

23 December 2010

Dear Shareholder,

**Notice of General Meeting  
and  
Recommendation of your Board to Vote  
AGAINST the Requisition**

*And so the saga of this troubled company continues. A book or even a film could be made of this story which quite clearly involves previous directors seeking personal self gain, Croatian mafia, missing Indians and now conflicted Chinese. It is more than possible that two of the aforementioned are working together to make further financial gain at your expense. At all times, your directors have sought to unravel this extraordinary web of intrigue and mistruths and have been resolute in their desire to return cash to our ever patient shareholders.*

The Company has received a Requisition request from the Company's largest shareholder, Richpoint Group Overseas Limited ("Richpoint"), the aim of which is to seek to remove all of the current directors of the board save for their representative director.

Your Board believes that the reason behind the Requisition is to enable Richpoint to control the board and direct the Company's strategy in a way that will result in the Company's largest investment being sold for less than its proper market value.

The Directors therefore urge shareholders to vote against the Requisition in order that your Board can continue to proceed with certain actions, set out in detail below, which they anticipate will provide shareholders with a much higher return.

## **1. THE REQUISITION**

On 24th November 2010 Richpoint requisitioned a General Meeting for the purpose of removing five of your Directors and leaving Mr Guangwen Sha ("Mr Sha"), who was appointed on 29th January 2010 as a representative of Richpoint, as the sole Director of London Asia Capital plc ("LAC" or the "Company"). Your Directors believe that it is totally inappropriate for Mr Sha to be the sole Director when, given the stated purpose of the Requisition, he is so conflicted. It would, in the opinion of your Directors, result in shareholders receiving very little if anything for their shares and the directors therefore intend, together with your votes, to oppose and defeat these resolutions. The General Meeting will be held at noon on Monday 24th January, 2010 at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX.

In this Circular, references to "the Board" or "the Directors" do not include Mr Sha.

**It is vital that you vote your Shares, preferably by Proxy, even if you are attending the meeting.**

In China the largest shareholder is seen to control the company, whereas in England shareholders with a majority of voting rights will control the company. Richpoint owns 29.9% of LAC but is still one of some 4,000 shareholders. Richpoint are seeking to gain total control over the assets of the company which comprise cash and investments, whether quoted or unquoted.

For Richpoint to propose a plan to remove five Directors and leave Mr Sha as the sole Director, a non English speaking person, demonstrates their total disregard for other shareholders, disregard for corporate governance and would, in our opinion and for the reasons set out below, result in the shareholders receiving very little for their shares in comparison to their apparent net worth.

Were the Requisition to succeed, Shareholders and regulators **could** not have any direct communication with Mr Sha.

As required by company law, your directors set out in this circular the statement of Richpoint of their strategy, which focuses on the Company's main asset, Zhongying. Your Directors will also explain the connection between Richpoint and Kaidi and thus demonstrate why it is so inappropriate for Mr Sha, as representative of Richpoint to manage future discussions with Kaidi. We shall also explain the real value of Zhongying, the attempts of your Board to reach an agreement with Kaidi and the breaches of Kaidi of the shareholders agreement that relates to Zhongying.

We shall also deal with the appointment of our auditors, which, shareholders may remember, was effectively blocked by Richpoint at the last AGM.

## 2. PROPOSED LIQUIDATION OF LAC ANTICIPATED TO ACHIEVE NOT LESS THAN 9.3 PENCE PER SHARE

Your Directors propose that, following realisation of the Zhongying investment and conclusion to the current litigation against previous directors and parties closely associated with them, LAC's assets should be sold and that all the cash and investments, including the investment in Zhongying, be returned to shareholders in 2011, or as soon as is practical. Below you will see that this is estimated to be 9.3 pence per share. The various possible outcomes as to the achievable net asset value per share of LAC is tabulated below:

