Vertex

VERTEX GROUP LIMITED
慧峰集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8228)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

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 announcement, for which the directors of Vertex Group Limited (the "Company") collectively and individually accept full responsibility, includes 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

Dear Shareholders

I am reporting the activities of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

The year 2008 has been a very difficult year for the Group. Indeed it was a difficult year for Hong Kong and the world as a whole. The financial crisis has affected not only the Group's businesses, but also the ability of its clients to honour their commitments towards the Group. The credit crunch has essentially dried up the channels of finance.

The Group's media publishing business has encountered difficulties in getting the advertising clients to pay their over-dues. At the same time, as a result of the slowing down in business activities in mainland China, there was a considerable drop in new advertising placement. As a result of the global financial crisis, the Group's media publishing business has become financially not viable.

The Group's electricity project business has had a good start. The Group entered into an agreement with China Power Investment Corporation for the bidding for engineering, construction and management of a sizeable power plant in the State of Kuwait. The power plant project was, however, cancelled by the owner. During the year 2008, the Group has submitted power plant proposals to a number of Emirates in United Arab Emirates; but the projects were put on hold as a result of deteriorating global financial situation.

The Group is a 12% shareholder of China Hong Kong Development Company Limited ("CHKP"), the controlling shareholder of which is China Power International Holding Limited, a subsidiary of China Power Investment Corporation. CHKP is reviewing the position following the Hong Kong Government's conclusion of new schemes of control with the two power companies.

The global economy's decline has affected the demands and prices of commodities. As electricity generation in mainland China contracted, demand for coal dropped, so did the price of coal. The Group has an agreement with China Huaneng Group for the sourcing of coal. Implementation of the agreement is continuing, though the coal supply has been affected by the coal market situation in mainland China.

The Group's engineering companies have performed well, despite the economic downturn. They have secured significant amount of engineering works from reputable clients who are capable of paying on time. There is favourable opportunity for this sector of business to be expanded, benefiting from the various initiatives of reviving the Hong Kong economy.

The global financial crisis has now developed into a global economic crisis. Consumer expenditures plunge and development projects are cancelled or deferred. The future is filled with uncertainties. In facing this situation, the Group is to preserve its resources. It will wind down those businesses that are not making a profit and unlikely to turn the corner anytime soon. The Group will continue to develop the businesses that are viable under the current financial situation, and will seek new opportunities that are commensurate with the present economic environment.

Despite the fact that the global financial crisis and the consequential economic crisis are deep and widespread, I am confident that the world would be able to cope with them. The resilience of Hong Kong has proved strong in the past. I remain optimistic that Hong Kong will sail through the turmoil and that the Group will benefit from the recovery of world economy in the near future.

Dr. Poon Kwok Lim, Steven
Chairman

23 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In 2008, the Group has been expanding its engineering business in Hong Kong, despite the economic downturn. The Group has been commissioned a number of engineering contracts from various reputable clients in 2009. As the number of infrastructure projects in Hong Kong is on the increase, and the Group expects its engineering business will continue to grow.

The Group's subsidiary company, Coastal Power Company Limited, continues to seek for energy business and power projects in various regions around the world. Although some of the projects that the Group was engaged in are affected by the global financial crisis in 2008, the Management expects that this line of business will bring positive impact to Group in the future.

Other than engineering and energy businesses, the Management has suspended all other businesses of the Group due to the global financial crisis.

FINANCIAL REVIEW

Results

During the year under view, the Group reported a turnover of approximately HK$15 million, a drop of HK$10.5 million or 40.5% as compared to the turnover in the previous year. The turnover was mainly attributable to the engineering business, which contributed 30% of turnover to the Group.

Staff costs for the year under review decreased to approximately HK$13 million from approximately HK$15 million in the previous year. The decrease in staff costs was mainly due to lesser headcount in media business as well as management consultancy services team during the year under review.

The direct operating and subcontracting costs for the year under review amounted to approximately HK$10.9 million. The increase in direct operating and subcontracting costs was mainly attributable to the purchasing and logistics costs of coal, which was a new line of business to the Group.

For the year ended 31 December 2008, the Group recorded a net loss of approximately of HK$11 million from discontinued operation due to the suspension of the media publication business.

