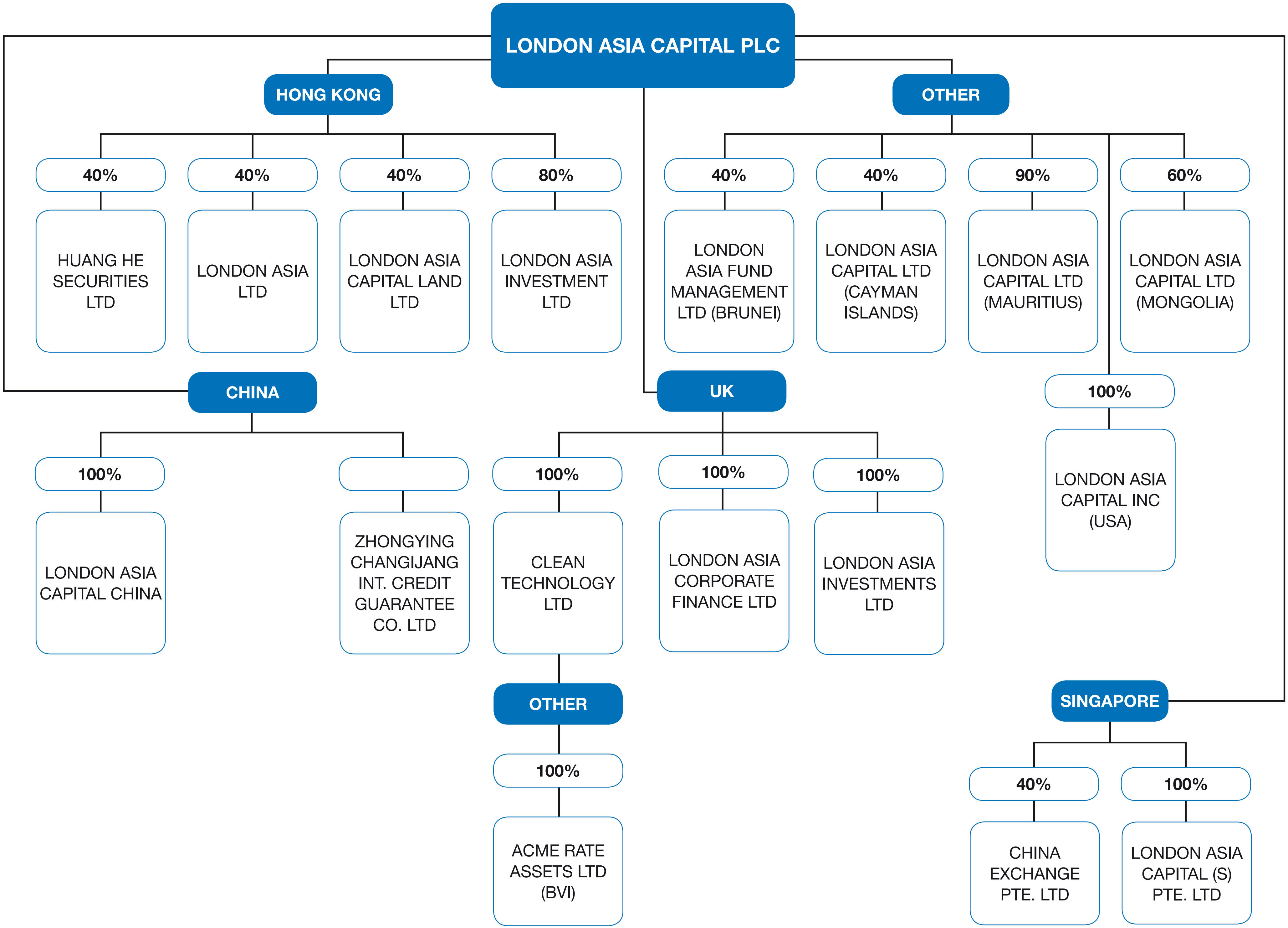
London Asia Capital plc

Annual report
2008


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

Contents

Chairman's Statement

Dear Shareholder

Immediately following the Annual General Meeting on 18th December I was appointed Chairman of London Asia Capital plc and from 1st January invited by your Board to become Executive Chairman. I was delighted to accept this post because I have spent most of my working life in Asia and particularly China in the last 30 years and it is in these regions that the majority of the Group assets are invested. Also if we succeed in finalising a deal with Kaidi Holdings in Wuhan, the Group will predominately hold assets in China.

