China Private Equity
Investment Holdings Limited
福泰中國投資控股有限公司

ANNUAL REPORT 2009

“Fu (福)” symbolises the “Source of Blessings”. The unique “福” character on the cover of this annual report was first inscribed on a tablet in 1673 by Emperor Kanxi and was a gift to his grandmother that implied the abundance of five Chinese blessings, namely, “sons”, “happiness”, “land”, “longevity” and “wealth”. The character is open-ended at the last stroke signifying “unending blessings”. Kanxi was the longest-reigning emperor in Chinese history as well as one of the most powerful emperors that gave China unprecedented prosperity which lasted for many generations.

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Company Information

Directors	Patrick Macdougall, Non-Executive Chairman Chau Vinh Heng, Non-Executive Vice Chairman Duncan Chui Tak Keung, Chief Executive Officer Wong Yiu Kit, Chief Financial Officer John Croft, Non-Executive Director Hanson Cheah, Non-Executive Director
Registered Office	Romasco Place, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Registered Agent	Codan Trust Company (B.V.I.) Ltd. Romasco Place, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Nominated advisor	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Broker	Shore Capital Stockbrokers Limited The Atlantic Suite The Corn Exchange Fenwick Street Liverpool L2 7RB
Registrars	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town Tortola British Virgin Islands
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

Chairman's Statement

It gives me great pleasure to present our maiden annual results following our admission to the London Stock Exchange's AIM market for growing companies in October 2009.

This step also marked our entry into China's rapidly developing private equity market via our unique "anchor investment strategy", which focuses on the rapidly growing telecommunications, media, and technology ("TMT") and financial services sectors.

Implementation of CPE's investment strategy began in late 2008 with the acquisition of a 38% equity interest in Fortel Technology Holdings Limited ("Fortel"), a digital media and technology services company operating primarily in China. Our Board firmly believes that in order to build a portfolio of early to expansion stage media and technology companies in a developing economy like China, where policies are evolving and markets are growing rapidly, we must have local access to different aspects of a target investee, as well as the ability to get involved on the day-to-day operations of our portfolio companies.

Fortel, which was founded by our Chief Executive Officer Duncan Chui, who has significant Hong Kong and Chinese private equity experience, provides the business with an excellent source of TMT sector intelligence from which to build the company's investment portfolio. This has been underpinned by its infrastructure support across key areas such as marketing, human resources, general management, as well as government relations. Thanks to our investment in Fortel, we can report profit for 2009 of US$2,562,000 or 24 cents per share (which would be 4.8 cents per share following the bonus issue on 3 June 2010), compared with a loss of US$480,000 in 2008, equivalent to a loss of 13 cents per share.

For 2010, our primary objective is to ensure Fortel's growth and prepare it for an independent listing on an international stock exchange within the next 18 months. Secondly, we shall dedicate our existing financial resources to evaluating and financing two or three investment opportunities which we have identified in the TMT area, and which our management team believe can easily leverage the operational resources provided by Fortel to accelerate their growth within the Chinese market.

While our financial resources, and therefore our ability to fund further acquisitions, remain limited as we raised only US$5 million at the time of our AIM admission due to exceptionally volatile market conditions, we will address this issue in due course while staying close to our key markets by offering our corporate advisory services with regards to M&A, corporate restructuring and or pre-IPO opportunities within the Hong Kong and Greater China territories.

Finally, I would like to take this opportunity to thank CPE's management team, staff and advisers for their support and commitment during the year and we look to report steady progress over the long term as we develop CPE's investment platform to provide investors with access to China's rapidly growing TMT and financial services markets.

Patrick Macdougall
Chairman of the Board

Directors' Report

The directors present their report on the affairs of China Private Equity Investment Holdings Limited, ("the Company"), and its subsidiaries (collectively referred to as "the Group"), together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company, investing primarily in unlisted assets in the areas of telecommunications, media, and technology ("TMT") as well as financial services or listed assets driven by corporate events such as mergers and acquisitions, pre-IPO, or re-structuring of state-owned assets.

On 19 October 2009, the Company's shares were admitted to the AIM Board of the London Stock Exchange and the Company raised US$5 million by way of issuing 2,777,778 new ordinary shares.

RESULTS AND DIVIDENDS

The profit on ordinary activities of the Group for the year ended 31 December 2009 after taxation was US$2.53 million (loss in 2008 : US$0.48 million).

The directors do not recommend the payment of a dividend.

Review of the Business

2009 was a year of recovery for most investors worldwide, especially investors who took a heavy hit from the global financial tsunami since the second half of 2008. In China, 2009 was more than just a year of recovery, but a year which China has recorded unusually strong growth in its private equity markets, both in terms of the amount of funds raised and the amount of funds invested, and both accounting for approximately one-third of the entire Asia private equity markets. The phenomenal growth in this market offered many investment opportunities across many industries, such as green energy, environmental protection, natural resources, financial services, and of course information technology. However, the increasing popularity of China as the destination of many private equity investments has outweighed the number of successful exits or IPOs of Chinese companies overseas in recent years, as the quality of deals and the management of the portfolio companies remain as some of the most challenging hurdles that most foreign investors have to overcome. We therefore remain highly selective and disciplined in identifying investment targets which will fulfil our investment strategy.

The main asset of the Company during the year was Fortel Technology Holdings Limited ("Fortel"), which is a technology and digital media services provider operating in the People's Republic of China. The Company held approximately 37% equity interests in Fortel during the year and considered Fortel as an anchor investment of the Company, providing a theme from which the Group will build its investment portfolio in the coming years.

At the time when the Group acquired an equity interest in Fortel in mid-2008, the business of Fortel was beginning to take off. During the year, Fortel developed rapidly and has turned profitable by the third quarter through actively marketing and selling its proprietary software system which provides a one-stop solution to electronic content distribution through the internet and mobile phones. One of the unique features of Fortel's software solution is its ability, flexibility and efficiency in handling delivery of digital video content to different kinds of mobile phones users. Typical users of the system include traditional publishers, movie distributors, TV stations, or owners of digital content. Fortel also operates a social networking site called iHompy, which boasts over 81,000 paid subscribers (as at December 2009) and is fast becoming a leading online community for end users who require external storage and application services for the management of digital photos, which are not available through other general social networking sites.

