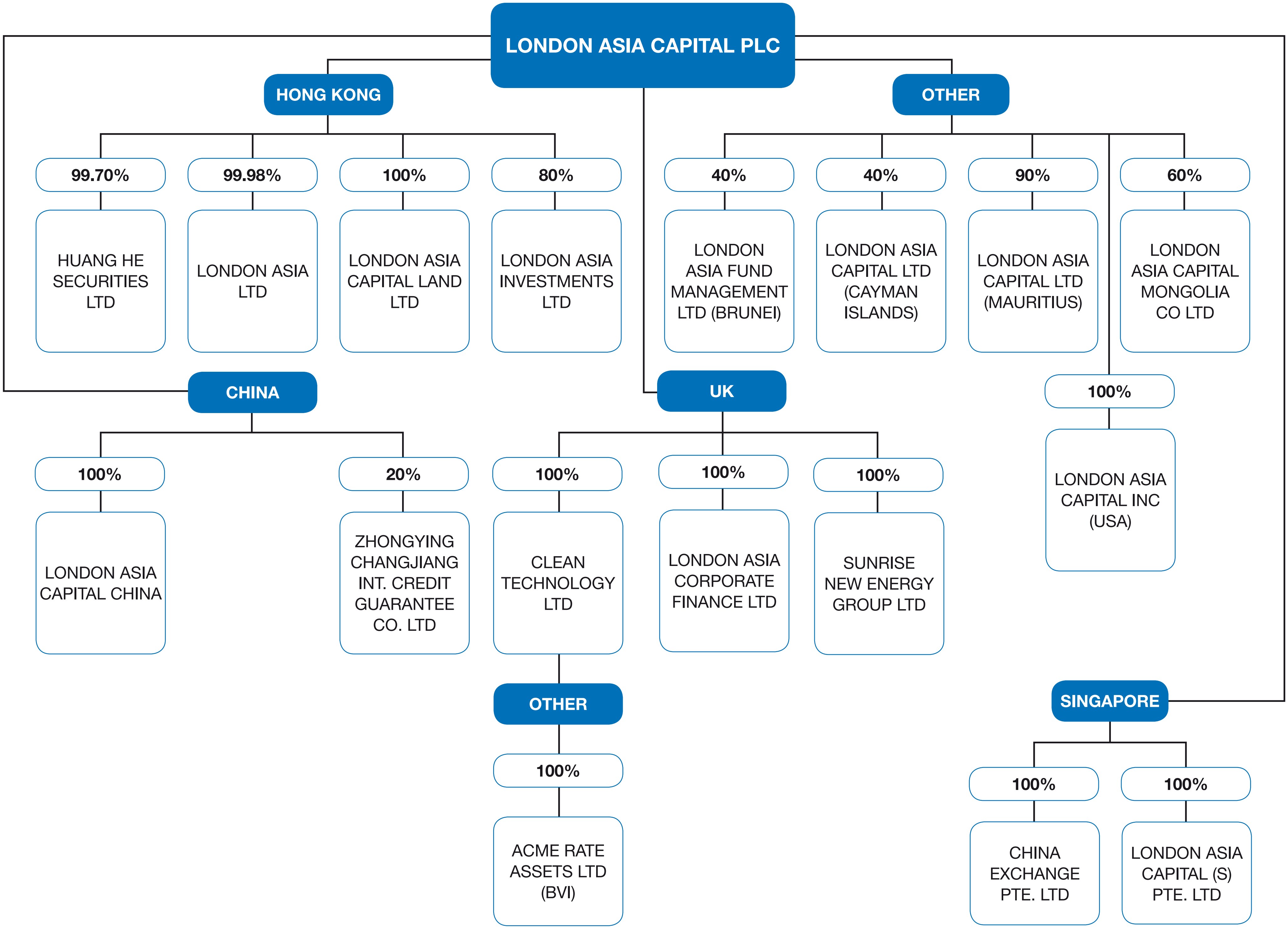
London Asia Capital plc

Annual report
2009


LONDON ASIA CAPITAL PLC
HONG KONG
99.70%
HUANG HE SECURITIES LTD
99.98%
LONDON ASIA LTD
100%
LONDON ASIA CAPITAL LAND LTD
80%
LONDON ASIA INVESTMENTS LTD
OTHER
40%
LONDON ASIA FUND MANAGEMENT LTD (BRUNEI)
40%
LONDON ASIA CAPITAL LTD (CAYMAN ISLANDS)
90%
LONDON ASIA CAPITAL LTD (MAURITIUS)
60%
LONDON ASIA CAPITAL MONGOLIA CO LTD
100%
LONDON ASIA CAPITAL INC (USA)
CHINA
100%
LONDON ASIA CAPITAL CHINA
20%
ZHONGYING CHANGJIANG INT. CREDIT GUARANTEE CO. LTD
UK
100%
CLEAN TECHNOLOGY LTD
OTHER
100%
ACME RATE ASSETS LTD (BVI)
100%
LONDON ASIA CORPORATE FINANCE LTD
100%
SUNRISE NEW ENERGY GROUP LTD
SINGAPORE
100%
CHINA EXCHANGE PTE. LTD
100%
LONDON ASIA CAPITAL (S) PTE. LTD

Contents

Chairman’s Statement	2-3
Chief Executive’s Statement	4-5
Investment Report	6-8
Financial Review	9-10
Report of the Directors	11-14
Independent Auditors’ Report	15-16
Directors’ Background	17
Directors and Advisors	18
Consolidated Statement of Financial Performance	19
Consolidated Statement of Financial Position	20
Statements of Cash Flows	21
Consolidated Statement of Changes in Equity	22
Notes to the Financial Statements	23-43
Notice of Annual General Meeting	44

Chairman's Statement

Dear Shareholders

I am pleased to be able to present the Report and Accounts for the year ended 31 December 2009. This achieves the culmination of a complex exercise: to procure within 18 months three sets of Annual Accounts for 2007, 2008 and 2009 for a group with assets virtually entirely in Asia has been no mean feat. Our task was hampered by the complete lack of internal accounts, complicated group structure and the absence of explanations for many transactions, some of which were substantial and others complex. Furthermore, the movements of substantial sums from China Growth Opportunities through the books of London Asia Investments HK further frustrated our efforts and delayed the preparation of accounts.

The above factors also contributed to the three sets of accounts being qualified by the company's auditors Moore Stephens LLP. This is understandable bearing in mind that normal basic accounting information did not exist and had to be re-created.

You will find in the Investment Report details of both our quoted and unquoted investments. Quoted shares have a clear value. However, despite our continuing efforts, we cannot be so certain of the value of the unquoted shares and especially our investment in Zhongying Changjiang Investment Guarantee Ltd. In the earlier accounts we valued our investment in Zhongying at cost of £12.5 million and have followed the same practise in the 2009 accounts. Since 2005, the RMB has moved significantly in LAC's favour, and continues to do so.

This valuation of Zhongying reflects the original RMB 170 million investment in 2005 together with the liability to pay a further RMB 30 million by 31 December 2008. At that date, we had only recently assumed the management of LAC and as there were no relevant files it was some months before we became aware of this commitment. In September 2009 we offered to inject the RMB 30 million and later we came to an agreement in principle with Wuhan Kaidi Holdings, the managers of Zhongying, to invest the smaller sum of RMB 6 million as part of a more comprehensive transaction with Wuhan Kaidi. However, Wuhan Kaidi have recently told us that they are unable to proceed on this basis and have demanded that we pay the full amount owed of RMB 30 million together with any fine. We have no objection in investing providing that we are shown a copy of the 2009 audited accounts and appoint directors, as is our right, and are satisfied that there has been no change in the asset base of the company between the end of 2009 and now. So far, Wuhan Kaidi have declined to provide us with any of the information that we have requested.

Zhongying owns 55% of Wuhan Changkai Property Development Company which in turn owns a substantial block of land adjacent to the East Lake in Wuhan. We believe that this RMB 439 million investment in the 2008 accounts may now be worth several times more than the book value.