Outcome	Cash	Quoted	ZY Cost	170mRMB	320mRMB	Litigation	NAV per share pence
				ZY reval'n	ZY reval'n		
	£m	£m	£m	£m	£m	£m	£m
A	3.6	5.3	12.5				21.4
B	3.6	5.3	12.5	4.5			25.9
C	3.6	5.3	12.5	4.5	15.0		40.9
D	3.6	5.3	12.5	4.5	15.0	10.0	22.1

**Outcome A:** Net asset value today, with no further obligation to subscribe RMB 30m for shares in Zhongying (ZY).

**Outcome B:** Net asset value today, with no further obligation to subscribe RMB 30m for shares in Zhongying (ZY) and uplift in ZY value to initial investment of RMB 170m.

**Outcome C:** Net asset value today, with no further obligation to subscribe RMB 30m for shares in Zhongying (ZY) and uplift in ZY value to initial investment of RMB 170m together with uplift in value of shareholding in ZY net assets of RMB 1.6 billion

**Outcome D:** Net asset value today, with no further obligation to subscribe RMB 30m for shares in Zhongying (ZY) and uplift in ZY value to initial investment of RMB 170m together with uplift in value of shareholding in ZY net assets of RMB 1.6billion, together with litigation recoveries of £10.0m.

You will note the significant difference between outcome A and scenario D. Our investment in Zhongying is valued as high as £32m but we are not expecting that a settlement with Mr Yilong Chen ("Mr Chen"), the Chairman of Kaidi and of Zhongying together with many other related companies within the "Chen Group" of companies and Kaidi will achieve our rightful entitlement. Effectively we are discounting by circa 50% the fair value of our investments in order to achieve a prompt settlement.

Your Directors have been seeking a Private Equity House in China and possibly Wuhan that would be willing to partner LAC to secure a huge return for the fund and return more cash to LAC. In addition, there are further possible uplifts in value to be realised from investments and loans made by LAC, and fully written off, as detailed in the 2009 accounts.

### 3. THE SHAREHOLDERS MEETING

The Resolutions that will be proposed at the shareholders meeting referred to above, and your Directors recommendations are set out below.

YOUR DIRECTORS RECOMMEND		FOR	AGAINST	NO ACTION
1.	That the Directors be instructed and authorised to realise the assets of the Company in an orderly manner and return cash to shareholders as quickly as possible	X		
2.	That Dennis Bryan Bailey be removed from office as a Director of the Company with immediate effect.		X	
3.	That The Earl of Cromer be removed from office as a Director of the Company with Immediate effect		X	
4.	That Professor Francesco Gardin be removed from Office as a Director of the Company with immediate effect		X	
5.	That Keith Harry Angel Negal be removed from Office as a Director of the Company with immediate effect		X	
6.	That Toby James Carson Parker be removed from Office as a Director of the Company with immediate effect		X	
7.	That Guangwen Sha be removed from office as a Director of the Company with immediate effect	X		
8.	That Moore Stephens LLP be appointed as Auditors to the Company with immediate effect and the Directors be authorised to fix their remuneration.	X		
9.	That subject to resolution 8 being defeated that Deloitte LLP be appointed as Auditor to the Company with immediate effect and the Directors be authorised to fix their remuneration.	X		
10.	That subject to resolution 8 and 9 being defeated that the Directors be authorised to notify the Secretary of State for Business, Innovation and Skills that the Company requires him to use his default power of appointment to appoint an auditor to the Company, and to fix their remuneration.	X		

## 4. ACTION REQUIRED

- The accompanying Form of Proxy for use by shareholders should be completed and returned by post to the Company at 35 Piccadilly, London W1J 0DW or by fax (+44)(0) 207 734 4561 or attached as a PDF and sent by e mail to shares@londonasiacapital.com in accordance with the instructions printed thereon, to be received by the Company as soon as possible and no later than Noon on Saturday 22nd January 2011.

Completion and return of a Form of Proxy will not preclude a shareholder from attending and voting in person at the General Meeting.