Net loss attributable to shareholders for the year was HK$33.6 million as compared to net loss of the preceding year of approximately HK$25 million.

Liquidity and Financial Resources

During the year ended 31 December 2008, 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 2008, the Group did not have any bank loans and has cash of HK$1.6 million.

Dividend

The directors do not recommend payment of a final dividend for the year ended 31 December 2008 (2007: 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 2008, 615,090,232 ordinary shares were issued and fully paid.

Foreign Exchange Exposure

Since most of the transactions of the Group are denominated either in Hong Kong Dollars or Renminbi or US dollars and the exchange rates of such currencies were stable over years under review, the Directors are of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies in the course of the financial year ended 31 December 2008.

Capital Commitment and Substantial Investments

During the year, Coastal Power Company Limited ("CPCL"), a subsidiary of the Company, had entered into an agreement to inject HK$1.8 million for capital increase. As at 31 December 2008, the outstanding amount was HK$1.5 million.

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.

Subsequent Events

Subsequent to the balance sheet date, the Company repaid the principal amount together with the accrued interest of the bonds issued to LIM Asia Multi-Strategy Fund Inc. ("LIM") of approximately HK$15.8 million on 12 February 2009. The repayment was supported by funds from long-term borrowings.

An agreement was reached with LIM whereby LIM terminated the Company's guarantee of CPCL's convertible bonds and unconditionally released and discharged the Company from all of the Company's obligations and liabilities existing or arising under the guarantee.

Contingent Liabilities

During the year, Network Engineering Limited ("NEL"), a wholly-owned subsidiary of the Company, had entered into an agreement to provide engineering services in favor of a contractor in Hong Kong (the "Contractor"). Pursuant to which, NEL had offered performance bonds of HK$200,000 in favor of the Contractor the due performance of the agreement signed. The Directors, on the basis of work schedule, have considered that it is not necessary to make a provision for in the consolidated financial statements.

Gearing Ratio

The Group's gearing ratio as at 31 December 2008 increased to 263% (2007: 117%). The gearing ratio was based on the Group's total debts over its total assets.

Material Acquisitions or Disposals

The Group did not have any material acquisition or disposal of investment for the year ended 31 December 2008.

Employee and Remuneration Policy

As at 31 December 2008, the Group had a total of 11 (2007: 33) staff based in the PRC and Hong Kong. The Group remunerates its employees based on their performances, experiences and the prevailing industry practices. In addition to basic salaries and mandatory provident fund, staff benefits including medical coverage scheme and share options are offered.