I should mention that recently I spent nearly a week in Wuhan with other members of the Board and I can say that the Kaidi team is gradually working towards a solution that has the prospects of building our company into a substantial Group. Kaidi is a major group with interests through the power generation industry with two quoted companies in China and is highly respected in China.

The 2008 Accounts have now been audited and like the 2007 these are qualified by the Company's auditors Moore Stephens LLP. In the opinion of your Directors this is understandable because the basic information to confirm each transaction and confirm good title to every single investment (entirely the smaller investments) was not available despite the enormous efforts made by your Directors to secure such information.

When our 2009 accounts are published in March it is the intention of your Directors to present shareholders with a clear plan for the future and the proposals to take the Group to the market with a new name Sunrise New Energy Group Ltd.

Last December your Directors purchased shares in the market and now collectively hold 10,000,000 ordinary shares in the new company.

In late 2009, Richpoint Group Overseas Limited, based in Singapore, acquired an interest of some 29% in your group and has since requested representation on the board. Accordingly, your Directors have welcomed Mr Guangwen Sha and Mr Jonathan Shi as Non Executive Directors.

The Rt. Hon. The Earl of Cromer
Executive Chairman

12 February 2010

Chief Executive's Statement

Dear Shareholder

The accounts for 2008 are, of necessity, no more than an interim between the accounts for 2007, in which many troubling matters were revealed to shareholders, and the accounts for 2009, in which these will have been resolved and the decks clear allowing the company to move on. There is nothing new to reveal in the 2008 accounts but you will see that they look rather strange in places, awaiting the tidying up exercise to be completed in the 2009 accounts which your Board plans to present to you shortly.

On a personal note, I am delighted that the Earl of Cromer has accepted the post of Executive Chairman of your Company. Over the last year his knowledge and the respect in which he is held in Asia have proved invaluable. There is no doubt that the exciting future for the Company from which we believe shareholders will benefit will have been the result of his expert knowledge and experience.

Keith Negal
Chief Executive

12 February 2010

Financial Review

2008 was a further poor year for the Group resulting in losses of £4.6 million and reduction of net assets to £18.9 million from £22.3 million in December 2007.

Trading performance

Loss before tax for the year is reported at £4.6 million (2007: £21.7 million) under IFRS. Basic earnings per share was (1.45) pence (2007: (7.54) pence) and fully diluted earnings per share was (1.45) pence (2007: (7.35) pence). Losses have arisen as a direct result of the diminution in value both realised and provided for with regard to the portfolio investments.

Table 2 overleaf provides an analysis of our reported revenue:

Fee income decreased from £2.7 million in 2007 to £2.4 million in 2008. The Group received a management fee of 2% of the net asset value of the London Asia Chinese Private Equity Fund ("the Fund"). The Group was also entitled to a success fee of 20% of the increase in value over a predefined hurdle rate, payable when the assets are realised.

During the year we received a dividend of £192,000 (2007: £157,000) from Asia Power.

Balance sheet position

Our balance sheet position diminished with net assets of £18.5 million (2007: £22.3 million), equal to 5.8 pence per share (2007: 6.8 pence per share). As a result of the cancellation of the 98 million share swap shares in May 2009 the net assets attributable to the current 229,508,590 shareholders equates to 8.2 pence per share. Table 3 provides an analysis of the Group's net asset position.

Although our investments are shown at fair value we have adopted a relatively conservative approach in determining fair values of unlisted investments. Where necessary, we have impaired certain investments and reflected others at cost. We continue to show our investment in LAC Zhongying at the original cost of £12.5 million given its short trading history. Cash and listed investments comprise £10.2 million, approximately half of our net assets.

