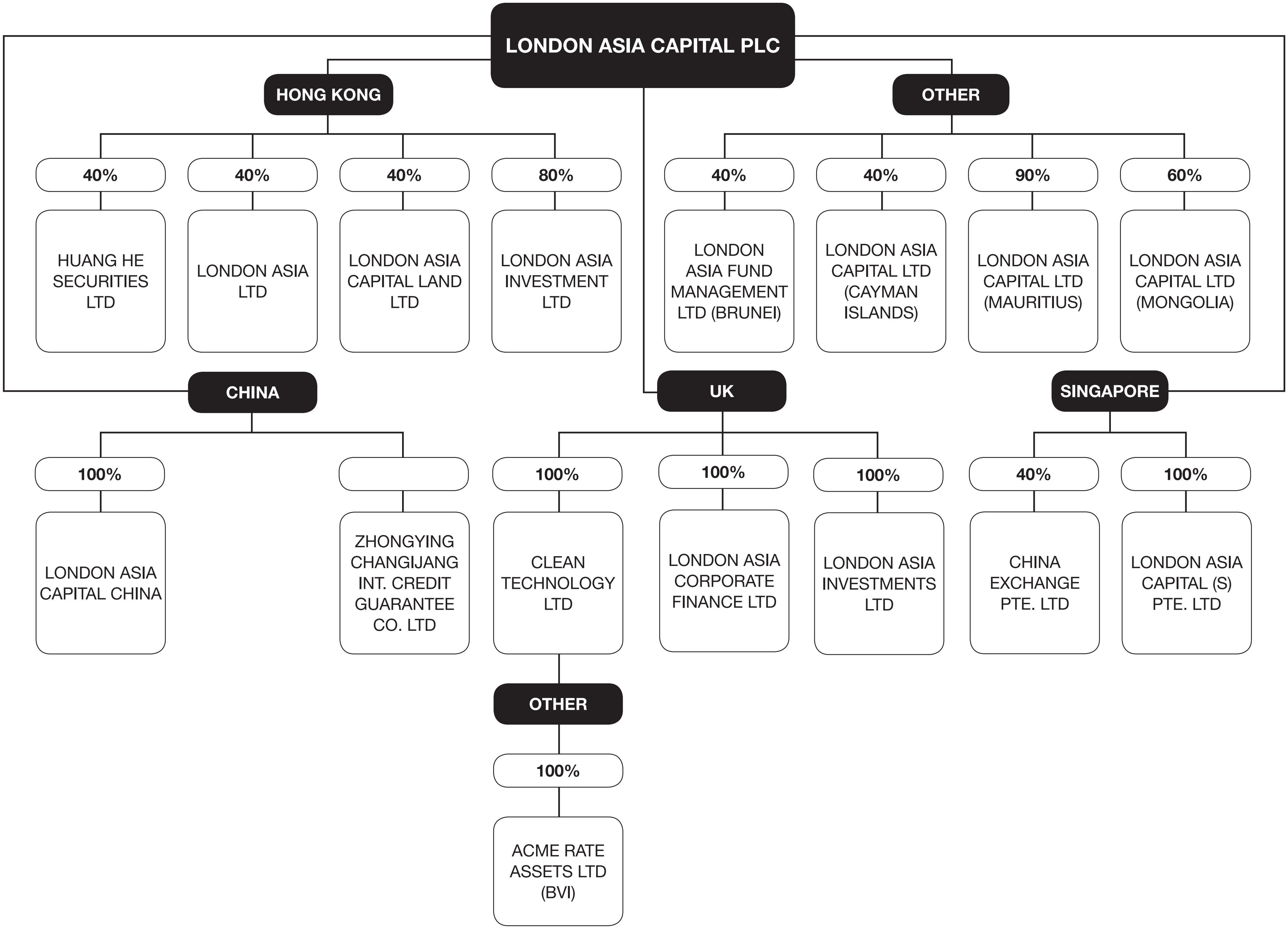
London Asia Capital plc

Annual report
2007


LONDON ASIA CAPITAL PLC
HONG KONG
OTHER
40%
40%
40%
80%
40%
40%
90%
60%
HUANG HE SECURITIES LTD
LONDON ASIA LTD
LONDON ASIA CAPITAL LAND LTD
LONDON ASIA INVESTMENT LTD
LONDON ASIA FUND MANAGEMENT LTD (BRUNEI)
LONDON ASIA CAPITAL LTD (CAYMAN ISLANDS)
LONDON ASIA CAPITAL LTD (MAURITIUS)
LONDON ASIA CAPITAL LTD (MONGOLIA)
CHINA
UK
SINGAPORE
100%
100%
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40%
100%
LONDON ASIA CAPITAL CHINA
ZHONGYING CHANGIJANG INT. CREDIT GUARANTEE CO. LTD
CLEAN TECHNOLOGY LTD
LONDON ASIA CORPORATE FINANCE LTD
LONDON ASIA INVESTMENTS LTD
CHINA EXCHANGE PTE. LTD
LONDON ASIA CAPITAL (S) PTE. LTD
OTHER
100%
ACME RATE ASSETS LTD (BVI)

Contents

Chairman's Statement

Dear Shareholder

These accounts for the year 2007 are being presented to you late, for which I and my Board apologise. The task of producing them has been challenging. The labyrinthine group structure with its complex, inadequately documented and often irregular transactions mean that even at this late stage we cannot be absolutely sure that the picture presented by these accounts is complete. For this reason they have been heavily qualified by our Auditors, Moore Stephens LLP.

From late 2006 George Allnutt and I found ourselves increasingly dissatisfied with the information with which we were being provided on the activities of the subsidiaries and performance of the investments of London Asia Capital Plc. It was with great reluctance that we found ourselves obliged to ask for the shares in your company to be suspended in June of last year. When we attempted to call an EGM of our main operating subsidiary in Hong Kong our efforts were frustrated. Then, we discovered that four companies created in Hong Kong and Singapore for the purposes of acquisition were, in fact, almost valueless and some of the 98 million shares in London Asia Capital plc with a value of some £10m issued to these worthless companies were being used to call an EGM to remove myself and George Allnutt, the remaining Directors of London Asia Capital Plc, from the Board.

This took place in 2008 and was very nearly successful. However, in September 2008 the true state of the four new companies was uncovered. George Allnutt and I then appointed Keith Negal to the post of Chief Executive of this Company. Keith came to us with a reputation for strong and tenacious management of troubled companies in difficult circumstances. Shortly afterwards Toby Parker was appointed Finance Director and started the tortuous task of unravelling what turned out to be a very tangled web. When it became apparent that greater expertise in both regulatory matters and Chinese business was necessary we were fortunate to be able to engage the services of the Earl of Cromer, Professor Francesco Gardin and Dennis Bailey.

Over the past 11 months this team has secured the assets of your company and created order from chaos. Although they have made excellent progress we still have some way to go. The accounts for the years 2008 and 2009 have yet to be produced. However, in these accounts for 2007 you will see a balance sheet which is, I suspect, far better than many of you would have feared. Nevertheless, at the forthcoming AGM I am sure you will have many questions and we will do our best to answer them with candour.

I believe the shareholders owe a debt of gratitude to the strong new team of directors who have worked tirelessly and achieved so much and on your behalf and I thank them. Neither George Allnutt nor I plan to remain on your Board after the AGM and at the meeting I shall hand over the Chair to the Earl of Cromer under whose leadership I believe London Asia Capital Plc will take on a new lease of life.

Jack Wigglesworth
Chairman

19 November 2009

Chief Executive's Statement

Dear Shareholder

The last year has been extremely difficult and I am pleased that we are now in a position to put before you the accounts for 2007. It is the intention of your Board that the accounts for 2008 and 2009 will follow shortly and that by March 2010 we will be able to put the appalling affairs, which have caused us so much trouble and damaged the reputation of your company, behind us. Moreover, it seems very likely that out of this unholy mess will develop a strong relationship with a successful Chinese entrepreneur. We believe that this has the potential to lift the performance of your company above many others whose business lies in China.

