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

Asian Opportunities

Annual Report 2012

Contents

Company Information

Directors and Senior Management	Mr. John Croft – *Executive Chairman* Mr. Ernest Wong Yiu Kit – *Executive Director* Mr. Hanson Cheah – *Non-executive Director* Mr. Duncan Chui Tak Keung – *Chief Investment Officer* Mr. Alex Chow Ka Wo – *Chief Financial Officer*
Registered Office	Commerce House, Wickhams Cay 1 P.O. Box 3140 Road Town, Tortola British Virgin Islands VG1110
Principal Place of Business	16/F, Chung Nam Building 1 Lockhart Road, Wanchai Hong Kong
Nominated Advisor and Broker	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Auditors	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Legal Advisers ***(as to English law)***	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
Legal Advisers ***(as to Hong Kong law)***	Pinsent Masons 50th Floor, Central Plaza 18 Harbour Road Hong Kong
Legal Advisers ***(as to B.V.I. law)***	Conyers Dill & Pearman Commerce House, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110

Company Information

Public Relations Consultants	First City (part of the Tavistock Group) (London Office) 8th Floor 131 Finsbury Pavement London EC2A 1NT (HK Office) 19th Floor Silver Fortune 1 Wellington Street, Central Hong Kong
Registrars	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town, Tortola British Virgin Islands
Registered Agent	Codan Trust Company (B.V.I.) Ltd. Commerce House, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Website	www.cpe-invest.com
Stock Code	AIM: CPEH Frankfurt: 1CP

Chairman's Statement

With little relief in the pressure on global economies, and continued heightened risk in the private equity investment sector, the year to 31 December 2012 was undoubtedly a challenging period for CPE. While the Board continued to explore opportunities for solid long term growth, successfully entering into a long-term strategic alliance and equally successfully achieving a secondary listing on the Frankfurt Stock Exchange, external conditions led to setbacks that impacted the Group's Net Asset Value (NAV) and deepened consolidated losses.

Since its arrival on AIM in October 2009, CPE has sought to identify investment opportunities that bring the prospect of long-term returns for shareholders in the TMT and financial service sectors which are identified as having strong growth potential. During 2012, two of those key holdings-Enfinium International Holdings Limited ("Enfinium") and Fortel Technology Holdings Limited ("Fortel") brought disappointments that have impacted our financial results but which the Board believes to be temporary. We continued during the year to move forward cautiously, restructuring our portfolio and agreeing a key alliance, and did not undertake any new investments. Our work to identify new growth opportunities materialised after the year end, with announcements during the first half of the current year that we had taken stakes in two companies listed on Bursa Malaysia, Patimas Computer Berhad ("Patimas") during January, and Asia Bioenergy Technologies Berhad ("ABT") in May. Both of these companies are going through re-organisations of their management and business portfolios, in which CPE may have valuable contributions and where the new business opportunities arising from these re-organisations may benefit the other portfolio companies of CPE.

In line with previous years, I have asked one of our Directors, Hanson Cheah, an experienced private equity investor in China, to provide an overview of recent trends and activities in the private equity and venture capital market in the region. His report is summarised in the section below that follows my statement.

In this forward-looking light, the Board remains confident of CPE's long-term growth prospects despite a decrease in the Company's consolidated net assets at 31 December 2012 to US$23.2m (2011: US$33.4 million), equivalent to US$0.30 per share (2011: US$0.44). Consolidated losses for the year deepened to US$10.25m (2011: US$2.89 million) following decreases in the fair values of the Company's stake in Enfinium and Fortel. The value of our holding in Enfinium was reduced by US$3.34 million following the exchange of the Company's shares for 127,000 shares in AIP Global Holdings Ltd. ("AIP Global"), Enfinium's parent company. In addition, the Board decided to downgrade the value of our investment in Fortel by US$5.88m following an internal Fortel share-transfer transaction in November 2012. The aforesaid decreases in fair values are non-cash charges to the Group's income statement. Both of these transactions are discussed in detail below. At the same time, CPE's other key investee company, China iEducation, maintained its valuation solidly throughout the year, and we believe – like Enfinium and Fortel – also remains on course for strong long-term performance.

Operating expenses incurred during the year remained largely unchanged from 2011.

During the year, the Company successfully achieved a secondary listing on the Frankfurt exchange and this has provided some additional liquidity in trading in the Company's shares, albeit at frustratingly high discounts to our NAV. We were also very pleased towards the end of the year to announce plans for a long-term strategic partnership with the Hong Kong-based independent asset management firm Gen2 Capital Partners Limited – since renamed Adamas Asset Management ("Adamas") – which we believe marks a key step towards increased positive momentum for the Company in the coming years.

Chairman's Statement

The importance of this alliance lies in the strong presence and track record of Adamas in the Asia Pacific market, with assets under management of approximately US$500 million and primary focus on East Asian investment opportunities. Adamas also has offices in Tokyo and in Xiamen in China's Fujian Province, and employs over 30 experienced investment professionals. The Board believes the alliance creates strong synergies which mean CPE is now positioned to benefit from the reach and experience of Adamas in the Greater China region while Adamas gains from CPE's operational experience, hands-on involvement with investees companies, and connections within the TMT and financial service sectors. Adamas has announced its intention to strengthen the relationship in the future by steadily increasing its shareholding in CPE, and it is clear that a number of Adamas' investee assets may eventually fit well within CPE's portfolio.

Equally important for the Company's long-term strategic positioning, shortly before the Adamas agreement, and as referred to above, we announced the completion of discussions to broaden our investment in the holding company of Enfinium, AIP Global, to provide wider geographical exposure to its growth opportunities. On 12 October 2012, the Company entered into an agreement with AIP Global, exchanging its own 24% interest in Enfinium for 127,000 shares in AIP Global, which represent 2.54% of the issued share capital of AIP Global. AIP Global had earlier acquired a majority interest in Enfinium, in March 2012.

Following the conclusion of negotiations with AIP Global, the Company evaluated the carrying value of the 127,000 shares in AIP Global and determined that a further write down in fair value of US$3.34 million from the carrying value of the Enfinium investment should be recognised in the statement of comprehensive income for the year ended 31 December 2012. We remain hopeful that this investment will ultimately produce positive returns, but in the meantime we have taken a cautious approach with regard to the valuation in our accounts.

Progress on Fortel's plans for an IPO in Hong Kong has been frustratingly slow, and was delayed further during 2012 by a decision to change auditors. This has necessitated audits for Fortel's financial years 2010 and 2011 to be started again and, because of the elapsed time, 2012 results now also need to be completed in order for Fortel to qualify for admission to the Hong Kong Stock Exchange. The audit process is now almost complete and we are anticipating that Fortel will be able to submit its application to join the Hong Kong Stock Exchange in the very near future.

In November 2012, shares of Fortel were transferred between shareholders at a consideration of HK$4,000 per share. Based on this transaction there is an implied decrease in the value of our investment of US$5.88m and this has been recognised in the statement of comprehensive income for the year ended 31 December 2012.

