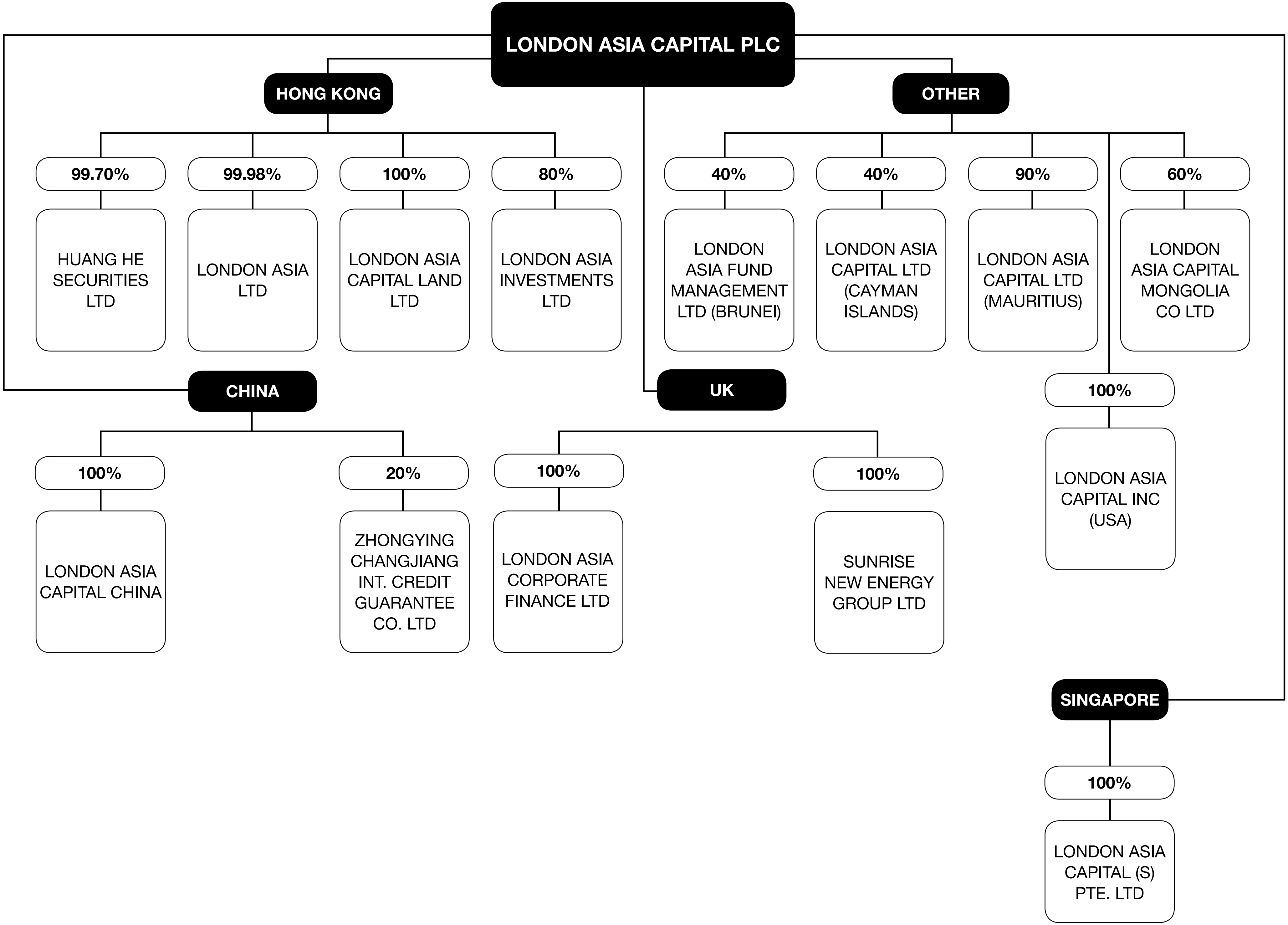
London Asia Capital plc

Annual report
2010



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%
LONDON ASIA CORPORATE FINANCE LTD
100%
SUNRISE NEW ENERGY GROUP LTD
SINGAPORE
100%
LONDON ASIA CAPITAL (S) PTE. LTD

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Chairman's Statement

Dear Shareholders

It's now just over four months since I was appointed to the board of LAC and to act as your Chairman. The history of LAC, its activities and its cast of characters is a long and complicated affair. Nothing is simple and I have had to spend a lengthy period of time understanding what has happened, getting a grip on the current position and formulating the outline of a plan for the future.

It is quite clear to me that different shareholders have different interests and this was openly reflected in the recent Extraordinary General Meetings where an attempt to remove all but one director was narrowly defeated. It seems to me that my first task is to formulate a plan which recognises those differences and seeks to chart a way forward that to the extent possible meets the various interests. In so doing I recognise that the majority of shareholders want to see the company dispose of its investments for cash and then distribute that cash to shareholders.

With all this in mind I believe that the best way to try and reconcile the different interests would be to split shareholders into separate groups and ultimately provide a cash alternative for those shareholders who do not wish to remain. I have not finalised the detailed plan but anticipate doing so over these next few weeks at which point I will write to shareholders again.

In the meanwhile I am conscious of the need to try and reduce the operating costs of the company and to this end the London office in Piccadilly will close at the end of this month with the operations relocating to a desk at my office. As foreshadowed in my last statement Dennis Bailey has retired from the board and Toby Parker has agreed to remain for the time being to help in the realisation of assets.

I will update you again shortly.

