LONDON ASIA CHINESE PRIVATE EQUITY FUND LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

Investment Objective

The objective of London Asia Chinese Private Equity Fund Limited (the "Company") and its subsidiary (together the "Group") is to provide Shareholders with capital growth from investing in a portfolio of companies whose business operations are based in China.

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www.lacpefund.com

A closed-ended investment company, incorporated under
The Companies (Guernsey) Law, 1994 as amended

REGISTERED IN GUERNSEY No. 44403

Chairman's Statement

I am pleased to present the annual report and consolidated financial statements of London Asia Chinese Private Equity Fund Limited (the "Company") and its subsidiary (together the "Group") for the year ended 31 March 2008.

Highlights

- Net assets at 31 March 2008 £71.7 million (2007: £66.5 million), up 7.7% in the year;
- Net assets equal to 143.32 pence (2007: 133.05 pence) per share;
- Profit for the year £5.1 million, equal to 10.28 pence (2007: 36.75 pence) per share;
- Profits of £1.7 million realised in the year from the sale of investments;
- Other income of £1.1 million;
- Investments up 63% on cost;
- Appointment of Richard Battey as an additional Non-Executive Director and Diana Chen as Chief Operating Officer; and
- Proposed change of name of the Company to China Growth Opportunities Limited.

The Group has maintained its objective over the year of providing shareholders with capital growth from investing in a portfolio of companies whose business operations are based in China.

Results

Despite a very difficult business environment, your Group made solid progress during the year. The Group achieved a net profit for the year ended 31 March 2008 of £5.1 million, representing earnings per Ordinary Share of 10.28 pence. The net asset value at 31 March 2008 was £71.7 million (2007: £66.5 million), equal to 143.32 pence per Ordinary Share, an increase both over the 30 September 2007 net asset value of 136.71 pence and the 31 March 2007 net asset value of 133.05 pence.

During the year the Group realised its entire holding in two investments and part of a third for £3.3 million at a very satisfactory profit of £1.7 million. The Group re-invested £2.5 million of these proceeds in June 2007 and now holds thirteen investments, which cost £44.4 million. At 31 March 2008 the investments had a fair value of £72.3 million (2007: £65.9 million), an unrealised gain of 63% on cost, and an increase of £6.4 million during the year.

£9.5 million (13%) of the investments have been stated at original cost. Investments with an original cost of £34.9 million have been shown at a fair value of £62.8 million. Fair value was determined based on market price where the stock was quoted and there was deemed to be a liquid and active market, latest financing valuation where follow on financing was achieved, or a multiple of post tax profits for those investments illiquid, not quoted or re-financed.

Of the thirteen investments, two were already listed in Singapore at the time we invested, and four floated on London's PLUS Market ("PLUS") post our investment. As at 31 March 2008, 49% of our investment portfolio (by fair value) was quoted on a combination of the Singapore Stock Exchange's Main Board and Catalist and PLUS.

Investment Environment

Since my appointment I have visited a number of portfolio companies and the Non-Executive Directors plan further portfolio visits in the fourth quarter of 2008.

During the year, China's economy continued to record strong growth, though this has tailed off since the year end amid mounting concerns of the global slowdown, high commodity prices and inflation impacting Chinese growth. The Chinese Government adopted a policy of trying to dampen growth in order to reduce inflationary pressures and supply shortages, dampen speculation and attempt to allocate resources to more efficient, productive projects. These measures have included restrictions on lending by local banks, continuing controls on non-Chinese bringing money into China, and greater controls over licensing and permissions for projects.

These measures have coincided with the global credit crunch and falling stock markets, with the Chinese stock market down over 50% from its October 2007 peak. This has resulted in a more difficult climate in which to realise investments, and to obtain new funding for our portfolio companies, particularly debt and structured finance, where it has been difficult to secure funding, or the terms are considerably less attractive than those previously available. This has had a significant negative impact on several of our investments, particularly the Singapore stock market listed water businesses, United Envirotech Limited and Asia Water Technology Limited, which are dependent on debt finance to expand their operations and saw considerable falls in value over the period and since the year end, which will impact on our 30 September 2008 half yearly results.

China's rising currency, and a series of natural disasters, including some of the worst storms seen in decades and the Sichuan Earthquake, have also negatively impacted on China's economy and the performance of our investments. The diversion of central and local government resources to the disaster zones has led to delayed projects and payments for several of our investee companies.

With the Olympics now behind us, the fallout from Sichuan settling down, and rumours that the Chinese Government is going to relax some of the previous controls introduced to damped the economy and bring in an economic stimulus package, it is to be hoped that conditions will ease going forward to counteract the impact of the expected slowdown in the global economy.

Change of Company Name

The Board is proposing changing the name of the Company at the Annual General Meeting to "China Growth Opportunities Limited", which better describes the Company's operations and structure.

Operational Update

The past year has seen a number of significant follow on financings for a number of our portfolio companies, as well as two complete and one partial realisation. There has been only one new investment, made in June 2007, compared to fourteen in the previous year, reflecting the shift in emphasis from investing to realising the value of the portfolio.

