

2013
Interim Report



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



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CHAIRMAN'S STATEMENT

On behalf of the Directors, I am pleased to present the interim results of the Group for the six month period ended 30 June 2013.

The Group's unaudited net asset value as at 30 June 2013 stood at US\$26,572,000 (31 December 2012: US\$23,174,000). The increase in net assets was attributable primarily to the equity fundraising during the period which has provided US\$4 million of cash for new investments. Pre tax losses of US\$594,000 were incurred during the period (6 months to 30 June 2012: US\$519,000).

During what turned out to be a pleasingly busy period the Group made two new investments, both in public companies listed on the main market of Bursa Malaysia. The first of these was an investment in February 2013 of MYR4.7 million in cash (equivalent to US\$1.5 million) for a 5.2% shareholding in Patimas Computer Berhad ("Patimas"), a company which provides information and communication technology services and products in Malaysia and internationally. This was followed in May 2013 by a MYR3.5 million (approximately US\$1.1 million) purchase of shares which represented an 11.9% interest in Asia Bioenergy Technologies Berhad ("ABT"), an investment holding company engaged in technology and biotechnology incubation. CPE also announced yesterday that it now intends to take up its rights for 50 million new shares with warrants in ABT, as part of a rights issue being arranged by ABT to increase the size of its investment funds.

The Board is confident that its investments in both Patimas and ABT will create access to new opportunities for the parties involved by marrying the Company's own access to and specialist expertise in the expanding mainland China market with the established broad Asia presence of the two investee companies. The Board remains extremely active in its discussion with ABT and Patimas concerning ongoing opportunities.

As mentioned in my statement contained in the 2012 annual report, the application to the Hong Kong Stock Exchange for the Admission to the market of Fortel Technology Holdings Limited ("Fortel") has been delayed by the need to re-perform the audits for prior years. This process is now nearing completion and we are hopeful that the application to the Exchange can now be submitted before the end of 2013 with an IPO possibly taking place early in 2014. CPE continues to hold a 33.6% stake in Fortel.

Since the end of the reporting period there have been some significant activities in addition to the planned additional investment in ABT mentioned above, which I believe provides further strong indication of CPE's positioning to create synergies with potential long-term strategic benefits for shareholders.

First, the Company announced in July that it plans to embark on a seven-year US\$20 million co-investment programme with Adamas Asset Management (HK) Ltd ("Adamas"), a Hong Kong based investment management firm which typically invests in high yield assets in Greater China. This followed the announcement in November 2012 of an agreement to build a strategic relationship between CPE and Adamas.

Then, in August, CPE announced it had agreed to invest US\$1 million in a new US\$275 million private equity investment fund due to be launched by Adamas to target high-return investments in Small and Medium Enterprises (SMEs) predominantly in Greater China.

CPE's planned investment in the new Greater China Credit Fund LP follows successes achieved with an earlier fund launched by Adamas in March 2010, the Asia Private Credit Fund ("APCF"), which has already provided investors with exit returns for three out of 11 investments yielding a gross IRR of 27%. This US\$1 million investment marked a further step in the Board's plan to strengthen ties with Adamas over time.

CPE also recently announced the disposal of its interest in AIP Global for a consideration equal to approximately US\$1.9 million.

As evidenced by the activities described above, 2013 to date has been a busy period for CPE and I am confident that prospects for the Company are improving, particularly as we strengthen ties with Adamas. Your Board will be making every effort to ensure that investors and market-watchers generally are made aware of our plans as they develop. I am hopeful that ultimately our effort will be reflected in our share price, and that we shall begin to see some narrowing of the current discount to our NAV.

John Croft

Chairman of the Board

24 September 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended		Year ended
		30 June 2013 Unaudited US\$'000	30 June 2012 Unaudited US\$'000	31 December 2012 Audited US\$'000
Fair value changes on financial assets at fair value through profit or loss		30	(23)	(9,246)
<i>Administrative expenses</i>		(758)	(643)	(1,402)
Operating loss		(728)	(666)	(10,648)
Other income		35	–	–
Finance income		99	147	275
Loss before taxation		(594)	(519)	(10,373)
Taxation	5	–	–	–
Loss for the period		(594)	(519)	(10,373)
Other comprehensive expense				
Currency translation differences		(17)	94	122
Total comprehensive loss for the period		(611)	(425)	(10,251)
Loss per share	7			
Basic		0.64 cents	0.68 cents	13.60 cents
Diluted		0.64 cents	0.68 cents	13.60 cents