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

FINANCIAL RESULTS

The Board of Directors (the "Board") of Vertex Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008**	2007
		HK$'000	*HK$'000*
CONTINUING OPERATIONS			
Revenue/Turnover	*4*	**7,085**	14,796
Other operating income		**148**	1,511
Royalty and production costs		**(141)**	(168)
Direct operating and subcontracting costs		**(10,920)**	(9,400)
Staff costs		**(7,506)**	(10,626)
Depreciation of property, plant and equipment		**(469)**	(464)
Other operating expenses		**(7,648)**	(5,154)
Finance costs	*6*	**(2,838)**	(2,795)
Change in fair value of convertible bonds		**1,596**	(2,445)
Impairment loss on available-for-sale investments		**(1,800)**	(1,500)
Loss before income tax	*7*	**(22,493)**	(16,245)
Income tax expense	*8*	**–**	–
Loss for the year from continuing operations		**(22,493)**	(16,245)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	*9*	**(11,117)**	(8,788)
Loss for the year attributable to the equity holders of the Company	*10*	**(33,610)**	(25,033)
Loss per share for loss attributable to the equity holders of the Company for the year	*11*		
– Basic			
For loss for the year		**HK5.46 cents**	HK4.07 cents
For loss from continuing operations		**HK3.65 cents**	HK2.64 cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**618**	1,228
Available-for-sale investments		**–**	1,500
Deposits		**236**	33
		854	2,761
Current assets			
Trade receivables	*12*	**12,088**	13,058
Prepayments, deposits and other receivables		**3,078**	5,369
Pledged bank deposits		**200**	–
Cash and cash equivalents		**1,613**	19,637
		16,979	38,064
Current liabilities			
Trade payables	*13*	**12,464**	10,391
Other payables and accruals		**3,393**	3,914
Amounts due to related companies	*14*	**6,881**	5,364
Bonds, secured		**15,566**	–
Provision for income tax		**8**	8
		38,312	19,677
Net current (liabilities)/assets		**(21,333)**	18,387
Total assets less current liabilities		**(20,479)**	21,148
Non-current liabilities			
Convertible bonds		**31,403**	32,999
Bonds, secured		**–**	14,914
Amounts due to related companies	*14*	**8,381**	–
		39,784	47,913
Net liabilities		**(60,263)**	(26,765)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**6,151**	6,149
Reserves		**(66,414)**	(32,914)
Capital deficiency		**(60,263)**	(26,765)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Equity attributable to the equity holders of the Company							
	Share capital	**Share premium**	**Special reserve**	**Warrant reserve**	**Translation reserve**	**Share options reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	6,144	116,455*	1,000*	1,750*	55*	2,236*	(129,636)*	(1,996)
Currency translation differences	–	–	–	–	166	–	–	166
Net results recognised directly in equity	–	–	–	–	166	–	–	166
Loss for the year	–	–	–	–	–	–	(25,033)	(25,033)
Total recognised income and expense for the year	–	–	–	–	166	–	(25,033)	(24,867)
Employee share-based compensation	–	–	–	–	–	29	–	29
Exercise of share options	5	64	–	–	–	–	–	69
At 31 December 2007 and 1 January 2008	6,149	116,519*	1,000*	1,750*	221*	2,265*	(154,669)*	(26,765)
Currency translation differences	–	–	–	–	67	–	–	67
Net results recognised directly in equity	–	–	–	–	67	–	–	67
Loss for the year	–	–	–	–	–	–	(33,610)	(33,610)
Total recognised income and expense for the year	–	–	–	–	67	–	(33,610)	(33,543)
Employee share-based compensation	–	–	–	–	–	14	–	14
Exercise of share options	2	29	–	–	–	–	–	31
At 31 December 2008	**6,151**	**116,548***	**1,000***	**1,750***	**288***	**2,279***	**(188,279)***	**(60,263)**

* *The aggregate amount of these balances of HK$66,414,000 (2007: HK$32,914,000) in deficit is included as reserves in the consolidated balance sheet.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION

Vertex Group Limited (the "Company") was incorporated in the Cayman Islands on 16 November 2001 as an exempted company under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company's principal place of business in Hong Kong was changed from Units 3103-05, 31st Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong to Unit 2004-6, 20th Floor, Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong, with effect from 26 September 2008. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Principal activities of the Group comprise the following:

– provision of network infrastructure and electrical installation services;

– provision of information technology solutions including web solutions and system integration;

– provision of energy consultancy services;

– procurement of energy resources; and

– production and procurement of media contents (which was discontinued during the year ended 31 December 2008).

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

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

2. BASIS OF PRESENTATION

As at 31 December 2008, the Group had net current liabilities and deficit in equity of approximately HK$21,333,000 (2007: net current assets of HK$18,387,000) and HK$60,263,000 (2007: HK$26,765,000) respectively; and the Company had net current liabilities and deficit in equity of approximately HK$35,221,000 (2007: HK$8,818,000) and HK$42,277,000 (2007: HK$22,457,000) respectively. The Group also incurred a loss attributable to the equity holders of the Company of approximately HK$33,610,000 (2007: HK$25,033,000) for the year ended 31 December 2008.

In presenting the consolidated financial statements for the year ended 31 December 2008, the directors of the Company (the "Directors") have given considerations to the future financial positions of the Group and the Company in light of the financial conditions as described in the preceding paragraph. The Directors are taking active steps to improve the financial position of the Group and the Company as described below.