Amongst its many other investments, Zhongying also owns 5% of Fujien Sunner Development – one of the largest chicken broiler processors in China. This company was floated on the Shenzhen Stock Exchange in September 2009 and we believe Zhongying's pre-IPO investment has appreciated considerably. Zhongying also holds investments in coal mines and hydro-power projects – industries that have benefited from China's economic growth in recent years.

It is your Board's priority to unlock our investment in Zhongying and we are pursuing various avenues to achieve this goal.

Wuhan Kaidi indicated in October 2009 that they would make a tender offer to Shareholders at 5 pence per share but only this last week we have learned that they no longer plan to continue with this plan.

In November 2009, Richpoint Group Overseas Ltd, a company registered in the British Virgin Islands, acquired 29.9 percent of LAC through purchases in the market. The shares were mainly purchased from institutional shareholders in large blocks. In December 2009, your directors also acquired some 12 million shares at 5 pence each through the market and now collectively hold 5% of the issued share capital of LAC.

I am aware that shareholders, as well as the Directors, would like either for the listing to be restored or the company liquidated and a clear strategy to be laid before shareholders as soon as possible.

With the likely failure of our protracted negotiations with Wuhan Kaidi our priorities are to resolve the Zhongying matter and also to pursue other possible recoveries, some of which we placed on hold at Wuhan Kaidi's request during the negotiations. We are also looking at other options to maximise shareholder value.

In the meantime, your board is progressing with recoveries and recently has re-opened the Croatian claim with some encouraging developments. Despite the success to date in recovering and identifying cash and assets there may be further not insignificant other sums to be identified amongst the portfolio of unquoted investments. Writs and claims have also been issued or are in preparation for a sum in aggregate of circa £20 million though caution suggests the eventual receipts may fall far short of this total. Full details are given in note 27 as a post balance sheet event note.

I very much appreciate your considerable patience as your Board has grappled with LAC's very difficult history and our diligent efforts to create a new future for the company. I assure you that we are making progress, although much of our efforts have been devoted to producing the audited accounts, and I am optimistic that we will be able to report favourable developments in the not too distant future.

Finally, I very much regret to tell you that Keith Negal is suffering from a brain tumour. When Keith joined LAC in London in September 2008 the company had no cash resources in London whatsoever. Keith made his first visit to Hong Kong at his own expense and successfully recovered the first £500,000 and in January 2009 a further £1.5 million. As of June 2010, the company has £4.5 million of cash. It was Keith's energy, determination and focused approach that played a central role in identifying and securing cash and assets for shareholders. Sadly, due to his illness, he will be unable to continue to work full time although his knowledge and experience will be appreciated as a non-executive director and we hope he will be present at the next General Meeting. We wish him and Shirley the very best for the future and we will all miss him greatly.

Yours sincerely,

The Rt. Hon. The Earl of Cromer
Executive Chairman
29 June 2010

Chief Executive's Statement

Dear Shareholder

Since I became Chief Executive in September 2008 so much has occurred in London Asia Capital ("LAC") and in this report I intend to highlight the most significant features as I have a personal reason for doing so. This will be my final report as Chief Executive because regrettably for health reasons I must step down to the role of a Non-Executive Director. The remaining Executives will be Evelyn Cromer, Executive Chairman, Toby Parker, Financial Director, and Dennis Bailey together with four Non-Executives. Two of these, Mr. Shi and Mr. Sha, represent Richpoint Group Overseas Ltd, the holder of 29.9% of the LAC shares.

When I was appointed in September 2008, the Company had no cash resources in London and my first task was to visit Hong Kong, identify the bank accounts and recover cash. By January 2009 some £2 million had been recovered and by December 2009 the cash totals £4.1 million. The next stage was to secure the gift back and cancellation of 98 million shares, issued in 2007 at the then prevailing market price of 12p per share, equating to a total value of £12 million, to four newly formed companies called Huang He Securities Limited, London Asia Limited, London Asia Capital Land Limited and China Exchange Limited. Shareholders will recall that these LAC shares were used to subscribe for 40% interests in each of the above companies. Third parties held the remaining 60% interest in aggregate paying little more than twenty thousand pounds (£20,000) for their investment in May 2007. The effect of the cancellation of these shares in May 2009 was to reduce the number of shares in issue from 327 million to 229 million, thereby increasing the net asset value attributable to the remaining shareholders.

The individuals that subscribed for the 60% shareholding in each of the share swap companies paid in aggregate £20,000 but were required to pay the premium associated with the shares amounting to in aggregate £20 million. The Directors are now claiming these sums together with interest due from those parties. As a word of caution, the Directors do not expect that the total recoveries will be £20 million.

The Directors then began the task of producing the 2007, 2008 and recently the 2009 Annual Report & Accounts. It has been a real achievement to produce three sets of audited accounts in some 18 months especially bearing in mind the complete lack of working papers, bank statements and normal accounting documents when the process began. Of course, it has meant that the auditors, Moore Stephens LLP, qualified the accounts but the new Directors were not in a position to provide explanations for all the transactions over three years and provide evidence of good title to all the investments. The issues were further complicated by the movement through the company's book of some £50 million of cash raised on the AIM market by China Growth Opportunities of Guernsey and washed through the books of London Asia Investments Ltd in Hong Kong.

Of course, it took a lot of detective work to track down many of these investments and the involvement of very capable lawyers. Though it is unusual to do so, I would particularly like to thank Richard Wilmot and Calvin Ho of Holman Fenwick and Willan in Hong Kong. I first met Richard in September 2008 and his support, clear and uncomplicated professional approach has made our tasks so much easier. The good news is that the substantial expenditure on lawyers will be significantly less in the future.

As the recovery of assets progressed, your Directors turned their attention to identifying the quoted and unquoted investments. LAC had subscribed for 20% of the issued capital of Zhongying in 2005 at a cost of 170 million RMB (£12.5 million) and unbeknownst to shareholders and the present Directors, LAC had a liability to pay a further 30 million RMB by December 2008. The other key shareholders of Zhongying are companies and associates of Yilong Chen. I have already told you in an earlier report that I met Mr. Chen in September 2009. He is a successful businessman and his main quoted company is Kaidi Electric whose shares are dealt on the Shenzhen Stock Exchange currently with a market value of £922 million. He is also a Deputy of the key PRC political body and for these reasons your Directors felt that he would be accepted by the London business community and began to prepare a suitable subsidiary of LAC, re-named Sunrise New Energy Group plc (the name selected by Mr Chen) for the market. Through a court approved Scheme of Arrangement this company would ultimately hold all the current cash and investments of LAC. The alternatives to returning to the London market are to join the market in Hong Kong, possibly as part of a merger, liquidate the business or be taken over by a quoted company. A further variation of the above is either to acquire a larger interest in Zhongying and go to the market, exchange shares in Zhongying for investments in the power industry in China or to seek to monetarise the Zhongying shares. I mention all of these possibilities because they have all been considered by your Directors. It will be obvious that the support of Mr. Chen is important and finally I must say the current state of markets is not helpful. In the light of these discussions your Directors have continued to value the Zhongying investment at the cost of £12.5 million.

In October 2009, Mr. Chen indicated he would make a 5 pence per share Tender offer for shares of LAC, but it is now clear that such an offer will not now be made. In November 2009, Richpoint Group Overseas Limited, A BVI Company with connections in Singapore, acquired 70 million LAC shares at 5 pence each equal to 29.9% of the issued capital. Your Directors have also collectively acquired some 5% of the shares in the market at 5 pence per share.

In March 2006, London Asia Capital plc (LAC) through its Singapore subsidiary, entered into an agreement to provide investment support services to China Growth Opportunities Ltd (CGO) which at that time was raising £50 million on the AIM market to invest in Asia. The downside of the agreement was that LAC gave a Guarantee and Indemnity to CGO against all the obligations of the Singapore subsidiary.