The results above relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2013 Unaudited US\$'000	30 June 2012 Unaudited US\$'000	31 December 2012 Audited US\$'000
Non-current assets				
Fixtures, fittings and equipment		106	6	7
Unquoted financial assets at fair value through profit or loss	8	20,119	29,331	20,133
Total non-current assets		20,225	29,337	20,140
Currents assets				
Loans and other receivables		3,467	3,623	3,023
Quoted financial assets at fair value through profit or loss	9	3,431	–	–
Cash and cash equivalents		1,084	445	489
Total current assets		7,982	4,068	3,512
Total assets		28,207	33,405	23,652
Current liabilities				
Other payables and accruals		1,635	375	478
Shareholder's loan		–	32	–
Total liabilities		1,635	407	478
Net current assets		6,347	3,661	3,034
Net assets		26,572	32,998	23,174
Equity and reserves				
Share capital	10	35,572	31,572	31,572
Share based payment reserves		11	799	2
Foreign translation reserve		34	23	51
Accumulated (loss)/retained earnings		(9,045)	604	(8,451)
Total equity and reserves attributable to owners of the parent		26,572	32,998	23,174

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US\$'000	Share based payment reserve US\$'000	Foreign translation reserve US\$'000	Retained earnings US\$'000	Total US\$'000
Balance at 1 January 2012	31,572	799	(71)	1,123	33,423
Loss for the period	-	-	-	(519)	(519)
Other comprehensive expense					
Currency translation differences	-	-	94	-	94
Total comprehensive expenses for the period	-	-	94	(519)	(425)
Balance at 30 June 2012	31,572	799	23	604	32,998
Loss for the period	-	-	-	(9,854)	(9,854)
Other comprehensive income					
Expired options	-	(799)	-	799	-
Currency translation differences	-	-	28	-	28
Total comprehensive (expense)/income for the period	-	-	28	(9,854)	(9,826)
Issue of options	-	2	-	-	2
Balance at 31 December 2012 and 1 January 2013	31,572	2	51	(8,451)	23,174
Loss for the period	-	-	-	(594)	(594)
Other comprehensive expense					
Currency translation differences	-	-	(17)	-	(17)
Total comprehensive expenses for the period	-	-	(17)	(594)	(611)
Issue of shares	4,000	-	-	-	4,000
Issue of options	-	9	-	-	9
Balance at 30 June 2013	35,572	11	34	(9,045)	26,572

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June 2013 Unaudited US\$'000	30 June 2012 Unaudited US\$'000	31 December 2012 Audited US\$'000
<i>Cash flow from operating activities</i>			
Loss before taxation	(594)	(519)	(10,373)
Adjustments for:			
Depreciation	23	1	3
Finance income	(99)	(147)	(275)
Fair value changes on unquoted financial assets at fair value through profit or loss	-	-	9,223
Fair value changes on quoted financial assets at fair value through profit or loss	(30)	23	23
Share-based expenses	9	-	2
Decrease/(increase) in other receivables	81	(2)	(39)
Increase/(decrease) in other payables and accruals	1,157	(119)	(17)
Net cash generated from/(used in) operating activities	547	(763)	(1,453)
<i>Cash flow from investing activities</i>			
Acquisition of fixtures, fittings and equipment	(122)	-	(3)
Finance income received	99	160	275
(Purchase)/sale proceeds of quoted financial assets at fair value through profit or loss	(3,401)	154	154
Loans granted	(2,906)	(2,297)	(3,528)
Proceeds from repayment of loans granted	2,380	2,034	3,919
Net cash (used in)/generated from investing activities	(3,950)	51	817

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June 2013 Unaudited US\$'000	30 June 2012 Unaudited US\$'000	31 December 2012 Audited US\$'000
<i>Cash flows from financing activities</i>			
Net proceeds from issue of shares	4,000	-	-
Repayment to shareholders	-	(4)	(36)
Net cash generated from/(used in) financing activity	4,000	(4)	(36)
Net increase/(decrease) in cash & cash equivalents during the period	597	(716)	(672)
Cash & cash equivalents at the beginning of the period	489	1,159	1,159
Effect of foreign exchange	(2)	2	2
Cash & cash equivalents at the end of the period	1,084	445	489

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited company incorporated in the British Virgin Islands ("BVI") under the BVI Business Companies Act 2004 on 18 January 2008. The address of the registered office is Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, BVI, VG 1110 and its principal place of business is 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 seeks to identify suitable private equity investment opportunities in China.

