

CORPORATE GOVERNANCE

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

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

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

COMPETING INTERESTS

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

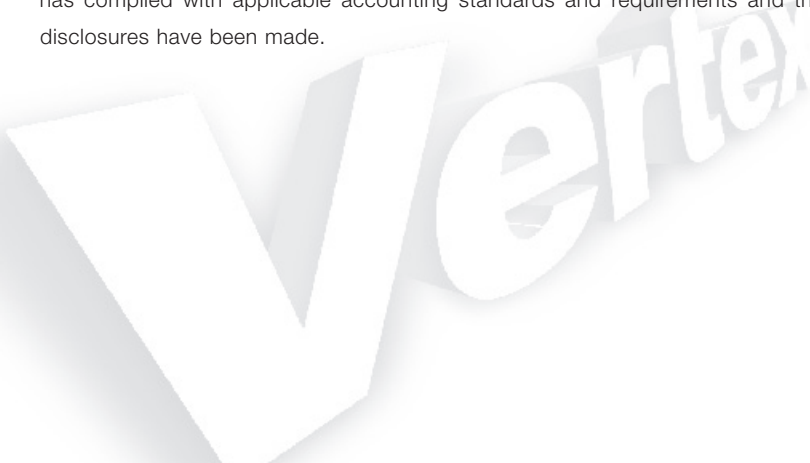
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") in 2002 with written terms of reference, which deal clearly with its authorities and duties. The primary duties of the Audit Committee are to review the Company's annual reports and accounts, half-year reports and quarterly reports and discuss with the management over issues relating to auditing, internal control and financial reporting. The Audit Committee now comprises three independent non-executive Directors, namely Mr. Chui Chi Yun, Robert (Chairman), Mr. Chan Tin Lup, Trevor and Mr. Lam Kwok Hing, Wilfred.

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



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

Executive Directors:

Mr. Yum Pui

Mr. Li Sin Hung, Maxim

Mr. Poon Shu Yan, Joseph

Independent Non-executive Directors:

Mr. Chan Tin Lup, Trevor

Mr. Chui Chi Yun, Robert

Mr. Lam Kwok Hing, Wilfred

Hong Kong, 11 August 2009

On behalf of the Board

Vertex Group Limited

Yum Pui

Chairman



Vertex