In 2012, China iEducation generated strong revenue from the traditional database sales and licensing business, and continued to develop its online service business model. 2013 is expected to be another good year for the traditional business as the development of an important online examination module in Nanning was completed earlier this year, which is expected to generate a significant new revenue stream. The new online business, after nearly two years of trials and fine tuning, has developed into a combination of online and offline tutorial service. With the opening of its first physical tutorial service centre in Changsha (Hunan Province) in Q3 2013, the "Chinaschool" brand will commence the offering of online and offline tutorial service before September 2013 and is expected to rapidly roll out to more provinces throughout China.

There is no doubt it is taking longer than we hoped for our investments to generate returns for our investors, and while we remain confident that positive returns will ultimately be delivered, we have taken a strategic decision to target much of our new investments in assets with an income stream either in the private equity sector or, as evidenced by our recent investments in Patimas and ABT, in publicly-quoted companies. We believe this will provide a better balance between longer term returns and liquid assets for our investment portfolio.

Chairman's Statement

It is in support of this strategy that we are building closer ties with Adamas, which typically invests in high yield assets in Greater China. Looking forward, our plan is to co-invest with Adamas where synergies are strong, and to share resources as much as possible to improve efficiencies within both businesses.

Against that outlook, I remain confident that while 2012 produced disappointing results for the Group, our strategic shift towards more liquid and income-generating assets, underpinned by our strong relationship with Adamas, will deliver improved returns for shareholders, and that this should also be reflected in an improved share price with a much smaller discount to Net Asset Value.

In April 2013 the Group successfully raised US$4 million through the placing of 50 million new ordinary shares at US$0.08 per share. The equity raising was completed in order to provide additional funds to be deployed for new investments, and in May we announced our investment in Asia Bioenergy Technologies Berhad. We hope to be announcing further new investments in due course.

Finally, I would like to express thanks to our former Chairman Patrick Macdougall who retired at the end of February 2013, and who provided invaluable experience and advice to the team throughout his tenure.

John Croft
Chairman of the Board

26 June 2013

An Overview of the Private Equity Market in China

Private-equity funds in China are still holding on to about 82 percent of the companies they have invested in since 2007, according to a report from China First Capital, a Shenzhen-based advisory firm. Funds typically seek to cash out of their investments within three to five years, often through IPOs. As such there is an overhang of funds waiting for exits to happen.

Many institutional investors have been playing a "wait and see" game to see if exits were forthcoming in 2013. The private equity industry thus rejoiced at the initial public offering of Lightinabox, a Chinese e-commerce firm. This was the first IPO by a Chinese company on US markets this year. Lightinabox has received investments from various private equity funds including Zhenfund, GSR Ventures, Ceyuan Ventures and TrustBridge Partners. Trading under the ticker LITB, shares rose 22.2% to $11.61 during the stock's first day of trading on the New York Stock Exchange, raising a total of $79 million. Before this event IPOs by Chinese companies have received a chilly reception from investors in the US and Hong Kong for more than a year now, the result of a number of factors including a series of accounting scandals involving Chinese companies listed in the US.

We began to see some signs of improving investor sentiment late last year, when social networking site YY (Nasdaq: YY) made a successful listing in New York and shares of recently listed discount retailer Vipshop (NYSE: VIPS) also started posting big gains.

On the other side the companies that have raised RMB-denominated funds are looking for their portfolio companies to be listed domestically. At the moment, only about 250 Chinese private companies go public each year domestically. The reason is that the Chinese securities regulator, the CSRC, keeps tight control on the supply of new issues. Their goal is to keep the supply at a level that will not impact overall stock market valuations. This results in a long queue for companies getting a listing. Domestic initial public offering prices have tumbled 70 percent since 2012 despite the Shanghai Stock Exchange Composite Index rising 24 percent from last year's four-year low on Dec. 3, 2012. There have been no domestic IPOs this year, and new deals are virtually halted.

Companies looking for exits for their investors have turned to other paths which include overseas listings, reverse takeover of public listed shells and more M&A activities. We expect to see these activities increase over the second half of the year.

Another growing trend in China is private equity firms investing in Chinese companies that are already publicly listed in the US to take them private. In the last two years, more than 40 US-listed Chinese companies have announced plans to delist in "take private" deals. About half the deals have a PE firm at the centre of things, providing a large chunk of the capital. The PE firms argue that the US stock market has badly misunderstood, and therefore deeply undervalued these Chinese companies. The PE firms confidently boast they are buying into great businesses at fire sale prices. These companies included Focus Media, 7 Days Inn and the aborted Ambow Education deal. This may be another path the PE firms will take as they look to "safer" deals in the future.

Hanson Cheah
Non-executive Director

26 June 2013

Biographies of Directors and Senior Management

DIRECTORS

Mr. John Croft *(aged 60), Executive Chairman*

Mr. Croft has extensive experience of the AIM market at London's Stock Exchange and is also Chairman of AIM listed Fusionex International PLC (AIM:FXI). Previously he was Chairman of e-pay Asia Limited, the largest e-payments company in SE Asia. Mr. Croft has been a Director of CPE since 2008.

Mr. Croft previously held senior director level positions in Racal Electronics and NCR Corporation, following an early career in banking with HSBC and Grindlays Bank. He is a British citizen and resides in the United Kingdom.

Mr. Ernest Wong Yiu Kit *(aged 45), Executive Director*

Mr. Wong has extensive experience in venture capital, corporate finance, business development, legal, IT, financial and general management. Mr. Wong held senior positions in various sizeable companies including Guangdong Investment Limited (HKSE: 0270), ASTRI, Vertex, Transpac Capital and Andersen Consulting (now called Accenture).

Mr. Wong holds a Bachelor of Business Administration degree from the University of Hong Kong, and a Master of Science degree in Investment Management from the Hong Kong University of Science and Technology and a Master of Science degree in Electronic Engineering from the Chinese University of Hong Kong. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, the United Kingdom; and is an associate member of the Institute of Chartered Accountants in England and Wales. He is also a charter-holder of Chartered Financial Analyst, the United States and a member of Hong Kong Security Institute, Hong Kong.

Mr. Hanson Cheah *(aged 48), Non-executive Director*

Mr. Cheah has over 20 years of technology management and venture capital investment experience in Asia. He is currently a Managing Partner of Silkroad Capital. Mr. Cheah was a co-founder of AsiaTech Ventures in Hong Kong managing over US$180 million in technology investments since 1998, working closely with corporate investors such as Sun Microsystems, NTT DoCoMo, and Fujitsu. Prior to founding AsiaTech, Mr. Cheah was the Indonesian Country Manager and Regional Portfolio Manager for private equity firm Transpac Capital and was the Chairman of Venture Capital Association in Hong Kong in 2004-2005.

Mr. Cheah holds a Bachelor of Science degree and a Master of Science degree in Mechanical Engineering from the Massachusetts Institute of Technology and a certificate in Management Science from Stanford University.

