



INTERIM REPORT 2012



CHINA PRIVATE EQUITY
INVESTMENT HOLDINGS LIMITED
福泰中國投資控股有限公司

CHAIRMAN'S STATEMENT

On behalf of the Directors, I am pleased to present the interim results of the Group for the six month period ended 30 June 2012.

The Group's unaudited net asset value as at 30 June 2012 stood at US\$32,998,000 (31 December 2011: US\$33,423,000). The decrease in net assets was attributable to operating losses of US\$425,000 during the period (US\$658,000 in the corresponding period in 2011).

The Company did not make any new investments or disposals during the period, with the focus of the investment team directed primarily towards developing a pipeline of potential new investments as well as overseeing the existing portfolio, with particular emphasis on the planned IPO for Fortel on the Hong Kong Stock Exchange. In this regard, some delays were experienced as a result of changes to Fortel's IPO sponsors and auditors but we are now hopeful that Fortel will submit its application for admission to the exchange in the fourth quarter of 2012, with the IPO likely to be completed in the first half of 2013.

The investment team continues to seek suitable investments and partnerships that would increase the potential return for our shareholders, which could include raising additional capital if the right opportunities emerge. I hope to be able to report progress on this in due course.

Patrick Macdougall
Chairman of the Board

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended		Year ended
		30 June 2012 Unaudited US\$'000	30 June 2011 Unaudited US\$'000	31 December 2011 Audited US\$'000
Fair value changes on financial assets at fair value through profit or loss		(23)	–	(1,730)
<i>Administrative expenses</i>		(643)	(696)	(1,426)
Operating loss		(666)	(696)	(3,156)
Finance income		147	49	274
Loss before taxation		(519)	(647)	(2,882)
Taxation	5	–	–	–
Loss for the period		(519)	(647)	(2,882)
Other comprehensive expense				
Currency translation differences		94	(11)	(3)
Total comprehensive loss for the period		(425)	(658)	(2,885)
Loss per share	7			
Basic		(0.68 cents)	(0.98 cents)	(4.11 cents)
Diluted		(0.68 cents)	(0.98 cents)	(4.11 cents)

The results above relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2012 Unaudited US\$'000	As at 30 June 2011 Unaudited US\$'000	As at 31 December 2011 Audited US\$'000
Non-current assets				
Fixtures, fittings and equipment		6	7	7
Unquoted financial assets at fair value through profit or loss	8	29,331	31,560	29,248
Total non-current assets		29,337	31,567	29,255
Currents assets				
Loans and other receivables		3,623	3,286	3,363
Quoted financial assets at fair value through profit or loss		–	128	176
Cash and cash equivalents		445	496	1,159
Total current assets		4,068	3,910	4,698
Total assets		33,405	35,477	33,953
Current liabilities				
Other payables and accruals		375	143	494
Deferred consideration	8	–	648	–
Shareholder's loan		32	36	36
Total liabilities		407	827	530
Net current assets		3,661	3,083	4,168
Net assets		32,998	34,650	33,423
Equity and reserves				
Share capital	9	31,572	30,572	31,572
Share based payment reserves		799	799	799
Foreign translation reserve		23	(79)	(71)
Retained earnings		604	3,358	1,123
Total equity and reserves attributable to owners of the parent		32,998	34,650	33,423

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US\$'000	Share based payment reserve US\$'000	Foreign translation reserve US\$'000	Retained earnings US\$'000	Total US\$'000
Balance at 1 January 2011	24,572	799	(68)	4,005	29,308
Loss for the period	-	-	-	(647)	(647)
Other comprehensive expense					
Currency translation differences	-	-	(11)	-	(11)
Total comprehensive expenses for the period	-	-	(11)	(647)	(658)
Issue of shares	6,000	-	-	-	6,000
Balance at 30 June 2011	30,572	799	(79)	3,358	34,650
Loss for the period	-	-	-	(2,235)	(2,235)
Other comprehensive income					
Currency translation differences	-	-	8	-	8
Total comprehensive (expenses)/income for the period	-	-	8	(2,235)	(2,227)
Issue of shares	1,000	-	-	-	1,000
Balance at 31 December 2011 and 1 January 2012	31,572	799	(71)	1,123	33,423
Loss for the period	-	-	-	(519)	(519)
Other comprehensive income					
Currency translation differences	-	-	94	-	94
Total comprehensive (expenses)/income for the period	-	-	94	(519)	(425)
Balance at 30 June 2012	31,572	799	23	604	32,998