The operational priority of the Group during the year was therefore to develop and promote Fortel's business and its growth, which will continue to remain as the priority for the Group throughout 2010. It is expected that Fortel will seek its own independent listing on an international stock exchange within the next 18 months.

In addition to Fortel, several investment opportunities were also evaluated by the Group during the year, which were mostly early to expansion stages technology or media companies operating in China. The Group has identified a couple of promising opportunities and has been working closely with the entrepreneurs and/or founders to reorganize their corporate structure to comply with both international as well as Chinese regulations as entities with foreign ownerships.

The Group intends to remain a niche player in this exciting and rapidly growing Chinese private equity market as the quality of deal flow improves, focusing on our strengths and expertise to build a synergistic portfolio of digital media and technology businesses.

Future Developments

While the priority of the Group is to promote and develop the business of Fortel and to prepare Fortel for an independent listing on an internationally recognised Stock Exchange, the Group expects to make one to two new investments in the telecommunications, media, and technology sector ("TMT") in 2010, as well as to engage in various passive financial investment opportunities, such as the participation in pre-IPO opportunities, or advising certain mergers or acquisitions opportunities involving restricted assets and/or businesses in China.

Post Balance Sheet Events

The Company held an Extraordinary General Meeting on 3 June 2010 to approve the issue and allotment of bonus shares to our existing shareholders. The resolution was unanimously in favour of the issue and as a result, each ordinary shareholder received another 4 bonus shares from the Company. The issue of bonus shares will hopefully increase the liquidity of the shares being traded on the secondary market.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were as follows:

Patrick Macdougall – *Chairman*
Chau Vinh Heng (Appointed 17 October 2009) – *Vice Chairman*
Duncan Chui – *Chief Executive Officer*
Wong Yiu Kit – *Executive Director and Chief Financial Officer*
John Croft – *Non-executive Director*
Hanson Cheah – *Non-executive Director*

With the exception of the related party transactions stated in Note 21 to the Financial Statements, there were no other significant contracts, other than Executive Directors' contracts of service, in which any director had a material interest.

The directors who held office at 31 December 2009 had no beneficial interests in any of the shares of the Company and Group companies other than as follows:

	Number of ordinary shares of no par value as at 31 December			
	2009		2008	
	Direct	Indirect	Direct	Indirect
Duncan Chui	**–**	**4,060,378^**	–	4,060,378
Patrick Macdougall	**58,824**	**60,000^^**	–	60,000
John Croft	**14,118**	**–**	–	–
Chau Vinh Heng	**2,222,836**	**–**	2,222,836	–

^ The ordinary shareholding of Duncan Chui is held indirectly through Imperia Capital Investment Holdings Limited of which Duncan Chui is a director and 25% shareholder.

^^ Patrick Macdougall is a trustee, but not a beneficiary, of family trust which owns 60,000 shares, registered in the name of Macdougall Nominees Limited.

	Number of options held as at 31 December		Exercise price
	2009	2008	US$
Chau Vinh Heng	871,150	–	1.80

(a) The expiry date of these share options is 16 October 2012.

(b) There is no vesting condition for these options.

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

As of the date of this report, the following were the holders of 3% or more of the Company's issued Ordinary Share capital as it was constituted on that date according to the register kept:

	Number of ordinary shares of no par	Percentage %
Imperia Capital Investment Holdings Limited #	4,060,378	31.8%
Chau Vinh Heng	2,222,836	17.4%
Tang Yue Nien, Martin	963,703	7.6%
Li Yiu Keung	963,703	7.6%
Gateway Sino Limited	706,846	5.5%

Duncan Chui, the CEO, is a director and 25% shareholder of Imperia Capital Investment Holdings Limited.

The directors have not been made aware of any other beneficial shareholdings of 3% or more of the issued share capital as of the date of this report.

FINANCIAL INSTRUMENTS

The Group's use of financial instruments is described in note 19.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Management has adopted certain policies on financial risk management with the objective of ensuring that appropriate funding strategies are adopted to meet the Group's short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections. The polices are also set to ensure that appropriate strategies are also adopted to manage related interest and currency risk funding; and to ensure that credit risks on receivables are properly managed.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group seeks to maintain good terms with all of its trading partners. In particular, it is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. Trade creditor days of the Group for the year ended 31 December 2009 were 11.5 days (2008 : 30 days)

SHARE CAPITAL

The Company has a single class of shares which is divided into Ordinary Shares of no par value.

On 19 October 2009, the entire issued Ordinary Shares of no par value amounting to 12,756,929 were admitted into AIM.

At 31 December 2009, the number of shares in issue was 12,756,929. Details of increases in issued share capital during the year amounting to 2,883,895 Ordinary Shares, are set out in Note 18 to the Financial Statements.

DIRECTORS' INDEMNITY

The company's Articles of Association provide, subject to the provisions of BVI legislation, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the company's directors.

EMPLOYEE INFORMATION

As at 31 December 2009, the Group had 3 (2008 : 3) employees excluding directors. They perform clerical, research, business development, and administrative functions for the Group.

It is the Group's policy that the selection of employees for recruitment, training, development and promotion should be determined solely on their skills, abilities and other requirements which are relevant to the job, regardless of their sex, race, religion or disability. The Group recognises the value of its employees and seeks to create an energetic, dynamic and creative environment in which to work.

CHARITABLE DONATIONS

The Group has not made any charitable donation during the year (2008 : US$nil).

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held on 29 July 2010 at 2 p.m. at Suite 803 Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. The Notice of Annual General Meeting is enclosed with the Financial Statements. The Notice will be given not less than 21 days before the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Financial Statements of the Group and the Company for the financial year. The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

These Financial Statements are presented in accordance with AIM requirements. The Group and Company Financial Statements are required by company law and by IFRSs to present fairly the financial position and performance of the Company and the Group. In preparing each of the Company's and the Group's Financial Statements the directors are required to select suitable accounting policies and apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the law. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors have each taken all the necessary steps to make us aware as directors, of any relevant audit information and to establish that the auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware.