Chairman's Statement

During the year PricewaterhouseCoopers CI LLP were appointed as Independent Auditors. There have been a number of changes in personnel, as the Group moved from a period of raising and investing funds, to managing and realising investments. In June 2008 the Group appointed Diana Chen, based in Beijing, China, as Chief Operating Officer, with specific responsibility to ensure that adequate financial information is available from our portfolio companies to improve our own financial reporting. Diana is a qualified CPA and has worked in China for two of the world's leading accountancy firms. Following her appointment, we hope to be able to provide more regular reporting of net assets for the Group.

I was appointed as Chairman on 24 July 2007, following the departure from the Board of Mr Manser and Mr Hill. I am pleased to welcome Richard Battey to the Board, as an independent non-executive Director. He is a Chartered Accountant, a Guernsey resident and has extensive experience of investment management. After the Company's AGM he will take over from me as Chairman of the Audit Committee. These appointments complete the re-organisation which I initiated in my first year as Chairman and I am confident that we have a good executive and non-executive team to take your company forward.

The shares of the parent company of the Investment Consultant London Asia Capital Plc, were suspended from trading on AIM on 4 June 2008 as it was unable to publish its report and accounts. As at the time of writing this report, the suspension remains in place. The suspension of London Asia Capital Plc's shares has not affected the ability of the Investment Consultant to fulfil its duties to the Company. However, the Board is concerned that the suspension of London Asia Capital Plc's shares may have adversely affected the price of the Company's Ordinary Shares and Warrants.

Outlook

I am confident that the price at which the shares in your company trade on the AIM market in no way reflects the Group's true value. In the last year, we have seen very difficult market conditions stemming from the credit crunch and this has affected sentiment towards investment companies in emerging markets.

It would be foolish at this stage to have a 'fire sale' of the Group's assets to prove that the business has significantly greater value than indicated by the current share price. Clearly however circumstances have changed since the flotation and we currently envisage more trade sale realisations than IPOs. We shall endeavour to achieve a few meaningful realisations or part-realisations in the next twelve months to demonstrate the quality of our portfolio.

It is important to remember the growing domestic prosperity of China and the rise of a middle class – amply demonstrated by the recent Olympic Games. Our investments are not targeted at mass market, Chinese exporting companies. Our investment focus on clean technology, consumer products and services fits closely with the Chinese Government's objectives for the near and medium term.

The solid investment performance of your company illustrates that there remain opportunities in the Chinese market for carefully selected businesses in the right sectors. Whilst other competing investments and markets have suffered, your portfolio is well placed to prosper in the medium term, however, due to current market conditions we expect the value of some of our investments to have fallen in the six months to September 2008.

R Leighton
17 September 2008

Investment Consultant's Report

Overview

This is the Group's second set of audited accounts since it was launched in March 2006. Since we reported last year, the Chinese stock market has fallen over 50%, partly a reflection of the over exuberance and massive liquidity seen in the earlier part of 2007, and partly a reflection of the impact on asset values of the credit crunch and slow down of the global economy. I am pleased to report that despite this very difficult background, the Group's investment portfolio (excluding investment transactions completed during the year) showed an 11% increase in value for the year to 31 March 2008, with the portfolio valued at the year end at 63% over original cost.

We have not made any investments since June 2007. We have focused our efforts on realising our investments and raising additional funds for our portfolio companies to enable them to continue their development, with five of the thirteen investments having raised significant funding post our investment in them.

Investment Environment

The credit crunch affecting the global economy has had less impact to date in China than in many countries, but there are definite signs of a slowing down of the economy and a tightening of cash flows, as inflation in food, energy and other essentials impacts on spending power within China, overseas markets weaken, and cheap, easily available finance dries up in the wake of problems in the global financial sector. Until recently the thrust of China's economic policy had been to slow down excessive growth, which was fuelled by strong demand for Chinese products overseas and excess liquidity in China. With the global economy slowing, China is considering relaxing some of the controls introduced over the last couple of years and introducing a stimulus package to develop the internal market and reduce the impact of weaker markets in the West. Although in the short term we anticipate tougher conditions for our portfolio, the development of a larger consumer market within China and increased infrastructure expenditure, particularly in the water and clean technology sectors, should benefit our portfolio.

A significant change during the year has been the emergence of private equity firms within China, often backed by provincial or national Government. These, together with State Owned Enterprises and Chinese listed businesses who took advantage of soaring stock market valuations prior to the crash to raise large sums, have increasingly replaced foreign investors in investing in Chinese businesses. We anticipate a shift to more sales of our stakes to Chinese buyers in the coming year and a move away from IPOs or re-financings outside China.

Portfolio Valuation

Having anticipated the slowdown, at the time we invested we structured the portfolio to be relatively defensive, focusing on food, education, and clean technology, sectors which are less impacted by a global slow down. 72% of the portfolio by value as at the year end was invested in energy and clean technology stocks. Rising fossil fuel costs and shortages have added extra impetus to moves both within and outside China to develop renewable energy, making it more competitive and increasing the potential market. China's Eleventh Five-Year Plan (2007-2012) emphasized "giving priority to energy conservation". In the capital markets, clean technology remains one of the few sectors where it is still possible to raise finance at good valuations.