In January 2009, LAC had not been paid fees by CGO for some 12 months, £1.7 million was due and a potential further £3 million in respect of performance fees payable only when investments were sold. In the six months to end September 2008 portfolio values had fallen by 29% and it was indicated that LAC could suffer claims in respect of its consultancy services triggering the guarantee the parent company had provided and obviously putting LAC at risk. Your Directors agreed to terminate the 2006 Agreement against a one-off receipt of £350,000 and a new Asset Investment Support Agreement for a fixed fee of £20,000 a month which lasted until October 2009.

As I said at the start of this letter, this will be my last report as Chief Executive. At this point, and in my present condition, it would be reasonable for me to fade into the background. However, like my colleagues on the Board, I am not one to leave a job part done and there is still much to do on behalf of shareholders. Some US$5 million remains unaccounted for in Croatia. Larger sums could be recoverable from the share swap companies. There may well be more. People must be brought to book for their conduct. Whilst I can, I shall continue to enjoy what has been a challenging and rewarding job on your behalf, working with a great team of Directors and advisors. Of course, with the accounts complete, the cost of both your Board and professional advisors will reduce. Finally, it has been suggested that I write a book on my experiences since I joined LAC. Whilst this may be a useful insight to those that venture into China, I am certain that it will be an useful document for the Regulators in many jurisdictions.

Yours sincerely,

Keith Negal
Chief Executive

29 June 2010

Investment Report

Dear Shareholder,

The purpose of this Investment Report is to provide background on the quoted and more important unquoted investments of LAC. Altogether LAC has 23 unquoted investments which have been valued at the present time at nil in the Balance Sheet apart from Zhongying which is valued at cost. The Fair Values of three quoted investments as at 31 December 2009 was been based on the market values.

Quoted Investments

Asia Power is LAC's largest quoted investment (Singapore quotation) in value terms and pays the biggest dividend LAC receives. Mr. Guangwen Sha, Chairman of Asia Power, was appointed a non-executive Director of LAC in January as a representative of Richpoint Group Overseas Ltd. Asia Power is principally involved in the ownership, management and operation of power plants in China. Revenue has increased annually rising from £46.9 million in 2005 to £71.8 million in the financial year to 31 December 2009 and matched by a rise in pre-tax profits from £5.65 million in 2005 to £10.75 million last year. In the year ahead the Chairman has stated "with prudent and efficient management practices, we will keep costs under control while anticipating solid expansion". Net tangible assets amounted to 24.86 cents per share as 31 December 2009. LAC holds 43,115,347 shares, or 9.26% of the issued capital, acquired at a cost of £2,089,268. Based on the current share price of 0.145 cents the market value of the LAC investment is £2.90 million. **(Dec 2009: £2.90 million)**

Bank Mayapada is an Indonesian bank founded by Dr Tahir in 1990. Dr Tahir started his empire with a garments and textile business and later founded Bank Mayapada. While the garments business is no more, the bank has grown rapidly and now has 133 branches and sub-branches undertaking all the conventional local and international banking services. Total Revenue has advanced rapidly from £128.75 million in 2007 to £226.73 million in 2009, but as the bank expanded expenses have risen equally fast and net profit last year at £27.28 million was virtually unchanged on the £27.04 million in 2007. The Bank intends to have a rights issue in the second half of 2010 which will raise the Tahir family shareholding to 70% if the other major shareholders Dubai Ventures and Singaporean UBS do not subscribe for the rights issue. Acquired at a cost of £500,000, LAC holds 19,557,500 shares, representing 0.76% of the total issued capital, one of the largest public shareholdings. The recent market value at 1,580 Indonesia Rupiahs was close to the all-time high and on this basis the shareholding has a market value of £2.26 million though the volume of turnover on the Stock Exchange is small. **(Dec 2009: £1.63 million)**

MyEG is an investment in which LAC holds 6.6 million shares, representing 1.1 % of the total issued capital, acquired at a cost of £69,757. The company is a concessionaire for the Malaysian Government providing an internet facility between individuals and businesses and Government Departments. It is particularly well known for its driving theory test bookings, licence renewals, traffic summons checking services. Turnover has increased at an impressive pace from £2.47 million in the year to 30th June 2005 to £10.7 million in 2009 matched by a lift in net profits from £512,278 in 2005 to £3.51 million last year. The shares are quoted on the MESDAQ market in Kuala Lumpur and compared with the 2009 year end price of 0.4 Ringgits has recently traded at 0.8 valuing the LAC shares at £918,494. Goldman Sachs Group has built up a direct shareholding which is reported to be 32 million shares or 5.33%. **(Dec 2009: £423,546)**

China Eastsea Business Systems ("China Eastsea"), a China software and equipment supplier, joined the AIM market in January 2008 but failed to achieve the recognition and raise the capital it expected on the AIM market. LAC held 2.78 million shares, representing 3.6% of the total issued capital, acquired at a cost of £512,158. In March 2010 the company made a Tender Offer to shareholders of 10 pence per share. At the time the shares were trading on the AIM market at around 6.5 pence in relatively low volumes and accordingly LAC accepted the offer in respect of its 2.78 million shares to raise £278,000. **(Dec 2009: £278,000)**

Unquoted Investments

Beijing Biaoqi Culture Company Limited was incorporated in 1995 with a registered capital of RMB 1 million. The business is the design and production of advertisements, but it has also produced a number of films and videos. The business is run by Jiang Guoping and LAC holds 50% of the shares, acquired at a cost of £236,000, through a Trust arrangement. **(Dec 2009: £Nil)**

Dalian Business Institute, in which LAC holds 420,978 shares acquired at a cost of £56,293. Dalian runs an education business based in Dalian, Liaoning Province, China under the terms of a 25 year contract. The company has not reported its financial results to 31 July 2008 and is suspended from the PLUS market. **(Dec 2009: £Nil)**

China Financial Services ("CFS") was one of LAC's early investments. CFS provided real-time information on securities and analysis software to support investors in the stock market in China. As at 30 June 2007, the fair value of this investment was £4.76 million in LACs interim accounts against cost of £2,311,806. However, as announced in earlier reports, the business of CFS rapidly collapsed when the China Stock Exchange began to charge for market data in 2006. **(Dec 2009: £Nil)**

China Biotech is registered in Jersey and is the holding company for Henan Yuanhura Biotechnology Co. Limited, a Chinese manufacturer and distributor of highly purified herb extracts which are used to produce traditional Chinese medicine and health foods. LAC holds 5,654,511 shares, representing 46% of the total issued capital, acquired at a cost of £594,106. Shares were dealt on the PLUS market from April 2006 and subsequently suspended. **(Dec 2009: £Nil)**

China Education Group LAC holds £365,000 7% Convertible Loan Notes and 101,981 shares acquired at costs of £365,000 and £126,797 respectively. The company was incorporated in Jersey in September 2005 and is the holding company of the wholly owned subsidiary AGI which in turn owns Europasia Beijing Educational Technology Co. Limited. This company holds a 25 year exclusive management contract to run SIIT, a Chinese College, located in Jinan, capital of Shandong Province, China. The college appears to be open and thriving but we have not been successful in obtaining any recent Audited Accounts. The company de-listed from PLUS in May 2008. **(Dec 2009: £Nil)**

Commodity Growth, formerly Europasia Education plc and commonly known as EPC at one time. LAC holds 4,869,000 shares acquired a cost of £385,709. In July 2007 shareholders approved a change of investment strategy to permit the company to concentrate on investing in businesses involved in rare commodities, commodity trading, particularly in the energy and environment sectors, in China. The shares are suspended from AIM and have not filed accounts. Commodity Growth also holds a 8% stake in Dalian Business Systems and a 14% interest in China Education Group. **(Dec 2009: £Nil)**