Yours sincerely,

David Buchler
Executive Chairman
30 June 2011

Investment Report

The purpose of this Investment Report is to provide background information on the present investments of London Asia Capital plc ("LAC"). The Fair Values of Asia Power, MyEg and Mayapada Bank as at 31st December 2010 have been based on their market value, Zhongying has been valued at cost and the other 15 investments at nil for accounting purposes in the LAC balance sheet. A Nil Fair Value does not mean that some of the investments cannot be realised for a value at a later date.

Asia Power Corporation Limited is LAC's largest quoted investment (Singapore quotation) in value terms and pays the dividend that LAC receives. A dividend of S$388,038 (£194,368) has been received in May 2011 which represents a 28.6% increase on that received in 2010. Asia Power is principally involved in the ownership, management and operation of power plants, particularly hydroelectric, in China, and it is seeking to invest more in renewable energy possibly with some real estate and non-banking projects. In the financial year to 31 December 2010 Revenue was lower at £57.31 million against £67.54 million in 2009 while reported pre-tax profits jumped to £14.13 million (2009: £10.78 million). In the first quarter of 2011 Revenue at £2.89 million (£22.64 million) and pre-tax profits of only £52,021 (£3.73 million) were substantially below the corresponding first quarter of 2010 and the outlook is described as "challenging". Following an EGM in September 2010, the principal revenue generating asset, an old technology power station in China, was sold for cash, and we understand management are seeking new technology investment opportunities. Net tangible assets amounted to 27.2 cents Singapore as at the year end.

Despite the 2011 first quarter's results the 52 week extremes of the share price between a high of 18 cents and a low of 13 cents has been quite moderate, though share volume is generally low. The share price currently at 14.5 cents is at the same level as December 31 2010 and the LAC shareholding of 43,115,347 shares, or 9.25%, is valued at £3.12 million against the cost price of £2.09 million. The prevailing market price at the year end has been used to value the Asia Power holding despite the low volumes of trading on the market because this is a strategic holding representing a significant percentage of the total shares in issue. **(December 2010: £3.12 million)**

Bank Mayapada is an Indonesian bank founded by Dr Tahir in 1990 and headquartered in Jakarta. 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, has 2,254 employees running 19 branch offices and 92 sub-branches providing all the conventional local and international banking services. Total Revenue has advanced rapidly from £13.97 million in 2007 to £31.54 million in the year to 31 December 2010, but in the early years costs rose rapidly at the expense of profit margins, a trend that was reversed in 2010 with margins jumping from 17.5% in 2009 to 17.6% and closer to the 2007 level of 34.0% boosting the 2010 profits to £7.7 million against the 2009 level of £4.39million. Last autumn, the Bank had a 1 for 5 rights issue at 780 Indonesian Rupiahs per share, which strengthened the capital adequacy and increased the Tahir family holding in the Bank. LAC did not subscribe for new shares and sold a tiny number of the rights shares. Recently market reports have suggested an existing shareholder, Dubai Ventures, together with Singaporean investors may be looking to acquire a 30% block of shares from the US hedge fund Avenue Capital and others. As a result, the share price has recently risen, though on low volumes, and now stands at 800 Rupiahs against the 52 week low of 670 and a high of 1,380. The LAC holding of 19,557,500 shares at 900 Rupiahs is therefore valued at the date of this report at £1.14 million against the LAC year end value of £1.85 million and the 2007 cost of £500,000. The market price has been used regardless of the infrequent dealings in the shares because the share price stands substantial below the asset value of the Bank. Recent reports on Reuters have suggested that if Avenue Capital and others sell for US$100 million other shareholders may benefit substantial from a lift in the share price because of the large discount to net asset values currently prevailing. **(December 2010: £1.85 million)**

MyEG Services Berhad is an investment in which LAC holds 6.6 million shares, representing 1.1% of the total issued capital. The shares are traded on the Kuala Lumpur stock market and since early

2010 Goldman Sachs Group has built up a direct shareholding of 46.9 million shares or 7.81%. The latest purchases were of 700,000 shares on 31 March and 600,000 shares on 31 May. MyEG 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. MyEG has just signed a MOU to provide to the Government of Kazakhstan with similar electronic services to those it provides in Malaysia and on which it has built its bedrock. Turnover of MyEG has increased at an impressive pace from £2.46 million in the year to 30th June 2005 to £12.63 million in 2010 with pre-tax profits boosted by a substantial lift in profit margins to 33.7% bounding ahead from £510,307 in 2005 to £4.25 million last year. However, the latest results for the three first quarters of the current year show pre-tax profits marginally down, due to a significantly higher deprecation charge, on sales 16.1% ahead. Accordingly, the share price has dipped back from the all-time high of 0.945 Ringgits and currently stands at 0.72, though well above the 52 week low of 0.55. LAC have been seeking to resolve a dispute that arose in September 2010, with both Easset and Affin Nominees, the custodian. The shares are held by the custodian on behalf of London Asia Capital Mauritius, a 90% owned subsidiary, and confirmation of that ownership together with board control by LAC of Its subsidiary has only recently been confirmed. **(December 2010: £1.07million)**

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 in run by Jiang Guoping and LAC holds 50% of the shares, acquired at a cost of £236,000. **(December 2010: £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 31st December 2008 and is suspended from the PLUS market. Evelyn Cromer went to Dalian in 2010 to visit the company and no information was made available to him . The Directors are currently considering a small offer for the shares. **(December 2010: £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 the LAC interim accounts against cost of £2,311,806. However, as announced in earlier LAC reports, the business of CFS rapidly collapsed when the China Stock Exchange began to charge for market data in 2006. **(December 2010: £Nil)**