During our investigations your Directors have found it difficult to grasp the full extent of the problems we unearthed. The task of putting matters right and preparing accounts for audit has taken many months. One of the most difficult problems to solve has been dealing with the many millions of shares in London Asia Capital Plc either issued in order to purchase valueless companies or purchased by subsidiaries and associates of London Asia Capital Plc in an attempt to support the share price. We have been successful in cancelling 98m of these shares, thereby increasing the net assets per share by over 40%. Some of the shares in LAC purchased by group companies have been sold for the benefit of shareholders. Others, however, were purchased illegally leaving us no choice but to write these off at a cost to the company. These transactions will not wash through the system until the accounts for 2009 and this will inevitably cause these accounts for all three years to look rather strange. From 2010 these peculiarities will be behind us. In the 2007 accounts the balance sheet and the adjusted net assets per share provide shareholders with a true picture.

At this point I must make it clear that the interim accounts for 2007, which showed a net worth of some £44 million were so inaccurate as to be meaningless; for example, £10 million of those assets relate to the four virtually valueless share swap companies mentioned in the Chairman's Report. Other investments to which a value was attributed cannot, at this time, be regarded as having any value whatsoever. At the time of writing this letter your directors believe the net asset value of the business to be in excess of £24 million, equivalent to over 10.7p per share. This compares favourably with the mid-market closing price of 2.75p per share when your Chairman, Jack Wigglesworth, and the then Managing Director, George Allnutt, were obliged to ask for the shares to be suspended because of their concerns about their inability to obtain believable figures. It is inevitable that shareholders will wish to understand precisely what has happened to their company since the accounts for the year 2006 were placed before them. I shall now do my best to explain the most significant of those many matters which have troubled your Directors over the last year.

Share Swap Companies

In May and June 2007, LAC announced to the London Stock Exchange that it had issued in total 98 million fully-paid new shares (valued at approximately £10 million) to shareholders in four newly-formed companies, three in Hong Kong and one in Singapore, in return for a 40% interest in those companies ("Share Swap companies"). In each of the four Share Swap companies third-party investors held the remaining 60% interest. In aggregate, these third-party investors paid little more than twenty thousand pounds for their investment, which effectively gave them collectively a 30% shareholding in LAC. In breach of the Companies Act, no valuation of the Share Swap companies was obtained prior to their acquisition by LAC in May and June 2007.

Details of these share issues and of the acquisitions were described in the Audited Accounts for the year to 31st December 2006, and in company regulatory announcements to the London Stock Exchange. Applications were made for the shares to be dealt on AIM and a further review of the acquisitions was made in the 2007 interim results. These interim results showed that these virtually valueless companies were purported to have increased the LAC Net Asset Value by £10.9 million, equivalent to almost 25% of LAC net asset value. It was stated in the 2007 interim results that these Share Swap companies had a *"combined capital value of over £27 million."* The Audited Accounts of those companies demonstrate little or no value. At all relevant times these transactions were managed by Simon Littlewood.

We succeeded in having the 98 million shares in LAC, referred to above, gifted back to LAC plc and cancelled at a Board Meeting held on 22nd

Chief Executive's Statement (contd)

May 2009, resulting in the number of shares in issue dropping from 327 million to 229 million, to the benefit of shareholders and increasing pro forma Net Asset Value from 6.8p to 9.7p per share. LAC is now pursuing claims for up to £16 million against the four 60% shareholders in each of these Share Swap companies for the consideration they failed to pay on their shares. While it is unlikely that these claims will be met in full, we are confident that there will be a significant net financial benefit to shareholders in LAC.

Aborted Acquisitions Not Announced

In May and June 2007 announcements were made to the London Stock Exchange of acquisitions by the above Share Swap companies totaling £12 million. These appeared in the Chief Executive's Report in the 2006 Report & Accounts as signed by Simon Littlewood and as a post balance sheet event note, in which shareholders were informed on various other matters, including:

- China Exchange Limited had acquired an 80% stake in SYGC
- China Exchange Limited had acquired a 40% stake in Xi'an Private Equity Exchange
- London Asia Limited had acquired a 51% stake in Jin Lian Ann Insurance Broker of Beijing
- London Asia Limited had acquired a 51% stake in Zhong Nan Auction House

The 2007 Interim Report also referred to these acquisitions. We are unable to find evidence that these acquisitions took place and they are not recorded in the Audited Accounts of those companies.

The first indication that these acquisitions had not taken place was an email sent on 22nd May 2008 by Simon Littlewood to Moore Stephens, auditors to LAC. No statement concerning these events was made to shareholders until the announcement made in my letter to shareholders on 7th May 2009, which meant that LAC was in breach of its obligations to the AIM market and gave a misleading impression of its financial status.

Loan of $5 Million Written Off

On 7th September 2005 (well before the period dealt with in these accounts, but never previously explained to shareholders) LAC plc lent $5 million to Nourican Adriatic d.o.o., in Zagreb, Croatia. The purpose of the loan was to help Nourican Adriatic d.o.o. provide evidence to the Croatian Stock Exchange (Zagrebaka Burza) that cash needed for a bid to be made by two Croatian companies for Industrogradnja was available. LAC was to receive a fee of US$ 1 million for this loan. The bid for Industrogradnja was launched on 11th November 2005 at a share price of 650 Kuna at a discount to its market price of 810 Kuna. As a result, only 2,640 shares were tendered for at a total cost of $273,244. It appears that the $5 million loan provided by LAC was not used for the bid and should have been returned to LAC in January 2006, together with the $1 million fee. Sadly, the $6 million has never been received by LAC, nor is there documentary evidence to show that steps were taken through courts in any country to recover this money.

The document transferring the $5 million to Nourican Adriatic was signed solely by Simon Littlewood. A signed contract confirms that the loan was to have been secured by a pledge over 25,000 shares in Industrogradnja d.d., but no signed guarantee or pledge has been traced.

Bank Accounts

In September 2008, most of LAC's funds were in the bank accounts of its foreign subsidiaries and associated companies, under the control of Simon Littlewood and his wife, Josée Lai. Simon Littlewood resigned as a director of LAC on 25th July 2007 and so it was not proper for him to continue to control – to the exclusion of all other main board directors – the Company's cash and investments.

Simon Littlewood failed to tell LAC directors of the locations of many LAC subsidiaries and associated company bank accounts. For example, the LAC directors were told that there were no bank accounts in Singapore, although LAC's wholly-owned Singapore subsidiary, London Asia Capital (Singapore) PTE Ltd in fact had accounts with DBS Bank, Fortis and UOB.

Undocumented Transactions

With the directors of LAC having no control over the subsidiary company bank accounts, your Board was shocked when investigation revealed that large sums of money had entered, left and moved around LAC in a way that was not supported by proper contracts, invoices or proper business practice.

Sums due to one company had improperly been paid to others; in particular, funds due to wholly-owned subsidiaries of LAC were paid into companies in which LAC was only an 80% or even 40% shareholder. Many of the investments, particularly those in China, were held in a way that made it impossible to prove title. Some shares, which were the property of LAC or its subsidiaries, were held by private companies in China, with no adequate contract or other safeguard for the shareholders of LAC.

Substantial Sums Which Passed through the accounts of LAI(HK)

Since March 2006 Mr. Simon Littlewood served until 19th October 2009 on the Board of China Growth Opportunities ('CGO', previously called London Asia Chinese Private Equity Fund plc, which invested heavily in China and Asia, raising and investing circa £50 million.

We have discovered that the cash for these investments made by CGO passed through the bank accounts of LAI(HK). LAI(HK)'s records do not provide full transparency for these arrangements and neither can all such sums be validated.