China Mobilnet, registered in Jersey, is the holding company of S P Green Technology (Beijing) Co Limited, an SMS content software and technical services provider focusing on the corporate sector in China with an exclusive 25 year contract to provide services to Beijing Biaoqi Century Data Communication Technology Co. Limited ("Century Data") a nationwide China SMS valued-added service operator. The latest accounts of China Mobilnet was for the year to 31 December 2007 showed revenue of £733,000 and profits after tax of £580,000. LAC holds 471,790 shares of China Mobilnet, representing 9.2% of the issued capital acquired at a cost of £106,911 and 10 % of Century Data acquired at a cost of £574,833. China Mobilnet was admitted to the PLUS market in September 2006 and withdrew in November 2009. Recently it has been reported that the company is preparing to join the German market. **(Dec 2009: £Nil)**

E-Asset Investment Management Snd Bhd. A 30% holding was acquired in 2004 by the issue of 3,287,671 shares of LAC at 18.25 pence each representing a total cost of £613,913. E-Asset is involved in investment management in Malaysia but the LAC shareholding is not registered and further inquires are necessary to establish the current position. **(Dec 2009: £Nil)**

London Asia Capital Mongolia Limited is a joint venture company 60% owned by LAC and 40% held by Bayan is Great Limited of Mongolia to exploit local banking, insurance and capital market operations. **(Dec 2009: £Nil)**

London Asia Fund Management Limited is a company incorporated in Brunei in which LAC holds a 40% interest. This business was registered to undertake investment activities and in December 2007 was in receipt of monies due to LAC's wholly owned subsidiary in Singapore. **(Dec 2009: £Nil)**

Nourican Adriatica A loan of US$5 million was made to this company. Shareholders will be aware this was lent to Nourican Adriatic d.o. in Zagreb, Croatia in 2005 with the expectation that it would be returned quickly with a $1million fee. Recently, this claim has been re-opened with some encouraging developments. **(Dec 2009: £Nil)**

PUCA is the oldest investment held by LAC. The shares were acquired, at a cost of £230,289, by Netvest the former name of LAC. PUCA is based in Dublin and engaged in the management and delivery of mobile marketing solutions to major brands and organisations such as McDonalds and Diageo. Effectively, PUCA provides a service to allow 3rd party organisations to send and receive text messages. The company has some 27 staff, of which 14 are based in Dublin and 13 in Beijing. **(Dec 2009: £Nil)**

Velocity formerly Peach Blossom Media, in which LAC 2,533,361 shares, acquired at a cost of £61,972. The shares were de-listed from the PLUS market in May 2007 with the expectation of joining the Singapore MESDAQ market, but this did not occur. The company is a creator, producer and distributor of original animation and children's programmes. **(Dec 2009: £Nil)**

Zhongying Changjiang International Investment Guarantee Co. Limited, located in Wuhan, Hubei Province, China. LAC acquired at a cost of £12.5 million in 2005 approximately 20% of Zhongying with a commitment to invest a further 30 million RMB. The company is an approved foreign registered joint venture and has a range of investment from property, to coal mines and other investments including 5% of the recently Hong Kong quoted Sunner Development Co Ltd poultry producer. The book value of assets as at 31 December 2008 amounted to 1.1 billion RMB and is thought to be worth currently in excess of 1.65 billion RMB. **(Dec 2009: £12.51 million)**

Yours sincerely,

Dennis Bailey

29 June 2010

Financial Review

2009 was a year of consolidation for the Group resulting in profits of £0.5 million and a marginal reduction of net assets from £18.9 million to £18.8 million in December 2009.

Trading performance

Profit before tax for the year is reported at £0.5 million (2008: loss £4.6 million) under IFRS. Basic earnings per share was 0.22 pence (2008: Loss 1.45 pence).

Table 1 overleaf provides an analysis of our reported revenue:

Fee income decreased from £2.4 million in 2008 to £0.4 million in 2009. In March 2009, the Group terminated the investment support programme that had been entered into with China Growth Opportunities (CGO) and received a management fee of £20,000 per month for the first nine months of the year until that too was brought to a close.

During the year we received a dividend of £172,000 (2008: £192,000) from Asia Power.

Balance sheet position

Our balance sheet position diminished with net assets of £18.8 million (2008: £18.9 million), equal to 8.0 pence per share (2008: 5.8 pence per share). Table 2 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 Zhongying at the original cost of £12.5 million given its short trading history. Cash and listed investments comprise £9.4 million, approximately half of our net assets.

Net assets per ordinary shares have substantially increased as a direct result of the share gift back arising from the cancellation of the 98 million shares swap in May 2009. The total shares in issue of the Company are now 229,508,590 (2008: 327,378,988).

Table 1: Analysis of reported revenue

	2009 £'000	2008 £'000
Fee income	220	2,235
Dividends	172	192
	392	2,427
Revenue by division:		
Advisory	220	2,235
Investment	172	192
	392	**2,427**

Table 2: Analysis of the Group's net asset position

	2009 £'000	2008 £'000
Unlisted investments	12,509	12,508
Cash	4,149	4,938
Listed investments	5,234	5,306
Other liabilities	(3,113)	(3,885)
	18,779	**18,867**

Report of the Directors

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

Principal activities

The principal activity of the Group is that of an investment trading company.

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 5.

Profit for the year

The net profit for the year amounted to £0.5m (2009: loss £4.6m). Details of movement in reserves is set out in the statement of changes in equity on page 22.

Business review

A 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 5.

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

	2009	2008
Revenue diminution	(84%)	(1.6%)
Net asset diminution	(0.5%)	(16%)

Payments to suppliers

The Company's policy for the year ended 31 December 2009 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.

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 an 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.

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 profit after tax of £0.5 million (2008: loss £4.6 million). Further information on the result for the year is included within the Chairman's and Chief Executive's Statement on pages 2 to 5 and Financial Review on pages 9 to 10.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008: £nil).

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 Wednesday 28 July 2010.

Directors

The following directors have held office during the year and their beneficial and non-beneficial interests in the ordinary share capital of the company at 31 December 2008 and 31 December 2009 are shown below:

		2009	2008
Jack Wigglesworth	Resigned 18 December 2009	541,080	541,080
Anthony Drury	Resigned 26 January 2009	–	–
George Allnutt	Resigned 18 December 2009	–	4,890,600
Keith Negal		1,277,613	–
Toby Parker		1,277,613	–
The Rt. Hon. The Earl of Cromer		6,928,893	–
Dennis Bailey		1,277,613	–
Francesco Gardin		–	–
Guangwen Sha	Appointed 29 January 2010	–	–
Jonathan Shi	Appointed 29 January 2010	–	–

Brief biographies of each of the Directors appear on pages 17 to 18.

Substantial shareholdings

At 4 June 2010 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
Pershing Nominees Limited	79,589,718	34.68
NUTRACO Nominees Limited	15,425,000	6.72
Harewood Nominees Limited	10,750,000	4.68
Barclayshare Nominees	10,498,711	4.57
Vidacos Nominees Limited	10,450,000	4.55
TD Waterhouse Nominees (Europe) Limited	7,780,603	3.39

Included within the shares held by Pershing Nominees Limited is the 29.9% holding of Richpoint Group Overseas Limited.

Statement of Directors responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless its is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Directors' and Officers' Liability Insurance

The Company has maintained Directors' and Officers' insurance as permitted by the Companies Act 2006.

Donations

The Company made no charitable or political donations during the year.

Corporate Governance

The Company has considered the principles and provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 and applied them to the extent considered appropriate by the Board given the size of the Company.

- The Company is headed by an effective Board of Directors.
- There is a clear division of responsibilities in running the Board and running the Company's business.
- The Board currently comprises three executive Directors, including the Chairman, and four non-executive Directors.
- The Board receives and reviews on a regular basis financial and operating information appropriate to the Directors being able to discharge their duties. An annual budget is approved by the Board and a revised forecast is prepared at the half year stage. Cash flow and other financial performance indicators are monitored monthly against budget.
- Directors submit themselves for re-election every three years by rotation in accordance with the Articles of Association.
- The Board welcomes communication from the Company's Shareholders and positively encourages their attendance at the Annual General Meeting.