Of the Group's thirteen investments, two are listed in Singapore, and four traded on the UK's PLUS stock market, meaning that 49% of our investment portfolio by value as at the year end was quoted. Asia Water Technology Limited, United Envirotech Limited, China New Energy Limited, China Metal Packaging Group Company Limited and China CDM Exchange Centre Limited have all received significant new funding since we invested, underpinning the valuations placed on the portfolio. These financings have to some extent replaced IPOs. The money being raised to expand the businesses should enable them to take advantage of growth and acquisition opportunities in the more depressed environment likely to be prevalent for the near future, enabling them to grow to a size where the ultimate IPO is likely to be more successful and liquid given their bigger size, or they will be a more attractive candidate for a trade sale or PE acquisition.

Outlook

2008 has to date been a tough year, and we anticipate the business environment getting tougher before picking up in the second half of 2009. We are generally pleased with the way the portfolio has performed, despite the difficult environment, and are putting in measures across the portfolio to preserve value and take advantage of the opportunities that this downturn presents. Our on the ground presence and over ten years' experience of operating in China, including through the last recession, puts us in a better position to identify opportunities and risks, and take advantage of the various sources of liquidity within China, as the traditional financial centres and less experienced investors struggle.

S Littlewood	**V Ng**
17 September 2008	17 September 2008

Investment Portfolio as at 31 March 2008

Company	*Activity/Sector*	*Listing*	*Fair value range £m*
Asia Clean Energy Pte Limited	Clean energy	Not quoted	3-5
Asia Water Technology Limited	Water	Catalist Singapore	5-7
Asia Wind Group Limited	Clean energy	Not quoted	3-5
China Biofoods Limited	Agriculture	PLUS	3-5
China CDM Exchange Centre Limited	Carbon credit brokerage	PLUS	7-10
China Metal Packaging Group Company Limited *(formerly Canmake Business Limited)*	Consumer	Not quoted	7-10
China New Energy Limited	Clean technology	PLUS	10-15
China Real Estate Services Limited	Property services	Not quoted	3-5
China Solar Energy Company Limited	Clean technology	Not quoted	2-3
Dalian Business Institute Limited	Education	PLUS	3-5
Hainan Zhengye Zhongnong High Tech. Co. Limited	Agriculture	Not quoted	2-3
United Envirotech Limited	Water	Mainboard Singapore	3-5
Wan Wei Oil & Gas Technology Group	Energy	Not quoted	7-10

Details of the above investments are available at www.lacpefund.com.

Asia Clean Energy Pte Limited ("ACE")

ACE is a Singapore incorporated investment company specializing in the clean energy sector, with a focus on China. ACE invests in coal mine methane ("CMM") power generating plants; small/medium sized hydropower projects; carbon credit trading; and high-tech companies in the power generating industry. ACE is managed and run by a team that has many years' experience in the power sector in China.

ACE recently announced that it had entered into a joint venture with USA-based Caterpillar, China's State Power International Finance & Trade Corporation Limited and Shanxi Qinhe Energy Co. Limited to develop one of the largest CDM projects in China, a 300MW CMM power generation project in China's Shanxi Province.

Asia Water Technology Limited ("AWT")

AWT is listed on Singapore's Catalist Stock Market. AWT is a water treatment specialist, providing water purification and wastewater treatment systems and other auxiliary and consultancy services. AWT is one of only three licensed water purification and treatment system providers for nuclear power plants in China. AWT also invests in Build-Operate-Transfer projects for water supply and wastewater treatment plants, working primarily with clients in the power generation and municipal water supply and wastewater treatment industries in China.

For the year ended 31 December 2007, AWT announced profits of RMB53.3million (£4.4 million). The Group is the largest shareholder.

Asia Wind Group Limited ("Asia Wind")

Asia Wind is a Guernsey incorporated investment company active in the rapidly growing market for wind energy related products, services and project development in Asia. The company invests in:

- technology providers and manufacturers;
- wind farm project development companies;
- companies with projects already in the development process;
- existing projects ready for expansion; and
- wind farm operators.

China Biofoods Limited ("China Biofoods")

China Biofoods is a Jersey incorporated company for health food products based in Xuchang, Henan Province, a famous region for farming traditional Chinese medical herbs. China Biofoods specializes in the production of highly purified herb extract products which are then used to produce traditional Chinese medicine, and as ingredients in Functional Foods. China Biofoods is listed on the UK's PLUS stock market.

China CDM Exchange Centre Limited ("CCEC")

CCEC, a Jersey incorporated company listed on PLUS, is a leading broker and advisor in China's carbon credits market. CCEC has a total committed portfolio of over 100 million tons of CO^2e. CCEC manages the only on-line platform for environmental commodity transactions in China. Since our investment, CCEC has raised a further US$30 million.

China Metal Packaging Group Company Limited ("CMPG")

CMPG (formerly known as Canmake Business Limited) is a leading manufacturer of aluminium easy-to-open can-lids, pull-tab ends, caps, closures and other metal packaging products. In 2008, CMPG successfully acquired one of its major competitors, Lam Soon packaging division, and became the largest "easy open end" manufacturer in China, with over 52% market share in the two piece and three piece aluminium easy open end market. After completion of the merger and acquisition, on 29 February 2008, CMPG changed its name to "China Metal Packaging Group Company Limited". The acquisition was financed via funds raised from Asian based private equity investors.