Commissions received by LAI(HK) from CGO for both managing and investing the fund were paid away and could not all be reconciled from the information available. Pursuant to the cooperation agreement referred to above, LAC asked CGO (including Brett Miller) for details of the substantial commission payments, but in breach of that agreement CGO withdrew and refused to provide further information, frustrating our efforts and further delaying the preparation of the Accounts of LAC.

Diversion of Funds

In December 2007, London Asia Capital (Singapore) PTE Limited ("LAC(S)") was due £1.6 million from China Growth Opportunities plc in respect of performance fees. At the written instructions of Josée Lai, wife of Simon Littlewood, these funds were not paid to LAC(S) but instead to London Asia Fund Management Ltd, a Brunei company in which LAC held 40% of the equity, while Simon Littlewood and associates held the remaining 60% shareholding.

On receipt of these funds by the Brunei company, £401,440 was immediately transferred to each of Simon Littlewood and Joyce Ng. In so far as your Directors are aware, LAC and its subsidiaries have no contractual relationship with Joyce Ng although she has been in receipt of substantial sums from LAC Group companies.

Improper Share Support Activity

Between December 2007 and April 2008, shares in LAC were purchased on the AIM market by the Company totaling 1.9 million shares. RNS announcements were issued stating they were to be held in Treasury. The majority of these transactions were arranged by Simon Littlewood. Your Directors have been advised that these purchases were illegal because LAC did not have sufficient distributable reserves and was therefore in breach of the Companies Act.

While Simon Littlewood was a Director of Huang He Securities Ltd, one of the Share Swap companies mentioned earlier, instructions were given for the purchase of 2.5 million shares of LAC in 2007 and 2008. The cash to buy these shares came from London Asia Investments (Hong Kong) Ltd ("LAI(HK)") and thus the transaction was circular. The effect was to artificially support LAC's share price which was in breach of the Companies Act.

Shares Held in Trust in China

LAC has significant shareholdings in unquoted Chinese companies. It is now clear that, with the exception of Zhongying and Biaoqi Tienfeng, the shares are not held directly by LAC or its subsidiaries but instead are held in trust by a Chinese private company under an informal arrangement with no proper documentation or trust documents. LAC and its subsidiaries may therefore have paid substantial sums in shares for investments where proof of ownership is uncertain.

China Financial Services

China Financial Services ("CFS") was one of LAC's early investments, and paid substantial dividends. CFS provided real-time information on securities and analysis software to support investors to buy in the stock market. We understand that CFS was prepared for a public listing in 2006. As at 30 June 2007 the fair value of this investment of £4.76 million was included in LAC's interim results.

Your Directors have now discovered that in the summer of 2006, the China Stock Exchange announced that it would no longer provide free market data and as a result the business of CFS rapidly collapsed.

In calendar year 2006, CFS's revenue was £2.78m and pre-tax profits £1.97m. Based on the information available, the revenue in 2007 was £227,873 and the losses amounted to £1.34m. In the first half of 2008, CFS had no revenue and lost £841,103. It is believed the business has since ceased operating.

Chief Executive's Statement (contd)

In 2007, LAC announcements were made to the London Stock Exchange concerning CFS but none indicated its rapid trading decline. The last statement included in the Offer Document referred to below mentions "the confidence we have in CFS`s expansion strategy". Failure to keep shareholders and the market informed is in breach of the AIM rules.

Sale of Shares in Investee Companies by LAC
On 5th October 2007 London Asia Corporate Finance Limited (a wholly-owned subsidiary of LAC and an FSA-regulated corporate finance company headed by Mr. Simon Littlewood) authorised the issue of an Offer Document, which stated that six LAC portfolio investments valued at £7.7 million were being offered to LAC shareholders at a discounted value.

The Offer Document stated the portfolio investments being sold represented "less than 10% of the LAC balance sheet as at 30th June 2007" and went on to state "should the Offer be taken up in full there will be a realised profit on disposal of over £1.5 million."

Your Board could not reconcile these holdings to the books of LAC and have subsequently discovered that some of the shares offered belonged to third parties. The Offer Document makes no such reference to third parties and indicates that all the shares on offer were owned by LAC and related companies.

On 30th October 2007 LAC announced, "There was a strong level of interest shown in the Offer, with offers made for a total of £3 million worth of shares, out of £7.7 million on offer. The total sold represents 7% of LAC's reported net asset value as at 30th June 2007. Based on the original cost of £1.4 million, the profit on sale against original cost amounted to approximately £1.5 million." Of the purported £3 million sales proceeds, less than £700,000 has been traced. Such failure to keep the markets and shareholders informed is in breach of the AIM rules.

There is more but despite this astonishing list I am pleased to be able to tell you that the future for your company looks far better than it has in some time, whether you wish to have cash returned or to stay with the company now that it is well placed to benefit from the opportunities of China.

Your Chairman through these troubled times, Jack Wigglesworth, has let it be known that he will be retiring at the forthcoming AGM and will not be seeking re-election. Jack has faced great difficulties and has been mislead and frustrated in his task. I wish him well for the future for it is thanks to him that your new Board is in place. At the AGM the Earl of Cromer has indicated that he will be prepared to take over the role of Chairman. Having worked with Lord Cromer over the past year and seen firsthand the impact that his experience and understanding of China can have on negotiations, I am confident that your company will go from strength to strength under his leadership.

As for the future, the first task of your Board will be to prepare the accounts for 2008 and 2009 which we plan to publish early next year. While this activity continues we will progress with Wuhan Kaidi the proposed Tender Offer which will aim to allow those shareholders who seek an exit at 5p per share to sell at least 29.9% of their holding or LAC to raise cash for future development. We will work with Wuhan Kaidi to maximise the value of Zhongying in preparation for eventual flotation and determine the true worth of those other LAC investments currently given no value but which we hope with local expertise may increase our net assets. Finally we will to seek other investments in China to take advantage of the growth of 8% per annum in the Chinese economy and the continuing appreciation of the Chinese currency against sterling. We will endeavour to restore LAC's listing at the earliest possible opportunity while throughout we will undertake a programme to rationalise the unnecessarily complex structure of the Group. We expect to be able to report progress in all respects by the General Meeting at which the Report and Accounts for 2009 are presented to shareholders.

Keith Negal
Chief Executive

19 November 2009

Financial Review

2007 was a dismal year for the Group with significant write offs of both direct investments and investments in associated companies resulting in losses of £21.7 million and reduction of net assets to £22.3 million from £33.1 million in December 2006.

Trading performance

Loss before tax for the year is reported at £21.7 million (2006: £3.1 million profit) under IFRS. Basic earnings per share was (7.54 pence) (2006: 1.3 pence) and fully diluted earnings per share was (7.35 pence) (2006: 1.2 pence). Losses have arisen as a direct result of the diminution in value both realised and provided for with regard to the portfolio investments and the investment in the share swap companies referred to earlier in this report.

Table 2 overleaf provides an analysis of our reported revenue and losses:

Fee income increased from £1.5 million in 2006 to £2.7 million in 2007 as a result of the growth in our advisory activities (fund management and corporate finance). The Group received a management fee of 2% of the net asset value of the London Asia Chinese Private Equity Fund ("the Fund"). The Group was also entitled to a success fee of 20% of the increase in value over a predefined hurdle rate, payable when the assets are realised.

During the year we received a dividend of £157,000 (2006: £133,000) from Asia Power. Following record 2006 profits the dividend payout has increased by 18%, although with the strengthening of Sterling relative to the Singapore Dollar, we expect to receive approximately £188,000 which will be accounted for in our 2008 results.

Balance sheet position

Our balance sheet position diminished with net assets of £22.3 million (2006: £33.1 million), equal to 6.8 pence per share (2006: 14.7 pence per share). As a result of the cancellation of the 98 million share swap shares in May 2009 the net assets attributable to the current 229,508,590 shareholders equates to 9.7 pence per share. Table 3 provides an analysis of the Group's net asset position.