Table 2: **Analysis of reported revenue and losses**

	2008 £'000	2007 £'000
Fee income	2,235	2,704
Dividends	192	157
Interest received on convertible loan notes	–	17
Rental income	–	38
	2,427	2,916
Revenue by division:		
Advisory	2,235	2,704
Investment	192	212
	2,427	**2,916**

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

	2008 £'000	2007 £'000
Unlisted investments	12,508	13,139
Cash	4,938	6,285
Listed investments	5,304	5,974
Other net (liabilities)	(3,883)	(3,053)
	18,867	**22,345**

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

Principal activities

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

Further details regarding the Group's principal activities and an indication of likely future developments are set out in the Chairman's and Chief Executive's Statements on pages 2 to 3.

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 3.

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

	2008	2007
Revenue (diminution)/growth	(1.6%)	60%
Net asset (diminution)	(16%)	(32%)

Payments to suppliers

The Company's policy for the year ended 31 December 2008 is for all suppliers to fix terms of payment when agreeing the terms of each business transaction and to abide by the agreed terms of payment. The Group's trade creditors at the year end all relate to sundry administrative overheads and represented 30 days of annual expenses.

Annual general meeting

The Annual General Meeting of the Company will be held at Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX at 10.30 am on Monday 8 March 2010.

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 loss after tax of £4.6 million (2007: £21.7 million). Further information on the result for the year is included within the Chairman's and Chief Executive's Statements and Financial Review on pages 2 to 5.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: £nil).

Post balance sheet events

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

Directors

The following directors have held office during the year:

Jack Wigglesworth	(Resigned 18 December 2009)
Sir David Brewer	(Resigned 4 April 2008)
Anthony Drury	(Appointed 15 October 2008, resigned 26 January 2009)
George Allnutt	(Resigned 18 December 2009)
Keith Negal	(Chief Executive Appointed 23 September 2008)
Toby Parker	(Finance Director Appointed 19 December 2008)
The Rt. Hon. Earl of Cromer	(Appointed 19 December 2008)
Dennis Bailey	(Appointed 19 December 2008)
Francesco Gardin	(Appointed 19 December 2008)
Guangwen Sha	(Appointed 29 January 2010)
Jonathan Shi	(Appointed 29 January 2010)

Substantial shareholdings

At 26 January 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	79,419,718	34.6
SNC Nominees Limited	15,425,000	6.72
HSBC Global Custody Nominee UK Limited	10,750,000	4.68
Barclayshare Nominees	10,552,596	4.60
Vidacos Nominees Limited	10,450,000	4.55
TD Waterhouse Nominees (Europe) Limited	7,153,045	3.12

Statement of Directors responsibilities

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

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

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

Directors' confirmation

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

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

Toby Parker
Secretary
12 February 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 2008 which are set out on pages 13 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

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

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

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

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

Opinion: disclaimer on view given by financial statements

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

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 December 2008;
- we have not obtained all the information and explanations we consider necessary for the purpose of our audit; and
- in our opinion proper books of accounts have not been kept by the company.

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

Moore Stephens LLP
Registered Auditors

St Paul's House
London EC4M 7BP
12 February 2010

Directors' background

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

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 54
Toby Parker was appointed Finance Director and Company Secretary of London Asia Capital plc in December 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 the largest shareholder. Since 2006 he has worked extensively in China, and in 2007 became CEO of China IPO Group plc, wholly owned by Brainspark plc, focusing on investments in China. In March 2008 he became a Board Member of IPO Beijing Investment Consulting Company Ltd., the China IPO Group plc Chinese subsidiary, with offices in Beijing and Xi'an.

Dennis Bryan Bailey MSI – aged 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

Directors' background (contd)

company on the Singapore Stock Exchange Main 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)

Keith Negal (Chief Executive)
Toby Parker (Finance Director)
Dennis Bailey (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
St Paul's House
Warwick Lane
London EC4M 7BP

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

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

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

Consolidated Income Statement for the Year Ended 31 December 2008

	Note	2008 £'000	2007 £'000
Revenue	3	2,427	2,916
Administrative expenses		(3,653)	(3,785)
Operating (loss)		**(1,226)**	**(869)**
Impairment of investment in associated companies		–	(10,827)
Interest income	5	55	141
Increase in value of investments disposed of		–	129
Unrealised (losses) on revaluation of investments		(3,503)	(10,369)
Share based payment charge		–	(12)
Foreign exchange gains		80	100
Finance costs	6	(5)	(22)
(Loss) before taxation	7	**(4,599)**	**(21,729)**
Taxation	8	–	(11)
(Loss) for the year		**(4,599)**	**(21,740)**
Attributable to:			
Equity holders of the parent		(4,753)	(21,715)
Minority interest		154	(25)
		(4,599)	**(21,740)**
Earnings per share	11	**Pence**	**Pence**
Basic		(1.45)	(7.54)
Diluted		(1.45)	(7.35)

All amounts are from continuing operations.
The notes on pages 16 to 33 form an integral part of these financial statements.