China New Energy Limited ("CNE")

CNE, a Jersey incorporated holding company, is an investment company focusing on the biofuels sector. It supplies turnkey biofuel production solutions in the Chinese market and recently began exporting its services worldwide. Its core business is providing turnkey technology solutions for the production of ethanol, edible alcohol and acetic acid from a range of bio-resources, including corn, sugar cane, cassava and other bio-resources.

The company listed on PLUS in December 2006, and raised follow on financing in July 2007. In June 2008, its shares

Investment Portfolio as at 31 March 2008

were suspended from trading on PLUS following its failure to file its accounts for the year ended 31 December 2007 within the timescale required by PLUS.

China Real Estate Services Limited ("CRES")

CRES, established in 1997, is one of the major real estate consultancy and leasing companies in Beijing. It offers residential relocation services as well as corporate, residential and commercial leasing and property acquisition services for both buyers and sellers. In 2007 CRES had over 400 staff, spread across 36 offices in Beijing, a city with a population of 15 million, and four regional offices in Shijiazhuang, Baoding, Hefei and Tianjin.

China Solar Energy Company Limited ("China Solar")

China Solar, a Jersey incorporated company, is a pioneer in the design and construction of solar energy and energy efficient buildings in China using its own patented solar thermal technology. China Solar's core product is a patented heat-collecting all glass vacuum tube. China Solar owns five invention and application patents in China.

With the slow down in financing available for large BOT type projects, China Solar has shifted its strategy to building ecology holiday resort projects in rural areas. Reformation of rural areas is a long-term priority of China's central & local governments. The ecology holiday resorts not only improve housing & living conditions for farmers, a key priority for the Chinese government, but also provide job opportunities through developing green-house farming and tourism services.

Dalian Business Institute Limited ("DBI")

DBI, listed on the UK's PLUS stock market, is a profitable Chinese education business based in Dalian, Liaoning Province, China. DBI has six colleges and five faculties on the site, providing three year diploma, degree and distance learning courses. Adjacent to Korea, Japan and the far eastern area of Russia, Dalian is within the central region of Northeast Asia and was recently voted the best city in China to live. With this advantageous geographical position and convenient transportation, DBI has been able to attract higher margin overseas students. The Chinese government has attached great importance to the development of education.

Hainan Zhengye Zhongnong High Tech. Co. Limited ("Hainan")

Hainan develops, produces and sells environmentally friendly pesticides and fungicides. Hainan has also developed a hybrid corn seed for the Chinese agriculture industry. It sells to customers through a well established sales network covering all major crop planting areas in China. Hainan has established 3,300 point of sales in 28 provinces nationwide through a close partnership with Agricultural Technology Promotion Centres ("ATPC"), set up in each county of China. With the support of its sales team of 130 staff, which also provides comprehensive product training, the ATPC in turn sells Hainan's products as well as providing product education and technical support to the farmers as value added services. Hainan has also extended its market to Southeast Asia through regional resellers and it intends to begin to establish an international reselling network.

In 2008, Hainan was approved to set up a post-doctoral research centre with the China Agricultural University and Dalian Institute of Chemical Physics, Chinese Academy of Sciences; which improved Hainan's access to agriculture technology. Hainan has access to all innovations generated from these renowned research and academic institutes.

Hainan has been restructured to meet the listing requirements of the Chinese stock exchange and is seeking to list on the Shenzhen Stock Exchange small and medium-sized enterprise market or the Shenzhen Growth Enterprise Market. Hainan expects to submit its listing application in the first half of 2009.

United Envirotech Limited ("UE")

UE is listed on the main board of the Singapore Stock Exchange. UE is an environmental solution provider focusing on industrial water and wastewater treatment, and is a leading solutions provider in China's chemical petrochemical and industrial park sectors. Whilst for many years the company focused on consulting and providing engineering solutions in southeast Asia and China, it has recently moved into ownership of projects in China on a Build-Own-Transfer ("BOT") and Transfer-Own-Transfer ("TOT") basis as well.

UE is led by Dr. Lin Yucheng, who has 20 years of experience in the environmental industry and is well-known in the Extremely Hazardous Substances industry. It has established a strong track record, providing services to blue chip customers, such as the Sinopec Group and CNOOC.

In June 2008, UE raised £5.2million of new money through a subscription by Novena Holdings Limited and Oei Hong Leong Foundation (Pte) Limited for 12.5% and 4.2% of the total number of issued ordinary shares. The money was raised for further investment in BOT, TOT and Build-Own-Operate ("BOO") projects.

Wan Wei Oil and Gas Technology Group ("Wan Wei")

Wan Wei is a Chinese provider of oil drilling technology. With more than seven years of experience, the company delivers high quality products and services with tooling facilities for producing and assembling specialized ultra short radius ("USR") horizontal well drilling tools and devices. It is led by an experienced and highly skilled management team and holds five patents in the fields of USR horizontal well drilling and oil well rejuvenation technology as well as related special tools.

