PART III

FINANCIAL INFORMATION

(a) Accountants' Report on the Company

The Directors
China Private Equity Investment Holdings Limited
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British Virgin Islands VG1110

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The Directors
Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
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30 September 2009

Dear Sirs

Introduction

We report on the financial information set out below on China Private Equity Investment Holdings Limited ('the Company'), which has been prepared for inclusion in the AIM Admission Document ('the Document') dated 30 September 2009 of the Company on the basis of the principal accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 2 to the financial information and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document, and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Document dated 30 September 2009, a true and fair view of the state of affairs of the Company as at the date stated and of its loss and cash flows for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Mazars LLP
Chartered Accountants

BALANCE SHEET

The Balance Sheet of the Company as at 31 December 2008 is set out below:

	Notes	***2008*** ***US$'000***
Non-current assets		
Property, plant and equipment	7	2
Current assets		
Investment	8	19,122
Other receivables	9	1,351
Cash and cash equivalents		133
		20,606
Current liabilities		
Other payables and accruals	10	476
Shareholder's loan	11	265
		741
Net current assets		19,865
Net assets		19,867
Equity and reserves		
Share capital	12	20,347
Accumulated loss		(480)
Total equity and reserves		19,867

INCOME STATEMENT

The Income Statement of the Company for the period from incorporation on 18 January 2008 to 31 December 2008 is set out below:

	Notes	***US$'000***
Administrative expenses		(508)
Operating loss	4	(508)
Finance income	5	28
Loss before taxation		(480)
Taxation	6	—
Loss for the period		(480)

Loss per share – from continuing operations (cents) (note 16)

Basic and diluted	(13) US cents

STATEMENT OF CHANGES IN EQUITY

	Share capital US$'000	*Accumulated losses US$'000*	*Total US$'000*
Issue of shares	20,347	—	20,347
Loss for the period	—	(480)	(480)
Balance at 31 December 2008	20,347	(480)	(19,867)

Accumulated losses represent the cumulative net gains and losses recognised in the income statement.

No dividends were paid during the period ended 31 December 2008.

CASH FLOW STATEMENT

The cash flow statement of the Company for the period from incorporation 18 January 2008 to 31 December 2008 is as follows:

	2008
	US$'000
Cash generated from operating activities	
Loss before taxation	(480)
Adjustments for:	
Depreciation	1
Finance income	(28)
	(507)
Increase in other receivables	(1,351)
Increase in accounts and other payables	476
Net cash used from operating activities	(1,382)
Cash flows from investing activities	
Acquisition of property, plant and equipment	(3)
Finance income	28
Net cash flows from Investing activities	(25)
Cash flows from financing activities	
Issue of shares	1,225
Loan from a shareholder	265
Net cash flows from financing activities	1,490
Net increase in cash and cash equivalents	133
Cash and cash equivalent at the beginning of the period	—
Cash and cash equivalent at the end of the period	133

There were no major non-cash transactions during the current period.

NOTES TO THE FINANCIAL INFORMATION

1. General information

The Company is a limited company incorporated in the British Virgin Islands under the British Virgin Islands Business Companies Act 2004 on 18 January 2008. The address of the registered office is Room 803, 8/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. The Company was set up with an intention to position itself to be a Chinese and Asian focused AIM listed private equity investment holding group. The Company will seek to identify suitable private equity investment opportunities in China.

2. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union, and with those parts of the British Virgin Islands Business Companies Act 2004 applicable to companies preparing their accounts under IFRS. The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities at fair value through the income statement.

The Company has not applied the following IFRSs and IFRICs that are applicable to the Company and that have been issued but are not yet effective:

IAS 23, Borrowing costs, revised 2007 (effective 1 January 2009),

IAS 27, Consolidated and Separate Financial Statements, revised 2008 (effective 1 July 2009),

IAS 32, Financial Instruments: Presentation, revised 2008 (effective 1 January 2009),

IFRS 1, First-time adoption of international financial reporting standards – amendment relating to cost of an investment on first-time adoption. (effective 1 January 2009),

IFRS 2, Share-based payment – amendments resulting from April 2009 annual improvements to IFRSs (effective July 2009),

IFRS 3, Business combinations – comprehensive revision on applying the acquisition method (effective 1 July 2009),

IFRS 5, Non-current assets held for sale and discontinued operations – amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)

IFRS 8, Operating Segments (effective 1 January 2009),

Comparative figures

No comparative figures have been presented as the non-statutory financial information covers the period from incorporation to 31 December 2008.