SENIOR MANAGEMENT

Mr. Duncan Chui Tak Keung *(aged 44), Chief Investment Officer*

Mr. Chui is an experienced investor and business manager for direct investment and private equity ventures in Asia. He is the founder and the Chief Investment Officer of the Company and the President of Fortel Technology Holdings Limited, its anchor investment founded by Mr. Chui which operates as a one-stop infrastructure for internet content and media providers to distribute electronic content in China. Starting his career with Andersen Consulting and A.T. Kearney, Mr. Chui became one of the earliest venture capital fund managers in Asia when he joined Transpac Capital Group in the late 1990's to focus almost exclusively on software, IT services and the internet sector. Computer & Technologies (HKSE: 0046), IIN International (HKSE: 8128) and Alibaba.com (HKSE: 1688) feature on Mr. Chui's successful investment track record as a venture capitalist. Mr. Chui received a Bachelor of Science degree (Applied and Engineering Physics) and a Master of Engineering degree (Operations Research and Industrial Engineering) from Cornell University in 1991 and 1992 respectively.

Mr. Alex Chow Ka Wo *(aged 46), Chief Financial Officer*

Mr. Chow has more than 20 years of finance management and corporate finance experience, covering activities in sectors as diverse as mergers and acquisitions, IPOs, and debt and equity advisory work. He is a founder and the managing director of Karl Thomson Financial Advisory Ltd ("Karl Thomson"), a corporate finance advisory group whose parent company is Karl Thomson Holdings Ltd. (HKSE: 7). He previously worked with Nomura International Ltd. and Peregrine Capital Ltd. Mr. Chow was an executive director of Shenyang Public Utility Holdings Company Ltd (HKSE: 747) and Capital VC Limited (formerly known as Sino Katalytics Investment Corporation (HKSE: 2324). Mr. Chow holds a Bachelor of Arts degree in Applied Mathematics and Economics from the University of California at Berkeley and a Master of Arts degree in Economics from the Cornell University in the United States.

Directors' Report

The board ("the Board") of directors ("the Directors") are pleased to present their report on the affairs of the Company and its subsidiaries (collectively referred to as "the Group"), together with the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability under the laws of the British Virgin Islands ("BVI"). The Company's shares were admitted to the AIM Market ("AIM") of the London Stock Exchange on 19 October 2009.

The principal activity of the Company is investment holding. The Group is principally engaged in 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.

RESULTS AND DIVIDENDS

The loss on ordinary activities of the Group for the year ended 31 December 2012 after taxation was US$10.3 million (2011: loss US$2.89 million).

The Directors are not recommending the payment of a dividend for the year.

REVIEW OF THE BUSINESS

The Group's audited consolidated loss for the year ended 31 December 2012 amounted to US$10,251,000 (2011: loss: US$2,885,000). The Group's audited net asset value as at 31 December 2012 stood at US$23,174,000 (2011: US$33,423,000), equivalent to US$0.30 per share (2011: US$0.44).

Consolidated losses for the year deepened primarily as a result of decreases in fair value of the Company's stakes in Enfinium and Fortel.

On 12 October 2012, the Company entered into an agreement with AIP Global, exchanging its own 24% interest in Enfinium for 127,000 shares in AIP Global, which represent 2.54% of the issued share capital of AIP Global. AIP Global had earlier acquired a majority interest in Enfinium, in March 2012.

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Progress on Fortel's plans for an IPO in Hong Kong has been frustratingly slow, and was delayed further during 2012 by a decision to change auditors. This has necessitated audits for Fortel's financial years 2010 and 2011 to be started again, and because of the elapsed time, 2012 results now also need to be completed in order for Fortel to qualify for admission to the Hong Kong Stock Exchange. The audit process is now almost complete and we are anticipating that Fortel will be able to submit its application to join the Hong Kong exchange in the very near future.

In November 2012, shares of Fortel were transferred between shareholders at a consideration of HK$4,000 per share. Based on this transaction there is an implied decrease in the value of our investment of US$5.88m and this has been recognised in the statement of comprehensive income for the year ended 31 December 2012.

In 2012, China iEducation generated strong revenues from the traditional database sales and licensing business, and continued to develop its online service business model.

Operating expenses incurred during the year remained largely unchanged from 2011.

During the year, the Company successfully achieved a secondary listing on the Frankfurt exchange and this has provided some additional liquidity in trading in the Company's shares.

We were also very pleased towards the end of the year to announce plans for a long-term strategic partnership with the Hong Kong-based independent asset management firm Gen2 Capital Partners Limited – since renamed Adamas Asset Management ("Adamas")-which we believe marks a key step towards increased positive momentum for the Company in the coming years.

It is in support of this strategy that we are building closer ties with Adamas, which typically invests in high yield assets in Greater China.

FUTURE DEVELOPMENTS

Adamas has announced its intention to strengthen the relationship in the future by steadily increasing its shareholding in CPE, and it is clear that a number of Adamas' investee assets may eventually fit well within CPE's portfolio.

Our plan is to co-invest with Adamas where synergies are strong, and to share resources as much as possible to improve efficiencies within both businesses.

In this regard we plan to shift the focus of our investments more into income generating assets with greater liquidity.

We are also expecting Fortel to submit its application to join the Hong Kong Stock Exchange in 2013.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are set out in Note 22 of the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served during the year and up to the date of this report were as follows:

Mr. Patrick Macdougall – *(Resigned as Non-executive Chairman on 28 February 2013)*
Mr. Jacky Chau Vinh Heng – *(Resigned as Non-executive Vice Chairman on 17 December 2012)*
Mr. John Croft – *Executive Director (Appointed as Chairman on 28 February 2013)*
Mr. Ernest Wong Yiu Kit – *Executive Director*
Mr. Hanson Cheah – *Non-executive Director*

Directors' Report

The Director retiring by rotation is Mr. Ernest Wong Yiu Kit, who, being eligible, offers himself for re-election at the Company's forthcoming annual general meeting.

With the exception of the related party transactions stated in Note 20 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 as at 31 December 2012 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			
	2012		2011	
	Direct	**Indirect**	Direct	Indirect
Mr. Patrick Macdougall ("Mr. Macdougall")	**594,120**	**300,000^^**	294,120	300,000^^
Mr. John Croft	**70,590**	**184,000**	70,590	–

^^ Mr. Macdougall is a trustee, but not a beneficiary, of a family trust registered in the name of Macdougall Nominees Limited, which held 300,000 shares as at 31 December 2012.

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

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

	Number of ordinary shares of no par	**Percentage**
China Thrive Investments Limited	25,000,000	19.80%
Mr. Wong Chun Hung	25,000,000	19.80%
Imperia Capital Investment Holdings Limited #	11,727,926	9.29%
Max Era Properties Limited	8,640,441	6.84%
Red Deer Corporation	7,300,000	5.78%
Mr. Jacky Chau Vinh Heng	6,114,180	4.84%
Long Term Aim Holdings Limited	4,818,515	3.82%
Mr. Tang Yue Nien, Martin	4,818,515	3.82%

Mr. Duncan Chui Tak Keung is a the Chief Investment Officer of the Company 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 of the Company as of the date of this report.

FINANCIAL INSTRUMENTS

The Group's use of financial instruments is described in Note 18.

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 policies are also set to ensure that appropriate strategies are adopted to manage related interest and currency risk funding; and to ensure that credit risks on receivables are properly managed. In addition, Note 18 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.