Although our investments are shown at fair value we have adopted a relatively conservative approach in determining fair values of unlisted investments. Where necessary, we have impaired certain investments and reflected others at cost. We continue to show our investment in LAC Zhongying at the original cost of £12.5 million given its short trading history. Cash and listed investments comprise £12.5 million, approximately half of our net assets. In the 2006 accounts it was reported that certain post balance sheet events had added a further £10.9 million to assets; upon enquiry, these acquisitions did not in fact take place. In May 2009, the shares issued in consideration for these transactions were gifted back to the company and subsequently cancelled.

Table 2: Analysis of reported revenue and losses

	2007 £'000	2006 £'000
Fee income	2,704	1,537
Dividends	157	133
Interest received on convertible loan notes	17	80
Rental income	38	77
	2,916	1,827
Revenue by division:		
Advisory	2,704	1,537
Investment	212	290
	2,916	1,827
(Loss)/profit by division:		
Advisory	64	988
Investment	(21,793)	2,137
(Loss/profit) before tax under IFRS	**(21,729)**	**3,125**

Table 3: Analysis of the Group's net asset position

	2007 £'000	2006 £'000
Unlisted investments	13,139	19,221
Cash	6,285	5,391
Listed investments	5,974	10,200
Other net (liabilities)	(3,053)	(1,670)
	22,345	**33,142**

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

Principal activities

The principal activities of the Group are that of an investment holding company and the provision of fund management and corporate advisory services.

Further details regarding the Group's principal activities and an indication of likely future developments are set out in the Chairman's and Chief Executive's Statements on pages 2 to 6.

Business review

A detailed review of the business and a description of the main trends and factors likely to affect the future development, performance and position of the Group can be found in the Chairman's and Chief Executive's Statements on pages 2 to 6.

The Board examines a number of Key Performance Indicators in evaluating the performance of the business. The most important of these are:

	2007	2006
Revenue growth	60%	139%
Net asset (diminution)/growth	(32%)	13%

Payments to suppliers

The Company's policy for the year ended 31 December 2007 is for all suppliers to fix terms of payment when agreeing the terms of each business transaction and to abide by the agreed terms of payment. The Group's trade creditors at the year end all relate to sundry administrative overheads and represented 30 days of annual expenses.

Annual general meeting

The Annual General Meeting of the Company will be held at Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX at 10.30 am on Friday 18 December 2009.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historic results. The Board monitors risks on an ongoing basis and implements appropriate procedures and processes to try and mitigate the adverse consequences of such risks.

The business faces two principal risks. Firstly, as a advisory group focusing on China and other Asian markets, our success is influenced by economic, legal, political and social conditions in Asia as well the state of international capital markets.

Secondly, we are very dependent on our people and so could suffer significantly from the loss or conduct of certain key individuals. The retention of these individuals is highly important to the business as is their integrity. The Board faces significant difficulty in offering competitive remuneration packages given the small size of the Company, the specialist nature of our business and the restrictions placed upon us as a UK listed business.

Due to the nature of these risks and the size of the Company, the Company has been unable to mitigate them.

Results and dividends

The Group recorded a loss after tax of £21.7 million (2006: profit £3.1 million). Further information on the result for the year is included within the Chairman's and Chief Executive's Statements and Financial Review on pages 2 to 6.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006: £nil).

Post balance sheet events

As described per Note 25, in May 2009, 98 million shares issued in 2007 were cancelled.

Directors

The following directors have held office during the year:

Jack Wigglesworth	(Non Executive Chairman)
Simon Littlewood	(Resigned 24 July 2007)
Victor Ng	(Resigned 13 March 2007)
Robert Spridell	(Resigned 3 May 2007)
Sir David Brewer	(Resigned 4 April 2008)
Anthony Drury	(Appointed 15 October 2008, resigned 26 January 2009)
George Allnutt	
Keith Negal	(Chief Executive Appointed 23 September 2008)
Toby Parker	(Finance Director Appointed 19 November 2008)
The Earl of Cromer	(Appointed 19 December 2008)
Dennis Bailey	(Appointed 19 December 2008)
Francesco Gardin	(Appointed 19 December 2008)

Substantial shareholdings

At 9 November 2009 notification had been received of the following interests which exceed a 3% interest in the issued share capital of the Company. See table below.

Name of holder	Number of shares	% of issued share capital
Vidacos Nominees Limited	46,640,957	20.32
HSBC Global Custody Nominee UK Limited	21,351,800	9.30
BNY Clearing Nominees Limited	17,124,615	7.46
SNC Nominees Limited	15,425,000	6.72
Pershing Nominees Limited	13,275,936	5.78
Rock (Nominees) Limited	11,368,821	4.95
Barclayshare Nominees	10,552,196	4.60
TD Waterhouse Nominees (Europe) Limited	7,355,191	3.20

Statement of Directors responsibilities

Company Law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the affairs of the Company/Group as at the end of the financial year and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company/Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company/Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company/Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmation

Each of the persons who are directors at the time when this report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Toby Parker
Secretary
19 November 2009

Company Number: 3784771

Independent Auditors' Report

Independent Auditors' Report to the Shareholders of London Asia Capital plc

We have audited the group and parent company financial statements (the "financial statements") of London Asia Capital plc for the year ended 31 December 2007 which are set out on pages 16 to 36. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited with respect to the following items;

The group suffered a breakdown in its systems of corporate governance and internal control over financial reporting, and for this reason we were unable to obtain sufficient appropriate audit evidence to provide reasonable assurance over:

- the classification, ownership and valuation of unlisted investments and receivables
- approval of purchases and sales
- fee income

- the completeness of transactions
- the group structure and control of subsidiaries

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion: disclaimer on view given by financial statements

Because of the significance to the financial statements of the combined effect of the matters referred to above, we are unable to form an opinion as to whether:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 December 2007;
- we have not obtained all the information and explanations we consider necessary for the purpose of our audit; and
- in our opinion proper books of accounts have not been kept by the company.

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the Directors' Report is consistent with the financial statements.

Moore Stephens LLP
Registered Auditors

St Paul's House
Warwick Lane
19 November 2009

Directors' background

Jack Wigglesworth MA (Oxon) – aged 68
Chairman

Jack has had a distinguished career in the City of London. He was formerly Chairman of the London International Financial Futures and Options Exchange (LIFFE) and held numerous senior executive positions in the financial services sector including at ABN Amro, Phillips & Drew and JP Morgan.

From 1987 until 2001 he served on the Authorisation Committee and Individuals' Registration Panel of The Securities and Futures Authority (SFA), where he was closely involved in assessing more than 1,350 firms or companies and over 45,000 individuals. He was also a member of the SFA's Enforcement Committee. He was a founding Member of the Board of Directors of the Securities Institute, Chairman of Hackney's Education Action Zone, and a Director of the FSNTO (Financial Services National Training Organisation). Jack was also the former Deputy Chairman of UK listed investment bank Durlacher Corporation plc (now Panmure Gordon). He is a Director of Gresham College and on the board of several private companies. Jack graduated in Philosophy, Politics & Economics from Oxford University.

George Allnutt – aged 63
Non Executive Director

Over the past 30 years George has developed several successful UK electronic and engineering businesses, as well as developing a portfolio of commercial and residential properties. He is currently Chairman of Photo Distribution Limited, a UK logistics business, and a director of Spiezia Chartered Accountants and Organics, a natural healthcare products business, non executive director of AIM listed Europasia Education plc and PLUS listed Dalian Business Institute and China Biofoods.

Keith Negal MBA FCMA – aged 60
Keith Negal was appointed Chief Executive of London Asia Capital plc after serving from 2006 to 2008 as Chief Operating Officer of Fayrewood plc, during which time the company successfully implemented a strategy of divestment in order to return cash to shareholders. He qualified as a management accountant having left the army after 10 years' service as a result of injuries received while on bomb disposal duties in Northern Ireland. In 1981 he gained his MBA at the University of Warwick, where he was later a visiting postgraduate lecturer. He has been involved in many business turnaround projects since 1987, generally holding the appointment of Chief Executive or Managing Director.