By order of the Board

Duncan Chui
Chief Executive Officer

Date: 28 June 2010

Corporate Governance Statement

THE BOARD

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

BOARD OF DIRECTORS

The board of directors consists of two executive and four non-executive directors. The non-executive directors' role is to bring independent judgement to board discussions and decisions.

The board of directors is composed as follows:

Patrick Macdougall – Non-Executive Chairman
Chau Vinh Heng – *Non-Executive Vice Chairman*
Duncan Chui Tak Keung – *Executive Director and Chief Executive Officer*
Wong Yiu Kit – *Executive Director and Chief Financial Officer*
John Croft – *Non–Executive Director*
Hanson Cheah – *Non–Executive Director*

The board meets regularly throughout the year. The board reviews financial performance, regulatory compliance and will consider any matters of significance to the Group including corporate activity.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

The Group financial statements are required by law to give a true and fair view of the state of affairs of the Group. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTERNAL CONTROL

The Board is responsible for overseeing the Group's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposure. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks.

The Group is committed to identifying, monitoring and managing risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with proper approval process, a sound cash management system and periodic review of the Group's performance by the audit committee and the Board.

AUDIT COMMITTEE

The audit committee is comprised of John Croft (Chair), Patrick Macdougall and Hanson Cheah. The audit committee, inter alia, determines and examines matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditor and, in consultation with the auditor, the scope of the audit. It receives and reviews reports from management and the Group's auditor relating to the half year and annual accounts and the accounting and the internal control systems in use throughout the Group, in addition to ensuring that the Group complies with the AIM Rules for companies. The audit committee met once during the year and will meet at least twice a year in the future.

REMUNERATION COMMITTEE

The remuneration committee of the Group, comprising Patrick Macdougall (Chair), John Croft and Hanson Cheah, reviews the performance of the executive directors and determine their remuneration and the basis of their service agreements with due regard to the interests of Shareholders. The remuneration committee also determines the payment of any bonuses to directors and any grant of options to directors and employees, under any share option scheme adopted by the Group in due course. The remuneration committee reviews and makes recommendations in respect of the directors' remuneration and benefits packages, including staff incentivisation and the terms of their appointment. The remuneration committee also makes recommendations to the Board concerning the allocation of incentivisation payments to employees and the grant of options to directors and employees.

INVESTMENT COMMITTEE

The investment committee is comprised of Patrick Macdougall (Chair), Hanson Cheah and Duncan Chui. The investment committee decides whether or not to proceed with investment opportunities; it will also be responsible for reviewing existing investment and deciding on divestment issues. The investment committee also needs to approve any investment in a company where director of the Group are already interested, subject to compliance with the AIM Rules for Companies.

RELATIONS WITH SHAREHOLDERS

The Group values the views of its shareholders and recognizes their interest in the Group's strategy and performance. The investors are encouraged to participate in the Annual General Meeting and the Board will present a review of the results and comments on current business activity.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 4. In addition, note 19 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk, interest rate risk, liquidity risk, price risk and currency risk. The Group has considerable financial resources. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Report of the Independent Auditors

Independent auditor's report to the members of China Private Equity Investment Holdings Limited
For the year ended 31 December 2009

We have audited the financial statements of China Private Equity Investment Holdings Limited for the year ended 31 December 2009 which comprise the consolidated and company statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity and the related notes. These financial statements have been prepared under the group's accounting policies set out therein.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and, if in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained within the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman statement, Directors' report and Corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the group's accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of affairs of the company and of the group as at 31 December 2009, and of the group's results for the year then ended; and
- The information given in the Directors' report is consistent with the financial statements.

Mazars LLP
Chartered Accountants
Tower Bridge House
St Katharine's Way
London
E1W 1DD

28 June 2010

Consolidated Statements of Comprehensive Income

for the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Gross portfolio return	3	**4,813**	–
Administrative expenses		**(2,422)**	(508)
Operating profit/(loss)	5	**2,391**	(508)
Finance income	6	**141**	28
Profit/(loss) before taxation		**2,532**	(480)
Taxation	9	**–**	–
Profit/(loss) for the period		**2,532**	(480)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**2,532**	(480)
Earnings per share			
Basic	22	**24 cents**	(13 cents)
Diluted	22	**24 cents**	(13 cents)

The results reflected above relate to continuing operations.

The accompanying notes on pages 20 to 40 are an integral part of these financial statements.

Company Statements of Comprehensive Income

for the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Gross portfolio return	3	**–**	–
Administrative expenses		**(1,959)**	(508)
Operating loss	5	**(1,959)**	(508)
Finance income	6	**131**	28
Other income	7	**821**	–
Loss before taxation		**(1,007)**	(480)
Taxation	9	**–**	–
Loss for the period		**(1,007)**	(480)
Other comprehensive income		**–**	–
Total comprehensive loss for the year		**(1,007)**	(480)

The results reflected above relate to continuing operations.

The accompanying notes on pages 20 to 40 are an integral part of these financial statements.

Statements of Changes In Equity

for the year ended 31 December 2009

	Share capital US$'000	Share based payment reserve US$'000	Retained earning/ (accumulated losses) US$'000	Total US$'000
Group balance at 18 January 2008				
Issue of shares	20,347	–	–	20,347
Loss for the period	–	–	(480)	(480)
Group balance at 1 January 2009	20,347	–	(480)	19,867
Issue of shares	5,000	–	–	5,000
Issue costs	(874)	–	–	(874)
Exchange difference arising from share issue	99	–	–	99
Issue of share options	–	799	–	799
Profit for the period	–	–	2,532	2,532
Balance at 31 December 2009	24,572	799	2,052	27,423

Statements of Changes In Equity

for the year ended 31 December 2009

	Share capital US$'000	Share based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
Company balance at 18 January 2008				
Issue of shares	20,347	–	–	20,347
Loss for the period	–	–	(480)	(480)
Company balance at 1 January 2009	20,347	–	(480)	19,867
Issue of shares	5,000	–	–	5,000
Issue costs	(874)	–	–	(874)
Exchange difference arising from share issue	99	–	–	99
Issue of share options	–	799	–	799
Loss for the period	–	–	(1,007)	(1,007)
Balance at 31 December 2009	24,572	799	(1,487)	23,884

The following describes the nature and purpose of each reserve within owners' equity.