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.

SHARE CAPITAL

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

At 31 December 2012, the number of ordinary shares in issue was 76,284,645. Details of movements in the issued share capital during the year are set out in Note 17 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 Directors.

EMPLOYEE INFORMATION

As at 31 December 2012, the Group had 6 (2011: 5) 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 (2011: Nil).

Directors' Report

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting ("Annual General Meeting") will be held on Friday, 26 July 2013 at 1:00 p.m. (Hong Kong time) at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong. The notice of the Annual General Meeting is enclosed with the financial statements.

GOING CONCERN

The Group raised US$4 million by way of a placing of new ordinary shares in April 2013 and has considerable financial resources at its disposal. Hence, 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.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

A resolution to re-appoint Crowe Clark Whitehill LLP as the Company's auditors will be proposed at the Annual General Meeting.

On behalf of the Board

John Croft
Executive Chairman

Date: 26 June 2013

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.

COMPOSITION OF THE BOARD

The Board consists of two executive Directors and one non-executive Director. The non-executive Director's role is to bring independent judgement to Board discussions and decisions.

The composition of the Board as at the date of this report is as follows:

Mr. John Croft – *Executive Chairman (Chairman since 28 February 2013)*
Mr. Ernest Wong Yiu Kit – *Executive Director*
Mr. 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.

INTERNAL CONTROL

The Board is responsible for overseeing the Group's system of internal controls. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group has sound internal control systems which are 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 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 comprised Mr. Hanson Cheah (Chair) and Mr. Patrick Macdougall throughout the year under review. 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 twice during the year and will meet at least twice a year in the future. The audit committee comprises only Mr. Hanson Cheah since the retirement of Mr. Patrick Macdougall on 28 February 2013. On 26 June 2013, Mr. John Croft and Mr. Ernest Wong Yiu Kit were appointed to the audit committee.

Corporate Governance Statement

REMUNERATION COMMITTEE

The remuneration committee comprised Mr. Patrick Macdougall (Chair), Mr. John Croft and Mr. Hanson Cheah throughout the year under review. It reviews the performance of the executive Directors and determines their remuneration and the basis of their service agreements with due regard to the interests of the 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. The Remuneration committee comprises Mr. John Croft and Mr. Hanson Cheah since the retirement of Mr. Patrick Macdougall on 28 February 2013.

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 comprises Mr. John Croft (Chair), Mr. Hanson Cheah and Mr. Duncan Chui Tak Keung. The investment committee decides whether or not to proceed with any investment opportunity. It is also responsible for reviewing existing investments and deciding on divestment issues. The investment committee also needs to approve any investment in a company where any Director is already interested, subject to provisions of the AIM Rules for Companies and applicable law and regulations.

RELATIONS WITH SHAREHOLDERS

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance. The shareholders are encouraged to participate in annual general meetings where the Board will present a review of the results and comments on current business activities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements for each financial period. These non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and are presented in accordance with AIM requirements. The financial statements are required by IFRSs to present fairly the financial position and performance of the Company and the Group. In preparing these financial statements the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgments 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; and
- 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 are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of applicable law and regulations. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditor

Independent auditor's report to the members of China Private Equity Investment Holdings Limited
For the year ended 31 December 2012

We have audited the non-statutory financial statements ("the financial statements") of China Private Equity Investment Holdings Limited for the year ended 31 December 2012, which comprise the consolidated and company statement of financial position, the consolidated and company statement of comprehensive income, the consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and related notes.

These financial statements have been prepared under the group's accounting policies set out therein. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as issued by the IASB. 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 auditor's report and for no other purpose. To the fullest extent permitted by English law, we do not accept or assume responsibility to anyone other than 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

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

We read all the financial and non-financial information in the Directors' Report and Chairman's Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION

In our opinion:

- the financial statements give a true and fair view, of the state of the company and group's affairs as at 31 December 2012, and of their results for the year then ended; and

- the financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Crowe Clark Whitehill LLP
Registered Auditor

St Bride's House
10 Salisbury Square
London ECAY 8EH

Date: 26 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Fair value changes on financial assets at fair value through profit or loss	3	**(9,246)**	(1,730)
Administrative expenses		**(1,402)**	(1,426)
Operating loss	5	**(10,648)**	(3,156)
Finance income	6	**275**	274
Loss before taxation		**(10,373)**	(2,882)
Taxation	8	**–**	–
Loss for the year		**(10,373)**	(2,882)
Other comprehensive expense			
Currency translation differences		**122**	(3)
Total comprehensive loss for the year		**(10,251)**	(2,885)
Loss per share			
Basic	21	**13.60 cents**	4.11 cents
Diluted	21	**13.60 cents**	4.11 cents

The results reflected above relate to continuing operations.

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Fair value changes on financial assets at fair value through profit or loss	3	(3,344)	(1,671)
Administrative expenses		(588)	(484)
Operating loss	5	(3,932)	(2,155)
Finance income	6	275	274
Loss before taxation		(3,657)	(1,881)
Taxation	8	–	–
Loss for the year		(3,657)	(1,881)
Other comprehensive expense			
Currency translation differences		102	(3)
Total comprehensive loss for the year		(3,555)	(1,884)

The results reflected above relate to continuing operations.

The accompanying notes on pages 27 to 50 are an integral part of these financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital US$'000	Share based payment reserve US$'000	Foreign translation reserve US$'000	(Accumulated losses)/ retained earnings US$'000	Total US$'000
Group balance at 1 January 2011	24,572	799	(68)	4,005	29,308
Loss for the year	–	–	–	(2,882)	(2,882)
Other comprehensive expense					
Currency translation differences	–	–	(3)	–	(3)
Total comprehensive expense for the year	–	–	(3)	(2,882)	(2,885)
Issue of shares	7,000	–	–	–	7,000
Group balance at 31 December 2011 and 1 January 2012	**31,572**	**799**	**(71)**	**1,123**	**33,423**
Loss for the year	**–**	**–**	**–**	**(10,373)**	**(10,373)**
Other comprehensive income					
Expired options	**–**	**(799)**	**–**	**799**	**–**
Currency translation differences	**–**	**–**	**122**	**–**	**122**
Total comprehensive (expense)/income for the year	**–**	**–**	**122**	**(10,373)**	**(10,251)**
Issue of options	**–**	**2**	**–**	**–**	**2**
Group balance at 31 December 2012	**31,572**	**2**	**51**	**(8,451)**	**23,174**