## 5. STATEMENT TO THE SHAREHOLDERS OF LONDON ASIA CAPITAL PLC REGARDING THE REQUISITION RESOLUTIONS

Pursuant to section 315 of the Companies Act 2006, the Company is required to circulate to shareholders the statement received along with the Requisition:

This statement has been issued on behalf of Pershing Nominees Limited, (formerly known as Pershing Keen Nominees Limited), a holder (as nominee for Richpoint Group Overseas Limited) of 68,622,986 ordinary shares representing 29.9% of the paid-up issued share capital of London Asia Capital plc (the “**Company**”), who has requisitioned a general meeting of the Company:

“In 2005, the Company subscribed 170 million RMB for shares in Zhongying Changjiang Credit International Guarantee Company Limited (“**Zhongying**”). The Company should have subscribed an additional 30 million RMB by 31 December 2008. Accordingly as noted by the Company’s CEO in his letter to shareholders dated 27 October 2009 “**LAC’s shares in Zhongying are only partly paid (85%) and LAC is out of time for making them fully paid. Under Chinese law, the failure to pay fully for the shares by the due date can result in these shares being forfeited should Kaidi fail to support the Company’s position**”. We believe that unless further action is taken to rectify the position, there is a strong risk the Company will lose its investment in Zhongying.

The original plan put forward by the directors whom it is now proposed should be removed (the “**Incumbent Management**”) included Wuhan Kaidi Holding Investment Co. Limited (“**Kaidi**”):

- subscribing additional shares in the Company; and
- actively assisting the Company to communicate with the relevant Chinese government authorities to seek an exemption from all legal penalties and liabilities and at the same time persuading the other shareholders of Zhongying to waive any rights to claim compensation for the Company’s breach of the shareholders’ agreement.

Kaidi has confirmed that it has lost confidence in the Incumbent Management, but remains very interested in pursuing its original plan.

We would propose that the Company recommences negotiations with Kaidi as soon as the Incumbent Management has been removed. If an agreement cannot be concluded between the Company and Kaidi within a reasonable period of time on mutually acceptable terms and conditions, then we suggest an orderly realization of the Company's assets and distribution of cash to shareholders would be appropriate.

In the meantime, we firmly believe that immediate action should be taken to reduce costs and retain value for shareholders. This should include instituting a sensible cap on the level of directors' remuneration commensurate with the company's status as a non-trading delisted investment holding vehicle with limited income".

Richpoint concluded "thank you in advance for your consideration and support for the proposed resolutions".

## **Richpoint Group Overseas Limited**

### **6. CONFLICTS OF INTEREST**

The requisition says that Kaidi has lost confidence in your Directors. It will help shareholders to have a summary of the discussions with Kaidi since the date on which Richpoint became a shareholder:

- **29 November 2009:** Richpoint becomes a 29.9% shareholder in LAC.
- **8 January 2010:** a Memorandum of Understanding is signed between LAC and Kaidi in which Kaidi agrees to subscribe for shares in a subsidiary of LAC (named Sunrise New Energy Group Limited) on the basis that all LAC assets would be hived down into this subsidiary which would be listed on the LSE, raise new capital and acquire assets of the Kaidi group which would be developed by this new capital (the "**Sunrise deal**"). The MoU also significantly reduced the requirement to pay the remaining RMB 30 million of capital still unpaid by LAC into the capital of Zhongying ( see below),
- **April 2010:** negotiations for the Sunrise deal cease because Kaidi believed they would get a better valuation for their assets if they were listed on the Hong Kong stock market,
- **June 2010:** given the cessation of the negotiations based on the MoU, your Directors repeated previous requests for information relating to the value of LACs shareholding in Zhongying and to appoint directors to the board of Zhongying pursuant to the shareholders agreement with Kaidi (see below)
- **June 2010:** given the failure of Kaidi to respond to your Directors' requests on the Zhongying shareholders agreement, your Directors take legal advice in Beijing on the remedies available to them for these breaches,
- **28 July 2010:** Richpoint blocks the re-appointment of the auditors at the Company's AGM. The reasons are not clarified, but may reflect the fact that the 2009 accounts were qualified by the failure of Kaidi to provide valuation information on Zhongying,