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2012 Unaudited US\$'000	30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
<i>Cash flow from operating activities</i>			
Loss before taxation	(519)	(647)	(2,882)
Adjustments for:			
Depreciation	1	1	2
Finance income	(147)	(50)	(274)
Fair value changes on unquoted financial assets at fair value through profit or loss	–	–	1,671
Fair value changes on quoted financial assets at fair value through profit or loss	–	1	59
Loss on disposal of quoted financial assets at fair value through profit or loss	23	–	–
Increase in other receivables	(2)	(15)	(10)
(Decrease)/increase in other payables and accruals	(119)	(165)	186
Net cash used in operating activities	(763)	(875)	(1,248)
<i>Cash flow from investing activities</i>			
Acquisition of fixtures, fittings and equipment	–	(1)	(2)
Finance income received	160	50	185
Purchase of quoted financial assets at fair value through profit or loss	–	(129)	(235)
Sale proceeds of quoted financial assets at fair value through profit or loss	154	–	–
Sale proceeds of unquoted financial assets at fair value through profit or loss	–	3,800	3,800
Loans granted	(2,297)	(4,635)	(6,266)
Proceeds from repayment of loans granted	2,034	1,416	3,055
Net cash generated from investing activities	51	501	537

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June 2012 Unaudited US\$'000	30 June 2011 Unaudited US\$'000	31 December 2011 Audited US\$'000
<i>Cash flows from financing activities</i>			
Net proceeds from issue of shares	-	-	1,000
(Decrease)/increase in loan from a shareholder	(4)	22	22
Net cash (used in)/generated from financing activity	(4)	22	1,022
Net (decrease)/increase in cash & cash equivalents during the period/year	(716)	(352)	311
Cash and cash equivalents at the beginning of the period	1,159	851	851
Effect of foreign exchange	2	(3)	(3)
Cash and cash equivalents at the end of the period	445	496	1,159

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited company incorporated in the British Virgin Islands ("BVI") under the BVI Business Companies Act 2004 on 18 January 2008. The address of the registered office is Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, BVI, VG 1110 and its principal place of business is Unit 1903, 19/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company is a Chinese and Asian focused AIM listed private equity investment holding group. The Company seeks to identify suitable private equity investment opportunities in China.

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

The condensed consolidated interim financial information was approved for issue on 25 September 2012. The condensed consolidated interim financial information has not been audited nor reviewed by the auditors.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost convention, as modified by revaluation of certain financial assets and financial liabilities at fair value through the income statement.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 and are those the Group expect to apply in its financial statements for the year ending 31 December 2012.

The seasonality or cyclicity of operations does not impact on the interim financial information.

NOTES TO THE FINANCIAL INFORMATION

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, which is reportable in two cash generating units.

The reportable operating segment derives its revenue primarily from debt investment in several companies and unquoted 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 unrealized gains/losses on financial instruments.

The segment information provided to the senior management and executive Board members for the reportable segments for the periods/year are as follows:

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

	BVI			Hong Kong		
	Six months ended	Year ended		Six months ended	Year ended	
	30 June	30 June	31 December	30 June	30 June	31 December
	2012	2011	2011	2012	2011	2011
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Fair value changes on financial assets at fair value through profit or loss	-	-	-	(23)	-	(1,730)
Total financial income	147	49	274	-	-	-

NOTES TO THE FINANCIAL INFORMATION

5. TAXATION

No charge to taxation arises for the six months ended 30 June 2012 and 2011 as there were no taxable profits in either period. The Company and one of its subsidiaries, CPE TMT Holdings Limited, are both located in the BVI and are not subject to any income tax.

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

6. DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2012 (30 June 2011: Nil).

7. LOSS PER SHARE

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

		Six months ended		Year ended
		30 June	30 June	31 December
		2012	2011	2011
		US'000	US'000	US'000
Numerator				
Basic/Diluted:	Net loss	(519)	(647)	(2,882)
Denominator				
Basic:	Weighted average shares	76,285	66,271	70,134
Diluted:	Adjusted weighted average shares	76,285	66,271	70,134

Where a loss has occurred, basic and diluted loss per share are the same because the outstanding share options are anti-dilutive. Accordingly, diluted loss per share equals the basic loss per share.