Company Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital US$'000	Share based payment reserve US$'000	Foreign translation reserve US$'000	Accumulated losses US$'000	Total US$'000
Company balance at 1 January 2011	24,572	799	(58)	(1,750)	23,563
Loss for the year	–	–	–	(1,881)	(1,881)
Other comprehensive expense					
Currency translation differences	–	–	(3)	–	(3)
Total comprehensive expense for the year	–	–	(3)	(1,881)	(1,884)
Issue of shares	7,000	–	–	–	7,000
Company balance at 31 December 2011 and 1 January 2012	**31,572**	**799**	**(61)**	**(3,631)**	**28,679**
Loss for the year	**–**	**–**	**–**	**(3,657)**	**(3,657)**
Other comprehensive income					
Expired options	**–**	**(799)**	**–**	**799**	**–**
Currency translation differences	**–**	**–**	**102**	**–**	**102**
Total comprehensive (expense)/income for the year	**–**	**–**	**102**	**(3,657)**	**(3,555)**
Issue of options	**–**	**2**	**–**	**–**	**2**
Company balance at 31 December 2012	**31,572**	**2**	**41**	**(6,489)**	**25,126**

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 (Note 19).
Foreign translation reserve	Foreign translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Company and its subsidiaries
Retained earnings/(accumulated losses)	Represents the cumulative net gains and losses recognised in the income statement

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Non-current assets			
Fixtures, fittings and equipment	9.1	7	7
Unquoted financial assets at fair value through profit or loss	10	20,133	29,248
Total non-current assets		20,140	29,255
Current assets			
Loans and other receivables	12	3,023	3,363
Quoted financial assets at fair value through profit or loss	13	–	176
Cash and cash equivalents		489	1,159
Total current assets		3,512	4,698
Total assets		23,652	33,953
Current liabilities			
Other payables and accruals	14	478	494
Shareholder's loan	15	–	36
Total liabilities		478	530
Net current assets		3,034	4,168
Net assets		23,174	33,423
Equity and reserves			
Share capital	17	31,572	31,572
Share based payment reserve		2	799
Foreign translation reserve		51	(71)
(Accumulated losses)/retained earnings		(8,451)	1,123
Total equity and reserves attributable to owners of the parent		23,174	33,423

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2013 and signed on its behalf by:

John Croft
Executive Chairman

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Non-current assets			
Fixtures, fittings and equipment	9.2	4	6
Investment in subsidiaries	11	19,041	18,225
Unquoted financial assets at fair value through profit or loss	10	3,007	6,329
Total non-current assets		22,052	24,560
Current assets			
Loans and other receivables	12	3,008	3,345
Cash and cash equivalents		194	898
Total current assets		3,202	4,243
Total assets		25,254	28,803
Current liabilities			
Other payables and accruals	14	128	115
Shareholder's loan	15	–	9
Total liabilities		128	124
Net current assets		3,074	4,119
Net assets		25,126	28,679
Equity and reserves			
Share capital	17	31,572	31,572
Share based payment reserve		2	799
Foreign translation reserve		41	(61)
Accumulated losses		(6,489)	(3,631)
Total equity and reserves		25,126	28,679

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2013 and signed on its behalf by:

John Croft
Executive Chairman

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	2012	2011
	US$'000	US$'000
Cash generated from operating activities		
Loss before taxation	**(10,373)**	(2,882)
Adjustments for:		
Depreciation	**3**	2
Financing income	**(275)**	(274)
Fair value changes on unquoted financial assets at fair value through profit or loss	**9,223**	1,671
Fair value changes on quoted financial assets at fair value through profit or loss	**23**	59
Share-based expenses	**2**	–
Increase in receivables	**(39)**	(10)
(Decrease)/increase in other payables and accruals	**(17)**	186
Net cash used in operating activities	**(1,453)**	(1,248)
Cash flows from investing activities		
Acquisition of fixtures, fittings and equipment	**(3)**	(2)
Finance income received	**275**	185
Sale proceeds/(purchase) of quoted financial assets at fair value through profit or loss	**154**	(235)
Sale proceeds of unquoted financial assets at fair value through profit or loss	**–**	3,800
Loans granted	**(3,528)**	(6,266)
Proceeds from repayment of loan granted	**3,919**	3,055
Net cash generated from investing activities	**817**	537
Cash flows from financing activities		
Net proceeds from issue of shares	**–**	1,000
(Repayment to)/loan from shareholders	**(36)**	22
Net cash (used in)/generated from financing activities	**(36)**	1,022
Net (decrease)/increase in cash and cash equivalents	**(672)**	311
Cash and cash equivalent at the beginning of the year	**1,159**	851
Effect of foreign exchange	**2**	(3)
Cash and cash equivalent at the end of the year	**489**	1,159

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2012

	2012 US$'000	2011 US$'000
Cash generated from operating activities		
Loss before taxation	(3,657)	(1,881)
Adjustments for:		
Depreciation	2	1
Finance income	(275)	(274)
Fair value changes on unquoted financial assets at fair value through profit or loss	3,344	1,671
Share-based expenses	2	–
Increase in other receivables	(43)	–
Increase in other payables and accruals	12	58
Net cash used in operating activities	(615)	(425)
Cash flows from investing activities		
(Advances to)/repayment from subsidiaries	(746)	3,209
Finance income received	275	185
Loans granted	(3,528)	(6,266)
Proceeds from repayment of loan granted	3,919	3,055
Net cash (used in)/generated from investing activities	(80)	183
Cash flows from financing activities		
Net proceeds from issue of shares	–	1,000
Repayment of loan from shareholders	(9)	(5)
Net cash (used in)/generated from financing activities	(9)	995
Net (decrease)/increase in cash and cash equivalent	(704)	753
Cash and cash equivalent at the beginning of the year	898	147
Effect of foreign exchange	–	(2)
Cash and cash equivalent at the end of the year	194	898

The accompanying notes on pages 27 to 50 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012

1. GENERAL 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, PO Box 3140, Road Town, Tortola, British Virgin Islands VG1110 and its principal place of business is 16/F., Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong. The Company was set up with an intention to position itself to be a Chinese and Asian focused AIM listed private equity investment holding group. The Company will seek to identify suitable private equity investment opportunities in China.

The Company is listed on AIM of the London Stock Exchange (code: CPEH) and with effect from 6 December 2012, the Company's ordinary shares have been included on the Quotation Board of the Open Market of the Frankfurt Stock Exchange (code: 1CP).

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) as issued by the IASB. 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, and on a going concern basis.

The accounting policies adopted by the Company and the Group are consistent with those of the previous financial year except as follows:

The Company and Group have adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2012.

		Effective Date Accounting periods beginning on or after
IFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets	01/07/2011
IAS 12(Amendments)	Deferred Tax – Recovery of Underlying Assets	01/01/2011

The following standards and interpretations have been issued but are not yet effective and have not been early adopted in these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012

2. ACCOUNTING POLICIES (continued)

a) Basis of Preparation (continued)

		Effective Date Accounting periods beginning on or after
IFRS 9	Financial Instruments	01/01/2015
IFRS 10	Consolidated Financial Statements	01/01/2013
IFRS 11	Joint Arrangements	01/01/2013
IFRS 12	Disclosure of Interests in Other Entities	01/01/2013
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	01/01/2013
Amendment to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities	01/01/2014
IFRS 13	Fair Value Measurement	01/01/2013
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income	01/07/2012
IAS 19 (as revised in 2011)	Employee Benefits	01/01/2013
IAS 27 (as revised in 2011)	Separate Financial Statements	01/01/2013
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures	01/01/2013
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities	01/01/2014
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine	01/01/2013

(The initial application of IFRS 10, 11, 12 and IAS 27 and 28 could have a material effect on the financial statements of the Group. The key impact is the potential consolidation of portfolio investments and funds managed by the Company in the Group financial statements. The development of these standards and industry interpretation is being closely monitored including the recent issue of an Investment Entity exposure draft which potentially exempts qualifying entities from consolidation under IFRS 10.)