Remuneration Committee

Three Board members, comprising the Chairman, the Finance Director and chaired by F Gardin acts as the Remuneration Committee. It is the Company's policy that the remuneration of Directors should be commensurate with services provided by them to the Company.

Audit Committee

Three Board members, comprising the Finance Director, F Gardin and Mr Sha act as the Audit Committee.

Nomination Committee

Three Board members comprising the Chairman, Dennis Bailey and Jonathan Shi act as the Nomination Committee.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Financial Risk Management Objectives

The company's financial risk management objectives can be found in note 24 of the financial statements.

Internal Control

The Directors are responsible for the Company's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control. The Directors have established procedures for planning and budgeting and for monitoring, on a regular basis, the performance of the Company.

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
29 June 2010

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 2009 which are set out on pages 19 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion: Disclaimer on view given by the financial statements

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

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 financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitations on our work described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;

Geoffrey Woodhouse, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP,
Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

29 June 2010

Directors' background

The Rt. Hon. The Earl of Cromer – aged 64
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$100m in Greater China), Western Provident Association and LG Asian Plus Fund (as chairman of both) 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.

Keith Negal MBA FCMA – aged 61
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 55
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.

Professor Francesco Gardin – aged 55
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 a shareholder. Since 2006 he has worked extensively in China, and in 2007 became CEO of China IPO Group plc, In March 2008 he became a Board Member of IPO Beijing Investment Consulting Company Ltd., the China IPO Group plc Chinese subsidiary, with an office in Xi'an.

Dennis Bryan Bailey MSI – aged 70
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.

Guangwen Sha – aged 47
Mr Guangwen Sha is Executive Chairman of Asia Power Corporation Limited ('Asia Power'), a listed company on the Singapore Stock Exchange Main

Directors' background (contd)

Board. He provides leadership to the Board and sets overall business strategy and planning to the Asia Power Group. Mr Sha also sits on the Board of SGX-listed Devotion Energy Group Ltd as non-executive director and chairs the Board of Rockstead Capital Private Limited, a boutique investment and fund management firm. Prior to taking up his current position as Executive Chairman of Asia Power, Mr Sha was Executive Director and CEO of Asia Power. Before joining Asia Power, he was Executive Director of Asia water Technology Ltd. In addition, Mr Sha has many years of experience in company operating, fundraising and investment. In the course of his career, he was appointed by various companies to oversee their operations. His past appointments saw him take positions as General Manager of Hainan Aisino Investment Co Ltd and Heilongjiang Longdian Investment Co Ltd, deputy General Manager and subsequently General Manager of Yangpu Tianhe Taifu Investment Co Ltd, and also Chief Executive Officer of Hainan Bingang Real Estate Investment Co Ltd. Currently, he no longer holds executive roles in these companies. Mr Sha holds double degrees in economics and literature from Heilongjiang University of Commerce and Harbin Normal University respectively.

Jonathan Shi – aged 49
Jonathan Shi is currently a Co Head and Managing Director at CITIC CSIP (a joint venture advisory business between China CITIC Securities and Evercore), focusing on China cross border merger and acquisition advisory business.

Between 2005 and May 2009, he was Head of China and a Managing Director at Lazard, responsible for merger and acquisition advisory business in China. Between 1997 and 2005, Jonathan was head of corporate finance in China and then head of industrials sector client coverage in China at ABN AMRO Bank with extensive experience in M&A, equity and equity-linked fund raising, project finance and corporate banking.

Directors and Advisors

Directors
The Rt. Hon The Earl of Cromer
(Executive Chairman)
Toby Parker (Finance Director)
Dennis Bailey (Executive Director)
Keith Negal (Non-Executive Director)
Francesco Gardin (Non-Executive Director)
Guangwen Sha (Non-Executive Director)
Jonathan Shi (Non-Executive Director)

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
150 Aldersgate Street
London EC1A 4AB

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

Solicitors
Speechly Bircham LLP
6 New Street Square
London EC4A 3LX

Solicitors
Holman Fenwick and Willan
Tower One
Lippo Centre
89 Queensway
Admiralty
Hong Kong

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

Consolidated Statement of Financial Performance for the Year Ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	3	392	2,427
Administrative expenses		(1,453)	(3,653)
Operating loss		**(1,061)**	**(1,226)**
Interest income	5	38	55
Unrealised gains/(losses) on revaluation of investments		525	(3,503)
Foreign exchange gains		988	80
Finance costs	6	–	(5)
Profit/(Loss) before taxation	7	**490**	**(4,599)**
Taxation	8	–	–
Profit/(Loss) for the year		**490**	**(4,599)**
Attributable to:			
Equity holders of the parent		600	(4,753)
Minority interest		(110)	154
		490	**(4,599)**
Earnings per share	11	**Pence**	**Pence**
Basic		0.22	(1.45)
Diluted		0.22	(1.45)

All amounts are from continuing operations.
The notes on pages 23 to 43 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	2009 £'000	2008 £'000
Profit/(loss) for the year	600	(4,753)
Exchange differences on translation of foreign operations	(578)	1,121
Total comprehensive income for year attributable to shareholders	**22**	**(3,632)**

Consolidated Statement of Financial Position as at 31 December 2009

	Note	2009 £'000 Group	2008 £'000 Group	2009 £'000 Company	2008 £'000 Company
Property, plant and equipment	12	–	23	–	
Investment in subsidiaries	13	–	–	134	134
Investments	14	17,743	17,814	12,510	12,510
Trade and other receivables	15	443	624	364	1,647
Cash and cash equivalents		4,149	4,938	1,405	423
Total assets		**22,335**	**23,399**	**14,413**	**14,714**
Trade and other payables	16	(3,556)	(4,532)	(6,023)	(4,354)
Current tax liabilities		–	–	–	–
Total liabilities		(3,556)	(4,532)	(6,023)	(4,354)
Net assets		**18,779**	**18,867**	**8,390**	**10,360**
Capital and Reserves					
Share Capital	18	11,475	16,369	11,475	16,369
Share Premium Account	18	21,330	27,264	21,330	27,264
Capital Redemption Reserve	18	10,828	–	10,828	–
Share options reserve		27	489	27	489
Translation reserve	20	554	1,132	–	–
Retained loss	21	(25,780)	(26,842)	(35,270)	(33,762)
Equity attributable to equity holders of the parent		**18,434**	**18,412**	**8,390**	**10,360**
Minority interest		**345**	**455**	**–**	**–**
Total equity		**18,779**	**18,867**	**8,390**	**10,360**

The financial statements were approved by the Board and authorised for issue on 29 June 2010.

The Rt. Hon The Earl of Cromer
Chairman

Toby Parker
Finance Director

The notes on pages 23 to 43 form an integral part of these financial statements.