Share capital	Amount subscribed for share capital at no par value
Share based payment reserve	The share based payment reserve represents amounts recognised directly in the statement of comprehensive income, in previous and the current periods, relating to share based payment transactions granted as options and under the Group's share option scheme.
Retained earning/ (accumulated loss)	Represents the cumulative net gains and losses recognised in the income statement

The accompanying notes on pages 20 to 40 are an integral part of these financial statements.

Consolidated Statements of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Non-current assets			
Fixtures, fittings and equipment	10.1	**1**	2
Investment at fair value through profit or loss	11	**23,911**	19,122
Deposit	12	**8**	–
Total non-current assets		**23,920**	19,124
Current assets			
Loans and other receivables	14.1	**1,111**	1,351
Quoted financial assets at fair value through profit or loss	15	**860**	–
Cash and cash equivalents		**1,717**	133
Total current assets		**3,688**	1,484
Total assets		**27,608**	20,608
Current liabilities			
Trade and other payables	16.1	**176**	476
Shareholder's loan	17	**9**	265
Total liabilities		**185**	741
Net current assets		**3,503**	743
Net assets		**27,423**	19,867
Equity and reserves			
Share capital	18	**24,572**	20,347
Share based payment reserve		**799**	–
Retained earnings/(accumulated loss)		**2,052**	(480)
Total equity and reserves attributable to owners of the parent		**27,423**	19,867

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2010 and signed on its behalf by:

Duncan Chui
Chief Executive Officer

The accompanying notes on pages 20 to 40 are an integral part of these financial statements.

Company Statements of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Non-current assets			
Investment in subsidiaries	13	**21,189**	19,122
Fixtures, fittings and equipment	10.2	**1**	2
Total non-current assets		**21,190**	19,124
Current assets			
Loans and other receivables	14.2	**1,107**	1,351
Cash and cash equivalents		**1,691**	133
Total current assets		**2,798**	1,484
Total assets		**23,988**	20,608
Current liabilities			
Trade and other payables	16.2	**95**	476
Shareholder's loan	17	**9**	265
Total liabilities		**104**	741
Net current assets		**2,694**	743
Net assets		**23,884**	19,867
Equity and reserves			
Share capital	18	**24,572**	20,347
Share based payment reserve		**799**	–
Accumulated losses		**(1,487)**	(480)
Total equity and reserves		**23,884**	19,867

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2010 and signed on its behalf by:

Duncan Chui
Chief Executive Officer

The accompanying notes on pages 20 to 40 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	2009 US$'000	2008 US$'000
Cash generated from operating activities		
Profit/(loss) before taxation	**2,532**	(480)
Adjustments for :		
Depreciation	**1**	1
Financing income	**(131)**	(28)
Gain on disposal of quoted securities	**(10)**	–
Gross portfolio return	**(4,813)**	–
Share option costs	**799**	–
Decrease/(increase) in receivables	**533**	(1,351)
(Decrease)/increase in payables	**(300)**	476
Net cash used in operating activities	**(1,389)**	(1,382)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**–**	(3)
Finance income	**131**	28
Purchase of financial assets	**(850)**	–
Loans granted	**(1,095)**	–
Proceeds from repayment of loan granted	**818**	–
Net cash (used in)/generated from Investing activities	**(996)**	25
Cash flows from financing activities		
Net proceeds from issue of shares	**4,225**	1,225
Repayment of loan from shareholders	**(256)**	265
Net cash generated from financing activities	**3,969**	1,490
Net increase in cash and cash equivalents	**1,584**	133
Cash and cash equivalent at the beginning of the period	**133**	–
Cash and cash equivalent at the end of the period	**1,717**	133

The accompanying notes on pages 20 to 40 are an integral part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2009

	2009 US$'000	2008 US$'000
Cash generated from operating activities		
Loss before taxation	**(1,007)**	(480)
Adjustments for:		
Depreciation	**1**	1
Finance income	**(131)**	(28)
Share option costs	**799**	–
Decrease/(increase) in other receivables	**521**	(1,351)
(Decrease)/increase in accounts and other payables	**(382)**	476
Net cash used in operating activities	**(199)**	(1,382)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**–**	(3)
Advances to subsidiaries	**(2,066)**	–
Finance income	**131**	28
Loans granted	**(1,095)**	–
Proceeds from repayment of loan granted	**818**	–
Net cash (used in)/generated from Investing activities	**(2,212)**	25
Cash flows from financing activities		
Net proceeds from issue of shares	**4,225**	1,225
Repayment of loan from shareholders	**(256)**	265
Net cash flows from financing activities	**3,969**	1,490
Net increase in cash and cash equivalents	**1,558**	133
Cash and cash equivalent at the beginning of the period	**133**	–
Cash and cash equivalent at the end of the period	**1,691**	133

The accompanying notes on pages 20 to 40 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009

1. GENERAL INFORMATION

The Company is a limited company incorporated in the British Virgin Islands ("BVI") under the British Virgin Islands Business Companies Act 2004 on 18 January 2008. The address of the registered office is Romasco Place, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands VG1110. 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.

The Company is listed on the AIM market of the London Stock Exchange (code : CPEH).