Balance Sheets as at 31 December 2008

	Note	2008 £'000 Group	2007 £'000 Group	2008 £'000 Company	2007 £'000 Company
Goodwill	12	–	–	–	–
Property, plant and equipment	13	23	15	–	–
Investment in subsidiaries	14	–	–	134	134
Investments	15	17,814	19,113	12,510	12,509
Trade and other receivables	16	624	2,683	1,647	6,291
Cash and cash equivalents		4,938	6,285	423	494
Total assets		**23,399**	**28,096**	**14,714**	**19,428**
Trade and other payables	17	(4,532)	(5,751)	(4,354)	(4,505)
Current tax liabilities		–	–	–	–
Total liabilities		(4,532)	(5,751)	(4,354)	(4,505)
Net assets		**18,867**	**22,345**	**10,360**	**14,923**
Equity					
Share capital	19	16,369	16,369	16,369	16,369
Share premium	19	27,264	27,264	27,264	27,264
Share options reserve	20	489	489	489	489
Translation reserve	21	1,132	11	–	–
Retained loss	22	(26,842)	(22,089)	(33,762)	(29,199)
Equity attributable to equity holders of the parent		**18,412**	**22,044**	**10,360**	**14,923**
Minority interest		**455**	**301**	**–**	**–**
Total equity		**18,867**	**22,345**	**10,360**	**14,923**

The financial statements were approved by the Board on 12 February 2010.

The Rt. Hon The Earl of Cromer
Chairman

Toby Parker
Finance Director

The notes on pages 16 to 33 form an integral part of these financial statements.

Statement of Recognised Income and Expense for the Year Ended 31 December 2008

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Exchange differences on translation of foreign operations	1,121	9	–	–
(Loss) for the year	(4,599)	(21,740)	(4,563)	(15,542)
Total recognised income and expense for the year	**(3,478)**	**(21,731)**	**(4,563)**	**(15,542)**
Attributable to:				
Equity holders of the parent	(3,324)	(21,706)		
Minority interests	(154)	25		
	(3,478)	(21,731)		

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

Cash Flow Statements for the Year Ended 31 December 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Net cash (used in)/from operating activities	29	(1,203)	708	(152)	(2,359)
Investing activities					
Interest received		55	141	146	429
Proceeds on disposal of investments		–	–	–	–
Purchase of property, plant and equipment		(8)	–	–	–
Purchase of investments		(127)	–	(1)	–
Net cash (used in)/from investing activities		(80)	141	145	429
Financing activities					
Proceeds on issue of shares		–	95	–	95
Repayment of bank loans		(64)	(50)	(64)	(50)
Net cash from financing activities		(64)	45	(64)	45
Net (decrease)/increase in cash and cash equivalents		(1,347)	894	(71)	(1,885)
Cash and cash equivalents at beginning of year		6,285	5,391	494	2,379
Cash and cash equivalents at end of year		4,938	6,285	423	494

Notes to the Financial Statements for the Year Ended 31 December 2008

Note 1 General information

London Asia Capital plc is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 12. The nature of the Group's operations and its principal activities are set out in the Directors' report on pages 6 to 8. These financial statements are presented in pounds sterling, rounded to the nearest thousand. At 31 December 2008 the Group has adopted the following new and amended IFRS during the year:

New standards

IAS 19 Employee benefits
Adoption of this interpretation did not have any effect on the financial statements of the Group

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

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

Revisions to Existing Standards

A large number of existing standards and interpretations were revised during 2008, many as a result of the completion of the IASB's annual improvements project for 2007, published in May 2008. Most of the new standards and interpretations and changes to existing standards and interpretations will have no significant impact on the Group, however the following changes should be noted:

IAS1 (revised) Presentation of Financial Statements

The revision to this standard will prohibit the presentation of items of income and expenditure within the statement of changes in equity. All items of income and expenditure will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the 'statement of comprehensive income') or two statements (the 'income statement' and 'statement of comprehensive income'). Also, where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and the comparative period.