Toby Parker ACA – aged 54
Toby Parker was appointed Finance Director and Company Secretary of London Asia Capital plc in November 2008 and has subsequently been appointed to the boards of all major group subsidiaries. A graduate of Oenologie at Macon, France, Toby is a qualified chartered accountant and was in articles with Moore Stephens. He has been engaged as both Finance Director and Managing Director in varied and diverse business sectors including shipping, manufacturing, property and finance both in the UK and overseas. Toby has extensive experience in turnaround operations, predominantly in the SME sector. In addition to his role at London Asia Capital plc he is currently the Finance Director and Company Secretary of Wynnstay Properties plc, an AIM listed property company.

The Rt. Hon. The Earl of Cromer – aged 62
Lord Cromer was involved in developing the Inchcape Group's business in China for seventeen years, and negotiated some of the first foreign investments in China. Appointed to the board of Inchcape Pacific in 1988 he was also deputy chairman or on the boards of most of Inchcape's fifteen investments in China. Inchcape's business in China expanded from a turnover of US$18m in 1979 to over $2 billion in 1995 when he left Inchcape. Lord Cromer serves on many boards of investment companies with a primary investment concentration on Asian countries. He is currently Chairman of JF China Region Fund (which invests circa US$170m in Greater China), Japan High Yield Property Fund and Pedder Street Asia Absolute Return Fund and is on the boards of Schroder Asia Pacific Fund and other companies. He has served on the boards of many Asia-based companies including China & Eastern Investments, Cambridge Asia Fund and Pacific Basin Shipping. He is also Chairman of Cromer Associates Limited, a company which advises foreign companies investing in China and Chinese companies investing overseas.

Professor Francesco Gardin – aged 54
Professor Gardin graduated in Theoretical Physics at Padova University (Italy) in 1979, before undertaking

a UK Government Artificial Intelligence research project at Exeter University (UK) from 1980 to 1982. Professor Gardin has taught at Milan, Udine and Siena Universities since 1983. In the same year he founded AISoftw@re SpA, a leading advanced software company which went public on NASDAQ Europe in 1999 and on Milan Stock Exchange in 2000. For 25 years he has been CEO and subsequently Chairman of AISoftw@re SpA. He sold the company in 2005 through a merger and agreed to remain as non executive Chairman until March 2008. In 2002 Professor Gardin became Chairman of Brainspark plc, an AIM listed investment company of which he is at present the largest shareholder. Since 2006 he has worked extensively in China, and in 2007 became CEO of China IPO Group plc, wholly owned by Brainspark plc, focusing on investments in China. In March 2008 he became a Board Member of IPO Beijing Investment Consulting Company Ltd., the China IPO Group plc Chinese subsidiary, with offices in Beijing and Xi'an.

Dennis Bryan Bailey MSI – aged 69
Mr Bailey became a member of the London Stock Exchange in 1968, a Partner in Hichens, Harrison & Co, one of the oldest firms of stockbrokers having been established in 1803, and later a joint owner of the business, which was sold to Sanlam of South Africa in May 2001. In his 35 years with Hichens, Harrison & Co, Mr Bailey was engaged in discretionary investment management and later Head of Corporate Finance involved in new issues and takeovers. Mr Bailey resigned as Managing Director of Hichens, Harrison & Co plc in May 2004. He is now Chairman of Financial Fun Limited, a company engaged in investment management support, company research for takeovers and Compliance Reviews. Mr Bailey was appointed a Director of London Asia Capital plc on 19th December, 2008.

Directors and Advisors

Directors
Jack Wigglesworth (Chairman)

George Allnutt (Non Executive)
Keith Negal (Chief Executive)
Toby Parker (Finance Director)
The Earl of Cromer (Non Executive)
Dennis Bailey
Francesco Gardin

Secretary
Toby Parker

Company Registration Number
3784771

Registered Office
35 Piccadilly
London W1J 0DW

Registrars
Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors
Moore Stephens LLP
Registered Auditors
St Paul's House
Warwick Lane
London EC4M 7BP

Solicitors
McGuire Woods London LLP
Imperial House
15-19 Kingsway
London WC2B 6UN

Broker
Seymour Pierce Limited
20 Old Bailey
London EC4M 7EN

Principal Bankers
HSBC Bank
Poultry & Princes Street Branch
27-32 Poultry
London EC2P 2BX

Consolidated Income Statement for the Year Ended 31 December 2007

	Note	2007 £'000	2006 £'000
Revenue	3	2,916	1,827
Administrative expenses		(3,785)	(1,544)
Operating loss/(profit)		**(869)**	**283**
Impairment of investment in associated companies		(10,827)	–
Interest income	5	141	135
Increase in value of investments disposed of		129	266
Unrealised (losses)/profits on revaluation of investments		(10,369)	2,491
Share based payment charge		(12)	(15)
Foreign exchange gains/(losses)		100	(18)
Finance costs	6	(22)	(17)
(Loss)/Profit before taxation	7	**(21,729)**	**3,125**
Taxation	8	(11)	3
(Loss)/Profit for the year		**(21,740)**	**3,128**
Attributable to:			
Equity holders of the parent		(21,715)	2,933
Minority interest		(25)	195
		(21,740)	**3,128**
Earnings per share	11	**Pence**	**Pence**
Basic		(7.54)	1.30
Diluted		(7.35)	1.22

All amounts are derived from continuing operations.
The notes on pages 19 to 36 form an integral part of these financial statements.

Balance Sheets as at 31 December 2007

	Note	2007 £'000 Group	2006 £'000 Group	2007 £'000 Company	2006 £'000 Company
Non-current assets					
Goodwill	12	–	319	–	–
Property, plant and equipment	13	15	22	–	4
Investment in subsidiaries	14	–	–	134	680
Investments	15	18,816	28,546	12,509	11,930
		18,831	28,887	12,643	12,614
Current assets					
Investments	15	297	875	–	123
Trade and other receivables	16	2,683	1,208	6,291	11,484
Cash and cash equivalents		6,285	5,391	494	2,379
		9,265	7,474	6,785	13,986
Total assets		**28,096**	**36,361**	**19,428**	**26,600**
Current liabilities					
Trade and other payables	17	(5,701)	(3,089)	(4,455)	(2,229)
Current tax liabilities		–	(20)	–	–
		(5,701)	(3,109)	(4,455)	(2,229)
Net current assets		**3,564**	**4,365**	**2,330**	**11,757**
Non-current liabilities					
Bank loans	18	(50)	(110)	(50)	(110)
Total liabilities		(5,751)	(3,219)	(4,505)	(2,339)
Net assets		**22,345**	**33,142**	**14,923**	**24,261**
Equity					
Share capital	19	16,369	11,381	16,369	11,381
Share premium	19	27,264	21,330	27,264	21,330
Share options reserve	20	489	477	489	477
Translation reserve	21	11	2	–	–
Retained loss	22	(22,089)	(374)	(29,199)	(8,927)
Equity attributable to equity holders of the parent		**22,044**	**32,816**	**14,923**	**24,261**
Minority interest		**301**	**326**	**–**	**–**
Total equity		**22,345**	**33,142**	**14,923**	**24,261**

The financial statements were approved by the Board on 19 November 2009.

Keith Negal
Chief Executive

Toby Parker
Finance Director

The notes on pages 19 to 36 form an integral part of these financial statements.