Statement of Cash Flows for the Year Ended 31 December 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Net cash (used in)/from operating activities	26	(765)	(1,203)	921	(152)
Investing activities					
Interest received		38	55	123	146
Proceeds on disposal of investments		–	–	–	–
Purchase of property, plant and equipment		–	(8)	–	–
Acquisition of subsidiary net of cash		–	–	–	(1)
Purchase of investments		–	(127)	–	–
Net cash from/(used in) investing activities		38	(80)	123	145
Financing activities					
Repayment of bank loans		(62)	(64)	(62)	(64)
Net cash from financing activities		(62)	(64)	(62)	(64)
Net (decrease)/increase in cash and cash equivalents		(789)	(1,347)	982	(71)
Cash and cash equivalents at beginning of year		4,938	6,285	423	494
Cash and cash equivalents at end of year		**4,149**	**4,938**	**1,405**	**423**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2009

	Share Capital £'000	Capital Redemption Reserve £'000	Share Premium Account £'000	Share Options Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Year ended 31 December 2009							
Balance at 1 January 2009	16,369	–	27,264	489	1,132	(26,842)	18,412
Total comprehensive income for the year	–	–	–	–	(578)	600	22
Share Options	–	–	–	(462)	–	462	–
Share Gift back	(4,894)	10,828	(5,934)	–	–	–	–
Balance at 31 December 2009	**11,475**	**10,828**	**21,330**	**27**	**554**	**(25,780)**	**18,434**
Year ended 31 December 2008							
Balance at 1 January 2008	16,369	–	27,264	489	11	(22,089)	22,044
Total comprehensive expense for the year	–	–	–	–	1,121	(4,753)	(3,632)
Balance at 31 December 2008	**16,369**	**–**	**27,264**	**489**	**1,132**	**(26,842)**	**18,412**

Notes to the Financial Statements for the Year Ended 31 December 2009

Note 1 General information

London Asia Capital plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 18. The nature of the Group's operations and its principal activities are set out in the Directors' report on pages 11 to 14. These financial statements are presented in pounds sterling, rounded to the nearest thousand.

The Group has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the Group's operations and effective for accounting periods beginning on 1 January 2009.

These financial statements have been prepared in accordance with the revised IAS 1 Presentation of Financial Statements which is effective for accounting periods beginning on 1 January 2009. The revised IAS 1 has resulted in a change to disclosures in the financial statements, as well as changing the presentation of performance. The Group has chosen to present a separate statement of financial performance and comprehensive income and now reports a statement of financial position rather than a balance sheet.

Revisions to IFRS 7 Financial Instrument: Disclosures, requires an analysis of all financial instruments measured subsequent to initial recognition at fair value, grouped into a hierarchy of levels 1 to 3, based on the degree to which the fair value has been determined using observable inputs.

The Group has not measured any financial assets or liabilities at fair value in the statement of financial position other than Level one assets which have been measured at quoted prices. The financial statements have been qualified in this regard by the Auditors.

IFRS 8 Operating Segments is a disclosure standard that has been adopted by the Group for the first time for the year ended 31 December 2009.

At the date of the statement of financial position the following Standards and Interpretations, which are applicable to the Group, were in issue but not yet effective:
FRS 9 Financial Instruments deals with the classification and measurement of financial assets when determining whether financial assets should be recorded at amortised cost or at fair value, and the associated accounting treatment of embedded derivatives within financial assets. The standard is applicable for accounting periods beginning on or after 1 January 2013 but early adoption is allowed.

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

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

Note 2 Significant accounting policies

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.

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 cost, 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.

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

Note 2 Significant accounting policies (cont)

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.

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 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.

Note 2 Significant accounting policies (cont)

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

	2009 £'000	2008 £'000
Dividends	172	192
Fee income	220	2,235
	392	**2,427**

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 2009 £'000	Investment 2009 £'000	Consolidated 2009 £'000
Revenue			
External parties	220	172	392
Result			
Segment result	1,681	(1,191)	490
Taxation	–	–	–
Profit/(loss) for the year	1,681	(1,191)	490
Assets			
Segment assets	401	21,934	22,335
Liabilities			
Segment liabilities	43	3,513	3,556

The Board of directors reviews the Group's internal reporting in order to assess performance and allocated resources. Operating segments have been identified by location of principal assets:

Year ended 31 December 2009	China	Singapore	Hong Kong	Mauritius	Indonesia	United Kingdom	Total
Revenue	172	220	–	–	–	–	392
Assets by location of asset	16,418	116	2,288	–	1,643	1,870	22,335
Liabilities by location of liability	2,915	–	21	4	–	616	3,556
Interest income	21	–	1	–	–	16	38
Unrealised gains on revaluation of investments	525	–	–	–	–	–	525

Year ended 31 December 2008	China	Singapore	Hong Kong	Mauritius	Indonesia	United Kingdom	Total
Revenue	182	1,059	115	–	–	1,071	2,427
Assets by location of asset	17,145	451	4,525	–	711	567	23,399
Liabilities by location of liability	3,709	43	154	4	–	622	4,532
Interest income	–	–	48	–	–	7	55
Unrealised losses on revaluation of investments	(3,503)	–	–	–	–	–	(3,503)

Note 5 Interest income

	2009 £'000	2008 £'000
Interest on bank deposits	38	55

Note 6 Finance costs

	2009 £'000	2008 £'000
Interest on bank loans	–	5

Note 7 Profit/(loss) before taxation

	2009 £'000	2008 £'000
Loss before taxation has been arrived at after charging/(crediting):		
Loss on disposal of property, plant and equipment	23	–
Net foreign exchange gains	(988)	(80)
Operating lease rentals – land and buildings	43	76

The analysis of auditors' remuneration is as follows:

	2009 £'000	2008 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	45	70
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	20	12
Fees payable to auditors of other subsidiaries of the Company	81	22
Total audit fees	**146**	**104**

Note 8 Taxation

	2009 £'000	2008 £'000
Current tax charge	–	–
Current tax reconciliation		
Profit/(Loss) before taxation	490	(4,599)
Current tax at 28% (2008: 30%)	137	(1,380)
Fair value adjustment on investments held at year end	3	83
Other disallowed items	25	(125)
(Loss)/profit in subsidiaries not subject to taxation at 30%	(621)	1,299
Effects of tax losses brought forward	456	123
Current tax (credit)/charge	**–**	**–**

The Group has not recognised deferred tax assets of £1,044,000 (2008: £709,000) 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

	2009 £'000	2008 £'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	1,385	1,380
Social security costs	13	36
	1,398	1,416
Directors' emoluments		
Staff costs include the following emoluments in respect of the qualifying service of directors of the company:		
Directors' emoluments	**1,093**	**140**

No director received pension benefits in the year. The highest paid director received emoluments of £235,000 (2008: £38,000).

Employees

	2009 Number	2008 Number
The average number of persons employed by the Group, including directors, during the year was:	10	11

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.

As at the date of this report, there are no employees other than the Directors.

Note 10 Holding company loss

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. Loss after taxation amounted to £1.51m (2008: £4.56m) has been included in the financial statements of the holding company.

Note 11 Earnings per share

	2009 £'000	2008 £'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	600	(4,753)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	267,584,202	327,378,988
Effect of dilutive potential ordinary shares:		
Share options	–	–
Warrants	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	267,584,202	327,378,988
Earnings per share		
Basic (pence)	0.22	(1.45)
Diluted (pence)	0.22	(1.45)

Share options to acquire ordinary shares of the Company were not included in the calculation of diluted earnings per share as they were considered to be anti dilutive.

Note 12 Property, plant and equipment

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Office equipment and furniture and fittings				
Cost				
Balance at beginning of year	30	22	–	–
Additions		8	–	–
Disposals	(30)	–	–	–
Balance at end of year	–	30	–	–
Depreciation				
Balance at beginning of year	7	7	–	–
Charge for the year	–	–	–	–
Disposals	(7)	–	–	–
Balance at end of year	–	7	–	–
Carrying amount				
At end of year	**–**	**23**	**–**	**–**

Note 13 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
Sunrise New Energy Group Limited (formerly London Asia Investments Limited)	England & Wales	Consolidation	100%
London Asia Corporate Finance Limited	England & Wales	Consolidation	100%
Clean Technology Limited	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%
Huang He Securities Limited	China	Consolidation	99.70%
London Asia Limited	China	Consolidation	99.98%
London Asia Capital Land Limited	China	Consolidation	100%
China Exchange PTE Ltd	Singapore	Consolidation	100%

China Exchange PTE Ltd was struck off the Register of companies in Singapore on 15 January 2010. No details of the subsidiary are known. The company has therefore been excluded from the consolidated statements as at 31 December 2009.

The Company has a 100% interest in London Asia Capital China. No details of the subsidiary are known as at 31 December 2009. The assets and liabilities of the company have been written off in the year.