The Directors do not currently expect any other standards to have any material impact on accounting policies or disclosures.

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.

2. ACCOUNTING POLICIES (continued)

b) Basis of consolidation (continued)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating activities. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 – Investment in Associates, which requires investment held by venture organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of change. The Group has no interests in associates through which it carries on its business.

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 make strategic decisions. The Group is principally engaged in investment business, the Directors consider there is only one business activity significant enough for disclosure. However, this activity consists of three entities which operate in two geographical locations, ie. BVI and Hong Kong. Each location represents a single cash generating unit.

d) Revenue recognition

Revenue is recognised when it is probable 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.
- Fair value changes on financial assets represents the overall changes in net assets from the investment portfolio net of deal-related costs but excluding exchange movements.
- Other income comprised 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%

Notes to the Financial Statements

For the year ended 31 December 2012

2. ACCOUNTING POLICIES (continued)

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.

Unquoted financial assets at fair value through profit or loss

Unquoted:

Classification

The Group classifies its unquoted financial assets 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 receive 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.

2. ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

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.

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 are 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.

In the opinion of the Directors, cash flows arising from transactions in equity investments represent cash flows from investing activities.

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 "loans and other receivables" and "cash and cash equivalents" in the statement of financial position.

Other payables

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

Cash and cash equivalents

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

Impairment of financial assets

At each balance sheet date, the 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.

Notes to the Financial Statements

For the year ended 31 December 2012

2. ACCOUNTING POLICIES (continued)

h) Investment in subsidiaries

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

i) 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.

j) Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are nonassessable 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.

k) 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.

l) 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.

m) Dividends

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

2. ACCOUNTING POLICIES (continued)

n) 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 at the fair value of receivable services or supplies.

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.

o) 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.

p) Share issue expenses

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

q) 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:

Assessment of the recoverability of receivables from and investments in subsidiaries

The Group follows the guidance of IAS 36 and IAS 39 in determining whether investments in subsidiaries are impaired. This determination required the assumption made regarding the duration and extent to which the value is less than cost. Management’s assessment for impairment of investment in subsidiaries is based on the estimation of value in use by forecasting the expected future cashflows, using a suitable discount rate.

Notes to the Financial Statements

For the year ended 31 December 2012

2. ACCOUNTING POLICIES (continued)

q) Critical accounting estimates and judgements (continued)

Assessment of accounting treatment under IAS 28 – Investment in Associates

The Group has the exemption under IAS 28 Investments in Associates whereby IAS 28's requirements do not apply to investments in associates held by venture capital organisations. This exemption is conditional on the investments being designated as at fair value through profit and loss or being classified as held for trading upon initial recognition. Such investments are measured at fair value with changes in fair value being recognised in the income statement.

The Group considers that the equity or proportionate consolidation methods for investments held by the Group produce information that is not relevant to the management and shareholders. The business of our respective investee companies is different in nature to that of ours and it is not our strategy to hold the interest of these investments on a perpetual basis. Therefore, the Goup considers that the fair value measurement produces more relevant information to us. Moreover, the level of ownership in our investments will have frequent changes. So the financial statements of the portfolio companies are less useful than the fair value from the point of view of the management, shareholders and investors.

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 market-data. Any changes in the above data will affect the fair value of an investment which may lead to recognition an impairment loss in the statement of comprehensive income if an impairment exists. Carrying values are dealt with in note 10.

The Group adopted price of recent investment methodology prescribed in the IPEVCV guidelines to value its investments at fair value through profit and loss.

If there was no investment event involving third parties during the year, or if suitable alternative valuation evidence is not available, the Group would then appoint an independent professional qualified valuer to estimate the value of the investment using an appropriate valuation methodology as prescribed in IPEVCV guidelines.

r) 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 Dollar. 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 2012, being US$1 = HK$7.751.

– **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.

2. ACCOUNTING POLICIES (continued)

r) Foreign currency translation (continued)

– Group companies

The results and financial position of all the group entities, including the parent company, (none of which has the currency of a hyperinflationary 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.

3. FAIR VALUE CHANGES ON FINANCIAL ASSETS AT FAIR VALUE

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Change in fair value of unquoted financial assets (note 10)	**(9,223)**	(1,671)	**(3,344)**	(1,671)
Change in fair value of quoted financial assets (note 13)	**(23)**	(59)	**–**	–
Total	**(9,246)**	(1,730)	**(3,344)**	(1,671)

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 (see note 2c).

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 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 2012 is as follows:

Notes to the Financial Statements

For the year ended 31 December 2012

4. SEGMENT INFORMATION (continued)

Revenue attributed by reference to each company's country of domicile (see Note 2(c)):

	BVI US$'000	Hong Kong US$'000
Fair value changes on financial assets at fair value through profit or loss	(5,879)	(3,367)
Total financial income	275	–
Non-current assets attributed by reference to their location		
Non-current assets	19,133	1,007
Additions to non-current assets	–	3

The segment information provided to the senior management and executive Board members for the reportable segments for the year ended 31 December 2011 is as follows:

	BVI US$'000	Hong Kong US$'000
Fair value changes on financial assets at fair value through profit or loss	–	(1,730)
Total financial income	274	–
Non-current assets attributed by reference to their location		
Non-current assets	23,248	6,007
Additions to non-current assets	–	6,002

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 LOSS

Operating loss is stated after charging:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Depreciation	**3**	2	**2**	2
Fees payable to the Group's auditor for audit of the Company	**33**	64	**32**	59
Operating lease rentals – land and buildings	**155**	98	**–**	–

6. FINANCE INCOME

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Interest from bank and other loans	**275**	274	**275**	274

7. DIRECTORS' REMUNERATION

	Group		Company	
	2012	2011	**2012**	2011
	US$	US$	**US$**	US$
Short term employment benefits				
Patrick Macdougall	**79,710**	77,121	**79,710**	77,121
Duncan Chui Tak Keung	**3,329**	154,242	**–**	–
Ernest Wong Yiu Kit	**92,887**	156,812	**–**	–
John Croft	**150,752**	46,272	**150,752**	46,272
Hanson Cheah	**38,703**	38,560	**–**	–
Jacky Chau Vinh Heng	**29,714**	30,848	**–**	–
	395,095	503,855	**230,462**	123,393

There was no pension cost incurred.

Director's benefit-in-kind of US$1,332 (2011: US$43,702) is included in Directors' remuneration.

The Directors have received no benefits other than those stated above.

Duncan Chui Tak Keung and Jacky Chau Vinh Heng resigned from the Board on 9 January and 17 December 2012 respectively.

Notes to the Financial Statements

For the year ended 31 December 2012

8. TAXATION

No charge to taxation arises in the years ended 31 December 2011 and 2012 as there were no taxable profits in either year. The Company and one of its subsidiaries, CPE TMT Holdings Limited, are both incorporated in the BVI and are not subject to any income tax.

