

Investment Report

Dear Shareholder,

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

Quoted Investments

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

Bank Mayapada is an Indonesian bank founded by Dr Tahir in 1990. Dr Tahir started his empire with a garments and textile business and later founded Bank Mayapada. While the garments business is no more, the bank has grown rapidly and now has 133 branches and sub-branches undertaking all the conventional local and international banking services. Total Revenue has advanced rapidly from £128.75 million in 2007 to £226.73 million in 2009, but as the bank expanded expenses have risen equally fast and net profit last year at £27.28 million was virtually unchanged on the £27.04 million in 2007. The Bank intends to have a rights issue in the second half of 2010 which will raise the Tahir family shareholding to 70% if the other major shareholders Dubai Ventures and Singaporean UBS do not subscribe for the

rights issue. Acquired at a cost of £500,000, LAC holds 19,557,500 shares, representing 0.76% of the total issued capital, one of the largest public shareholdings. The recent market value at 1,580 Indonesia Rupiahs was close to the all-time high and on this basis the shareholding has a market value of £2.26 million though the volume of turnover on the Stock Exchange is small. **(Dec 2009: £1.63 million)**

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

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

Unquoted Investments

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

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

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

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

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

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

China Mobilnet, registered in Jersey, is the holding company of S P Green Technology (Beijing) Co Limited, an SMS content software and technical

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

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

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

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

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

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

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

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

Yours sincerely,

Dennis Bailey

29 June 2010