Revenue recognition

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

- Dividend income is recognised when the Company's right to receive payment is established.
- Changes in the fair value of investments are recognised in income statement in the period in which those changes occur.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Furniture, computer and equipment	20%

Impairment of non-financial assets

At each balance sheet date, the Company reviews internal and external sources of information to determine whether its property, plant and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument and on a trade basis. A financial asset is derecognised when the Company's contractual rights to future cash flows from the financial assets expire or when the Company transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Investments

Investments are recognised on a trade date basis. All investments held by the Company are stated at 'fair value through profit and loss'' and in accordance with International Private Equity and Venture Capital Valuation (''IPEVCV'') as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Loans and receivables

Loans and receivables including amounts due from a director and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are stated at cost less impairments loss. Amortised cost is calculated by taking into account any discount premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Accounts and other payables

Accounts and other payables are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

For the purpose of the cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Impairment of financial assets

At each balance sheet date, the Company assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

Financial liabilities

The Company's financial liabilities include other payables and accruals and amount due to related parties. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"), which is Hong Kong Dollars. The financial statements are presented in United States Dollars and rounded to the nearest thousand dollars, except when otherwise indicated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Provisions

Provision is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Leasing

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

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the costs of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution retirement plans are recognised as expense in the income statement as incurred.

Critical accounting estimates and judgements

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period.

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.

3. Revenue and segmental information

No revenue has been generated during the period.

4. Operating loss

	Period from 18 January to 31 December 2008 US$'000
Operating loss is stated after charging:	
Loss on foreign exchange	7
Depreciation	1

5. Finance Income

This relates to bank interest and interest received from a loan due from Orbrich (China) International Factors Limited ("Orbrich").

6. Taxation

Due to tax losses there was no corporation tax payable for the period.

7. Property, plant and equipment

	Fixtures fittings and equipment US$'000
Cost:	
Additions	3
At 31 December	3
Depreciation:	
Charge for period	1
At 31 December 2008	1
Net book value:	
At 31 December 2008	2

8. Investment

	2008 US$'000
Investment at fair value through profit and loss account	19,122

On 8 September 2008, the Company acquired 38% of the issued share capital of Fortel Technology Holdings Limited ('Fortel'). This has been accounted for as an investment as it is to be held as part of an investment portfolio and the Directors do not deem the shareholding to constitute significant and financial influence over the operating policies of that company. The Company will dispose of the shareholding upon approval by the Investment Committee who monitors the investment/divestment decision on an ongoing basis.

On acquisition, the fair value of Fortel was estimated by LCH (Asia-Pacific) Surveyors Limited, independent professional qualified valuers, using a valuation technique adopting a Discounted Cash Flow Method. As Fortel does not have a quoted price in an active market the investment was measured at cost at the period end. The carrying amount is US$ 19,122,000.

A number of assumptions were used to value the investment, of which the most significant are as set out below. Also shown is the percentage decrease in the valuation which would occur under the valuation model if these targets were not reached:

- Annual revenue generated by each site to be US$ 350,000 in 2008, and increasing by 25% per year for the next five years. Additionally, the number of websites will duplicate each year. Should the revenue generated for each site in 2008 be +/- US$ 250,000 but the increase in the number of websites and revenue growth remain as expected, the valuation of the investment should have been 19% higher/ lower.
- Revenue generated via technical services provided each year to be US$ 380,000 for the next five years. Should this revenue stream be +/- US$ 280,000, the valuation of the investment should have been 5% higher/lower.
- Capital expenditure per location to be US$ 250,000 for each of the next five years. Should the capital expenditure be +/- US$ 350,000, the valuation of the investment should have been 1% higher/lower.