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

The condensed consolidated interim financial information was approved for issue on 24 September 2013. The condensed consolidated interim financial information has not been audited nor reviewed by the auditors.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012 and are those the group expect to apply into financial statements for the year ending 31 December 2013.

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

NOTES TO THE FINANCIAL INFORMATION

4. SEGMENT INFORMATION

The operating segment has been determined and reviewed by the senior management and executive Board members to be used to make strategic decisions. The senior management and executive Board members consider there to be a single business segment, being that of investing activity, which is reportable in two cash generating units.

The reportable operating segment derives its revenue primarily from debt investment in several companies and unquoted investments.

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

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

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

	BVI			Hong Kong		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2013 US\$000	30 June 2012 US\$000	31 December 2012 US\$000	30 June 2013 US\$000	30 June 2012 US\$000	31 December 2012 US\$000
Fair value changes on financial assets at fair value through profit or loss	(31)	-	(5,879)	61	(23)	(3,367)
Other income	-	-	-	35	-	-
Total financial income	99	147	275	-	-	-

NOTES TO THE FINANCIAL INFORMATION

5. TAXATION

No charge to taxation arises for the six months ended 30 June 2013 and 2012 as there were no taxable profits in either period. 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:

	Six months ended		Year ended
	30 June 2013 US\$'000	30 June 2012 US\$'000	31 December 2012 US\$'000
Loss before taxation	(594)	(519)	(10,373)
Effective tax charge at 16.5% (2012:16.5%)	(98)	(86)	(1,712)
Effect of:			
Differences in overseas taxation rates	98	86	1,712
Effective tax rate	-	-	-

As at 30 June 2013, the Group has no unused tax losses (30 June 2012: Nil) available for offset against future profits.

6. DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (30 June 2012: Nil).

NOTES TO THE FINANCIAL INFORMATION

7. LOSS PER SHARE

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

		Six months ended		Year ended
		30 June	30 June	31 December
		2013	2012	2012
		US\$'000	US\$'000	US\$'000
Numerator				
Basic/Diluted:	Net loss	(594)	(519)	(10,373)
Denominator				
		Number of shares		
		'000	'000	'000
Basic:	Weighted average shares	93,412	76,285	76,285
	Effect of diluted securities			
	Share options	750	-	750
Diluted:	Adjusted weighted average shares	94,162	76,285	77,035

For the 6 months ended 30 June 2013 and 2012, the share options are anti-dilutive and therefore the weighted average shares in issue are 93,412,000 and 76,285,000 respectively.

NOTES TO THE FINANCIAL INFORMATION

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

	30 June 2013 US\$'000	30 June 2012 US\$'000	31 December 2012 US\$'000
At the beginning of the period	20,133	29,248	29,248
Fair value changes through profit and loss	–	–	(9,223)
Effect of foreign exchange	(14)	83	108
At the end of the period	20,119	29,331	20,133

There was no change in the unquoted financial assets at fair value through profit and loss account for the six months period ended 30 June 2013. Details of the unquoted financial assets at fair value through profit and loss account are set out in the Annual Report for the year ended 31 December 2012.

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

	30 June 2013 US\$'000	30 June 2012 US\$'000	31 December 2012 US\$'000
Market value at the beginning of the period	–	176	176
Currency translation difference	–	1	1
Additions	3,401	–	–
Loss on disposal during the period	–	(23)	(23)
Amounts realised during the period	–	(154)	(154)
Increase in fair value recognised in profit or loss	30	–	–
Balance at the end of the period	3,431	–	–

The quoted financial assets at fair value through profit or loss amounting to US\$762,000 (30 June 2012: US\$Nil) were pledged under a securities margin account.

NOTES TO THE FINANCIAL INFORMATION

10. SHARE CAPITAL

	Number of shares	Amount US\$'000
Authorised, called-up and fully paid Ordinary shares of no par value each at 1 January 2012, 30 June 2012 and 31 December 2012	76,284,645	31,572
Ordinary shares issued in cash on 19 April and 11 May 2013	50,000,000	4,000
	<u>126,284,645</u>	<u>35,572</u>

On 19 April and 11 May 2013, the Company placed a total of 50,000,000 Ordinary shares in the Company at a price of US\$0.08 per share and raised gross proceeds of US\$4 million.

As at 30 June 2013, the Company was authorised to issue up to a maximum of 300,000,000 Ordinary shares of a single class without par value.

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

11. 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 Level 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.