- **24 September 2010:** your Directors make a proposal to Kaidi for LAC to sell its shareholding in Zhongying to Kaidi for cash and to pay for the redemption of Richpoint's shares in LAC. The proposal is repeated in November 2010, without any counter-proposal or meaningful negotiations,
- **24 November 2010:** Richpoint serves the Requisition.

Your Directors do not accept that there is any objective reason for Kaidi to have lost confidence in them. It is simply that the interests of Kaidi differ from the interests of other shareholders in LAC.

Given the stated purpose of the Requisition, it is fundamental that shareholders understand the connection between Richpoint and Kaidi.

Richpoint, which Mr Sha represents, may, in the opinion of your Directors, be controlled by Mr Yilong Chen ("Mr Chen"), the Chairman of Kaidi and of Zhongying together with many other related companies within the "Chen Group" of companies. When Richpoint was purchasing its shares in LAC in November 2009, your Directors believe that Mr Chen made the many decisions concerning the price to be paid and that the purchases were funded with monies transferred from China, possibly from companies influenced by Mr Chen, based in Wuhan.

The sole director of Richpoint is Helen Yang who, together with Mr Chen, is one of five directors of Kaidi, and also a director of the ultimate holding company of the Chen Group, Asia Green Energy Pte Limited.

If the Requisition Resolutions were passed, Mr Sha, who was appointed on 29th January 2010 as a representative of Richpoint, would become the sole Director of the Company. Your Directors believe that it is totally inappropriate for Mr Sha to be the sole Director of the Company when Richpoint is controlled by Mr Chen. It also does not help that Mr Sha speaks no English.

Your Board is of the opinion that because Mr Sha represents Richpoint he would be unlikely to negotiate a proper settlement for LAC's near 20% stake in Zhongying. There would be no safeguard for shareholders as any negotiations relating to Zhongying would not be taking place on a proper arms' length commercial basis. Since Mr Sha has put himself in a position of impossible conflict of interest, your Directors are proposing that he be removed as a Director at the General Meeting.

## **7. RICHPOINT AND KAIDI STRATEGY**

Since the cessation of the negotiations on the Sunrise deal in April 2010, your Directors have not received any proposals from Richpoint/Kaidi to inject further capital or assets into the group. Instead your Directors suspect that the real focus of Richpoint/Kaidi is LAC's shareholding in Zhongying. Your Board is of the opinion that the strategy of Richpoint and Kaidi is to require LAC to pay up the remaining 30million RMB of capital into Zhongying, thus seriously depleting the group's cash resources and then to force a liquidation of LAC's assets. As part of this process, Kaidi would make an offer to buy out LAC's interest in Zhongying at the cheapest possible price, reflecting LAC's then contrived distressed state.

## **8. THE SIGNIFICANCE OF THE ZHONGYING ASSET**

Zhongying is the largest single investment of LAC representing approximately 58% of the net asset value of the Company.

Your Directors understand that in June 2010, Kaidi failed to raise finance on the Shenzhen Stock Exchange, when the Chinese Regulatory Authorities rejected its application for a private share placement. Following this, a 25% shareholding in Zhongying held by Kaidi was transferred at an open market valuation of £40 million to Wuhan Kaidi Investments Ltd, a related company, the directors of which are Mr Chen and Helen Yang. At the time of this announcement, an article appeared in the China Financial press stating that this valuation understated the true value of a 25% holding in Zhongying and that the entire company was worth more than £160 million. On these figures, the near 20% shareholding held by LAC in Zhongying should be worth in excess of £32 million.