Analysis of movement during the year:

	Company 2009 £'000	Company 2008 £'000
Balance at beginning of year	134	134
Additions	–	–
Investments written off	–	–
Balance at end of year	**134**	**134**

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 2009 £'000	Fair value 2009 £'000
Beijing Biaoqi Culture Limited	China	236	–
Beijing Biaoqi Advert Limited	China	19	–
		255	**–**

Note 14 Investments

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Analysis of movement during the year:				
Opening balance	17,814	19,113	12,510	12,509
Additions	–	127	–	1
Unrealised loss on revaluation of investments	(71)	(1,426)	–	–
Closing balance	**17,743**	**17,814**	**12,510**	**12,510**

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 investments is £12,508,733 which represents Zhongying Changjiang International Credit 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 2009	Company 2009
Temima China Investment Banking Limited	25%	25%
China Financial Services Inc	49%	49%
China Biotech Healthcare Limited	46%	–
Zhongying Changjiang Credit International Guarantee Company Limited	20%	20%
London Asia Fund Management Limited	40%	40%
London Asia Capital Limited (Cayman Islands)	40%	40%

Temima China Investment Banking Ltd, China Financial Services Inc and China Biotech Healthcare Limited are 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.

In 2005, the company subscribed 170 million RMB for shares in Zhongying Changjiang Credit International Guarantee Company Limited and has a liability to subscribe 30 million RMB to take its shareholding in the company to 20%. The company should have subscribed the 30 million RMB by 31 December 2008 and may be liable to fines in view of the delay in meeting its obligations.

Joint venture
The Group has a 60% profit share interest in London Asia Capital Mongolia Limited, a financial services company incorporated in Mongolia.

Note 15 Trade and other receivables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade receivables	2	383	–	–
Other debtors	436	236	364	31
Amounts due from subsidiary companies	–	–	–	1,616
Amounts due from associated companies	–	–	–	–
Prepayment and accrued income	5	5	–	–
	443	**624**	**364**	**1,647**

Note 16 Trade and other payables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Bank loan (refer note 17)	–	62	–	62
Amounts due to subsidiary companies	–	–	2,730	874
Amounts due to associated companies	–	127	–	–
Trade payables	142	208	3	105
Other tax and social security	10	19	–	–
Accruals and deferred income	660	994	548	200
Other creditors	2,744	3,122	2,742	3,113
	3,556	**4,532**	**6,023**	**4,354**

Included within other creditors is an amount of £2,742,000 (2008: £2,742,000) which represents the total liability of 30m RMB payable to Zhongying Changjiang Credit International Guarantee Company Limited as the final subscription for shares in that company in accordance with Share Subscription Agreement entered into by the Company in 2005.

Note 17 Bank loans

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

The bank loan was repayable as follows:

	2009 £'000	2008 £'000
Amount due for settlement within 12 months (shown under current liabilities)	–	62
Within one to two years	–	–
Within two to five years	–	–
Amount due for settlement after 12 months	**–**	**–**

The bank was fully paid in the year.

Note 18 Share capital and share premium

	2009 £'000	2008 £'000
Allotted, issued and fully paid		
229,508,590 Ordinary shares of 5p each (2008: 327,378,988)	**11,475**	**16,369**

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

	Capital Redemption Reserve £'000	Share premium £'000	Share Capital £'000
Balance at 1 January 2009	–	27,264	16,369
Shares gifted back and cancelled during the year	10,828	(5,934)	(4,894)
Balance at 31 December 2009	10,828	21,330	11,475

Following the cancellation on 22 May 2009 of the shares 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 2009, the Company had granted options over ordinary shares as follows:

Date of grant	Exercise price	Vesting period	Expiry date	No. of options
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	5,530,000
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

Note 19 Share options reserve

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Balance at beginning of year	489	489	489	489
Share based payment charge	(462)	–	(462)	–
Balance at end of year	**27**	**489**	**27**	**489**

Note 20 Translation reserve

	Group 2009 £'000	Group 2008 £'000
Balance at beginning of year	1,132	11
Current year movement	(578)	1,121
Balance at end of year	**554**	**1,132**

Note 21 Retained loss

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Balance at beginning of year	(26,842)	(22,089)	(33,762)	(29,199)
Net profit/(loss)	600	(4,753)	(1,508)	(4,563)
Share options	462	–	–	–
Balance at end of year	**(25,780)**	**(26,842)**	**(35,270)**	**(33,762)**

Note 22 Financial commitments

At 31 December 2009 the Company had non cancellable land and building operating leases. The total commitment amounted to £13,000 (2008: £82,000) expiring within one year of the balance sheet date.

Note 23 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	2009 Amount due £'000	2009 Amount owing £'000
Sunrise New Energy Limited (formerly London Asia Investments Limited)	–	874
London Asia Investments (Hong Kong) Limited	–	857
London Asia Capital (S) Pte Limited	–	944
London Asia Corporate Finance Limited		55
	–	2,730

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

The Company has entered into an agreement with I.F.M. Consultants Ltd, a company owned and controlled by T.J.C. Parker, a Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2009, I.F.M. Consultants Ltd was paid £198,000 (2008: £11,000).

The Company has entered into an agreement with Turnbull & Garbutt Ltd, a company owned and controlled by K Negal, a Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2009, Turnbull & Garbutt Ltd was paid £222,000 (2008: £15,000). This agreement was terminated in June 2010.

The Company has entered into an agreement with Cromer Associates Ltd, a company associated with The Earl of Cromer, a Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2009, Cromer Associates Ltd was paid £130,000 (2008: £3,000).

The Company has entered into an agreement with Financial Fun Ltd, a company owned and controlled by D Bailey, a Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2009, Financial Fun Ltd was paid £159,000 (2008: £nil).

The Company has entered into an agreement with Penhale Estates Ltd, a company owned and controlled by G Allnutt, a Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2009, Penhale Estates Ltd was paid £71,000 (2008: £38,000). This agreement was terminated in December 2009.

The Company has entered into an agreement with Societa Immobiliare Commerciale Internazionale SAS, a company owned and controlled by S Gardin, a Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2009, Societa Immobiliare Commerciale Internazionale SAS was paid £144,000 (2008: £nil). This agreement was terminated in December 2009.

During the year, the Company paid fees for interpretation and consultancy services in China of £30,000 to Mauve Solutions, a company associated with Shelley Hu, Countess of Cromer.

In October 2009, the Company terminated, at a cost of £230,000, its agreement with China IPO Group PLC, a company which was, at that date, controlled by Brainspark PLC, a company in which F Gardin was a Director and shareholder and where D Bailey was a shareholder.

As at the date of this report, the Company has agreed the following fees. With I.F.M. Consultants Ltd – an annual fee of £103,000; Cromer Associates Ltd – an annual fee of £138,000; and with Financial Fun Ltd – and annual fee of £93,000. There are no other contractual fee arrangements with any other party.

Note 24 Financial Instruments

The objective of the Company's policies is to manage the Company's financial risk, secure cost effective funding for the Company's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Company's financial assets and liabilities, on reported profitability and on the cash flows of the Company.

At 31 December 2009 the Company's financial instruments primarily comprise investments and cash and cash equivalents. Throughout the period under review, the Company has not traded in any other financial instruments. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Board seeks to regularly review its investment portfolio and is in the process of consolidating all cash balances held by the Group into bank accounts opened at HSBC London.

Credit Risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in connection with the investment of surplus cash.

Concentration of credit risk exists to the extent that at 31 December 2009 and 2008, current account and short term deposits were almost entirely held with one financial institution, HSBC. Maximum exposure to credit risk on cash and cash equivalents at 31 December 2009 was £3.7m (2008: £4.9m).

Interest Rate Risk

The Company is not exposed to cash flow interest rate risk as its has no borrowings.

The Company finances its operations through a combination of shareholders funds and reserves.

Sensitivity analysis

The following analyses illustrate the effect that specific changes could have had on our results in the 2009 financial year. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed in the following table, which therefore should not be considered a projection of likely future events and losses.