2. ACCOUNTING POLICIES

a) Basis of Preparation

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

The Company's and the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations), 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 accounting policies adopted by the Company and the Group are consistent with those of the previous financial year except as follows:

Standards, amendments and interpretations adopted in the year

The Company and the Group have adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

– IFRS 2 "Share-based payment – amendment relating to vesting conditions and cancellations" effective 1 January 2009;

– IFRS 7 "Financial instruments: disclosures – amendments enhancing disclosures about fair value and liquidity risk" effective 1 January 2009;

– IFRS 8 "Operating segments" effective 1 January 2009;

– IAS 1 "Presentation of financial statements" effective 1 January 2009;

– Improvements to IFRSs (May 2008), other than the amendment to IFRS 5 which is effective for periods commencing on or after 1 July 2009; and

– Improvements to IFRSs (April 2009), early adoption other than those relating to IFRS 3 (Revised), IFRIC 9 and IFRIC 16 which are effective for periods commencing on or after 1 July 2009.

When the adoption of the standard or interpretation is deemed to have an impact on the Financial Statements or performance of the Group, its impact is described below:

IFRS 7 "Financial Instruments: Disclosures"

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using two level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition a reconciliation between the beginning and ending balance for level three fair value measurements is now required as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures, and the liquidity risk disclosures that are not significantly impacted by the amendments are presented in Note 19. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in the amendments.

IFRS 8 "Operating Segments"

IFRS 8 replaced IAS 14 "Segment Reporting" upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 4, including the related revised comparative information, where applicable.

IAS 1 "Presentation of Financial Statements"

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has adopted all amendments in both improvements project with effect from 1 January 2009, other than those specifically identified below. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

– *IFRS 8 "Operating Segment Information":*

  This clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision-maker. As the Group's chief operating decision-maker does review segment assets and liabilities the Group has continued to disclose this information in Note 4.

All other amendments resulting from Improvements to IFRSs which were adopted did not have any material impact on the accounting policies, financial position or performance of the Group.

The amendments still to be adopted are:

2009 Annual Improvements Project

– IFRS 2: "Scope of IFRS 2 and IFRS 3";

– IAS 24: "Related party disclosures – revised definition of related parties";

– IAS 27: "Consequential Amendments Arising from IFRS 3";

– IFRIC 9: "Scope of IFRIC 9 and IFRS 3".

All these amendments are dependent on the adoption of IFRS 3 (revised 2008) and are only effective for annual reporting periods starting on or after 1 July 2009.

Standards Issued But Not Yet Effective

The following standards and interpretations have been issued but are not yet effective and have not been early adopted in these Financial Statements. They may result in consequential changes to the accounting policies and other note disclosures. We do not expect the impact of such changes on the Financial Statements to be material. These are outlined in the table below:

Ref	Title	Summary	Application date of standard	Application date for group
IFRS 2	Share based payment	Amendment to confirm that in addition to business combinations as defined by IFRS 3 (revised), "Business Combinations". Beginning contributions of a business on formation of a joint venture and common control of transactions are excluded from the scope of IFRS 2 "Share Based Payment"	Effective for periods beginning on or after 1 July 2009. Linked to application IFRS 3 (revised)	Applicable to annual period 1 January 2010
IFRS 5	Non-current assets held for sale and discontinued operations	Amendment to clarify that IFRS 5, specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1	Effective for periods beginning on or after 1 January 2010	Applicable to annual period 1 January 2010. To be applied prospectively
IFRS 8	Operating Segments	Minor textual amendment to the standard and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker	Effective for periods beginning on or after 1 January 2010	Applicable to annual period 1 January 2010

b) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

c) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management and executive Board members. The senior management and executive Board members, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the senior management and executive Board members that makes strategic decisions. The Group is principally engaged in investment business, the directors consider there is only one business segment significant enough for disclosure.

d) **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.

- Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

- Gross portfolio return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio net of deal-related costs but excluding exchange movements.

- Other income comprised of management recharges from the parent company to one of its subsidiaries, which are eliminated on consolidation.

e) **Fixtures, fittings and equipment and depreciation**

Fixtures, fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of fixtures, fittings 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 fixtures, fittings and equipment 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:

Fixtures, fittings and equipment	20%

f) Impairment of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its fixtures, fittings 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 Group 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.

g) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Investments at fair value through profit or loss

Unquoted:

Classification

The Group classifies its unquoted investments as financial assets at fair value through profit or loss. These financial assets are designated by the directors as at fair value through profit or loss at inception.

Financial assets designated as at fair value through profit or loss at inception are those that are managed as part of an investment portfolio and their performance evaluated on a fair value basis in accordance with the Group's Investment Strategy.

Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to received cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds and cost. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group has transacted an unconditional disposal of the assets.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the profit or loss. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value in accordance with International Private Equity and Venture Capital Valuation ("IPEVCV") Guidelines, as the Group'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. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the period in which they arise and are presented within gross portfolio return.

Quoted :
The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices and is classified as current assets. 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.

Loans and receivables
Loans and 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 period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement. The Group's loans and receivables comprised of "loans and other receivables', "amount due from Fortel" and "cash and cash equivalents" in the statement of financial position.

Trade and other payables
Accounts and other payables are not interest bearing and are stated at their nominal value. The Group's trade and other payables include shareholders' loans.

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 Group 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 Group'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.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

h) Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for any impairment in value.

i) Foreign currency translation

– *Functional and presentation currency*

Items included in the financial statements of each of the Group'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.

The financial statements have been translated into US$ at the exchange rate prevailing on 31 December 2009 being US$1 = HK$7.76.

– *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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.

– *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

No material reserve is expected as the HK Dollar is linked to the US Dollar.

j) Provisions

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

k) 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.

l) **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.

m) **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.

n) **Dividends**

Dividends payable are recorded in the financial statements in the period in which they are declared.

o) **Share based payments**

The Group has applied the requirements of IFRS 2 "Share Based Payments". The Group issues share options as an incentive to certain key management and staff (including directors). The fair value of options granted to directors, management personnel and employees under the Company's share option scheme is recognised as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date and spread over the period during which the awards vest. The fair value is measured using the Black Scholes Option pricing model.

The Group, on special occasions as determined by the directors, may issue options to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group. The fair value of options granted is recognised as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date and spread over the period during which the options vest. The fair value is measured using the Black Scholes Option pricing model.