Statement of Recognised Income and Expense for the Year Ended 31 December 2007

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Exchange differences on translation of foreign operations	9	8	–	–
(Loss)/profit for the year	(21,740)	3,128	(15,542)	(3,609)
Total recognised income and expense for the year	**(21,731)**	**3,136**	**(15,542)**	**(3,609)**
Attributable to:				
Equity holders of the parent	(21,706)	2,941		
Minority interests	(25)	195		
	(21,731)	3,136		

Other changes in equity arising from transactions with equity holders acting in their capacity as equity holders are disclosed in note 19.

Cash Flow Statements for the Year Ended 31 December 2007

	Note	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Net cash from/(used in) operating activities	29	708	848	(2,359)	(487)
Investing activities					
Interest received		141	135	429	57
Proceeds on disposal of investments		–	4,596	–	2,034
Purchase of property, plant and equipment		–	(12)	–	(2)
Purchase of investments		–	(2,868)	–	(1,129)
Net cash from investing activities		141	1,851	429	960
Financing activities					
Proceeds on issue of shares		95	151	95	742
Repayment of bank loans		(50)	(59)	(50)	(59)
Net cash from financing activities		45	92	45	683
Net increase/(decrease) in cash and cash equivalents		894	2,791	(1,885)	1,156
Cash and cash equivalents at beginning of year		5,391	2,600	2,379	1,223
Cash and cash equivalents at end of year		**6,285**	**5,391**	**494**	**2,379**

Notes to the Financial Statements for the Year Ended 31 December 2007

Note 1 General information

London Asia Capital plc is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 15. The nature of the Group's operations and its principal activities are set out in the Directors' report on pages 9 to 11. These financial statements are presented in pounds sterling, rounded to the nearest thousand. At 31 December 2007 the Group has adopted the following new and amended IFRS during the year:

New standards

IFRS 7	Financial instruments: Disclosures; and the related amendments to IAS 1 on capital disclosures
IFRS 8	Operating segments

The IASB have issued the following standards which are not effective and have not been early adopted for these financial statements:

International Accounting Standards (IAS/IFRS's)	Effective for financial period beginning
IFRS 2 (amended) Share based payments vesting conditions and cancellations	1 January 2009
IFRS 3 (revised) Business Combinations	1 July 2009
IFRS 8 Operating segments	1 January 2009
IAS 1 (revised) Presentation of financial statements	1 January 2009
IAS 23 (revised) Borrowing costs	1 January 2009
IAS 27 (revised) Consolidated and separate financial statements	1 July 2009
IAS 19 Employee benefits	1 January 2008

Note 2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

The principal accounting policies adopted are set out below.

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 investee entity so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated to the minority.

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

Note 2 Significant accounting policies (cont)

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

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

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method of accounting. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: Business Combinations are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and comprises fee income (fund management and advisory fees), rental income, dividends and interest received on investments (all net of discounts, VAT and other sales related taxes) and are accounted for on a receivables basis.

Fund management fees are earned from the management of private equity funds and are recognised in accordance with management contracts to the extent that it is probable there will be economic benefit and the income can be measured reliably. Advisory fees are recognised in accordance with the substance of the relevant investment advisory agreements.

Interest income 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

Assets and liabilities of subsidiary undertakings are translated at the rates of exchange ruling on the balance sheet date. Exchange differences arising on the translation of foreign equity investments are taken to reserves except to the extent that they are offset by corresponding differences arising on the translation of related borrowings.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case it is recognised in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment
Office equipment and fixtures and fittings are stated at cost less depreciation and any recognised impairment loss. Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset over its estimated useful economic life, as follows:

Office equipment	25% reducing balance
Fixtures and fittings	25% reducing balance

Financial instruments
Financial instruments are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments
Investments are recognised and derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as assets at fair value through profit and loss which are initially measured at fair value.

Investments are classified as assets at fair value through profit and loss and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included in net profit or loss for the period.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, or the asset is an unlisted security, fair values are established by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and the valuation techniques commonly used by market participants.

Trade receivables
Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and have an original maturity of three months or less.

Financial liabilities and equity
Financial liabilities and equity instruments are

Note 2 Significant accounting policies (cont)

classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of financial assets
Financial assets, other than those assets at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Share-based payments
The Group has applied the requirements of IFRS 2: Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Group issues equity-settled share-based payments to certain employees and consultants which are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Note 3 Revenue

	2007 £'000	2006 £'000
Dividends	157	133
Fee income	2,704	1,537
Rental income	38	77
Interest received on convertible loan notes	17	80
	2,916	**1,827**

Note 4 Business and geographical segments

For management purposes, the Group is currently organised in two operating divisions – advisory and investment activities. Segment information about these business is presented below:

	Advisory 2007 £'000	Investment 2007 £'000	Consolidated 2007 £'000
Revenue			
External parties	2,704	212	2,916
Result			
Segment result	64	(21,804)	(21,740)
Assets			
Segment assets	9,142	18,954	28,096
Liabilities			
Segment liabilities	22	5,729	5,751

Note 4 Business and geographical segments (contd)

The following is an analysis of the carrying amount of segment revenue and net assets analysed by geographical location:

	Revenue 2007 £'000	Revenue 2006 £'000	Carrying amount of segment net assets 2007 £'000	Carrying amount of segment net assets 2006 £'000
China	15	147	(185)	423
Singapore	2,447	918	10,732	2,469
Hong Kong	268	539	1,758	2,084
Mauritius	17	71	622	5,094
United Kingdom	169	152	9,418	23,072
	2,916	**1,827**	**22,345**	**33,142**

Note 5 Interest income

	2007 £'000	2006 £'000
Interest on bank deposits	141	135

Note 6 Finance costs

	2007 £'000	2006 £'000
Interest on bank loans	22	17

Note 7 Profit before taxation

	2007 £'000	2006 £'000
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	4	4
Net foreign exchange (gains)/losses	(100)	18
Operating lease rentals – land and buildings	90	90

The analysis of auditors' remuneration is as follows:

	2007 £'000	2006 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	115	20
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	10	5
Fees payable to auditors of other subsidiaries of the Company	4	7
Total audit fees	**129**	**32**

Note 8 Taxation

	2007 £'000	2006 £'000
Current tax charge/(credit)	11	(3)
Current tax reconciliation		
(Loss)/profit before taxation	(21,729)	3,125
Current tax at 30% (2006: 30%)	(6,518)	938
Fair value adjustment on investments held at year end	4,504	(578)
Other disallowed items	1,805	–
Share-based payment charge	(29)	5
Tax on foreign subsidiaries	1	22
Profit in subsidiaries not subject to taxation at 30%	(22)	(356)
Prior year under/(over provision)	10	(26)
Effects of tax losses brought forward/utilised	260	(8)
Current tax charge/(credit)	**11**	**(3)**

The Group has not recognised deferred tax assets of £673,000 (2006: £435,000) in respect of losses on the grounds that recoverability of the assets is considered uncertain in the foreseeable future based on expected profitability.

Note 9 Staff costs

	2007 £'000	2006 £'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	1,332	587
Share-based payments charge	12	15
Social security costs	8	10
	1,352	612
Directors' emoluments		
Staff costs include the following emoluments in respect of the qualifying service of directors of the company:		
Directors' emoluments	**993**	**183**

No director received pension benefits in the year. The highest paid director received emoluments of £514,000 (2006: £92,000).

Employees	2007 Number	2006 Number
The average number of persons employed by the Group, including directors, during the year was:	25	25

All employees are employed in an administrative capacity. The Directors are of the opinion that the key management of the Group comprises the Board of Directors who have the authority and responsibility for planning, directing and controlling the activities of the Group.

Note 10 Holding company loss

The company has taken advantage of the exemption conferred by section 230 of the Companies Act 1985 from presenting its own income statement. Loss after taxation amounted to £20.3m (2006: Loss of £3.6m) and has been included in the financial statements of the holding company

Note 11 Earnings per share

	2007 £'000	2006 £'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	(21,715)	2,933
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	287,899,834	225,328,117
Effect of dilutive potential ordinary shares:		
Share options	6,268,587	13,748,115
Warrants	1,263,984	2,140,420
Weighted average number of ordinary shares for the purposes of diluted earnings per share	295,432,405	241,216,652
Earnings per share		
Basic (pence)	(7.54)	1.30
Diluted (pence)	(7.35)	1.22

A total of 18.4 million (2006: 17.6 million) share options to acquire ordinary share of the Company were not included in the calculation of diluted earnings per share as they are considered to be anti dilutive.