Tax reconciliation:

	Group	
	2012	2011
	US$'000	US$'000
Loss before taxation	**(10,373)**	(2,882)
Effective tax charge at 16.5% (2011: 16.5%)	**(1,712)**	(476)
Effect of:		
Differences in overseas taxation rates	**1,712**	476
Effective tax rate	**–**	–

As at 31 December 2012, the Group has no unused tax losses (2011: Nil) available for offset against future profits.

9. FIXTURES, FITTINGS AND EQUIPMENT

9.1 Group

	Fixtures, fittings and equipment US$'000
Cost:	
At 1 January 2011	11
Exchange adjustment	(1)
Additions	2
At 31 December 2011 and 1 January 2012	12
Additions	3
At 31 December 2012	15
Depreciation:	
At 1 January 2011	3
Charge for the year	2
At 31 December 2011 and 1 January 2012	5
Charge for the year	3
At 31 December 2012	8
Net book value:	
At 31 December 2012	7
At 31 December 2011	7

9. FIXTURES, FITTINGS AND EQUIPMENT (continued)

9.2 Company

	Fixtures, fittings and equipment US$'000
Cost:	
At 1 January 2011	11
Effect of foreign exchange	(1)
At 31 December 2011, 1 January 2012 and 31 December 2012	10
Depreciation:	
At 1 January 2011	3
Charge for the year	1
At 31 December 2011 and 1 January 2012	4
Charge for the year	2
At 31 December 2012	6
Net book value:	
At 31 December 2012	4
At 31 December 2011	6

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

	Group 2012 US$'000	Company 2012 US$'000
Balance as at 1 January 2011	28,718	2,000
Fair value changes through profit or loss	(1,671)	(1,671)
Additions	6,000	6,000
Disposals	(3,800)	–
Effect of foreign exchange	1	–
Balance as at 31 December 2011 and 1 January 2012	29,248	6,329
Fair value changes through profit or loss	(9,223)	(3,344)
Effect of foreign exchange	108	22
Balance as at 31 December 2012	20,133	3,007

Notes to the Financial Statements

For the year ended 31 December 2012

10. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The Group adopted the 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 and Enfinium as the basis to estimate the fair value of the investment.

Fortel Technology Holdings Limited ("Fortel")

CPE TMT holds a 33.6% stake in Fortel.

This has been accounted for as a financial asset at fair value through profit or loss 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 which monitors the investment/divestment decision on an ongoing basis. In November 2012, shares of Fortel were transferred between shareholders at a consideration of HK$1.000 per share ("Fortel Share Transfer"). Based on the Fortel Share Transfer, a decrease in fair value of US$5.879 million in the valuation of Fortel was recognised in the statement of comprehensive income for the year ended 31 December 2012.

AIP Global Holdings Limited ("AIP Global")

The Company also entered into an agreement to acquire a 30% interest in Hong Kong-based Enfinium International Holdings Limited ("Enfinium"), for an initial consideration of US$6 million during the year ended 31 December 2011. The consideration was settled by way of issuing 10 million new ordinary shares of no par value of the Company

In November 2011, Enfinium allotted further shares to third parties ("Corporate Events"). Following the Corporate Events of Enfinium, the Company's interest in Enfinium was diluted from 30% to 24% and based on the above allotment price, a decrease in fair value of US$1,671,000 was recognised in the statement of comprehensive income for the year ended 31 December 2011.

On 12 October 2012, the Company entered into an agreement with AIP Global pursuant to which the Company exchanged its 24% interest in Enfinium for 127,000 shares in AIP Global, which represent 2.54% of the issued share capital of AIP Global. AIP Global acquired a majority interest in Enfinium in March 2012.

Following the conclusion of negotiations with AIP Global, the Company evaluated the carrying cost of the 127,000 shares in AIP Global and determined that a further write down in fair value of US$3.34 million from the carrying value of the Enfinium investment should be recognised in the statement of comprehensive income for the year ended 31 December 2012.

China iEducation Holdings Limited ("iEducation")

During the year ended 31 December 2010, the Company entered into a subscription agreement with iEducation to subscribe its guaranteed convertible note (the "Note") at a consideration of US$2,000,000. The major shareholder of iEducation is the guarantor of the Note. The Note was converted into 6,666 ordinary shares of iEducation in December 2011, representing a 40% interest in iEducation. As the Directors were not aware of any adverse elements that would materially affect the value of the shares, they considered the original cost was an appropriate valuation as at 31 December 2011. An independent professional qualified valuer has performed a valuation in accordance with IPEVCV guidelines for the valuation of our interest in iEducation as of 31 December 2012 at a valuation of US$2.17 million. The Directors consider the valuation of iEducation of US$2 million is a fair valuation as of 31 December 2012.

11. INVESTMENT IN SUBSIDIARIES

	2012	2011
	US$'000	US$'000
Investment in subsidiaries at cost	**1**	1
Amount due from subsidiaries	**19,040**	18,224
	19,041	18,225

11. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries of the Company are as follows:

Name of Company	Country of Incorporation	Percentage owned 2012	Percentage owned 2011	Principal activities
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
CPE Growth Capital Limited	BVI	**100%**	–	Investment holding

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

12. LOANS AND OTHER RECEIVABLES

12.1 Group

	2012 US$'000	2011 US$'000
Loans	**2,832**	3,211
Other receivables and prepayments	**191**	152
	3,023	3,363

12.2 Company

	2012 US$'000	2011 US$'000
Loans	**2,832**	3,211
Other receivables and prepayments	**176**	134
	3,008	3,345

As at 31 December 2012 and 31 December 2011, loans and other receivables predominantly represent loans made to and interest receivable from Orbrich Group Limited ("Orbrich") and iEducation. The amount due from Orbrich is interest bearing at 8% per annum and repayable on demand. The amount due from iEducation 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 nor are they past due and all amounts held are considered to be fully recoverable in value.

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13. QUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	US$'000	US$'000
Market value at 1 January	**176**	—
Currency translation difference	**1**	–
Additions	**–**	235
Loss on disposal during the year	**(23)**	–
Amounts realised during the year	**(154)**	–
Decrease in fair value recognised in profit or loss	**–**	(59)
Balance at 31 December	**–**	176

The quoted financial assets at fair value through profit or loss amounting to US$Nil (2011: US$176,000) were pledged under a securities margin account.