IFRS 3 (revised) and IAS 27 (revised) will be applied prospectively to transactions occurring after the implementation date. It is therefore not possible to access in advance the impact on the financial statements of the Group and Company.
Apart from as disclosed below, the Directors do not anticipate that the adoption, and continued application of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

The Directors have again made no disclosure, as documented per note 26 as required by IFRS 7 financial instruments: disclosures, as they believe it is of no benefit to the reader of the financial statements.

The Directors expect the proposed adoption of IFRS 8 operating segments to impact on the 2009 financial statement due to the continuing uncertainty with regard to the group structure and control of subsidiaries.

Note 2 Significant accounting policies

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

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

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

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

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

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

Fund management fees are earned from the management of private equity funds and are recognised in accordance with management

Note 2 Significant accounting policies (cont)

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Foreign currencies

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

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

Taxation

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

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

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

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

Property, plant and equipment

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

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

Financial instruments

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

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured

Note 2 Significant accounting policies (cont)

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.

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.

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

Note 2 Significant accounting policies (cont)

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

	2008 £'000	2007 £'000
Dividends	192	157
Fee income	2,235	2,705
Rental income	–	37
Interest received on convertible loan notes	–	17
	2,427	**2,916**

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 2008 £'000	Investment 2008 £'000	Consolidated 2008 £'000
Revenue			
External parties	2,235	192	2,427
Result			
Segment result	518	(5,271)	(4,753)
Assets			
Segment assets	341	23,058	23,399
Liabilities			
Segment liabilities	981	3,551	4,532

Note 4 Business and geographical segments (contd)

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

	Revenue 2008 £'000	Revenue 2007 £'000	Carrying amount of segment net assets 2008 £'000	Carrying amount of segment net assets 2007 £'000
China	–	15	12,646	12,324
Singapore	1,241	2,477	(170)	5,303
Hong Kong	115	268	1,616	101
Mauritius	–	17	1,325	2,805
United Kingdom	1,071	169	3,450	1,812
	2,427	**2,916**	**18,867**	**22,345**

Note 5 Interest income

	2008 £'000	2007 £'000
Interest on bank deposits	55	141

Note 6 Finance costs

	2008 £'000	2007 £'000
Interest on bank loans	5	22

Note 7 Profit before taxation

	2008 £'000	2007 £'000
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	–	4
Net foreign exchange (gains)	(80)	(100)
Operating lease rentals – land and buildings	76	90

The analysis of auditors' remuneration is as follows:

	2008 £'000	2007 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	70	115
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	12	10
Fees payable to auditors of other subsidiaries of the Company	22	4
Total audit fees	**104**	**129**

Note 8 Taxation

	2008 £'000	2007 £'000
Current tax (credit)/charge	–	11
Current tax reconciliation		
(Loss) before taxation	(4,599)	(21,729)
Current tax at 30% (2007: 30%)	(1,380)	(6,518)
Fair value adjustment on investments held at year end	83	4,504
Other disallowed items	(125)	1,805
Share-based payment charge	–	(29)
Tax on foreign subsidiaries	–	1
Profit in subsidiaries not subject to taxation at 30%	1,299	(22)
Prior year over provision	–	10
Effects of tax losses brought forward	123	260
Current tax (credit)/charge	**–**	**11**

The Group has not recognised deferred tax assets of £709,000 (2007: £673,000) 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

	2008 £'000	2007 £'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	1,380	1,332
Share-based payments charge	–	12
Social security costs	36	8
	1,416	1,352
Directors' emoluments		
Staff costs include the following emoluments in respect of the qualifying service of directors of the company:		
Directors' emoluments	**140**	**993**

No director received pension benefits in the year. The highest paid director received emoluments of £38,000 (2007: £514,000).