Note 12 Goodwill

	Group 2007 £'000	Group 2006 £'000
Opening balance	319	319
Impairment charge	(319)	–
Closing balance	**–**	**319**

Goodwill arising in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	Group 2007 £'000	Group 2006 £'000
Fund management	26	26
Corporate finance	293	293
	319	**319**

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

Note 13 Property, plant and equipment

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Office equipment and furniture and fittings				
Cost				
Balance at beginning of year	31	19	9	7
Additions		12	–	2
Disposals	(9)		(9)	
Balance at end of year	22	31	–	9
Depreciation				
Balance at beginning of year	9	5	5	3
Charge for the year	4	4	–	2
Disposals	(6)		(5)	
Balance at end of year	7	9	–	5
Carrying amount				
At end of year	**15**	**22**	**–**	**4**

Note 14 Investment in subsidiaries

The Company owns the following subsidiary companies, the results, assets and liabilities of which have been included in the consolidated financial statements, except where specifically stated:

Name	Place of incorporation	Method used to account for investments	Proportion of voting power and ownership interest
London Asia Investments Limited	England & Wales	Consolidation	100%
London Asia Corporate Finance Limited	England & Wales	Consolidation	100%
Clean Technology plc	England & Wales	Consolidation	100%
London Asia Capital China	China	Consolidation	100%
London Asia (US) Inc	USA	Consolidation	100%
London Asia Capital (S) Pte Ltd	Singapore	Consolidation	100%
London Asia Capital Limited	Mauritius	Consolidation	90%
London Asia Investments (Hong Kong) Limited	China	Consolidation	80%
Acme Rate Assets Limited	BVI	Consolidation	100%

Analysis of movement in subsidiaries during the year:

	Company 2007 £'000	Company 2006 £'000
Balance at beginning of year	680	621
Additions	–	59
Investments written off	(546)	–
Balance at end of year	**134**	**680**

The following companies have not been consolidated on the basis that the Group cannot establish whether they have control over their financial and operating policies and have been accounted for as at fair value through profit and loss in accordance with the accounting policy for investments set out in note 2 to the financial statements. Full impairment has been made to reduce the fair value to nil to reflect this uncertainty.

Name	Place of incorporation	Cost 2007 £'000	Fair value 2007 £'000
Beijing Biaoqi Culture Limited	China	236	–
Beijing Biaoqi Advert Limited	China	19	–
		255	**–**

Note 15 Investments

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Fixed	18,816	28,546	12,509	11,930
Current	297	875	–	123
	19,113	29,421	12,509	12,053
Analysis of movement during the year:				
Fixed assets				
Opening balance	28,546	24,563	11,930	13,724
Additions	550	3,762	–	3,026
Increase in fair value of investments disposed of	–	78	–	–
Unrealised (loss)/profit on revaluation of investments	(10,068)	2,345	(3,530)	(2,786)
Transfer from subsidiary	–	–	4,109	–
Disposals	(212)	(2,202)	–	(2,034)
Closing balance	18,816	28,546	12,509	11,930
Current assets				
Opening balance	875	1,278	123	144
Additions	8	1,653	–	–
Increase in fair value of investments disposed of	–	192	–	–
Unrealised (loss)/profit on revaluation of investments	(358)	146	(109)	(21)
Disposals	(228)	(2,394)	(14)	–
Closing balance	**297**	**875**	**–**	**123**

The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

The fair value of other financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions or price earnings multiples of comparable companies.

The total value of non quoted investment is £13,139,459 of which £12,508,000 relates to Zhong Ying Chang Tiang International Investment Guarantee Company Limited and is accounted for at cost.

Included in investments are the following associates and joint venture which are accounted for as at fair value through profit and loss in accordance with the accounting policy note set out in note 2:

Associates	Group 2007	Company 2007
Temima China Investment Banking Limited	25%	25%
Easset Management Sdn Bhd	30%	–
China Financial Services Inc	49%	24%
China Biotech Healthcare Limited	46%	–
Zhong Ying Chang Tiang International Investment Guarantee Company Limited	20%	20%
London Asia Capital Land Limited	40%	–
London Asia Limited	40%	–
Huang He Securities Limited	40%	–
China Exchange Limited	40%	–
London Asia Fund Management Limited	40%	–
London Asia Capital Limited	40%	–

Temima China Investment Banking Ltd is carried at nil value as access to accounting records is restricted. The Group does not apply the equity method of accounting for investments in associates and joint ventures. As permitted by IAS 28: Investments in Associates and IAS 31: Interest in Joint Ventures, such investments are designated as "at fair value through profit and loss" and are accounted for in accordance with the accounting policy for investments set out in note 2 to the financial statements.

The aggregated assets, liabilities, revenue and (losses)/profits at 31 December 2007 were:

	2007 £'000	2006 £'000
Assets	16,662	5,226
Liabilities	3,325	109
Revenue	1,487	2,288
(Loss)/profit for the year	**(6,628)**	**1,383**

Joint venture

The Group has a 60% profit share interest in London Asia Capital Mongolia Limited, a financial services company incorporated in Mongolia. No details of the joint venture as at 31 December 2007 are known.

Note 16 Trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade receivables	365	122	4	30
Other debtors	550	995	61	475
Amounts due from subsidiary companies	–	–	6,226	10,967
Amounts due from associated companies	1,749	–	–	–
Prepayment and accrued income	19	17	–	12
Interest receivable	–	74	–	–
	2,683	**1,208**	**6,291**	**11,484**

Note 17 Trade and other payables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Bank loan (refer note 18)	76	66	76	66
Amounts due to subsidiary companies	–	–	937	–
Amounts due to associated companies	525	–	–	–
Trade payables	1,092	119	142	18
Other tax and social security	10	–	–	–
Accruals and deferred income	780	637	98	85
Other creditors	3,218	2,267	3,202	2,060
	5,701	**3,089**	**4,455**	**2,229**

Note 18 Bank loans

The bank loan is denominated in US dollars and carries interest at 1.65% per annum over LIBOR. It is secured by a fixed and floating charge over all of the assets of the Company:

The bank loan is repayable as follows:

	2007 £'000	2006 £'000
Amount due for settlement within 12 months (shown under current liabilities)	76	66
Within one to two years	50	65
Within two to five years	–	45
Amount due for settlement after 12 months	**50**	**110**

Note 19 Share capital and share premium

	2007 £'000	2006 £'000
Authorised		
400,000,000 ordinary shares of 5p each	20,000	20,000
Allotted, issued and fully paid		
327,378,996 Ordinary shares of 5p each (2006: 227,621,922)	**16,369**	**11,381**

The movement in share capital and share premium is set out below:

	Share premium £'000	Share Capital £'000
Balance at 1 January 2007	21,330	11,381
Shares issued during the year	5,934	4,988
Balance at 31 December 2007	27,264	16,369

During the year the following shares were issued:

Description	Date	No of shares	Price
Issued on exercise of options	January 2007	300,000	18p
Issued on exercise of options	January 2007	1,000,000	5p
Issued on exercise of warrants	January 2007	586,668	5p
Allotment	May 2007	24,000,000	5p
Allotment	May 2007	21,505,376	5p
Allotment	May 2007	21,505,376	5p
Allotment	June 2007	30,859,656	5p

Following the cancellation on 22nd May 2009 of the shares as issued in May and June 2007 amounting to 97,870,408, the issued share capital of the company is 229,508,590 as at the date of this report.