An indication of the problems LAC faces in securing the true valuation of Zhongying, and in particular its very substantial property assets comprising some 818 mu (a traditional Chinese measure), can be shown by a related party transaction between Kaidi Holding and Kaidi Electric that gave rise to an article in the Chinese financial press on 13th September to the effect that; Wuhan Kaidi Electric Power Co, Ltd had, during the February of 2009, sold 134 mu (1 mu equals 1/15 of a hectare) of land south of University Park Road, Wuhan Donghu Hi-tech Development Zone to Wuhan Kaidi Holding Investment Co. Ltd, at less than 300,000/ per mu. Apparently when this piece of land was sold to Kaidi Holding in February 2009, the land price for surrounding areas had already exceeded more than 1 million RMB per mu.

If Mr Chen, through Richpoint, is able to gain control of the board of LAC, the monetary benefit to Richpoint and Kaidi as opposed to LAC's shareholders as a whole, could be substantial because Richpoint will be able to control the negotiations concerning Zhongying and possibly dispose of such significant assets that it holds at below fair value.

## **9. THE JOINT VENTURE BETWEEN THE COMPANY AND KAIDI**

The MOU setting out the proposed terms of the JV referred to above, was intended to form the basis of an arrangement to establish a company from the LAC group suitable for listing on the Official List of the London Stock Exchange and to use this company to raise funds for the future development of LAC and WK group assets, including Zhongying. Had this gone ahead as envisaged, LAC would have owned c.17.6% of Zhongying with all shares fully paid. The statement from Richpoint as set out above notes that:

*"LAC's shares in Zhongying are only partly paid (85%) and LAC is out of time for making them fully paid. Under Chinese law the failure to pay fully for the shares by the due date can result in these shares being forfeited should Kaidi fail to support the Company's (LAC) position" adding "we believe that unless further action is taken soon to rectify the position, there is a strong risk the Company (LAC) will lose its investment in Zhongying".*

In 2009 your Board believed that the above statement was correct. However, our lawyers in Shanghai have since advised differently. Your Board now understands that the additional

30 million RMB not yet paid did not need to be subscribed by 31st December 2008 because that deadline had been extended by Mr Chen, acting as Chairman of Zhongying, to 31st December 2009. Furthermore, LAC had in January 2010 agreed with Mr Chen a new arrangement covered by the MoU which significantly reduced the liability to pay the 30 million RMB.

The Company has been further advised that under Chinese law and following material corporate legal breaches by Zhongying of the shareholders agreement (see below), LAC can seek to recover its original investment of 170 million RMB (circa £17 million), together with its circa 20% share of the distributable reserves of Zhongying. Zhongying's accounts to 31st December 2009 show distributable reserves to be 380 million RMB of which LAC's share would be 76 million RMB. Therefore, in the event of a successful arbitration award being made in Beijing, LAC could be entitled to recover approximately 246 million RMB (£24 million). The amount does not take into consideration the open market valuation arising from the sale of 25% shareholding in Zhongying in September 2010 for 400 million RMB.

If the Requisition succeeds your Board considers that it is likely that the arbitration process currently underway in Beijing, will be stopped by the new board of LAC, being Mr Sha.

## **10. BREACHES BY KAIDI**

LACs shareholding in Zhongying is governed by a shareholders' agreement with Kaidi dated 8 May 2007 and Zhongying's articles of association. These agreements provide, amongst other things for:

- A pre-emption right if any shares in Zhongying are offered for sale,
- A right to accounting and other financial information,
- A right to remove and appoint two directors to the board.

The Requisition talks of a breach by LAC of the terms of this shareholders' agreement. As shareholders have seen above, this breach alleged by Kaidi was rectified with the consent of Mr Chen and Zhongying and the MOU. However, even if LAC did commit this breach of the agreement, it only occurred because of and subsequent to prior breaches by Kaidi, namely the refusal to appoint new directors to replace Simon Littlewood and Victor Ng and to provide accounting information to enable LAC and its auditors to value the shareholding in the company. LAC has on numerous occasions, both orally and in writing, requested that the board of Zhongying provide the accounting records for inspection but these have not been forthcoming.