Employees

	2008 Number	2007 Number
The average number of persons employed by the Group, including directors, during the year was:	11	25

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

Note 10 Holding company loss

The company has taken advantage of the exemption conferred by section 230 of the Companies Act 1985 from presenting its own income statement. Loss after taxation amounted to £4.56m (2007: £20.3m) and has been included in the financial statements of the holding company.

Note 11 Earnings per share

	2008 £'000	2007 £'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	(4,753)	(21,715)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	327,378,988	287,899,834
Effect of dilutive potential ordinary shares:		
Share options	–	6,268,587
Warrants	–	1,263,984
Weighted average number of ordinary shares for the purposes of diluted earnings per share	327,378,988	295,432,405
Earnings per share		
Basic (pence)	(1.45)	(7.54)
Diluted (pence)	(1.45)	(7.35)

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 Goodwill

	Group 2008 £'000	Group 2007 £'000
Opening balance	–	319
Impairment charge	–	(319)
Closing balance	**–**	**–**

Note 13 Property, plant and equipment

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Office equipment and furniture and fittings				
Cost				
Balance at beginning of year	22	31	–	9
Additions	8	–	–	–
Disposals	–	(9)	–	(9)
Balance at end of year	30	22	–	–
Depreciation				
Balance at beginning of year	7	9	–	5
Charge for the year	–	4	–	–
Disposals	–	(6)	–	(5)
Balance at end of year	7	7	–	–
Carrying amount				
At end of year	**23**	**15**	**–**	**–**

Note 14 Investment in subsidiaries

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

Name	Place of incorporation	Method used to account for investments	Proportion of voting power and ownership interest
London Asia Investments Limited	England & Wales	Consolidation	100%
London Asia Corporate Finance Limited	England & Wales	Consolidation	100%
Clean Technology 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%

The Company has a 100% interest in London Asia Capital China. No details of the subsidiary are known as at 31 December 2008.

Analysis of movement during the year:

	Company 2008 £'000	Company 2007 £'000
Balance at beginning of year	134	680
Additions	–	–
Investments written off	–	(546)
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 2008 £'000	Fair value 2008 £'000
Beijing Biaoqi Culture Limited	China	236	–
Beijing Biaoqi Advert Limited	China	19	–
		255	**–**

Note 15 Investments

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Analysis of movement during the year:				
Opening balance	19,113	29,421	12,509	12,053
Additions	127	558	1	–
Increase in fair value of investments disposed of	–	–	–	–
Unrealised profit/(loss) on revaluation of investments	(1,426)	(10,426)	–	(3,639)
Transfer to subsidiaries	–	–	–	4,109
Disposals	–	(440)	–	(14)
Closing balance	**17,814**	**19,113**	**12,510**	**12,509**

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 2008	Company 2008
Temima China Investment Banking Limited	25%	25%
China Financial Services Inc	49%	49%
China Biotech Healthcare Limited	46%	–
Zhongying Changjiang International Credit Guarantee Company Limited	20%	20%
London Asia Capital Land Limited	40%	40%
London Asia Limited	40%	40%
Huang He Securities Limited	40%	40%
China Exchange Limited	40%	40%
London Asia Fund Management Limited	40%	40%

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

Joint venture

The Group has a 60% profit share interest in London Asia Capital Mongolia Limited, a financial services company incorporated in Mongolia. No details of the joint venture as at 31 December 2008 are known.

Note 16 Trade and other receivables

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade receivables	383	365	–	4
Other debtors	236	550	31	61
Amounts due from subsidiary companies	–	–	1,616	6,226
Amounts due from associated companies	–	1,749	–	–
Prepayment and accrued income	5	19	–	–
	624	**2,683**	**1,647**	**6,291**

Note 17 Trade and other payables

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Bank loan (refer note 18)	62	126	62	126
Amounts due to subsidiary companies	–	–	874	937
Amounts due to associated companies	127	525	–	–
Trade payables	208	1,092	105	142
Other tax and social security	19	10	–	–
Accruals and deferred income	994	780	200	98
Other creditors	3,122	3,218	3,113	3,202
	4,352	**5,751**	**4,354**	**4,505**