China Biotech is registered in Jersey and is the holding company of Henan Yuanhura Biotechnology Col Limited, a Chinese manufacturer and distributor of highly purified herb extracts which are used to produce traditional Chinese medicine and health foods. LAC holds 5,645,511 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. Last October the holding company was struck-off the Register of Companies in Jersey. **(December 2010: £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 respectably. The company de-listed from PLUS in May 2008. 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 up to date financial information. The Directors have recently received a small offer for the shares and loan notes. **(December 2010: £Nil)**

Commodity Growth, formerly Europasia Education plc and commonly known as EPC. 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. Commodity Growth also holds an 8% stake in Dalian Business Systems and a 14% interest in China Education Group. Last year the Jersey holding company was struck-off the Register of Companies because of its failure to file accounts. **(December 2010: £Nil)**

China Growth Opportunities ("China Growth"). LAC holds 6,000 shares in China Growth a company for which the LAC Singapore subsidiary at one time acted as the Investment Consultant. The investment policy of China Growth since early 2009 has been to liquate investments and to date 26 pence per share has been returned to shareholders with a further 1.5 pence due in July 2011. The shares are dealt in on the AIM market and at the present price of 3 pence the holding is valued at £180. **(December 2010: £300)**

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. China Mobilnet is a company under the control of Mr Jiang Guoping. The latest accounts of China Mobilnet were 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. In 2010 it was reported that the company was preparing to join the German Market, but the holding company was struck-off the Register of Companies in Jersey last October. **(December 2010: £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 represent a total cost of £613,913. E-Asset is involved in investment management in Malaysia but the LAC shareholding is not registered and inquiries are ongoing to establish the current position. **(December 2010: £Nil)**

London Asia Capital Mongolia Limited is a joint venture company 60% owned by LAC and 40% held by Capition Bank based in Ulaanbaatar, Mongolia to exploit local banking, insurance and capital market operations. The original investment cost US$100,000 and in June 2010 a further payment of $9,830 was made. **(December 2010: £Nil)**

London Asia Fund Management Limited is a company incorporated in Brunei in 2007 in which LAC holds a 40% interest. LAC has not been able to determine who owns the balance of the shares, but it is understood to be previous directors of LAC. 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. **(December 2010: £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 $1 million fee. The US$5 million loan was not repaid and was written off by the former Directors. The present Directors continue to make attempts to recover the money. **(December 2010: £Nil)**

PUCA, founded in 2000, is the oldest investment held by LAC. The shares (currently representing about 14.5% of the total issued capital) 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. The significant investment in China was not as successful as expected but the company operates in an exciting and rapidly developing sector of the telecoms market with much potential. LAC has recently received offers for its small shareholding. **(December 2010: £Nil)**

Velocity formerly Peach Blossom Media, in which LAC holds 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 his did not occur. The company is a creator, producer and distributor of original animation and children's programmes for television and direct to video markets. Its programmes have been sold to Disney and others. Sung Lingun is the Chief Executive and Creative Director and has produced award-winning television programmes in Indonesia and Singapore. The latest available accounts to 31 December 2009 show a turnover of Singapore $2.43 million and a loss of a similar amount due to high production costs. **(December 2010: £Nil)**

Zhongying Changjiang International Investment Guarantee Co. Limited ("Zhongying"), located in Wuhan, Hubei Province, China was established in 2005 under the terms of a Joint Venture Agreement ("JV") between Wuhan Kaidi Holdings ("Kaidi") and others. LAC acquired in 2005, at a cost of 170 million RMB or £12.5 million approximately 20% of Zhongying with a commitment to invest a further 30 million RMB (£2.93 million) by 31 December 2009. As a result of a strengthening Remimbi, the investment of 170 million RMB is equivalent to £16.51 million today. Implicit within the terms of the JV is the right for LAC to have two Directors on the board of Zhongying, together with standard pre-emption provisions as regards share transfers.

The company is an approved foreign registered joint venture and has a range of investments from property, coal mines and other investments including 5% of the recently Shenzen quoted Fujian Sunner Development Co Ltd poultry producer. The book value of assets as at 31 December 2009, the last set of unaudited accounts made available to LAC, amounted to 1.1 billion RMB (£100 million) and is thought to be worth currently in excess of 1.65 billion RMB (£160 million). It is noted that in late 2010, a 25% shareholding in Zhongying, was transferred from a Kaidi Electric, a Shenzhen quoted company, to Kaidi at a price of 400 million RMB, which implies a market value of the company of 1.6 billion RMB.

In June 2011, LAC received formal notification that breach notice before action has been issued due to the failure of LAC to contribute the additional 30 million RMB referred to above. Kaidi has claimed 56 million RMB and additional compensation of US100 million. In reply, LAC has stated it has tried several times to work with Kaidi management, including seeking the appointment of LAC Directors to the Zhongying Board and review of the company register and accounting books but has received no satisfactory response and that termination of the Joint Venture is now considered to be the appropriate action. Kaidi entered to an MOU in January 2010 which, if not aborted by Kaidi, would have resulted in the assets and liabilities of all group companies being hived into a 100% subsidiary, Sunrise New Energy Group Ltd, and that entity being floated on the London Stock Exchange. **(December 2010: £12.51 million)**

Financial Review

2010 was a year of continued action on asset recovery together with extensive litigation for the Group both in attempting to recover debts due to the group in the Far East, as detailed in the post balance sheet event note, and in seeking to reach agreement on the realisation of our investment in Zhongying in mainland China, as well as defending the requisitioned EGM that was instigated in November 2010 which was finally rebuffed in February 2011. The professional fees relating to these activities were in excess of £700,000, of which £231,000 related to litigation expense and £140,000 related to the EGM.