LAC's 2009 accounts were qualified by Moore Stephens because of a lack of financial information and independent verification of the fair value of Zhongying and, unless Mr Chen agrees to provide sufficient information on Zhongying, the 2010 accounts will again be qualified. Your Directors are unclear of the reasons for the reluctance to provide information on Zhongying and its portfolio investments.

Furthermore, it has been confirmed by our Chinese lawyers that Kaidi have breached the shareholders' agreement on other occasions, namely:

- the transfer of shares noted above to Kaidi Holding of Kaidi's 25% shareholding in Zhongying was approved at a shareholders' meeting of which LAC was not given notice. As noted above, LAC has a pre-emption right over any sale of shares in Zhongying but this right was ignored in the making of that transfer; and
- on 16 June and 20 November 2009, LAC sent written notices to Mr Chen as Chairman of Zhongying to request that Victor Ng and Simon Littlewood be removed as directors of Zhongying and two alternative directors be put in their place. These requests were ignored by the board of Zhongying.

Your Directors are also concerned that LAC has not received dividends to which it was entitled.

In January 2010 clarification was sought from Zhongying as to two missing dividend payments.

In an email to your Directors in December 2009, Kaidi informed us that Zhongying had paid LAC certain "dividends": the final one in the amount of RMB 5million was, according to the information provided to LAC, paid to LAC on the 27th February 2009 at a time when the Directors were in control of LAC's bank accounts. However your Directors have been unable to trace receipt of the dividend and have asked Kaidi on many occasions to which bank account this dividend was paid as it could possibly constitute yet further assets of LAC.

As shareholders will see, it is Kaidi, rather than LAC which is in breach of the shareholders' agreement. If the requisition is successful, your Directors fear that these breaches will never be rectified.

In September 2010 and again more recently, a solution was proposed so as to avoid LAC taking legal action in Beijing at the China International Economic and Trade Arbitration Commission. It was proposed that LAC would receive £23 million for its near 20% shareholding in Zhongying and that Richpoint shareholders would in turn receive 10 pence per share for cancellation of their 69 million shares in LAC. This offer was conveyed to Mr Sha in Singapore and he in turn promised to meet with Mr Chen in China to discuss this proposal. However, shortly afterwards the Requisition was received by the Company.

## **11. MR VICTOR NG, EASSET MANAGEMENT AND ASIA POWER**

Shareholders will be aware that when the current Directors joined LAC in December 2008 they were not aware of the location and existence of all LAC bank accounts and investments. We do not intend to restate the irregularities previously reported in the earlier defence documents and annual report and accounts, but please refer to the company web site [www.londonasiacapital.com](http://www.londonasiacapital.com) should you like to review the facts again. We have been successful in tracing some £20 million of cash and investments and in producing three sets of Annual Audited Accounts in an 18 month period.

In undertaking this work, very many wrongdoings appear to have been uncovered. Most transactions that had taken place pre 2008 and were announced to the London Stock Exchange had unusual features and the LAC accounting records do not seem to support the public announcements made to the market. We would like you to better understand the task that we have faced by setting out the story of one such irregularity.

The earliest transaction in LAC that cannot be fully understood relates to Easset Management ("Easset") in 2004. The public announcement stated some 3.28 million shares of LAC, at a value of £660,000, were being issued to the vendors of Easset in exchange for a 30% shareholding. Of those LAC shares, 1 million went to the then Managing Director of Easset, Mr Wong Kai Fatt but the names of the other beneficiaries may be unconnected with Easset.