9. Other receivables

	2008 US$'000
Amounts due from Orbrich	845
Prepayments and accrued income	506
	1,351

10. Other payables and accruals

	2008
	US$'000
Accounts payables	433
Accruals	43
	476

11. Shareholder's loan

	2008
	US$'000
Shareholder's loan	265

The loan is provided by Duncan Chui and is unsecured, interest free and payable on demand.

12. Share capital

	2008
	US$'000
Authorised, called-up and fully paid:	
9,873,034 Ordinary Shares of US$1 each	20,347

The Company is authorised to issue up to a maximum of 100,000,000 Ordinary Shares of a single class without par value.

13. Directors' emoluments

During the period the directors' emoluments were as follows:

P Macdougall	US$ 74,516
D Chui	US$ 116,129
E Wong	US$ 104,391
J Croft	US$ 44,710
H Cheah	US$ 17,742

As at the year end date the directors' emoluments were outstanding.

14. Financial instruments

Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

(i) ensuring that appropriate funding strategies are adopted to meet the Company's short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections;

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(iii) ensuring that credit risks on receivables are properly managed

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Financial assets at fair value through profit and loss

	2008
	US$'000
Investments	19,122

Fair values

The Directors do not consider that the fair values of the Company's financial assets and financial liabilities are materially different to their carrying amounts as at 31 December 2008.

Loans and receivables

	2008
	US$'000
Other receivables	845
Cash and cash equivalents	133
	978

Credit risk

The Company's credit risk is primarily attributable to cash and bank deposits and other receivables. Management has a credit policy in place and the exposure to credit risks is monitored on an ongoing basis.

The Company's cash and bank deposits are placed with major financial institutions which are regulated and have sound credit ratings.

In respect of other receivables, individual credit evaluations are performed whenever necessary. The other receivables included above are not due at the year end. The Company's maximum exposure to credit risk in the period is limited to the other receivables amount at the period end of US$ 845,000.

Interest rate risks

The Company currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. As the Company has no borrowings from the bank and the amount of deposits in the bank are not significant, the exposure to interest rate risk is not significant to the Company.

Other receivables bear interest at a fixed annual rate. Should this rate change by +/- 1% the interest income will increase/decrease approximately by US$ 8,000.

Financial liabilities

	2008
	US$
Fair value and carrying value:	
Accounts and other payables	433
Borrowings – shareholder's loan	265
	698

Liquidity risk

The Company manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Company's policy to ensure facilities are available as required is to issue equity share capital in accordance with long-term cash flow forecasts.

The Company's financial liabilities are primarily account payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with vendors or professional firms, and all are due within one year. The shareholder's loan is interest free and repayable on demand.

Currency risks

Since the Company operates primarily within its local currency with little exposure to currency fluctuations, management considers that foreign currency exposure is not significant to the Company and as such, there is no hedging in the foreign currencies.

Capital management

The Company's financial strategy is to utilise its resources to further grow the Company's portfolio. The Company keeps investors and the market informed of its progress with its portfolio through regular announcements and raises additional equity finance at appropriate times.

The Company regularly reviews and manages its capital structure for the portfolio companies to maintain a balance between the higher shareholder returns that might be possible with certain levels of borrowings for the portfolio and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure of the portfolio in the light of changes in economic conditions.

15. Related party transactions

During the period ended 31 December 2008, the Company was loaned approximately US$331,000 by Imperia Capital International Holdings Limited ('Imperia'), a shareholder of the Company. As at 31 December 2008, the balance due by the Company in respect of this loan was approximately US$265,000. The loan is repayable on demand and does not bear interest.

16. Loss per share – continuing operations

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following:

	US$'000
Earnings	
Net loss for the period	(480)
Number of shares ('000)	
Weighted average number of Ordinary Shares (fully paid up)	3,556

17. Subsequent events

188,000 Ordinary Shares, which were subscribed for on 1 October 2008 at £1.00 per share, were cancelled pursuant to the deeds of termination entered into on 30 June 2009. On the same day, 221,175 Ordinary Shares were subscribed for at £0.85 per share, which were subsequently issued on 21 September 2009.

18. Nature of financial information

The financial information presented above does not constitute statutory accounts for the period ended 31 December 2008.