The costs associated with these actions have been fully provided for in these accounts but overall costs have been reduced by the continued fall in sterling, resulting in exchange gains on our overseas assets and cash balances held in foreign currency which results in a loss for the Group of £281,000. This loss is substantially offset by actions taken by your board in selling shares of London Asia Capital plc that had been acquired, illegally, by subsidiary companies in earlier years, the accounting treatment of which is through reserves. Overall, the effect of the above is a reduction of net assets from £18.8 million to £18.6 million as at 31 December 2010.

It is also important to note that in addition to the parent company's own costs, all costs relating to subsidiary companies are paid for by the parent company and charged to its own Income Statement as an expense. It is the intention of the board that these costs are recharged back to the subsidiaries in the current year.

As a direct consequence of the investigative work performed over the last two years, the company has now been able to terminate all but one of the consultancy agreements entered into with your directors and their service companies. As a result, the outflow of monies in 2011 will be substantially less than that previously incurred, and the board is now working towards the orderly realisation of the assets so as to ensure fair value is returned to shareholders as soon as is possible.

In order to align the interests of the directors with shareholders in achieving this goal, the fees payable to DB Consultants Ltd (representing the services of the company associated with David Buchler and Sir Jeremy Hanley) will only be paid on the occurrence of certain events, including the realisation of assets.

Trading performance

Loss before tax for the year is reported at £281,000 (2009: profit £0.5 million) under IFRS. Basic loss per share was (0.17 pence) (2009: earnings 0.22 pence).

Table 1 overleaf provides an analysis of our reported revenue:

Fee income decreased from £0.4 million in 2009 to £0.2 million in 2010. In March 2009, the Group terminated the investment support programme that had been entered into with China Growth Opportunities (CGO).

During the year we received a dividend of £150,625 (2009: £172,000) from Asia Power.

Balance sheet position

Our balance sheet position diminished marginally with net assets of £18.64 million (2009: £18.78 million), equal to 8.1 pence per share (2009: 8.1 pence per share). Table 2 provides an analysis of the Group's net asset position.

Our investments are shown at fair value and we have continued to adopt a conservative approach in determining the 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 but in view of the current relations and impending litigation with the other shareholders and management of the company, your directors are not able to express an opinion as to the true value of its shareholding. This matter has been more fully detailed in the Chairman's statement.

Cash and listed investments comprise £9.5 million (2009: £9.4 million) approximately half of our net assets.

In 2009, following the reversal of the 2007 'Share Swap' transactions, net assets attributable per ordinary share was substantially increased as a direct result of the share gift back arising from the cancellation of the 98 million shares. The total shares in issue of the Company are now 229,508,590 and there are no outstanding options.

Table 1: Analysis of reported revenue

	2010 £'000	2009 £'000
Fee income	–	220
Dividends	151	172
	151	392
Revenue by division:		
Advisory	–	220
Investment	151	172
	151	**392**

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

	2010 £'000	2009 £'000
Unlisted investments	12,509	12,509
Cash	3,467	4,149
Listed investments	6,043	5,234
Other liabilities	(3,379)	(3,113)
	18,640	**18,779**

Note:
Included in 'Other liabilities' is £2.93 million, representing the unpaid share subscription of 30 million RMB due to Zhongying Changjiang International Investment Guarantee Co Limited.

Report of the Directors

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

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 Statements on page 2.

Loss for the year

The net loss for the year amounted to £281,000 (2009: profit £0.5m). Details of movement in reserves is set out in the statement of changes in equity on page 19.

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 Statements on page 2.

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

	2010	2009
Revenue diminution	(62%)	(84%)
Net asset diminution	0%	(0.5%)

Payments to suppliers

The Company's policy for the year ended 31 December 2010 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 administrative overheads and represented 30 days of annual expenses.

All costs relating to the EGM, convened in November 2010 and concluded in February 2011, have been fully accrued for in these accounts.

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 investment 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 £281,000 (2009: profit £0.5 million). Further information on the result for the year is included within the Chairman's Statement on page 2 and Financial Review on pages 7 to 8.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2010 (2009: £nil).

Annual General Meeting

No date for the Annual General Meeting of the Company has been fixed.

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 2009 and 31 December 2010 are shown below:

		2010	2009
Keith Negal	Resigned 4 February 2011	1,277,613	1,277,613
Toby Parker		1,277,613	1,277,613
The Rt. Hon. The Earl of Cromer	Resigned 22 December 2010	6,928,893	6,928,893
Dennis Bailey	Resigned 6 May 2011	1,277,613	1,277,613
Francesco Gardin		–	–
Guangwen Sha	Appointed 29 January 2010, resigned 21 February 2011	–	–
Jonathan Shi	Appointed 29 January 2010, resigned 29 July 2010	–	–
David Buchler	Appointed 21 February 2011	–	–
The Rt. Hon Sir Jeremy Hanley	Appointed 21 February 2011	–	–

Brief biographies of each of the Directors appear on page 14.

Substantial shareholdings

At 21 June 2011 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	88,762,105	38.67
NUTRACO Nominees Limited	15,425,000	6.72
Harewood Nominees Limited	10,750,000	4.68
Barclayshare Nominees	10,482,211	4.57

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

Own shares held by subsidiary

In late 2009, the company was made aware that 9,276,398 shares in London Asia Capital plc were held by certain subsidiaries. 9,191,398 shares have been sold, full details of which are in note 16. One subsidiary still holds 85,000 shares at the year end.

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; and
- 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.

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 21 of the financial statements.

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
30 June 2011

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 2010 which are set out on pages 16 to 38. 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 11, 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. In addition, we read all the financial and non financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the Implications for our report.