The consolidated financial statements have been prepared on the assumption that the Group and the Company will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2008 and subsequently thereto up to the date of approval of these consolidated financial statements. In order to improve the Group's and the Company's financial positions, immediate liquidity and cash flows, and otherwise to sustain the Group and the Company as a going concern, the Directors have adopted several measures together with other measures in progress at the date of approval of these consolidated financial statements which include, but not limited to, the following:

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

(b) The Group has been implementing various strategies to enhance the Group's revenue/turnover, including but not limited to:

  i) continue to develop its engineering business in Hong Kong, which is viable under the current financial condition. The Group has already been commissioned a number of engineering contracts from various reputable customers in 2009;

  ii) continue to identify suitable coal production to fulfill the long-term supply to the power companies in the People's Republic of China (the "PRC"). The Directors expect that the procurement of steam coal will bring positive impact to the Group if the coal market situation in the PRC becomes stable in 2009;

  iii) explore opportunities in the power business. Subsequent to the balance sheet date, the Group had concluded an arrangement with a company to provide products and services to power companies in Hong Kong. New sources of revenues are expected to flow into the Group if it puts through during the financial year ending 31 December 2009;

(c) The Group aims to preserve its resources and had discontinued the operations of the publication of print media business which had been loss-making over the past few years;

(d) The Director, Dr. Poon Kwok Lim, Steven ("Dr. Poon"), who is also the substantial shareholder of the Company provided financial support to the Group in the form of advances from a related company amounting to approximately HK$8,381,000 as at 31 December 2008. Further details of the amounts due to the related companies are disclosed in note 14. This related company has agreed not to demand repayment of the aforesaid amount until such time when repayment will not affect the Group's and the Company's ability to repay other creditors within twelve months from 31 December 2008;

(e) In addition to (d) above, Dr. Poon has agreed to provide further financial support of up to HK$5,000,000 to the Group and the Company;

(f) Following the maturity of the secured bonds in February 2009, the Group has arranged 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 and an interest-free loan of approximately HK$3.6 million from a related company in which Dr. Poon has beneficial interests. The secured bonds were then fully repaid on 12 February 2009; and

(g) The Directors are considering various alternatives to strengthen the capital base of the Company through fund raising exercises.

On the basis that Dr. Poon will and is able to provide further financial support of up to HK$5 million to the Group and the Company and the Group and the Company are able to improve and generate adequate cash flows from its continuing operations and through the successful implementation of the measures described above in the foreseeable future, the Directors are satisfied that both the Group and the Company will be able to meet in full their financial obligations as they fall due for the twelve months from 31 December 2008. Accordingly, the Directors are of the opinion that it is appropriate to present the consolidated financial statements for the year ended 31 December 2008 on a going concern basis.

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time, the following new interpretations and amendments (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets

The adoption of the New HKFRSs had no material impact on how the results and financial positions of the Group have been prepared and presented for the current and prior periods. Accordingly, no prior period adjustment is required.

At the date of approval of these consolidated financial statements, the following new or revised standards, amendments and interpretations have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-Cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[2]
Various	Annual Improvements to HKFRS 2008[6]

Notes:

[1] *Effective for annual periods beginning on or after 1 January 2009*

[2] *Effective for annual periods beginning on or after 1 July 2009*

[3] *Effective for annual periods beginning on or after 1 July 2008*

[4] *Effective for annual periods beginning on or after 1 October 2008*

[5] *Effective for annual periods beginning on or after 30 June 2009*

[6] *Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS*

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new or revised standards, amendments and interpretations, HKAS 1 (Revised) – *Presentation of Financial Statements*, is expected to materially change the presentation of the Group's financial statements. This revised standard affects the presentation of owner changes in equity and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). This revised standard does not affect the financial positions or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 – *Operating Segments* may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of the other new or revised standards, amendments and interpretations upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the results and financial positions of the Group.

4. REVENUE/TURNOVER

Revenue, which is also the Group's turnover, derived from the Group's principal activities recognised during the year is as follows:

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Income from publication of print media						
– Advertising income	**–**	–	**6,423**	10,601	**6,423**	10,601
– Sales of magazines	**–**	–	**1,988**	626	**1,988**	626
Service income from digital solution services	**53**	134	**–**	–	**53**	134
Network infrastructure and electrical installation services income	**4,692**	11,197	**–**	–	**4,692**	11,197
Energy consultancy fee income	**–**	3,465	**–**	–	**–**	3,465
Sales of steam coal	**2,340**	–	**–**	–	**2,340**	–
	7,085	14,796	**8,411**	11,227	**15,496**	26,023

During the year, the Group's revenue from advertising barter transactions was HK$2,260,000 (2007: HK$2,190,000).