The options issued by the Group are subject to both market-based and non-market based vesting conditions.

Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the equity instruments that are expected to vest.

The proceeds received, net of any attributable transaction costs, are credited to share capital when options are converted into Ordinary Shares.

p) **Earnings per share**

The Group calculates both basic and diluted earnings per share in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares during the period plus the period dilutive effect of options outstanding during the period.

q) **Share issue expenses**

Share issue expenses are written off against the share capital account arising on the issue of share capital.

r) **Critical accounting estimates and judgements**

Preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are in the following areas:

Tax provisions
There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these measures is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Measurement of share based payments
The estimation of share based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares and the probable life of options granted. The model used by the Group is a Black Scholes Option pricing model.

Impairment of assets and investment in subsidiaries
The Group and the Company assess each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term investment prices, discount rates, future capital requirements, and operating performance.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Valuation of unquoted investments
In estimating the fair value for an investment, the Group applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable data, market inputs, assumptions and estimates.

3. GROSS PORTFOLIO RETURN

	Group		Company	
	2009 US$'000	2008 US'000	2009 US$'000	2008 US'000
Change in fair value of investment	**4,813**	–	**–**	–

4. SEGMENT INFORMATION

The operating segment has been determined and reviewed by the senior management and executive Board members to be used to make strategic decisions. The senior management and executive Board members consider there to be a single business segment, being that of investing activity, and a single geographical segment, therefore only one reportable segment.

The reportable operating segment derives its revenue primarily from the non-current investment in Fortel Technology Holdings Limited ("Fortel"), debt investment in several companies and quoted investments.

The senior management and executive Board members assess the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA"). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

The segment information provided to the senior management and executive Board members for the reportable segments for the year ended 31 December 2009 is as follows:

Revenue attributed by reference to each company's country of domicile:

	British Virgin Island US$'000	Hong Kong US$'000
Total segment gross portfolio return	4,813	–
Total financial income	131	10
Non-current assets attributed by reference to their location		
Non-current assets	–	23,920
Additions to non-current assets	–	–

The segment information provided to the senior management and executive Board members for the reportable segments for the year ended 31 December 2008 is as follows:

	British Virgin Island US$'000	Hong Kong US$'000
Total segment gross portfolio return	–	–
Total financial income	28	–
Non-current assets	–	21,190
Additions to non-current assets	–	3

IFRS 8 has been amended so that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision maker. The amendment is effective for periods beginning on or after 1 January 2010.

The amounts provided to the senior management and executive Board members with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the strategic operations of the segment.

The amounts provided to the senior management and executive Board members with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the strategic operations of the segment.

5. OPERATING GAIN/(LOSS)

Operating gain/(loss) is stated after charging:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Depreciation	**1**	1	**1**	1
Fees payable to the Company's auditor for audit of the Company	**30**	–	**30**	–

6. FINANCE INCOME

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Interest from bank and other loans	**55**	26	**55**	26
Gain on disposal of quoted securities	**10**	–	**–**	–
Gain on foreign exchange	**76**	2	**76**	2
	141	28	**131**	28

7. OTHER INCOME

	Company	
	2009 US$'000	2008 US$'000
Management recharges to subsidiaries	**821**	–

8. DIRECTORS' REMUNERATION

	Group		Company	
	2009 US$	2008 US$	2009 US$	2008 US$
Patrick Macdougall	**74,420**	74,516	**74,420**	74,516
Chau Vinh Heng	**6,402**	–	**–**	–
Duncan Chui	**154,639**	116,129	**–**	116,129
Wong Yiu Kit	**170,103**	104,391	**–**	–
John Croft	**59,536**	44,710	**59,536**	44,710
Hanson Cheah	**38,660**	17,742	**–**	–
	503,760	357,488	**133,956**	235,355

There was no pension cost incurred.

Included in directors' remuneration is director's benefit-in-kind of US$7,216 (2008: US$nil).

During the year, a total of 871,150 share options exercisable at US$1.80 were granted to Chau Vinh Heng. The options have not been exercised. None of the other directors held any options.

9. TAXATION

No charge to taxation arises in the years ended 31 December 2008, and 2009 as there were no taxable profits in either year. The Company and one of its subsidiaries, CPE TMT Holdings Limited, are both located in a tax-free jurisdiction, the British Virgin Islands, and therefore are neither subject to current or deferred income tax.

Tax reconciliation :

	Group	
	2009 US$'000	2008 US$'000
Profit/(loss) before tax	**2,532**	(480)
Effective tax charge at 16.5% (2008 : 16.5%)	**418**	(79)
Effect of:		
Differences in overseas taxation rates	**(628)**	79
Tax effect of unrecognised deferred tax asset	**210**	–
Effective tax rate	**–**	–

As at 31 December 2009, the Group has available unused tax losses of US$210K (2008 : US$nil) available for offset against future profits.

No related deferred tax asset has been recognised on the losses due to the unpredictability of future profit streams. Losses may be carried forward indefinitely and may be recoverable if relevant taxable profit arises in future periods.

10. FIXTURES, FITTINGS AND EQUIPMENT

10.1 Group

	Fixtures, fittings and equipment US$'000
Cost:	
At 18 January 2008	–
Additions	3
At 31 December 2008	3
Additions	–
At 31 December 2009	3
Depreciation:	
At 18 January 2008	–
Charge for period	1
At 31 December 2008	1
Charge for period	1
At 31 December 2009	2
Net book value:	
At 31 December 2009	1
At 31 December 2008	2

10.2 Company

	Fixtures fittings and equipment US$'000
Cost:	
At 18 January 2008	–
Additions	3
At 31 December 2008	3
Additions	–
At 31 December 2009	3
Depreciation:	
At 18 January 2008	–
Charge for period	1
At 31 December 2008	1
Charge for period	1
At 31 December 2009	2
Net book value:	
At 31 December 2009	1
At 31 December 2008	2

11. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2009 US$'000
Addition during the year	**19,122**
Fair value through profit and loss	**–**
Balance as at 31 December 2008	**19,122**
Fair value through profit and loss	**4,813**
Effect of foreign exchange	**(24)**
Balance as at 31 December 2009	**23,911**

On 8 September 2008, the Group through CPE TMT Holdings Limited 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. The Group will dispose of the shareholding upon approval by the investment committee who monitors the investment/divestment decision on an ongoing basis.