One of the beneficiaries was Asia-Euro Assets Ltd, which received 1 million LAC shares. The 2005 Accounts of Asia Power report that Asia-Euro Assets Ltd, a BVI company of the same name, was acquired by Asia Power. Mr Sha is the current Chairman of Asia Power and we have asked him if he would investigate the possible connection between Easset and Asia-Euro Ltd. Mr Victor Ng, an Asia Power Director and Chairman of the Audit Committee who resigned as a Director of LAC on 13th March 2007 claimed in a letter dated 7th June 2007 and an e mail dated 24th October 2007 to be Executive Director of LAC. In the letter, in the capacity of Group Executive Director, he agreed to terminate the Easset contract, , and gifted 1 million of the Easset consideration shares of LAC to Mr. Wong Thean Soon, possibly an associate of his. These are very serious matters, relating to Mr Ng to not only claim to be an Executive Director of LAC, when in fact he had already resigned, but also to terminate an investment with no consideration passing to LAC and has caused loss to LAC.

## **12. ASIA POWER CORPORATION PTE LTD**

Mr Sha is the Chairman of Asia Power, a company in which LAC has a near 10% shareholding. In the 2005 Report & Accounts of Asia Power a MS Helen Yang was listed as one of the substantial shareholders. Helen Yang is a Director of Richpoint which confirms a close association over a long period of time.

## **13. AUDITORS**

The principal reason for the failure to pass the resolution to re-appoint Moore Stephens at the AGM was Richpoint, Mr Littlewood, associates and others voting against that resolution.

Your Directors fail to understand the logic for this vote, other than an attempt to further frustrate the management of LAC, particularly as when asked to explain the reasons or to state if they would prefer an alternative auditor, Richpoint failed to provide any explanation whatsoever and when asked if they would support Moore Stephens or an alternative in a later vote, they again offered no comment.

Moore Stephens LLP have been the Auditor to LAC since 2003 and in respect of the 2009 audit charged £75,000. After negotiation this was reduced to £50,000 in respect of the 2010 audit. Moore Stephens LLP is a leading London professional services firm. Moore Stephens member firms have offices across Asia, with over 1,300 staff in China, including an office in Wuhan.

Deloitte LLP is one of the top four UK audit firms with offices throughout China and Asia. They have indicated a fee of £100,000 for the 2010 audit but have also recognised the material learning curve that they will have to overcome.

**In the event that neither Moore Stephens nor Deloitte are appointed the Secretary of State for Business, Innovation and Skills will be asked to make an appointment using his default power. Your directors cannot advise what the cost of this appointment would be, but are concerned that it could be substantial.**

## **14. THIRD EGM IN THREE YEARS**

This is the third EGM called to remove directors that LAC has suffered in three years. In 2008 Mr Littlewood and Mr Ng attempted to replace the then Directors with Mr Littlewood, Mr Ng and Mr Ng's son in law, Mr Koo. In 2009 QVT Fund LP, with the support of Mr Littlewood and Mr Ng, attempted to replace the present Directors. We also suspect that an additional reason for Richpoint calling the present EGM to remove your Directors, except Mr Sha, is the desire to terminate the litigation the Board has commenced against Mr Littlewood, Mr Ng and his son in law and associates.

The time and monetary expenses associated with the calling of EGMs are high and unnecessary. The 2009 EGM cost was substantial and we are currently preparing an estimate of the 2011 EGM, which we suspect will be greater, which involves lawyers and other professional bodies in China, Hong Kong, Singapore and, of course London, with a substantial charge from Capita Registrars and many other incidental costs all of which could have been avoided. No doubt Mr Chen and Richpoint would like LAC to have lower costs yet they constantly take action that results in high expenditure.

## **15. YOUR BOARD'S STRATEGY**

Your Board's strategy is to realise the group's assets and thereby achieve the greatest possible value for the Company's Zhongying asset. Whether this is by way of an open auction in China or by continuing to progress the arbitration in Beijing will depend on various factors. However, the Directors believe that if the Requisition Resolutions are passed the Zhongying asset will be moved out of LAC's control for a sum which will not represent its true value to shareholders and nowhere near the open market value achieved in September 2010.