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

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into five operating segments, namely network infrastructure and electrical installation services, digital solution services, energy consultancy services, energy resources procurement and publication of print media (which was discontinued during the year ended 31 December 2008 *(note 9)*). 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
Energy resources procurement	–	Procurement of energy resources
Publication of print media	–	Production and procurement of media contents

Segment information about these businesses is presented below.

Year ended 31 December 2008

	Continuing operations				Discontinued operation	
	Network infrastructure and electrical installation services	**Digital solution services**	**Energy consultancy services**	**Energy resources procurement**	**Publication of print media**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue/Turnover	**4,692**	**53**	**–**	**2,340**	**8,411**	**15,496**
Segment results	**(1,521)**	**(49)**	**–**	**(5,820)**	**(11,204)**	**(18,594)**
Other operating income						**234**
Change in fair value of convertible bonds						**1,596**
Impairment loss on available-for-sale investments						**(1,800)**
Unallocated corporate expenses						**(12,208)**
Finance costs						**(2,838)**
Loss before income tax						**(33,610)**
Income tax expense						**–**
Loss for the year						**(33,610)**

As at 31 December 2008

	Continuing operations				Discontinued operation	
	Network infrastructure and electrical installation services	Digital solution services	Energy consultancy services	Energy resources procurement	Publication of print media	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Segment assets	**10,626**	**146**	**–**	**1,817**	**2,299**	**14,888**
Unallocated corporate assets						**2,945**
Total assets						**17,833**
Liabilities						
Segment liabilities	**(9,371)**	**(102)**	**–**	**(135)**	**(4,817)**	**(14,425)**
Unallocated corporate liabilities						**(63,671)**
Total liabilities						**(78,096)**

Other information for the year ended 31 December 2008

	Continuing operations				Discontinued operation		
	Network infrastructure and electrical installation services	Digital solution services	Energy consultancy services	Energy resources procurement	Publication of print media	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Allowances for bad and doubtful debts in respect of:							
– Trade receivables	1,174	–	–	–	217	–	1,391
– Other receivables	–	–	–	–	–	85	85
Additions to property, plant and equipment	–	–	–	–	17	457	474
Depreciation	–	–	–	–	36	469	505
Loss on disposal of property, plant and equipment	–	–	–	–	61	529	590

Year ended 31 December 2007

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

As at 31 December 2007

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

Other information for the year ended 31 December 2007

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

Geographical segments

The Group's operations are located in the PRC including Hong Kong and Macau and its revenue/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.

6. FINANCE COSTS

	Continuing operations	
	2008	2007
	HK$'000	*HK$'000*
Interest on secured bonds wholly repayable within five years and not stated at fair value through profit or loss	**964**	924
Interest on convertible bonds wholly repayable within five years	**1,872**	1,871
Others	**2**	–
	2,838	2,795

7. LOSS BEFORE INCOME TAX

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):						
Allowances for bad and doubtful debts in respect of:						
– Trade receivables	**1,174**	–	**217**	175	**1,391**	175
– Other receivables	**85**	–	**–**	–	**85**	–
Auditors' remuneration	**480**	450	**–**	–	**480**	450
Cost of goods sold	**3,510**	–	**–**	–	**3,510**	–
Loss on disposal of property, plant and equipment	**529**	10	**61**	45	**590**	55
Minimum lease payments under operating leases in respect of rented premises	**1,565**	1,614	**25**	231	**1,590**	1,845
Bank interest income	**(124)**	(1,445)	**(6)**	(40)	**(130)**	(1,485)

8. INCOME TAX EXPENSE

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

At the balance sheet date, the Group and the Company had unused estimated tax losses of approximately HK$174,102,000 (2007: HK$142,919,000) and approximately HK$45,157,000 (2007: HK$27,101,000) 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 (2007: Nil).

9. DISCONTINUED OPERATION

Pursuant to a written resolution passed on 15 December 2008, the board of directors of the Company resolved that the Group's publication of print media business (the "Discontinued Operation") be discontinued effective from 15 December 2008 in view of the continuing operating losses encountered and the world financial crisis.