Opinion: Disclaimer on view given by the financial statements

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

- the classification, ownership and valuation of unlisted investments, MyEG Services Berhad and receivables
- the group structure, inter group balances and control of subsidiaries
- any assets or liabilities which may arise from the litigation set out in note 24

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 2010 and of the group's loss 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

15 July 2011

Directors' background

David Buchler – aged 59
David was a partner at Arthur Andersen before becoming Chairman of Kroll for Europe & Africa. Recently, he has founded his own consultancy business, DB Consultants, which concentrates on the turnaround market. He has acted in over 1,000 assignments with different companies during the course of his 35-year career. His appointments have included cases on behalf of major banks, lawyers, accountants, the Courts and the Department of Trade and Industry. His investigation work has enabled him to lead inquiries into some of the largest and most complex expert witness and fraud cases, both in the UK and worldwide. More recently he has led a number of due diligence and corporate turnaround assignments. He is currently acting as Chairman of Langbar where he was successful this year in a substantial recovery as a result of a £300m fraud – the largest on the AIM stock market in London.

Toby Parker – aged 56
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 56
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 was CEO and subsequently Chairman of AISoftw@re SpA. He sold the company in 2005. In 2002 Professor Gardin became Chairman of Brainspark plc, an AIM listed investment company, from which he resigned in February 2011. 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.

The Rt Hon Sir Jeremy Hanley KCMG – aged 65
A Chartered Accountant, Sir Jeremy has carried on a wide-ranging commercial life since retiring from politics in 1997. Previously he was Member of Parliament for Richmond & Barnes from 1983-97, and a Government Minister for over 7 years. His posts included: Cabinet Minister without Portfolio whilst Chairman of the Conservative Party, Minister of State for Foreign Affairs (responsible for Hong Kong and the Middle East), Minister of State for the Armed Forces at the Ministry of Defence and Under-Secretary of State for Northern Ireland as Minister for Health & Social Services, Minister for Agriculture and for Education and Political Development.

He qualified as an FCA (1969), FCCA (1980) and FCIS(1980) and was Senior Lecturer in Law with the Financial Training Co. for 21 years, becoming Deputy Chairman. He now serves on the Boards and Audit Committees of a number of quoted and unquoted companies, including currently Willis Group Holdings Inc, Lottomatica SpA and Langbar International plc, after working with Credit Lyonnais, CSS Stellar (and PFD) Ltd, Nymex Ltd, Blue Hackle Ltd and Gtech Inc. He was with the ITE Group plc for 10 years, and served on the Board of International Advisers for Talal abu-Ghazaleh from 2005/2006. He is a consultant on trade in the Middle East and Asia and has led 17 high level trade missions to 8 countries since 1997; he is a director and chairman of the Audit Committee of the Arab British Chamber of Commerce.

Directors and Advisors

Directors
David Buchler (Executive Chairman)
Toby Parker (Finance Director)
The Rt Hon Sir Jeremy Hanley KCMG (Non-Executive Director)
Francesco Gardin (Non-Executive Director)

Secretary
Toby Parker

Company Registration Number
3784771

Registered Office
6 Grosvenor Street
London W1K 4PZ

Registrars
London Asia Capital plc
6 Grosvenor Street
London W1K 4PZ

Auditors
Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

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 2010

	Note	2010 £'000	2009 £'000
Revenue	3	151	392
Administrative expenses		(1,308)	(1,453)
Operating loss		**(1,157)**	**(1,061)**
Interest income	5	6	38
Unrealised gains on revaluation of investments		451	525
Foreign exchange gains		420	988
Finance costs	6	(1)	-
(Loss)/Profit before taxation	7	**(281)**	**490**
Taxation	8	–	–
(Loss)/Profit for the year		**(281)**	**490**
Attributable to:			
Equity holders of the parent		(398)	600
Non-controlling interest		117	(110)
		(281)	**490**
Earnings per share	11	**Pence**	**Pence**
Basic		**(0.17)**	0.22
Diluted		**(0.17)**	0.22

All amounts are from continuing operations.
The notes on pages 20 to 38 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	2010 £'000	2009 £'000
(Loss)/Profit for the year	(398)	600
Sale of parent company shares held by subsidiaries	413	-
Exchange differences on translation of foreign operations	(271)	(578)
Total comprehensive income for year attributable to shareholders	**(256)**	**22**

Consolidated Statement of Financial Position as at 31 December 2010

	Note	2010 £'000 Group	2009 £'000 Group	2010 £'000 Company	2009 £'000 Company
Investment in subsidiaries	12	–	–	84	134
Investments	13	18,552	17,743	12,509	12,510
Trade and other receivables	14	102	443	3,217	364
Cash and cash equivalents		3,467	4,149	1,444	1,405
		22,121	**22,335**	**17,254**	**14,413**
Trade and other payables	15	(3,481)	(3,556)	(5,665)	(6,023)
		18,640	**18,779**	**11,589**	**8,390**
Capital and Reserves					
Share Capital	16	11,475	11,475	11,475	11,475
Share Premium Account	16	21,330	21,330	21,330	21,330
Capital Redemption Reserve	16	10,828	10,828	10,828	10,828
Share options reserve	17	–	27	–	27
Translation reserve	18	283	554	–	–
Retained loss	19	(25,738)	(25,780)	(32,044)	(35,270)
Equity attributable to equity holders of the parent		**18,178**	**18,434**	**11,589**	**8,390**
Non-controlling interest		**462**	**345**	**–**	**–**
		18,640	**18,779**	**11,589**	**8,390**

The financial statements were approved by the Board and authorised for issue on 30 June 2011.