If your Board is able to successfully realise the investment in Zhongying it is their intention to move forward with the orderly realisation of the remainder of the Company's assets together with a capital reorganisation of LAC in order to make cash distributions to shareholders.

## **16. CONCLUSION**

Since September 2008, the Board of Directors has worked tirelessly and professionally to create order and to recover value in the Company.

We take great pride in the work we have carried out so far and we have enjoyed working on your behalf. We are in no doubt that shareholders have benefitted tremendously and will continue to benefit from our efforts and we are extremely pleased that this is so.

Our success to date demonstrates that we can offer a better solution for all shareholders than that proposed by the Requisition and, therefore, we urge you to vote against resolutions 2-6 and for resolutions 1, 7-10.

Your Board understands its responsibility to restoring true value to LAC and is unswerving in its work to deliver for all shareholders.

A handwritten signature in black ink, enclosed in a circle. The signature appears to read "TJC Parker".

Yours sincerely,

**TJC Parker  
Company Secretary**

**APPENDIX**  
**LONDON ASIA CAPITAL PLC**  
**(Registered in England No. 03784771)**

**NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a General Meeting of London Asia Capital plc (the **Company**) will be held at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX at Noon on Monday 24th January 2011 for the purpose of considering and if thought fit passing the following Resolutions, which will be proposed as Ordinary Resolutions:

**ORDINARY RESOLUTIONS**

1. That the Directors be instructed and authorised to realise the assets of the Company in an orderly manner and to return cash to shareholders as quickly as possible.
2. That Dennis Bryan Bailey be removed from office as a Director of the Company with immediate effect.
3. That The Earl of Cromer be removed from office as a Director of the Company with immediate effect.
4. That Professor Francesco Gardin be removed from office as a Director of the Company with immediate effect.
5. That Keith Harry Angel Negal be removed from office as a Director of the Company with immediate effect.
6. That Toby James Carson Parker be removed from office as a Director of the Company with immediate effect.
7. That Guangwen Sha be removed from office as a Director of the Company with immediate effect.
8. That Moore Stephens LLP be appointed as auditors to the Company with immediate effect and that the Directors be authorised to fix their remuneration.
9. That, subject to resolution 8 being defeated, that Deloitte LLP be appointed as auditors to the Company with immediate effect and that the Directors be authorised to fix their remuneration.
10. That, subject to both resolutions 8 and 9 being defeated, that the Directors be authorised to notify the Secretary of State for Business, Innovation and Skills that the Company requires him to use his default power of appointment to appoint an auditor to the Company, and fix its remuneration.

**Registered Office:**  
35 Piccadilly  
London  
W1J 0DW

**By order of the Board:**  
Toby Parker  
21 December 2010

## **Appointment of proxies**

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy your proxy card. You must complete the requisite number of proxy forms and state clearly on each form how many shares the proxy is appointed in relation to. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by the member will result in the proxy appointment being invalid.
4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

## **Appointment of proxy using hard copy proxy form**

5. The notes to the proxy form explain how to direct your proxy as to how he or she should vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to the Company's Registrar, Capita Registrars at PXS, 34 Beckenham Road, BECKENHAM, BR3 4 TU
- or sent to the Company either by fax (+44)(0) 207 734 4561
- or attached as a PDF and sent by e mail to [shares@londonasiacapital.com](mailto:shares@londonasiacapital.com) and
- received by the Company no later than Noon on Saturday 22nd January 2011.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### **Appointment of proxy by joint members**

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### **Changing proxy instructions**

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Dennis Bailey by email: DBailey790@aol.com.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### **Termination of proxy appointments**

8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to 35 Piccadilly, London W1J 0DW. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

Such revocation notice must be received by the Company no later than noon on Saturday 22nd January 2011.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

## **Communication**

9. Except as provided above, members who have general queries about the Meeting should contact Dennis Bailey by email: DBailey790@aol.com (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this notice of general meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.