Report of the Directors

The Directors are pleased to present their annual report and consolidated financial statements for the year ended 31 March 2008.

Status and Activities

The Company is an investment company registered under the provisions of The Companies (Guernsey) Law, 1994 (as amended).

The Group's Investment Objective is to provide Shareholders with capital growth from investing in a portfolio of companies whose business operations are based in China.

Change of Name

The Board is seeking approval from Shareholders at the Annual General Meeting to be held on 27 October 2008 to change the Company's name to "**China Growth Opportunities Limited**".

Revenue

The results attributable to Shareholders for the year and the transfer to reserves are shown on page 11. The Group made a consolidated profit for the period of £5.1 million (2007: £18.4 million), with earnings per Ordinary Share of 10.28p (2007: 36.75p).

Dividends

The Company did not pay any dividends during the year (2007: nil) and the Directors do not propose a final dividend for the year (2007: nil).

Investments

During the year the Group sold two of its investments and a small part of a third for £3.3 million. The Group re-invested £2.5 million of these proceeds in June 2007 and now holds thirteen investments, which cost £44.4 million (2007: £43.5 million). At 31 March 2008 the investments had a fair value of £72.3 million (2007: £65.9 million), an unrealised gain of 63% (2007: 52%) on cost.

World Water Private Limited is a holding company, is registered in Singapore and is a wholly-owned subsidiary of the Company.

Taxation

The Company has been granted exemption from Guernsey taxation under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that the Company is exempt from Guernsey taxation on income arising outside Guernsey and bank interest receivable in Guernsey. The Company's Guernsey tax liability is therefore limited to a fixed fee of £600 per annum.

Share Capital

The Company has authority to buy back up to 14.99% of the Ordinary Shares issued at the original placing for cancellation. No Shares were purchased for cancellation during the year. The Company intends to seek to renew the necessary authorities to buy back Ordinary Shares at the forthcoming Annual General Meeting.

A resolution enabling the Company to purchase up to 10% of the Ordinary Shares in issue and hold them as treasury shares was accepted at the last Annual General Meeting.

Material Contracts

The Company's material contracts are with London Asia Capital (S) Pte Limited ("London Asia"), which acts as Investment Consultant and is a subsidiary of London Asia Capital Plc, Elysium Fund Management Limited ("Elysium") which acts as Administrator and Secretary, Collins Stewart (CI) Limited, which acts as Custodian, Capita Registrars (Guernsey) Limited, which acts as Registrar and Collins Stewart Europe Limited, which acts as Nominated Adviser and Broker.

Investment Consultant

London Asia is the Investment Consultant and is entitled to receive an annual management fee and an annual performance fee (see note 5). The shares of London Asia Capital Plc, the parent company of the Investment Consultant, were suspended from trading on AIM on 4 June 2008 as it was unable to publish its report and accounts. As at the time of writing this report, the suspension remained in place. The suspension of London Asia Capital Plc's shares has not affected the ability of the Investment Consultant to fulfil its duties to the Company. However, the Board is concerned that the suspension of London Asia Capital Plc's shares has adversely affected the price of the Company's Ordinary Shares and Warrants.

Appointment of the Investment Consultant

The Directors believe that the investment performance of London Asia during the financial year was creditable. In the opinion of the Directors it is in the interests of the Shareholders as a whole to retain the services of London Asia, although the outcome of the independent non-executive Directors' review may change some of the terms of the existing contract.

Administration and Chief Operating Officer

Elysium is entitled to an administration fee from the Group (see note 5).

In June 2008 the Group appointed Diana Chen as Chief Operating Officer. Ms Chen is based in Beijing and works directly for the Group, although her fees are paid for by London Asia.

Directors

The present members of the Board are listed on the inside back cover of this report. Mr Manser and Mr Hill, who were appointed as Directors on incorporation of the Company, resigned as Directors on 24 July 2007. Mr Leighton was appointed as a Director on 24 July 2007.

Mr Littlewood and Mr Ng carry out the day-to-day investment management of the Group as Executive Directors. At the launch of the Company both Mr Littlewood and Mr Ng were Directors of London Asia Capital Plc. However, on 13 March 2007 Mr Ng resigned from the board of London Asia Capital Plc and on 25 July 2007 Mr Littlewood stepped down from the board.

There are no service contracts in place between the Non-Executive Directors and the Company.

At 31 March 2008 and the date of signing this report, the Directors' had no interests in the Ordinary Shares or Warrants of the Company.

Report of the Directors

Substantial Interests

On 31 August 2008 the following interests in 5% or more of the issued Ordinary Shares had been notified to the Company:

	Number of Ordinary Shares	*Percentage of Share Capital*
Funds managed by:		
Insight Investment Management	11,391,000	22.78%
QVT Financial	9,369,796	18.74%
Newton Investment Management	7,058,156	14.12%
New Star Asset Management	4,134,750	8.27%
BlackRock Merrill Lynch Investment Managers	3,025,000	6.05%

Future Prospects

The Board believes that we need to be cautious in light of the difficult current economic conditions and uncertain economic outlook, and the focus of the Group is currently on realising its investments with a view to reducing the gap between reported net assets and current market capitalisation. Further details are given in the Chairman's Statement and the Investment Consultant's Report.