As at 31 December 2007, the Company had granted options over ordinary shares as follows:

Date of grant	Exercise price	Vesting period	Expiry date	No. of options
17 March 2003	5p	On date of grant	17 March 2008	9,400,000
5 October 2004	10p	On date of grant	5 October 2009	10,000,000
5 October 2004	16p	On date of grant	5 October 2009	2,250,000
5 October 2004	20p	On date of grant	5 October 2009	5,350,000
5 October 2004	25p	On date of grant	5 October 2009	750,000
25 July 2005	10p	On date of grant	24 July 2010	1,000,000
25 July 2005	20p	On date of grant	24 July 2010	2,750,000
25 July 2005	25p	On date of grant	24 July 2010	6,750,000
1 November 2005	16p	2 years	31 October 2010	550,000

Also in issue as at 31 December 2007 were 114,917 warrants entitling the holders to subscribe for twenty ordinary 5p shares for each warrant held at 5p per ordinary share in respect of any notice of exercise served during the period to 15 March 2008. During the year, 29,333 such warrants were awarded.

Note 20 Share options reserve

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Balance at beginning of year	477	462	477	462
Share based payment charge	12	15	12	15
Balance at end of year	489	477	489	477

Note 21 Translation reserve

	Group 2006 £'000	Group 2006 £'000
Balance at beginning of year	2	(6)
Current year movement	9	8
Balance at end of year	**11**	**2**

Note 22 Retained loss

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Balance at beginning of year	(374)	(3,307)	(8,927)	(5,318)
Net (loss)/profit	(21,715)	2,933	(20,272)	(3,609)
Balance at end of year	**(22,089)**	**(374)**	**(29,199)**	**(8,927)**

Note 23 Capital commitments

The company entered into an agreement in May 2009 to increase the share capital of London Asia Corporate Finance Ltd, a 100% owned subsidiary by £55,000 in order for it to be in a positive net asset position.

The company entered into an agreement in May 2009 to increase the fully paid share capital of London Asia Investments (Hong Kong) Ltd, an 80% owned subsidiary, by HK$382,000 through the capitalisation of monies due on the intercompany account.

Note 24 Financial commitments

At 31 December 2007 the Company had non-cancellable land and buildings operating leases. The total commitment amounts to £301,000 (2006: £280,000), £126,000 expiring within one year (2006: £90,000) of the balance sheet date and the remaining £175,000 expiring in 2010.

Note 25 Post balance sheet events

The 98 million LAC plc Ordinary shares issued in May and June 2007 were gifted back to the Company and subsequently cancelled in May 2009.

Note 26 Financial Instruments

No disclosure has been made regarding financial instruments as required by IFRS 7 financial instruments: disclosures, as the directors are of the opinion that there is no benefit to the reader of the financial statements considering the uncertainties connected with the position at the balance sheet date.

Note 27 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The following related party transactions with the Company's subsidiaries are included in the Company's financial statements:

Related party	2007 Amount due £'000	2007 Amount owing £'000
London Asia Investments Limited	–	874
London Asia Investments (Hong Kong) Limited	3,565	–
London Asia Capital (S) Pte Limited	2,661	–
London Asia Corporate Finance Limited	–	63
	6,226	**937**

The transactions with subsidiaries during the year related to funding requirements.

During the year the Group earned fees and commissions of £2.6 million from London Asia Chinese Private Equity Fund Limited of which Simon Littlewood and Victor Ng are executive directors.

The remuneration of key management personnel is set out in note 9.

During the year, the group paid penalty payments in respect of two third party companies in which company directors held directorships, Bournemouth Education Centre Ltd and Columbia International Investments Ltd.

Simon Littlewood, a director during the period, exercised 300,000 share options at 5p a share.

During the year, the Group paid consultancy fees of £516,000 to an associate of Victor Ng.

Note 28 Share options

The Company has a share option scheme for certain employees and consultants of the Group. Details of the exercise price, vesting period and life of the options are set out in note 19. Where an employee leaves the Group before the options vest, the options are forfeited.

Details of the share options outstanding during the year are as follows:

	2007 Number of shares options '000	2007 Weighted average exercise price (in £)	2006 Number of shares options '000	2006 Weighted average exercise price (in £)
Outstanding at beginning of period	40,100	0.152	40,100	0.152
Granted during the period	–	–	–	–
Exercised during the period	(1,300)	0.05	–	–
Outstanding at the end of the period	38,800	0.170	40,100	0.152
Exercisable at the end of the period	**38,800**	**0.170**	**39,825**	**0.166**

1,300,000 options were exercised at 5p in 2007. The options outstanding at 31 December 2007 had a weighted average exercise price of £0.170 and a weighted average remaining contractual life of 2.6 years. The aggregate of the estimated fair values of the options granted on those dates is £489,000.

The inputs into the Black-Scholes model are as shown in the table below.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

There is uncertainty regarding the accuracy of the underlying inputs to the Black-Scholes model due to events as disclosed in the Chief Executive's Statement and their effects on the fair valuation calculation.

Weighted average share price	£0.155
Weighted average exercise price	£0.170
Expected volatility	50%
Expected life	3.5
Risk free rate	4%
Expected dividend yield	–

Note 29 Notes to the cash flow statement

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
(Loss)/Profit for the year	(21,740)	3,128	(20,272)	(3,609)
Adjustments for:				
Interest received	(141)	(135)	(429)	(57)
Unrealised losses on revaluation of investments	10,627	(2,491)	90	2,807
Increase in value of investments disposed of	–	(266)	–	–
Finance costs	22	17	21	16
Tax credit	–	(3)	–	–
Depreciation of property, plant and equipment	4	4	–	1
Loss on disposal of property, plant and equipment	3	–	4	–
Share–based payment expense	12	15	12	15
Operating cash flows before movements in working capital	(11,213)	269	(20,574)	(827)
Decrease/(Increase) in trade and other receivables	(1,466)	(115)	5,193	277
Increase in trade and other payables	2,602	708	2,216	79
Share swap transactions	10,827	–	10,827	–
Income taxes (paid)/received	(20)	3	–	–
Interest paid	(22)	(17)	(21)	(16)
Net cash from/(used in) operating activities	**708**	**848**	**(2,359)**	**(487)**

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the “Meeting”) of London Asia Capital plc (the “Company”) The Annual General Meeting of the Company will be held at Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX at 10.30 am on Friday 18 December 2009.

Ordinary Business

1. To receive and adopt the accounts and annual report for the year ending 31 December 2007;

2. To re-appoint Moore Stephens LLP as auditors to the Company and authorise the directors to fix their remuneration.

Special Resolutions

3. That the Company adopt new articles of association in the form produced to the meeting and initialled by the Chairman for the purposes of identification be adopted in replacement for and to the exclusion of the existing articles of association.

By order of the Board
Toby J C Parker
Company Secretary

19 November 2009

Registered office:
35, Piccadilly
London W1J 0DW

Notes

1. A member entitled to attend and vote at the Meeting convened by the Notice set out above is entitled to appoint a proxy to attend, speak and vote in his place. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes set out in the form of proxy enclosed with this Notice.

2. A form of proxy is enclosed. To be effective it must be deposited at the office of the Company's registrars so as to be received not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion of the form of proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she wishes.

3. Pursuant to Regulation 41 of the Uncertificated Securities regulations 2001, the Company specifies that only those shareholders of the Company on the register at 6.00pm on the day two days prior to the Meeting shall be entitled to attend or vote at the Meeting in respect of shares registered in their name at the time. Changes to the register after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

4. The material differences between the current articles of association and those proposed to be adopted pursuant to resolution 3 are summarised in the circular to shareholders to which this Appendix 1 is appended.

London Asia Capital plc
35 Piccadilly
London W1J 0DW

Tel: +44 (0)20 7734 7282
Fax: +44 (0)20 7734 4561

Email: info@londonasiacapital.com
www.londonasiacapital.com