14. OTHER PAYABLES AND ACCRUALS

14.1 Group

	2012	2011
	US$'000	US$'000
Other payables	**182**	190
Amount due to Directors	**107**	154
Accruals	**189**	150
	478	494

14.2 Company

	2012	2011
	US$'000	US$'000
Other payables	**36**	46
Amount due to Directors	**35**	10
Accruals	**57**	59
	128	115

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

15. SHAREHOLDER'S LOAN

15.1 Group

	2012 US$'000	2011 US$'000
Shareholder's loan	–	36

15.2 Company

	2012 US$'000	2011 US$'000
Shareholder's loan	–	9

16. OTHER FINANCIAL COMMITMENTS UNDER OPERATING LEASES

The Group has entered into commercial leases for land and buildings. These leases have an average life of one to five years and there are no restrictions placed on the lessee by entering into the leases. The minimum future lease payments for the non-cancellable operating leases are as follows:

	2012 US$'000	2011 US$'000
Land and buildings:		
One year	85	287
Two to five years	–	88
	85	375

17. 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
Ordinary shares issued 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, 1 January 2012 and 31 December 2012	76,284,645	31,572

17. SHARE CAPITAL (continued)

On 17 May 2011, 10 million new ordinary shares of no par value of the Company were issued by the Company 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 31 December 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 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.

18. 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	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Non-financial instruments	**57**	34	**42**	16
Loans with subsidiaries	**–**	–	**19,040**	18,224
Loans (current)	**2,832**	3,211	**2,832**	3,211
Other receivables	**134**	118	**134**	118
Cash and cash equivalents	**489**	1,159	**194**	898
	3,512	4,522	**22,242**	22,467

18. FINANCIAL INSTRUMENTS (continued)

Other financial liabilities

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Non-financial instruments	**156**	150	**57**	59
Other payables and accruals	**322**	344	**71**	56
Shareholder's loan	**–**	36	**–**	9
	478	530	**128**	124

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, 2, or 3 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
- Level 3 fair value measurements are those derived from inputs that are not based on observable market data.

	Group	
	2012	2011
	US$'000	US$'000
Level 1		
Quoted financial assets at fair value through profit or loss (note 13)	**–**	176
Level 2		
Unquoted financial assets at fair value through profit or loss (note 10)	**17,133**	29,248
Level 3		
Unquoted financial assets at fair value through profit or loss (note 10)	**3,000**	–
	20,133	29,424

During the financial year, unquoted financial assets with a carrying value or US$3 million were transferred from level 2 to level 3 due to the lack of available, observable input data. The value of level 3 investments have been determined using the yield capitalisation (Discounted cashflow) method.

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

18. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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. The Company and the Group do not hold any collateral over these balances.

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 operating results by not more than US$1,000 (2011: US$1,000).

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 other payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with professional firms, and all are due within one year. The shareholder's loan is interest free and repayable on demand. A maturity analysis is not provided because it is immaterial.

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$2,601,000 (2011: US$2,925,000) 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.

18. FINANCIAL INSTRUMENTS (continued)

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 15, cash and cash equivalents and equity comprising issued capital and reserves.

19. 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 options. 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 ended 31 December 2011, the Company did not grant any new share options nor were any exercised. Historic information relating to the fair values of the options in issue can be found in the financial statements for the year ended 31 December 2009.

On 5 December 2012, the Company issued on option over 750,000 ordinary shares in the Company in respect of services provided to the Group at an exercise price of US$0.25 per share. The option will expire 3 years after the date of grant.

All options issued in the years 2009 to 2010 expired during the year. Accordingly the balance of the share based payment reserve in relation to the expired options was transferred to retained earnings.

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For the year ended 31 December 2012

19. SHARE BASED PAYMENTS (continued)

	2012		2011	
	Number of options	**Weighted average exercise price US$**	Number of options	Weighted average exercise price US$
Balance at beginning of the financial year	**5,382,539**	**0.63**	5,382,539	0.63
Effect of share options granted on 5 December 2012	**750,000**	**0.25**	–	–
Expired during the financial year	**(5,382,539)**	**0.63**	–	–
Balance at end of financial year	**750,000**	**0.25**	5,382,539	0.63
Exercisable at end of the financial year	**750,000**	**0.25**	5,382,539	0.63

The fair value of share based share options granted on 5 December 2012 is approximately at an average of US$0.082 per option which is considered to be the fair value of the services to be received.

20. RELATED PARTY TRANSACTIONS

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

	Notes	2012 US$'000	2011 US$'000
Imperia Capital International Holdings Limited			
Amount due to	(i)	–	36
Amount due to Directors	(ii)		
– Duncan Chui Tak Keung (resigned on 9 Jan 2012)		n/a	3
– Hanson Cheah		12	39
– Jacky Chau Vinh Heng (resigned on 17 Dec 2012)		n/a	21
– Ernest Wong Yiu Kit		61	82
– John Croft		13	4
– Patrick Macdougall		20	6
Fortel Solution Limited			
Business center services expenses	(iii)	93	54
Amount due to		16	53
Capital VC Limited			
Professional services expenses	(iv)	–	93
Amount due to		54	54
China iEducation Holdings Limited	(v)		
Interest income		26	2
Amount due from		650	631

(i) As at 31 December 2012 and 2011, the Group owed approximately US$Nil (2011: US$35,700) to Imperia Capital International Holdings Limited ("Imperia"), a shareholder of the Company. The loan is repayable on demand and does not bear interest.

(ii) All key management personnel are Directors and appropriate disclosure with respect to them is made in note 7 of the financial statements. There are no other contracts of significance in which any Director has or had during the year a material interest.

(iii) Fortel Solutions Limited is a subsidiary of Fortel Technology Holdings Limited ("Fortel"). As at 31 December 2012, CPE TMT retains a 33.6% stake in Fortel. Please refer to note 10 for details of shareholding in Fortel.

(iv) Duncan Chui Tak Keung was a director of Capital VC Limited as at 31 December 2011 and resigned on 27 July 2012.

(v) The Company has a 40% interest in iEducation after the conversion of its convertible note in December 2011. Please refer to note 10 to the financial statement for details of the shareholdings in iEducation and note 13 for the terms of the amount due therefrom.

Notes to the Financial Statements

For the year ended 31 December 2012

21. LOSS 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:

		2012 US$'000	2011 US$'000
Numerator			
Basic/Diluted:	Net loss	**(10,373)**	(2,882)
		No. of shares '000	No. of shares '000
Denominator			
Basic:	Weighted average shares	**76,285**	70,134
	Effect of diluted securities:		
	Share options	**750**	1,336
Diluted:	Adjusted weighted average shares	**77,035**	71,470

For the year ended 31 December 2012 and 2011, the share options are anti-dilutive and therefore the weighted average shares in issue are 76,285,000 and 70,134,000 respectively.

22. EVENTS AFTER THE REPORTING PERIOD

a) The Company purchased a total of 43 million shares in Patimas Computer Berhad ("Patimas") through its subsidiary CPE Growth Capital Limited on 29 January 2013. The shares purchased, which are traded on the main market of Bursa Malaysia, (Stock Code: 7042), represent 5.2% of the total shares outstanding in Patimas and they were purchased for a total consideration of MYR4.7 million in cash (equivalent to US$1.5 million).

b) In April 2013, the Company has placed a total of 50,000,000 Ordinary Shares in the Company at a price of US$0.08 per share and has raised gross proceeds of US$4 million.

c) In May 2013, the Company purchased 50 million shares in Asia Bioenergy Technologies Berhad ("ABT") for a total cash consideration of MYR3.5 million (approximately US$1.1 million) at MYR0.07 per share, representing 13.08% if the total shares outstanding in ABT.