Suspension

In accordance with the AIM Rules for Companies, on 27 September 2007 all trading of the Ordinary Shares and Warrants was temporarily suspended, pending the publication of the Group's audited financial statements for the period ended 31 March 2007.

The delay in the publication of the financial statements arose from unforeseen requirements resulting from that audit process. The independent Non-Executive Directors initiated a review of the implementation of certain operational procedures and the Board is committed to ensuring that issues that impacted the publication of the 31 March 2007 audited financial statements will not be repeated.

Corporate Governance and Directors' Remuneration

As a Guernsey incorporated company and under the AIM Rules for Companies, the Company is not required to comply with the new Combined Code published by the Financial Reporting Council (the "2006 FRC Code"). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained. As a result, many of the principles set out in the 2006 FRC Code have been adopted and these are summarised below, together with the areas of non-compliance.

The Group complied throughout the year with the provisions of the 2006 FRC Code, except in the following aspects:

A.1.3 The Non-Executive Directors have not met separately, without the Chairman present, to appraise the Chairman's performance. The Board decided that this was not appropriate given the size of the Board and the nature of the Company.

A.3.3 The Chairman, Mr Leighton, is the senior non-executive Director. This is not in accordance with provision A.3.3 of the 2006 FRC Code but is felt to be appropriate for the size and nature of the Company.

A.4.4 The terms and conditions of appointment of the Directors are not available for inspection as the Board did not deem it necessary to formalise the terms and conditions of appointment or to sign letters of appointment.

Since the Directors did not formalise letters of appointment and as the schedule of Board and committee meetings is subject to change according to the exigencies of the business, the Directors do not have fixed time commitments. All Directors are expected to demonstrate their commitment to the work of the Board on an ongoing basis.

A.6.1 The Board did not undertake a formal performance review of the Board, its committees or the individual Directors during the period. The Board decided that this was not appropriate given the nature of the Company.

A.7.2 The Directors are not appointed for specific terms as this was not felt to be appropriate for the size and nature of the Company.

B.2.1 The Board has not established a remuneration committee. The Board does have Executive Directors, however as detailed in the Admission Document, the Company has no obligation to remunerate them. It is therefore not considered to be appropriate for the size and composition of the Board.

Board Responsibilities

The Board currently comprises two non-executive members, Mr Leighton and Mr Huntley, both of whom are independent. The Company has two Executive Directors, Mr Littlewood and Mr Ng.

The Board has engaged external companies to undertake the administrative and custodial activities of the Company. Clearly documented contractual arrangements are in place with these firms which define the areas where the Board has delegated responsibility to them. The Company holds at least four Board meetings per year, at which the Directors review the Group's investments and all other important issues to ensure control is maintained over the Group's affairs.

The Group is self-managed in that the day to day investment management decisions are taken by the Executive Directors (Mr Littlewood and Mr Ng), with support being provided to the Directors and the Group through the Investment Consultant, a subsidiary of London Asia Capital Plc.

The Board has not stated how it has applied B.1 to B.3 of the 2006 FRC Code on directors' remuneration. However, the fee that was paid to each Director during the period is shown in note 6.

Report of the Directors

Board Committees
The Company uses a number of committees to control its operations. Each committee has formal written terms of reference which clearly define their responsibilities.

Audit Committee
Mr Leighton (chairman) and Mr Huntley are both members of the Audit Committee. During the period Mr Manser and Mr Hill were also members of the Audit Committee before their resignations, with Mr Hill acting as chairman. The Committee meets at least twice a year and provides a forum through which the Group's auditors report to the Board.

Nomination Committee
Mr Leighton (chairman) and Mr Huntley are members of the Nomination Committee. During the period Mr Manser and Mr Hill were also members of the Nomination Committee before their resignations. The Committee meets at least once a year. The function of the Nomination Committee is to consider the appointment and reappointment of Directors.

Board Meetings
All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance is unavoidable in certain circumstances. The Board holds one Board meeting per annum in China (including Hong Kong). Directors' attendance at Board and Committee meetings during the year is set out below.

	Board Meetings	*Committee Meetings*
Robert Leighton *(appointed on 24 July 2007)*	5/5	2/2
Mark Huntley	7/7	3/3
Simon Littlewood	5/7	n/a
Victor Ng	4/7	n/a
Peter John Manser *(resigned on 24 July 2007)*	2/2	1/1
Christopher Hill *(resigned on 24 July 2007)*	2/2	1/1

Dialogue with Shareholders
The Directors are always available to enter into dialogue with Shareholders. All Ordinary Shareholders will have the opportunity, and indeed are encouraged, to attend and vote at future annual general meetings during which the Board will be available to discuss issues affecting the Group. The Board stays abreast of Shareholders' views via regular updates from the Executive Directors and the Nominated Adviser as to meetings they may have held with Shareholders.

Litigation
The Group is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Group.

Going Concern
After making reasonable enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Internal Control and Financing
The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- Elysium is responsible for the provision of administration and company secretarial duties.
- The duties of investment management, accounting and the custody of assets are segregated. The procedures are designed to complement one another.
- The Non-Executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts.