David Buchler
Chairman

Toby Parker
Finance Director

The notes on pages 20 to 38 form an integral part of these financial statements.

Statement of Cash Flows for the Year Ended 31 December 2010

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Net cash (used in)/from operating activities	23	(1,378)	(765)	(77)	921
Investing activities		–	–	–	–
Interest received		6	38	116	123
Proceeds on disposal of investments		278	–	–	–
Sale of parent company shares held by subsidiaries		413	–	–	–
Net cash from investing activities		697	38	116	123
Financing activities					
Repayment of bank loans		–	(62)	–	(62)
Interest paid		(1)	–	–	–
Net cash from financing activities		–	(62)	–	(62)
Net (decrease)/increase in cash and cash equivalents		(682)	(789)	39	982
Cash and cash equivalents at beginning of year		4,149	4,938	1,405	423
Cash and cash equivalents at end of year		**3,467**	**4,149**	**1,444**	**1,405**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2010

	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 2010							
Balance at 1 January 2010	11,475	10,828	21,330	27	554	(25,780)	18,434
Total comprehensive income for the year	–	–	–	–	(271)	15	(256)
Share Options	–	–	–	(27)	––	27	–
Balance at 31 December 2010	**11,475**	**10,828**	**21,330**	**27**	**554**	**(25,780)**	**18,434**
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**

Notes to the Financial Statements for the Year Ended 31 December 2010

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 15. The nature of the Group's operations and its principal activities are set out in the Directors' report on pages 9 to 11. These financial statements are presented in pounds sterling, rounded to the nearest thousand.

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 the year ended 31st December 2010.

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.

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:

IFRS 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.

Various standards have been Introduced by the Annual Improvements project Issued in 2009 and 2010. The amendments that are not yet effective are unlikely to have a material impact on the Group financial statements.

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.

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

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

Note 2 Significant accounting policies (cont)

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 non-controlling shareholders in the acquiree is initially measured at their 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 denominated in foreign currencies are translated

Note 2 Significant accounting policies (cont)

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.

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.

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

Note 2 Significant accounting policies (cont)

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 issued equity-settled share-based payments to certain employees and consultants which were 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

	2010 £'000	2009 £'000
Dividends	151	172
Fee income	–	220
	151	**392**

Note 4 Business and geographical segments

For management purposes, the Group is currently organised as one operating division – investment activities.

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 2010

	China	Singapore	Hong Kong	Malaysia	Indonesia	United Kingdom	Total
Revenue	–	151	–	–	–	–	151
Assets by location of asset	16,700	–	–	–	1,853	3,568	22,121
Liabilities by location of liability	2,931	4	15	–	–	531	3,481
Interest income	–	–	–	–	–	6	6
Unrealised gains on revaluation of investments	–	(108)	98	465	–	(5)	450

Year ended 31 December 2009

	China	Singapore	Hong Kong	Malaysia	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 losses on revaluation of investments	525	–	–	–	–	–	525

Note 5 Interest income

	2010 £'000	2009 £'000
Interest on bank deposits	6	38

Note 6 Finance costs

	2010 £'000	2009 £'000
Bank Interest	1	–

Note 7 (Loss)/Profit before taxation

	2010 £'000	2009 £'000
(Loss)/Profit before taxation has been arrived at after charging/(crediting):		
Loss on disposal of property, plant and equipment	–	23
Net foreign exchange gains	(420)	(988)
Operating lease rentals – land and buildings	30	43

The analysis of auditors' remuneration is as follows:

	2010 £'000	2009 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	50	45
Tax Fees	10	–
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	18	20
Fees payable to auditors of other subsidiaries of the Company	12	81
Total audit fees	**90**	**146**

Note 8 Taxation

	2010 £'000	2009 £'000
Current tax charge	–	–
Current tax reconciliation		
(Loss)/Profit before taxation	(281)	490
Current tax at 28% (2009: 28%)	(79)	137
Fair value adjustment on investments held at year end	2	3
Intercompany adjustments	(329)	–
Other disallowed items	(1)	25
Loss in subsidiaries not subject to taxation at 30%	(241)	(621)
Effects of tax losses brought forward	648	456
Current tax charge	–	–
Current tax charge	**–**	**–**

The Group has not recognised deferred tax assets of £1,666,000 (2009: £1,044,000) 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

	2010 £'000	2009 £'000
Wages and salaries	669	1,385
Pension costs	73	–
Social security costs	3	13
	745	1,398
	745	1,398
Directors' emoluments		
Staff costs include the following emoluments in respect of the qualifying service of directors of the company:		
Directors' emoluments	**745**	**1,093**

The highest paid director received emoluments of £220,000 (2009: £235,000). Directors' fees include an amount of £170,000 (2009: £120,000) relating to termination fees paid and payable to two directors in accordance with terms of those contracts.

Employees

	2010 Number	2009 Number
The average number of persons employed by the Group, including directors, during the year was:	7	10

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 profit

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. Net income after taxation amounted to £3.199m (2009: Loss £1.51m) has been included in the financial statements of the holding company. Included in the above net income for the year, is an amount of £5.2million reflecting the write back of provisions made against the recoverability of certain intercompany balances.

Note 11 Earnings per share

	2010 £'000	2009 £'000
Earnings		
(Losses)/Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**(398)**	600
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**229,508,590**	267,584,202
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Warrants	**–**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**229,508,590**	267,584,202
Earnings per share		
Basic (pence)	**(0.17)**	0.22
Diluted (pence)	**(0.17)**	0.22

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 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%
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%
Huang He Securities Limited	China	Consolidation	99.70%
London Asia Limited	China	Consolidation	99.98%
London Asia Capital Land Limited	China	Consolidation	100%

Clean Technology Limited was struck off the Companies House record of companies on 18 May 2010.