The Group adopted price of recent investment methodology prescribed in the IPEVCV guidelines to value its investments at fair value through profit and loss. Applying the methodology, the Group has used the purchase consideration paid by third parties in the acquisition of new shares in Fortel as the basis to estimate the fair value of the investment in Fortel. There has been no further transactions occurring since the sale of Fortel shares, which occurred on 22 December 2009, which is in the opinion of the directors to provide evidence for the year end valuation.

In December 2009, Fortel issued new shares to a new investor. Following this additional investment, CPE's holding in Fortel has been reduced from 38.0% to 37.1%. At the year end, based on the price of recent investments in Fortel, the Group's investment has increased from US$19 million to US$23.9 million.

12. DEPOSIT

	2009 US$'000	2008 US$'000
Rental deposit	**8**	–

13. INVESTMENT IN SUBSIDIARIES

	2009 US$'000	2008 US$'000
Investment in subsidiaries at cost	**1**	1
Amount due from subsidiaries	**21,188**	19,121
	21,189	19,122

The subsidiaries of the Company are as follows :

Name of Company	**Country of Incorporation**	**Percentage owned**		**Principal activities**
		2009	2008	
CPE TMT Holdings Limited	BVI	**100%**	100%	Investment for TMT deals
China Private Equity Investment Group Limited	Hong Kong	**100%**	100%	Financial investments in Hong Kong

Amount due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

14. LOANS AND OTHER RECEIVABLES

14.1 Group

	2009 US$'000	2008 US$'000
Other receivables	**849**	845
Prepayments and accrued income	**4**	506
Amount due from Fortel	**258**	–
	1,111	1,351

14.2 Company

	2009 US$'000	2008 US$'000
Other receivables	**849**	845
Prepayments and accrued income	**–**	506
Amount due from Fortel	**258**	–
	1,107	1,351

Other receivables represent loans made to Orbrich Group Limited ("Orbrich"), IIN Network Education (BVI) Ltd ("IIN") and UCCTV Holdings Limited ("UCCTV"). The amount due from Orbrich is interest bearing at 8% per annum and repayable on demand. The amount due from IIN and UCCTV are fully guaranteed by the major shareholders of UCCTV, interest bearing at 5% per annum and repayable on demand.

Amount due from Fortel represents loans made to Fortel and the amount due is interest bearing at 5% per annum and repayable on demand.

Other receivables of the Group and Company have been reviewed and are considered not to be impaired and all amounts held are considered to be fully recoverable in value terms to the Group and Company respects.

15. QUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group	
	2009 US$'000	2008 US$'000
Quoted investment – at market value	**860**	–

16 OTHER PAYABLES

16.1 Group

	2009 US$'000	2008 US$'000
Trade payables	**65**	206
Amount due to directors	**81**	227
Accruals	**30**	43
	176	476

16.2 Company

	2009 US$'000	2008 US$'000
Trade payables	**65**	206
Amount due to directors	**–**	227
Accruals	**30**	43
	95	476

Amount due to directors are unsecured, interest free and has no fixed terms of repayment.

17. SHAREHOLDER'S LOAN

	Group and Company	
	2009 US$'000	2008 US$'000
Shareholder's loan	**9**	265

Shareholder's loan is an amount due to Imperia Capital International Holdings Limited and is unsecured, interest free and payable on demand.

18. SHARE CAPITAL

	Number of shares	Amount US$'000
Balance on 18 January 2008	–	–
Ordinary shares issued during the year	9,873,034	20,347
Authorised, called-up and fully paid Ordinary shares of no par value at 31 December 2008	9,873,034	20,347
Ordinary shares issued on 30 June 2009	33,175	–
Ordinary shares issued on 19 October 2009 for directors	72,942	–
Ordinary shares issued on 19 October 2009	2,777,778	5,000
Issue costs	–	(874)
Exchange difference	–	99
Authorised, called-up and fully paid Ordinary shares of no par value each at 31 December 2009	12,756,929	24,572

On 30 June 2009, owing to the fact that the 2009 Pre-IPO subscribers agreed to terminate their 2008 subscription agreement and subsequently signed a 2009 Pre-IPO subscription agreement, 33,175 shares were issued to them due to the change in the subscription prices.

On 19 October 2009, 2,777,778 shares were issued at US$1.80 each as part of the Company's listing onto the AIM market. The net proceeds generated from the issue was US$4,225K. On 19 October 2009, 72,942 shares were issued to directors as part of their remuneration.

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

The Company is registered in the British Virgin Islands, under BVI Business Companies Act 2004. Under BVI laws and registration, there is no concept of "share premium", and all proceeds from the sale of no par value equity shares is deemed to be share capital of the Company.

19. 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 and Group'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:

Loans and receivables

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Non-financial instruments	**12**	506	**–**	506
Loans and other receivables	**1,107**	845	**1,107**	845
Cash and cash equivalents	**1,717**	133	**1,691**	133
	2,836	1,484	**2,798**	1,484

Other financial liabilities

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Non-financial instruments	**30**	–	**30**	–
Trade and other payables	**146**	476	**65**	476
Shareholder's loan	**9**	265	**9**	265
	185	741	**104**	741

Financial assets at fair value through profit or loss

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and

		Group 2009	
	Level 1 US$'000	**Level 2** US$'000	**Total** US$'000
Investment at fair value through profit or loss	–	23,911	23,911
Quoted financial assets at fair value through profit or loss	860	–	860
	860	23,911	24,771

Carrying values of all financial assets and liabilities approximate to fair values.

Fair values

The directors do not consider that the fair values of the Company's and the Group's financial assets and financial liabilities are materially different to their carrying amounts as at 31 December 2009.

Credit risk

The Company's and the Group'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 and the Group'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 were not due at the year end. None of the loans and receivables was impaired in the current or prior year.