The Board reviews financial information produced by the Investment Consultant and the Administrator on a regular basis.

The Group does not have an internal audit department. All of the Group's management functions are delegated to independent third parties and it is therefore felt that there is no need for the Group to have an internal audit facility.

Financial Risk Profile
The Group's financial instruments comprise investments, cash and various items such as debtors and creditors that arise directly from the Group's operations. The main purpose of these financial instruments is the investment of Shareholders' funds.

The main risks arising from holding these financial instruments are market risk (including price risk, currency risk and interest rate risk), credit rate risk and liquidity risk. Further details are given in note 21 to the consolidated financial statements.

Auditors
During the year, Moore Stephens resigned as Auditors and PricewaterhouseCoopers CI LLP was appointed. PricewaterhouseCoopers CI LLP has expressed its willingness to continue to act as Auditors to the Group and a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

Statement of Directors' Responsibilities
The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

Report of the Directors

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

The maintenance and integrity of the Group's website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and the dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.

R Leighton	**M Huntley**
17 September 2008	17 September 2008

Independent Auditors' Report

TO THE MEMBERS OF LONDON ASIA CHINESE PRIVATE EQUITY FUND LIMITED

We have audited the Consolidated Financial Statements of London Asia Chinese Private Equity Fund Limited for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These Consolidated Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Consolidated Financial Statements in accordance with applicable Guernsey law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Consolidated Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Consolidated Financial Statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Consolidated Financial Statements.

In addition we report to you if, in our opinion, the Group has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Consolidated Financial Statements. The other information comprises only the Investment Objective, the Chairman's Statement, the Investment Consultant's Report, the Investment Portfolio, the Directors page, the Report of the Directors, Notice of the Annual General Meeting and the Directors and Advisers page.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Consolidated Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Consolidated Financial Statements.

Opinion

In our opinion:

- the Consolidated Financial Statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 March 2008 and of the profit and cash flows of the Group for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994; and
- the information given in the Report of the Directors is consistent with the Consolidated Financial Statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
17 September 2008

Consolidated Income Statement for the year ended 31 March 2008

	Note	*1 April 2007 to 31 March 2008 £'000*	*23 February 2006 to 31 March 2007 £'000*
Income			
Net unrealised change in fair value of investments	10	5,521	22,428
Realised gain from sale of investments	10	1,701	–
Other income	4	1,098	1,518
Total income		8,320	23,946
Expenses			
Investment Consultant's fee	5	(1,376)	(1,009)
Performance fee	5	(1,285)	(3,345)
Introductory fees	5	(86)	(832)
Administration fees	5	(150)	(131)
Directors' fees	6	(51)	(93)
Audit fees		(87)	(29)
Custodian fees		(19)	(18)
Other expenses	7	(127)	(115)
Total expenses		(3,181)	(5,572)
Profit for the year/period		5,139	18,374
Earnings per share – basic and fully-diluted	8	10.28p	36.75p

All the items in the above statement are derived from continuing operations.

The accompanying notes on pages 15 to 30 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet as at 31 March 2008

	Note	31 March 2008 £'000	31 March 2007 £'000
Non-current assets			
Investments at fair value through profit or loss	10	72,319	65,905
Current assets			
Loan receivable	11	–	335
Other receivables	12	513	54
Cash and cash equivalents		3,402	12,321
		3,915	12,710
Total assets		76,234	78,615
Current liabilities			
Payables and accruals	13	(4,572)	(12,092)
Net assets		71,662	66,523
Capital and reserves attributable to equity holders of the Company			
Share capital	14	500	500
Other reserve		2,293	2,293
Distributable reserves		68,869	63,730
Total equity shareholders' funds		71,662	66,523
Net Asset Value per Ordinary Share – basic	17	143.32p	133.05p
– fully diluted	17	143.32p	130.87p

The consolidated financial statements on pages 11 to 30 were approved by the Board of Directors on 17 September 2008 and were signed on its behalf by:

Robert Leighton
Director
17 September 2008

Mark Huntley
Director
17 September 2008

The accompanying notes on pages 15 to 30 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2008

	Share capital £'000	*Other reserve £'000*	*Distributable reserves £'000*	*Total £'000*
Balance at 31 March 2007	500	2,293	63,730	66,523
Profit for the year	–	–	5,139	5,139
Balance at 31 March 2008	500	2,293	68,869	71,662

for the period from 23 February 2006 to 31 March 2007

	Note	*Share capital £'000*	*Share premium account £'000*	*Other reserve £'000*	*Distributable reserves £'000*	*Total £'000*
Gross proceeds of placing	14	500	47,207	2,293	–	50,000
Issue costs		–	(1,851)	–	–	(1,851)
Cancellation of share premium account	14	–	(45,356)	–	45,356	–
Profit for the period		–	–	–	18,374	18,374
Balance at 31 March 2007		500	–	2,293	63,730	66,523

The accompanying notes on pages 15 to 30 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2008