An analysis of the results and net cash flows of the Discontinued Operation included in the consolidated income statement and the consolidated cash flow statement is as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss for the year from the Discontinued Operation		
Revenue/Turnover	**8,411**	11,227
Other operating income	**86**	42
Royalty and production costs	**(7,317)**	(11,180)
Staff costs	**(5,761)**	(4,519)
Depreciation of property, plant and equipment	**(36)**	(50)
Other operating expenses	**(6,500)**	(4,308)
Loss before income tax	**(11,117)**	(8,788)
Income tax expense	**–**	–
Loss for the year from the Discontinued Operation	**(11,117)**	(8,788)
Cash flows generated from the Discontinued Operation		
Net cash used in operating activities	**(1,333)**	**(445)**
Net cash used in investing activities	**(11)**	**(3)**
Net cash outflow	**(1,344)**	**(448)**

	2008	2007
	HK cents	*HK cents*
Loss per share		
– Basic, from the Discontinued Operation	**1.81**	1.43
– Diluted, from the Discontinued Operation	**N/A**	**N/A**

The calculation of the basic loss per share attributable to the equity holders of the Company from the Discontinued Operation is based on the loss for the year attributable to the equity holders of the Company of HK$11,117,000 (2007: HK$8,788,000) and the weighted average number of 615,078,437 (2007: 614,732,520) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2008 and 2007 from the Discontinued Operation 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 from the Discontinued Operation.

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

The consolidated loss attributable to the equity holders of the Company for the year includes a loss of HK$19,865,000 (2007: HK$20,425,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company of HK$33,610,000 (2007: HK$25,033,000) and the weighted average of 615,078,437 (2007: 614,732,520) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2008 and 2007 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.

12. TRADE RECEIVABLES

The Group

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**13,513**	13,233
Less: Allowances for bad and doubtful debts	**(1,425)**	(175)
	12,088	13,058

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

The Group

	2008	2007
	HK$'000	*HK$'000*
0 to 60 days	**610**	1,196
61 to 90 days	**104**	531
91 to 180 days	**1,193**	5,711
Over 180 days	**10,181**	5,620
	12,088	13,058

Included in the balances are debtors with carrying amounts of HK$11,374,000 (2007: HK$11,331,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss. Trade receivables that are past due but not impaired relate to a number of customers and the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

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

The Group

	2008	2007
	HK$'000	*HK$'000*
91 to 180 days	**1,193**	5,711
Over 180 days	**10,181**	5,620
	11,374	11,331

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

The Group

	2008	2007
	HK$'000	*HK$'000*
At 1 January	**175**	120
Impairment loss recognised	**1,391**	175
Amount written off	**(141)**	(120)
At 31 December	**1,425**	175

Included in the allowances for bad and doubtful debts are individually impaired trade receivable with gross balance of HK$1,391,000 (2007: HK$175,000). The individually impaired trade receivables relate to customers that were in default or delinquency payments. Such impaired trade receivable was aged over 180 days (2007: over 180 days). The Group does not hold any collateral over this balance.

13. TRADE PAYABLES

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

The Group

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**560**	961
31 to 60 days	**597**	1,272
61 to 90 days	**473**	13
91 to 180 days	**1,543**	8,038
Over 180 days	**9,291**	107
	12,464	10,391

14. AMOUNTS DUE TO RELATED COMPANIES

The amounts due represent advances from Bright World Enterprise Limited and Forever Triumph Limited, in which Dr. Poon has a beneficial interest and Dr. Poon and Mr. Poon Shu Yan, Joseph are also directors.

Except for the amount of HK$8,381,000 (2007: Nil) which is unsecured, interest-free and not repayable within the next twelve months from the balance sheet date, the remaining amounts due are unsecured, interest-free and repayable on demand.

EXTRACT OF AUDIT OPINION FROM THE INDEPENDENT AUDITORS' REPORT ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter – material uncertainty regarding the going concern assumption

Without qualifying our opinion, we draw your attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2008, the Group had net current liabilities and deficit in equity of approximately HK$21,333,000 and HK$60,263,000 respectively; and the Company had net current liabilities and deficit in equity of approximately HK$35,221,000 and HK$42,277,000 respectively. The Group also incurred a loss attributable to the equity holders of the Company of approximately HK$33,610,000 for the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

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 2008.

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.

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 2008.

By Order of the Board
Vertex Group Limited
Poon Kwok Lim Steven
Chairman

Hong Kong, 23 March 2009

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

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 (seven) days from the date of its posting.