Acme Rate Assets Limited was struck off the Register of Companies in the BVI in 2010.

China Exchange PTE Ltd was struck off the Register of companies in Singapore on 15 January 2010.

The Company has a 100% interest in London Asia Capital China. No details of the subsidiary are known as at 31 December 2010. The assets and liabilities of the company have been written off in 2009.

Analysis of movement during the year:

	Company 2010 £'000	Company 2009 £'000
Balance at beginning of year	134	134
Impairment	(50)	–
Balance at end of year	**84**	**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 2010 £'000	Fair value 2010 £'000
Beijing Biaoqi Culture Limited	China	236	–
Beijing Biaoqi Advert Limited	China	19	–
		255	**–**

Note 13 Investments

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Analysis of movement during the year:				
Opening balance	17,743	17,814	12,510	12,510
Disposals	(278)	–	–	–
Unrealised profit/(loss) on revaluation of investments	451	(71)	(1)	–
Foreign exchange gains	636	–	–	–
Closing balance	**18,552**	**17,743**	**12,509**	**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 2010	Company 2010
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 ("Zhongying") and has a liability to subscribe 30 million RMB to take its shareholding in the company to 20%. This amount represents £2.93million and is included as a current liability in the accounts of the Company and the Group. 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. In accordance with the procedure set out in the Joint Venture Agreement that binds the shareholders of Zhongying, a breach notice before action has been issued as a possible precursor to legal proceedings being instigated at the International Court of Arbitration in Beijing.

Joint venture

The Group has a 60% profit share interest in London Asia Capital Mongolia Limited, a financial services company incorporated in Mongolia. The Company has made a US$100,000 investment that has been fully provided for in these accounts.

Note 14 Trade and other receivables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade receivables	–	2	–	–
Other debtors	94	436	94	364
Amounts due from subsidiary companies	–	–	3,115	–
Prepayment and accrued income	8	5	8	–
	102	**443**	**3,217**	**364**

Note 15 Trade and other payables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Amounts due to subsidiary companies	–	–	2,217	2,730
Trade payables	–	142	–	3
Other tax and social security	–	10	–	–
Accruals and deferred income	550	660	517	548
Other creditors	2,931	2,744	2,931	2,742
	3,481	**3,556**	**5,665**	**6,023**

Included within other creditors is an amount of £2,931,000 (2009: £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. Further information regarding this investment and liability is disclosed in the Note 24.

Note 16 Share capital and share premium

	2010 £'000	2009 £'000
Allotted, issued and fully paid		
229,508,590 Ordinary shares of 5p each (2009: 229,508,590)	**11,475**	**11,475**
Share premium	**21,330**	**21,330**
Shares gifted back and cancelled in 2009	**10,828**	**10,828**

In late 2009, the company was made aware that 9,276,398 shares in London Asia Capital plc were held by certain subsidiaries. As it is unlawful for shares of the parent company to be held by a subsidiary, action was taken to dispose of these shares in open market trades. 9,191,398 shares were sold, giving rise to the £413,196 Gain on Investments. One subsidiary company still holds a total of 85,000 shares for which no buyer has been found.

As at 31 December 2010, the Company had granted options over its ordinary shares, all of which expired during the year.

Date of grant	Exercise price	Vesting period	Expiry date	No. of options
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 17 Share options reserve

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Balance at beginning of year	27	489	27	489
Share based payment release	(27)	(462)	(27)	(462)
Balance at end of year	**–**	**27**	**–**	**27**

Note 18 Translation reserve

	Group 2010 £'000	Group 2009 £'000
Balance at beginning of year	554	1,132
Current year movement	(271)	(578)
Balance at end of year	**283**	**554**

Note 19 Retained loss

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Balance at beginning of year	(25,780)	(26,842)	(35,270)	(33,762)
Net (loss)/profit	(398)	600	3,199	(1,508)
Sale of parent company shares held by subsidiaries	413	–	–	–
Share options	27	462	27	–
Balance at end of year	**(25,738)**	**(25,780)**	**(32,044)**	**(35,270)**

Note 20 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	2010 Amount due £'000	2010 Amount owing £'000
Sunrise New Energy Limited (formerly London Asia Investments Limited)	–	874
London Asia Investments (Hong Kong) Limited	572	–
London Asia Capital (S) Pte Limited	2,543	346
London Asia Corporate Finance Limited	–	261
Huang He Securities Ltd	–	162
London Asia Capital Mauritius	–	574
	3,115	2,217

The transactions with subsidiaries during the year related to funding requirements and transfer of cash funds to parent company for centralisation of control of group activities.

The Company entered into an agreement with I.F.M. Consultants Ltd in 2009, 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 2010, I.F.M. Consultants Ltd was paid £126,000 inclusive of a pension contribution of 20%. (2009: £198,000).

The Company had entered into an agreement with Turnbull & Garbutt Ltd in 2009, a company owned and controlled by K Negal, a previous Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2010, Turnbull & Garbutt Ltd was paid £185,000 (2009: £222,000). This includes a termination fee of £130,000 arising in June 2010.

The Company had entered into an agreement with Cromer Associates Ltd in 2009, a company associated with The Earl of Cromer, a previous Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2010, Cromer Associates Ltd was paid £168,000, inclusive of a pension contribution of 20% (2009: £130,000).

The Company had entered into an agreement with Financial Fun Ltd in 2009, a company owned and controlled by D Bailey, a previous Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2010, Financial Fun Ltd was paid £108,000, inclusive of a pension contribution of 20% (2009: £159,000). This agreement will terminate in May 2012.