NOTES TO THE FINANCIAL INFORMATION

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

	30 June 2013 US\$'000	30 June 2012 US\$'000	31 December 2012 US\$'000
Level 1			
Quoted financial assets at fair value through profit or loss (note 9)	3,431	-	-
Level 2			
Unquoted financial assets at fair value through profit or loss (note 8)	17,114	29,331	17,133
Level 3			
Unquoted financial assets at fair value through profit or loss (note 8)	3,005	-	3,000
	23,550	29,331	20,133

There were no transfers between levels in the current period.

During the year ended 31 December 2012, unquoted financial assets with a carrying value of 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 has been determined using the yield capitalisation (discounted cash flow) method.

NOTES TO THE FINANCIAL INFORMATION

12. RELATED PARTY TRANSACTIONS

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

	Note	30 June 2013 US\$'000	30 June 2012 US\$'000	31 December 2012 US\$'000
Imperia Capital International Holdings Limited				
Amount due to	(i)	–	32	–
Amount due to Directors	(ii)			
– Hanson Cheah		32	45	12
– Jacky Chau Vinh Heng (resigned on 17 December 2012)		n/a	36	–
– Ernest Wong Yiu Kit		103	64	61
– John Croft		15	12	13
– Patrick Macdougall (resigned on 28 February 2013)		n/a	7	20
Fortel Solutions Limited	(iii)			
Business centre services expenses		20	46	93
Business centre services income		35	–	–
Amount due to		48	4	16
Fortel Technology Holdings Limited	(iii)			
Interest income		9	–	–
Amount due from		1,040	–	–
China iEducation Holdings Limited	(iv)			
Interest income		13	13	26
Amount due from		404	636	650
Capital VC Limited	(v)			
Amount due to		n/a	54	54

(i) As at 30 June 2013, the Group owed approximately US\$Nil (30.6.2012: US\$32,200) to Imperia Capital International Holdings Limited (“Imperia”), a shareholder of the Company. The loan is repayable on demand and does not bear interest.

(ii) The amounts due thereto are unsecured, interest free and have no fixed term of repayment. There are no other contracts of significance in which any director has or had a material interest during the current period.

NOTES TO THE FINANCIAL INFORMATION

12. RELATED PARTY TRANSACTIONS (CONT'D)

- (iii) Fortel Solutions Limited is a subsidiary of Fortel Technology Holdings Limited ("Fortel"). As at 30 June 2013, CPE TMT retains a 33.6% stake in Fortel. The amount due from Fortel is interest bearing at 5% per annum and repayable on demand.
- (iv) The Company has a 40% interest in China iEducation Holdings Limited. The amount due is interest bearing at 5% per annum and repayable on demand.
- (v) Duncan Chui Tak Keung was a director of Capital VC Limited as at 31 December 2011. He resigned as director of the Company on 9 January 2012 and as director of Capital VC Limited on 27 July 2012.

13. EVENTS AFTER THE REPORTING PERIOD

- (a) The Company and the Hong Kong based investment management firm, Adamas Asset Management (HK) Limited ("Adamas") plans to embark on a co-investment programme. The Company and Adamas plan to co-invest jointly a total of up to US\$20 million over a seven year period in opportunities predominately in income-generating assets in Greater China.

To compensate Adamas for creating the opportunity for the Company to participate in the co-investment programme and for assisting in the proposed fundraising programme, the Company has agreed to grant Adamas options over 1.5 million ordinary shares of CPE (the "Options").

The Options were issued on 12 July 2013 in two tranches, as follows:

- 750,000 at an exercise price of 10c; and
- 750,000 at an exercise price of 15c.

The Options will be exercisable immediately and will be exercisable for a period of three years from the date of issue.

NOTES TO THE FINANCIAL INFORMATION

13. EVENTS AFTER THE REPORTING PERIOD (CONT'D)

- (b) In August 2013, the Company invested US\$1 million in Greater China Credit Fund LP launched by Adamas.

- (c) On 17 September 2013, the Company entered into a conditional agreement to sell its entire holdings in AIP Global Holdings Ltd for a cash consideration of HK\$15 million (equivalent to US\$1.9 million).

- (d) In September 2013, the Company agreed to take up the one-for-one rights issue with warrants ("Rights Issue") proposed by Asia Bioenergy Technologies Berhad ("ABT"). The Rights Issue is on the basis that one ABT share has the right to subscribe for one new ABT share at an issue price of MYR0.1 each with one warrant attached (with an exercise price of MYR0.10)). Accordingly, the Company will acquire further 50 million shares in new ABT with related warrants.