NOTES TO THE FINANCIAL INFORMATION

8. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2012 US\$'000	30 June 2011 US\$'000	31 December 2011 US\$'000
At the beginning of the period	29,248	28,718	28,718
Fair value changes through profit and loss	–	–	(1,671)
Additions	–	6,648	6,000
Disposals	–	(3,800)	(3,800)
Effect of foreign exchange	83	(6)	1
At the end of the period	29,331	31,560	29,248

There was no change in the unquoted financial assets at fair value through profit and loss account for the six months period ended 30 June 2012. For the details of the unquoted financial assets at fair value through profit and loss account, please refer to the Annual Report for the year ended 31 December 2011.

The deferred consideration of US\$648,000 as of 30 June 2011 represented the contingent consideration pursuant to the agreement of acquiring 30% interest in Enfinium International Holdings Limited ("Enfinium"). The conditions of the agreement had not been fulfilled by 31 December 2011, the deferred consideration was not required for the accounts for the year ended 31 December 2011.

9. SHARE CAPITAL

	Number of shares	Amount US\$'000
Authorised, called-up and fully paid Ordinary shares of no par value each at 1 January 2011	63,784,645	24,572
Ordinary shares issued on 17 May 2011 for acquisition of Enfinium	10,000,000	6,000
Authorised, called-up and fully paid Ordinary shares of no par value each at 30 June 2011	73,784,645	30,572
Ordinary shares issued in cash on 21 December 2011	2,500,000	1,000
Authorised, called-up and fully paid Ordinary shares of no par value each at 31 December 2011 and 30 June 2012	76,284,645	31,572

NOTES TO THE FINANCIAL INFORMATION

9. SHARE CAPITAL (CONT'D)

On 17 May 2011, 10 million new ordinary shares of no par value of the Company were issued by the Company to the seller of Enfinium at a price of US\$0.60 per share for the acquisition of a 30% interest in Enfinium.

The Company entered into a subscription agreement with Max Era Properties Limited relating to the issue of 2,500,000 new ordinary shares in the Company at a subscription price of US\$0.40 per share on 21 December 2011.

As at 30 June 2012, the Company was authorised to issue up to a maximum of 100,000,000 ordinary shares of a single class without par value.

The Company was incorporated in the BVI under the BVI Business Companies Act 2004. Under the BVI laws and regulations, 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.

10. RELATED PARTY TRANSACTIONS

During the period under review, the Group entered into the following transactions with related parties and connected parties:

	Note	30 June 2012 US\$'000	30 June 2011 US\$'000	31 December 2011 US\$'000
Imperia Capital International Holdings Limited				
Amount due to	(i)	32	36	36
Amount due to Directors	(ii)			
– Hanson Cheah		45	19	39
– Chau Vinh Heng		36	5	21
– Wong Yiu Kit		64	14	82
– John Croft		12	4	4
– Patrick Macdougall		7	6	6
Fortel Solutions Limited	(iii)			
Business centre services expenses		46	27	54
Amount due to		4	–	53
China iEducation Holdings Limited	(iv)			
Interest income		13	–	2
Amount due from		636	535	631
Capital VC Limited	(v)			
Professional services expenses		–	46	93
Amount due to		54	8	54

NOTES TO THE FINANCIAL INFORMATION

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (i) As at 30 June 2012, the Group owed approximately US\$32,200 (31.12.2011: US\$35,500) to Imperia Capital International Holdings Limited ("Imperia"), a shareholder of the Company. The loan is repayable on demand and does not bear interest.
- (ii) The amounts due thereto are unsecured, interest free and have no fixed term of repayment. There are no other contracts of significance in which any director has or had a material interest during the current period.
- (iii) Fortel Solutions Limited is a subsidiary of Fortel Technology Holdings Limited ("Fortel"). As at 30 June 2012, CPE TMT retains a 33.6% stake in Fortel.
- (iv) The Company had a 40% interest in iEducation after the conversion of its convertible note in December 2011. The amount due therefrom is interest bearing at 5% per annum and repayable on demand.
- (v) Duncan Chui is a director of Capital VC Limited as at 31 December 2011 and 30 June 2011. Duncan Chui resigned as director of the Company on 9 January 2012 and as director of Capital VC Limited on 27 July 2012.

11. SUBSEQUENT EVENTS

There were no material subsequent events up to the date of approval of this report.