During the year, the Company paid fees for interpretation and consultancy services in China of £33,318 to Mauve Solutions, a company associated with Shelley Hu, Countess of Cromer. This agreement was terminated in November 2010.

In April 2011, the company entered into a contract with DB Consultants Ltd, of which David Buchler is a Director and Sir Jeremy Hanley is associated, for services to be provided and for which no fee will be paid other than on the occurrence of certain events, including the realisation of assets.

In July 2010, London Asia Recoveries Ltd was incorporated, of which Dennis Bailey, The Earl of Cromer and Toby Parker are Directors, in order to create a possible corporate vehicle to prosecute the claims against the previous management and recover monies due from the defendants in the Share Swap companies as reported in the Post Balance Sheet Event Note 26. This company has never traded.

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 together with a 20% pension contribution; and with Financial Fun Ltd – an annual fee of £93,000 which terminates in May 2012. There are no other contractual fee arrangements with any other party.

Note 21 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 2010 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 2010 and 2009, 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 2010 was £3.5m (2009: £3.7m).

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 2010 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.

Unlisted investments and corresponding liabilities have not been included due to documented uncertainties with the groups principal investment.

Year ended 31 December 2010

	Hong Kong $'000	Singapore $'000	US$'000	Indonesian Rupiah '000,000	Malaysian Ringgit'000
Net foreign currency monetary assets	12,815	7,584	1,495	26,011	5,247

	Weakening of GBP		Strengthening of GBP	
	10% £'000	20% £'000	10% £'000	20% £'000
Impact on equity gain/(loss)				
Hong Kong $	(106)	(211)	106	211
Singapore $	(378)	(757)	378	757
US $	(96)	(191)	96	191
Indonesian Rupiah	(187)	(373)	187	373
Malaysian Ringgit	(110)	(220)	110	220
Total	**(877)**	**(1,752)**	**877**	**1,752**

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	
Impact on equity gain/(loss)	**1% £'000**	**2% £'000**	**1% £'000**	**2% £'000**
Hong Kong $				
Singapore $	130	260	(130)	(260)
GBP	13	27	(13)	(27)
US $	8	15	(8)	(15)
Total	15	30	(15)	(30)
Total	**166**	**332**	**(166)**	**(332)**

The following table provides an analysis of financial instruments as at 31 December 2010 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 2010				
Investments	6,043	–	12,509	18,552

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

At 31 December 2010, if the market price of equities had fallen by 10% with all other variables held constant, unrealised gains would have been £604,300 lower (2009: £523,400). Conversely if the market price of equities had increased by 10% unrealised gains would have been £604,300 higher (£523,400).

No analysis of impact of changes in market prices on level 3 investments has been included due to documented uncertainties with the groups' principal investment.

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 22 Share options

The company had a share option scheme for certain employees and consultants of the group. There are no outstanding options as at 31 December 2010.

Note 23 Notes to the cash flow statement

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
(Loss)/Profit for the year	(281)	490	3,199	(1,970)
Adjustments for:				
Interest received	(6)	(38)	(116)	(123)
Unrealised (gains)/losses on revaluation of investments	(451)	71	–	–
Impairment of investments	–	–	51	–
Loss on disposal of property, plant and equipment	–	23	–	–
Operating cash flows before movements in working capital	(738)	546	3,134	(2,093)
Decrease/(increase) in trade and other receivables	341	181	(2,853)	1,283
Foreign Exchange	(907)	(578)	–	–
(Increase)/decrease in trade and other payables	(75)	(914)	(358)	1,731
Interest paid	1	–	–	–
Net cash (used in)/from operating activities	**(1,378)**	**(765)**	**(77)**	**921**

Note 24 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 High Court 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.

   The Defendants deny owing the company this money.

   A writ has been filed at the court and was issued and served on 22 June 2010. The proceedings are progressing and we have been advised that the matter can go to trial as early as November 2011, depending on the court schedule.

2. **Huang He Securities Limited** (“HHSL”)

   This company is pursuing a claim in the High Court of Hong Kong against Mr Yeo Chee Chiow, a former director of both HHSL and London Asia Capital Singapore Pte Ltd, 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 resides 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. The proceedings are progressing and we have been advised that the matter can go to trial as early as October 2011, depending on the progress of the proceedings.

3. **London Asia Limited** (“LAL”)

   This company is pursuing a claim in the High Court of Hong Kong for unpaid share premium against Mr Koo Kok Wai, a former director, who subscribed for shares in LAL 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.

   The Defendant alleges that he was provided with indemnities for holding the shares in LAL.

   A writ has been filed at the court in Hong Kong and was issued on 24 June 2010. The proceedings are progressing and we have been advised that the matter can go to trial as early as October 2011, depending on the progress of the proceedings.

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.

5. **Zhongying Changjiang Credit International Guarantee Company Limited**

   A letter was received on 11 June 2011 from a law firm representing Wuhan Kaidi Investment Holding Ltd, the 80% shareholder in Zhongying, advising the company of a breach notice before action as a possible precursor to the instigation of proceedings at the International Court of Arbitration in Beijing and that Wuhan Kaidi was seeking damages of US$100 million together with unpaid capital together with interest calculated at Remimbi 55 million.

The Company has instructed its lawyers in China to defend this claim and a letter has been sent advising Wuhan Kaidi that it will be defending this action and has given reasons to justify its defence to this claim.

6. DB Consultants Limited

On 14 April 2011 the company entered into a contract with DB Consultants Limited whereby fees will become payable to DB Consultants in the event of the realisation of assets.

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