Note 18 Bank loans

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

The bank loan is repayable as follows:

	2008 £'000	2007 £'000
Amount due for settlement within 12 months (shown under current liabilities)	62	76
Within one to two years	–	50
Within two to five years	–	–
Amount due for settlement after 12 months	**–**	**50**

Note 19 Share capital and share premium

	2008 £'000	2007 £'000
Authorised		
400,000,000 ordinary shares of 5p each	20,000	20,000
Allotted, issued and fully paid		
327,378,988 Ordinary shares of 5p each (2007: 327,378,988)	**16,369**	**16,369**

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

	Share premium £'000	Share Capital £'000
Balance at 1 January 2008	27,264	16,369
Shares issued during the year	–	–
Balance at 31 December 2008	27,264	16,369

Following the cancellation on 22nd 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 2008, the Company had granted options over ordinary shares as follows:

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

Note 20 Share options reserve

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Balance at beginning of year	489	477	489	477
Share based payment charge	–	12	–	12
Balance at end of year	489	489	489	489

Note 21 Translation reserve

	Group 2008 £'000	Group 2007 £'000
Balance at beginning of year	11	2
Current year movement	1,121	9
Balance at end of year	**1,132**	**11**

Note 22 Retained loss

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Balance at beginning of year	(22,089)	(374)	(29,199)	(8,927)
Net (loss)	(4,753)	(21,715)	(4,563)	(20,272)
Balance at end of year	**(26,842)**	**(22,089)**	**(33,762)**	**(29,199)**

Note 23 Capital commitments

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

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

Note 24 Financial commitments

At 31 December 2008 the Company had non-cancellable land and buildings operating leases. The total commitment amounts to £82,000 (2007: £301,000), £82,000 expiring within one year (2007: £126,000) of the balance sheet date.

Note 25 Post balance sheet events

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

Note 26 Financial Instruments

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

Note 27 Related party transactions

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

Related party	2008 Amount due £'000	2008 Amount owing £'000
London Asia Investments Limited	–	874
London Asia Investments (Hong Kong) Limited	2,979	–
London Asia Capital (S) Pte Limited	2,809	–
	5,788	874

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

During the year the Group earned fees and commissions of £1.1 million from London Asia Chinese Private Equity Fund Limited of which former company directors Simon Littlewood and Victor Ng are executive directors.

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

Note 28 Share options

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

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

	2008 Number of shares options '000	2008 Weighted average exercise price (in £)	2007 Number of shares options '000	2007 Weighted average exercise price (in £)
Outstanding at beginning of period	38,800	0.170	40,100	0.152
Granted during the period	–	–	–	–
Exercised during the period	–	–	(1,300)	0.05
Expired during the period	(9,400)	0.05	–	–
Outstanding at the end of the period	29,400	0.208	38,800	0.170
Exercisable at the end of the period	**29,400**	**0.208**	**38,800**	**0.170**

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

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

There is uncertainty regarding the accuracy of the 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 29 Notes to the cash flow statement

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
(Loss) for the year	(4,599)	(21,740)	(4,563)	(20,272)
Adjustments for:				
Interest received	(55)	(141)	(146)	(429)
Unrealised losses on revaluation of investments	1,426	10,627	–	90
Finance costs	5	22	5	21
Depreciation of property, plant and equipment	–	4	–	–
Loss on disposal of property, plant and equipment	–	3	–	4
Share–based payment expense	–	12	–	12
Operating cash flows before movements in working capital	(3,223)	(11,213)	(4,704)	(20,574)
Decrease/(Increase) in trade and other receivables	2,059	(1,466)	4,644	5,193
Foreign Exchange	1,121	–	–	–
Increase/(decrease) in trade and other payables	(1,155)	2,602	(87)	2,216
Share swap transactions	–	10,827	–	10,827
Income taxes received	–	(20)	–	–
Interest paid	(5)	(22)	(5)	(21)
Net cash used in/(from) operating activities	**(1,203)**	**708**	**(152)**	**(2,359)**

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 Monday 8 March 2010.

Ordinary Business

1. To receive and adopt the accounts and annual report for the year ending 31 December 2008;

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

By order of the Board
Toby J C Parker
Company Secretary

12 February 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