The Company's and the Group's maximum exposure to credit risk is represented by the total financial assets held by the Company and the Group.

Interest rate risks

The Company and the Group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. As the Group 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 and the Group. The effect of a 10% increase or fall in interest rates obtainable on cash and on short-term deposits would be to increase or decrease the Group's profit by US$171K (2008 : US$13K).

Other receivables bear interest at a fixed annual rate, therefore there is no exposure to market interest rate risk on these financial asset.

Liquidity risk

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

The Group'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.

Price risks

The Group's securities are susceptible to price risk arising from uncertainties about future values of the investment securities. This price risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investments traded in the market. The Group's investment committee provides the Board of Directors with investment recommendations that are consistent with the Group's objectives. The investment committee recommendations are carefully reviewed by the Board of Directors before the investment decisions are implemented.

During the year under review, the Group did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in US$4,153K (2008: US$nil) increase/decrease in the net asset value.

While investments in companies whose business operations are based in China may offer the opportunity for significant capital gains, such investments also involve a degree of business and financial risk, in particularly for unquoted investment.

Generally, the Group prepares to hold the unquoted investments for middle to long time frame, in particularly if an admission to trading on a stock exchange has not yet been ready. Sales of securities in unquoted investments may result in discount to the book value.

Currency risks
Since the Company and the Group operate primarily within its local currency with little exposure to currency fluctuations, management considers that foreign currency exposure is not significant to the Group and as such, there is no hedging in the foreign currencies. As the HK Dollar is linked to the US Dollar, there is no significant exchange risk.

Capital management
The Company's and the Group's financial strategy is to utilise its resources to further grow the Group's portfolio. The Group 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 and the Group 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.

The capital structure of the Company and the Group consists of borrowings disclosed in Note 17, cash and cash equivalents and equity comprising issued capital and reserves.

20. SHARE BASED PAYMENTS

The Group has an ownership-based compensation scheme for senior executives of the Group. In accordance with the provisions of the plan, senior executives may be granted options to purchase Ordinary Shares. Each share option converts into one Ordinary Share of China Private Equity Investment Holdings Limited on exercise. No amounts are paid or payable by the recipient of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the year a total of 871,150 share options exercisable at US$1.80 were granted to one of the directors of the Company. Please refer to note 8 for details.

Furthermore, the Company issued 1,026,789 options to subscribe for Ordinary Shares in the Company during the year in respect of services provided to the Group. 1,020,554 of these options are exercisable at US$1.80 and the remaining 6,235 are exercisable at US$1.40. The options may be exercised at any time from the date of issue to the date of their expiry.

	2009		2008	
	Number of options	Weighted average exercise price US$	Number of options	Weighted average exercise price US$
Balance at beginning of the financial year	–	–	–	–
Granted during the year	**1,891,704**	**1.80**	–	–
Granted during the year	**6,235**	**1.40**	–	–
Forfeited during the financial year	–	–	–	–
Exercised during the financial year	–	–	–	–
Expired during the financial year	–	–	–	–
Balance at end of financial year	**1,897,939**	**1.80**	–	–
Exercisable at end of the financial year	**1,897,939**	**1.80**	–	–

The share options outstanding at the end of the financial year had the following exercise prices:

	Number of options outstanding	Exercise price US$	Fair value per option US$
16 October 2012	871,150	1.80	0.7316
18 October 2012	1,020,554	1.80	0.1420
18 October 2012	6,235	1.40	0.1420

The fair value of equity based share options granted to the director is estimated at the date of grant using a Black Scholes Option pricing model, taking into account the terms and conditions upon which the options have been granted.

The following lists the inputs to the model used for the options granted to the director in 2009; there were no options granted in 2008:

	2009	2008
Strike price	**$1.80**	–
Underlying asset price	**$2.372**	–
Time	**3 years**	–
Dividend	**–**	–
Volatility	**10.297%**	–
Interest rate p.a.	**3%**	–

The expected life of the options is based on the director's best estimate at the date of grant and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other features of option grant were incorporated into the measurement of fair value.

The fair value of the options granted to one of the suppliers for services provided to the Group is equivalent to the value of the services received by the Group, on the basis of comparison to amounts paid for similar services, and therefore no model has been used to value those options.

21. RELATED PARTY TRANSACTIONS

During the year, the Company and the Group entered into the following transactions with related parties and connected parties:

	Note	2009 US$'000	2008 US$'000
Imperia Capital International Holdings Limited			
Amount due to	(i)	**9**	265
UCCTV Holdings Limited			
Amount due from	(ii)	**517**	–
Patrick Macdougall and John Croft	(iii)	**31**	92
Amount due to directors	(iv)		
– Duncan Chui		**19**	116
– Hanson Cheah		**56**	18
– Chau Vinh Heng		**6**	–

(i) As at 31 December 2009, the Group owed approximately US$8.6K to Imperia Capital International Holdings Limited ('Imperia'), a shareholder of the Company. The loan is repayable on demand and does not bear interest.

(ii) Duncan Chui was the director UCCTV Holdings Limited ("UCCTV") as at 31 December 2009. The amount due is fully guaranteed by the major shareholder of UCCTV, interest bearing at 5% per annum and repayable on demand.

(iii) Shares issued to Patrick Macdougall and John Croft, both directors of the Company, in lieu of cash for their remuneration.

(iv) All key management personnel are directors and appropriate disclosure with respect to them is made in note 8 of the financial statements. There are no other contracts of significance in which any director has or had during the year, a material interest.

22. EARNINGS PER SHARE – CONTINUING OPERATIONS

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

		2009 '000	2008 '000
Numerator			
Basic/Diluted :	Net Profit/(loss)	**US$2,532**	US$(480)
Denominator			
Basic:	Weighted average shares	**10,460**	3,556
	Effect of diluted securities :		
	Share options	**178**	
Diluted :	Adjusted weighted average shares	**10,638**	3,556

China Private Equity
Investment Holdings Limited
福泰中國投資控股有限公司