Foreign currency risk

Group companies have their local currency as their functional currency. The Group policy has the objective of reducing exposure to revaluation of monetary assets and liabilities. Under the policy, material outstanding foreign currency balances arising from transactions in currencies other than a company's functional currency are not hedged but foreign currency exposure is monitored regularly by the Board.

Year ended 31 December 2009

	Hong Kong $'000	Singapore $'000	Chinese RMB'000	US$'000	Indonesian Rupiah '000,000	Malaysian Ringgit'000
Net foreign currency monetary assets	11,701	7,491	106,369	1,480	24,790	2,341

	Weakening of GBP		Strengthening of GBP	
	10% £'000	20% £'000	10% £'000	20% £'000
Impact on equity gain/(loss)				
Hong Kong $	(95)	(189)	95	189
Singapore $	(335)	(669)	335	669
Chinese RMB	(977)	(1,953)	977	1,953
US $	(93)	(186)	93	186
Indonesian Rupiah	(164)	(329)	164	329
Malaysian Ringgit	(42)	(85)	42	85
Total	**(1,706)**	**(3,411)**	**1,706**	**3,411**

Interest rate risk

The following table demonstrates the sensitivity of a reasonably possible change in interest rates with all other variables held constant, of the Group's portfolio before tax through the impact on cash balances. There is no other impact on the Group's equity.

	Increase in interest rates		Decrease in interest rates	
	1% £'000	2% £'000	1% £'000	2% £'000
Impact on equity gain/(loss)				
Hong Kong $	10,863	21,725	(10,863)	(21,725)
Singapore $	4,574	9,149	(4,574)	(9,149)
GBP	16,761	33,523	(16,761)	(33,523)
US $	9,293	18,586	(9,293)	(18,586)
Total	**41,491**	**82,983**	**(41,491)**	**(82,983)**

The following table provides an analysis of financial instruments as at 31 December 2009 that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments at 31 December 2009				
Investments	5,234	–	12,509	17,743

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments at 31 December 2008				
Investments	5,306	–	12,508	17,814

At 31 December 2009, if the market price of equities had fallen by 10% with all other variables held constant, unrealised gains would have been £523,400 lower (2008: £530,600). Conversely if the market price of equities had increased by 10% unrealised gains would have been £523,400 higher (£530,600).

At 31 December 2009, if the market price of level 3 investment had fallen by 10% with all other variables held constant, unrealised gains would have been £1,250,800 lower (2008: £1,250,900). Conversely if the market price of level 3 investment had increased by 10% unrealised gains would have been £1,250,800 higher (£1,250,900).

Fair value of financial instruments
No further disclosures have been made with regard to the fair value of financial instruments, as the Directors are of the opinion that there is no benefit to the reader of the financial statements considering the combined uncertainties connected with the Group's principal investments.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company has sufficient cash and cash equivalents to meet its financial liabilities.

Capital Management
The primary objectives of the Company's capital management are:

- to safeguard the Company's ability to continue as a going concern, so that it can provide returns to shareholders; and

- to enable the Company to respond quickly to changes in market conditions and to take advantage of opportunities

Capital comprises of shareholders equity plus net borrowings. The Company monitors capital using loan to value and gearing ratios. The former is calculated by reference to total net debt as a percentage of the year end valuation of the investment portfolio. Gearing ratio is the percentage of net borrowings divided by shareholders equity. Net borrowings comprises total borrowings less cash and cash equivalents.

The Company's policy is that the loan to value ratio should not exceed 60% and that the gearing ratio should not exceed 100%. However, as the Group is not looking to make further investments, but is still in the process of discovering and securing assets, no loan facilities are in place.

Note 25 Share options

The company had 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:

	2009 Number of shares options '000	2009 Weighted average exercise price (in £)	2008 Number of shares options '000	2008 Weighted average exercise price (in £)
Outstanding at beginning of period	29,400	0.208	38,800	0.170
Granted during the period	–	–	–	–
Exercised during the period	–	–	–	–
Expired during the period	(18,350)	0.14	(9,400)	0.05
Outstanding at the end of the period	11,050	0.220	29,400	0.208
Exercisable at the end of the period	**11,050**	**0.220**	**29,400**	**0.208**

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

Expected volatility was determined by calculating the historical viability 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 share prices used in the calculations, and, hence, volatilities may also be based on unreliable values.

Weighted average share price	0.155
Weighted average exercise price	0.170
Expected volatility	50%
Expected life	3.50
Risk free rate	4%
Expected dividend yield	–

Note 26 Notes to the cash flow statement

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Profit/(Loss) for the year	490	(4,599)	(1,970)	(4,563)
Adjustments for: Interest received	(38)	(55)	(123)	(146)
Unrealised losses on revaluation of investments	71	1,426	–	–
Finance costs	–	5	–	5
Loss on disposal of property, plant and equipment	23	–	–	–
Operating cash flows before movements in working capital	546	(3,223)	(2,093)	(4,704)
Decrease in trade and other receivables	181	2,059	1,283	4,644
Foreign Exchange	(578)	1,121	–	–
(Increase)/decrease in trade and other payables	(914)	(1,155)	1,731	(87)
Interest paid	–	(5)	–	(5)
Net cash (used in)/from operating activities	**(765)**	**(1,203)**	**921**	**(152)**

Note 27 Post balance sheet event

1. **London Asia Capital plc**
   London Asia Capital plc is pursuing an action against a former director of this company, Mr Simon Littlewood, and his wife, Josee Lai, in the courts of Hong Kong. The claim arises from the share swaps in 2007. In those share swaps London Asia Capital Land Limited was issued with 21,505,376 ordinary shares of London Asia Capital plc at 12p each, in return for a 60% shareholding in London Asia Capital Land Limited. Simon Littlewood and Josee Lai failed to arrange the issue of that 60% shareholding as consideration, and failed to pay London Asia Capital Land Limited the premium of approximately £3,870,471 which is claimed.

   A writ has been filed at the court and was issued and served on 22 June 2010.

2. **Huang He Securities Limited**
   This company is pursuing a claim against Mr Yeo Chee Chiow, a former director, for unpaid share premium pursuant to a Shareholders' Agreement entered into in May 2007. At the time, the defendant subscribed for 120,020 ordinary shares in the company at HK$500 per share, for consideration of HK$1 per share paid-up and HK$499 as unpaid share capital. The directors have called for the unpaid share capital but the defendant has failed to pay the total sum of unpaid share premium due of HK$59,889,481 (approximately £5,159,628) plus interest at a rate of 15 per cent per annum.

   The defendant, who is believed to reside in Singapore, has alleged that a fraud has been committed against him, and specifically that signatures on some, but not all, of the documents are not his signatures.

   A writ has been filed at the court in Hong Kong and was issued on 5 January 2010.

3. **London Asia Limited**
   This company is pursuing a claim for unpaid share premium against Mr Koo Kok Wai, a former director, who subscribed for shares in August 2007. The defendant applied for 119,999 shares in the company for consideration of HK$1 per share paid-up and HK$499 as unpaid share. The directors have called for the unpaid share capital but the defendant has failed to pay the total sum of HK$59,879,501(approximately £5,163,012) plus interest at a rate of 15 per cent per annum.

   A writ has been filed at the court in Hong Kong and was issued on 24 June 2010.

4. **London Asia Capital (S) Pte Ltd**
   As a result of directors' investigations into the business of the Hong Kong companies, it has also become apparent that there have been a number of transactions processed through this Singapore company which have not properly been accounted for. Investigations into this matter are ongoing and may lead to litigation in due course.

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 Wednesday 28 July 2010.

Ordinary Business

1. To receive and adopt the accounts and annual report for the year ending 31 December 2009.

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

3. To re-elect Jonathan Shi as a Director.

4. To re-elect Guangwen Sha as a Director.

By order of the Board
Toby J C Parker
Company Secretary

29 June 2010

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