	Note	*1 April 2007 to 31 March 2008 £'000*	*23 February 2006 to 31 March 2007 £'000*
Cash flows from operating activities			
Other income received		626	1,486
Performance fee paid		(1,606)	–
Investment Consultant's fees paid		(557)	(1,009)
Introductory fees paid		(141)	(636)
Administration fees paid		(125)	(100)
Directors' fee paid		(70)	(63)
Audit fees paid		(65)	(4)
Custodian fees paid		(16)	(19)
Other expenses paid		(117)	(129)
Net cash outflow from operating activities		(2,071)	(474)
Cash flows from investing activities			
Purchase of fair value through profit or loss investments		(10,466)	(35,021)
Sale of fair value through profit or loss investments		3,276	–
Loan to investee company	11	–	(335)
Repayment of loan to investee company	11	333	–
Net cash outflow from investing activities		(6,857)	(35,356)
Cash flows from financing activities			
Proceeds from issue of Ordinary Shares and Warrants	14	–	50,000
Issue costs paid		–	(1,851)
Net cash inflow from financing activities		–	48,149
(Decrease)/increase in cash and cash equivalents		(8,928)	12,319
Cash and cash equivalents brought forward		12,321	–
(Decrease)/increase in cash and cash equivalents		(8,928)	12,319
Foreign exchange movement		9	2
Cash and cash equivalents carried forward		3,402	12,321

The accompanying notes on pages 15 to 30 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

1. General information

The Company is a closed-ended investment company domiciled and incorporated as a limited liability company under the laws of Guernsey.

The Group's objective is to provide Shareholders with capital growth from investing in a portfolio of companies whose business operations are based in China. The Group invests as a significant or lead investor in profitable, well-managed businesses whose business operations are based in China, and which the Directors and Investment Consultant believe could generate significant growth in profits from the investment of additional capital.

The Group's investment activities are self-managed, with the administration delegated to Elysium Fund Management Limited.

The Company's Ordinary Shares and Warrants are traded on AIM, a market operated by the London Stock Exchange.

The consolidated financial statements were authorised for issuance on 17 September 2008.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and applicable legal and regulatory requirements of Guernsey law. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments).

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in notes 3 and 10.

The consolidated financial statements are presented in Sterling and rounded to the nearest thousand.

b) Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertaking (World Water Private Limited) drawn up to 31 March 2008. The results of the subsidiary undertaking are accounted for in the Consolidated Income Statement.

Acquired companies are included in the consolidated financial statements using the purchase method of accounting when, and only when, the transaction can be identified as a business combination. When determining if an acquisition qualifies as a business combination or not, management consider if the transaction includes the acquisition of supporting infrastructure, employees, service provider agreements and major input and output processes, as well as active lease agreements. To date, management have determined that these criteria have not been met and so no business combinations have been recorded.

When the transaction has not been identified as being a business combination, the transaction has been accounted for as an acquisition of individual assets and liabilities at their relative fair values where the initial purchase consideration is allocated to the separable assets and liabilities acquired.

The cost of investment in a subsidiary is eliminated against the Group's share in net assets at the date of acquisition. All intercompany receivables, payables, income and expenses are eliminated. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The consolidated financial statements incorporate the net assets and liabilities of the Company and its subsidiary at the balance sheet date and their results for the year then ended. All intercompany balances and transactions are eliminated.

c) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Directors are of the opinion that the Group is engaged in a single economic segment of business being investment in businesses focused on China.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

d) *Income recognition*

Interest income is recognised on an accruals basis using the effective interest method and includes bank interest and interest from debt securities.

Dividend income is recognised when the right to receive payment is established.

e) *Expenses*

All expenses are accounted for on an accruals basis. The Group's investment consultancy fees, administration fees, finance costs and all other expenses (with the exception of share issue costs) are charged through the Consolidated Income Statement in the period in which they are incurred.

f) *Taxation*

The Company has been granted exemption from Guernsey taxation under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that the Company is exempt from Guernsey taxation on income arising outside Guernsey and bank interest received in Guernsey. The Company's Guernsey tax liability is therefore limited to a fixed fee of £600 per annum.

g) *Cash and cash equivalents*

Cash in hand and in banks and short-term deposits, which are held to maturity, are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits, bank overdrafts and short-term, highly liquid investments with original maturities of three months or less.

h) *Investments at fair value through profit or loss*

Classification

The Group classifies its investments in debt and equity securities, and related derivatives, as financial assets at fair value through profit or loss. These financial assets are designated by the Board of Directors as at fair value through profit or loss at inception.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Investment Consultant and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. These financial assets are expected to be realised within 12 to 36 months of the balance sheet date.

Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds and cost. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the assets.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Consolidated Income Statement. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the Consolidated Income Statement in the period in which they arise.

Interest income from financial assets at fair value through profit or loss is recognised in the Consolidated Income Statement within other income using the effective interest method. Dividend income from investments at fair value through profit or loss is recognised in the Consolidated Income Statement within other income when the Group's right to receive payments is established.

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, PLUS quoted securities and unquoted private companies) is determined by using valuation techniques in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The Group uses a variety of methods and

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Notwithstanding the above, the variety of valuation bases adopted and the quality of management information provided by the underlying investments, means that there are inherent difficulties in determining the value of the investments. The amount realised on the sale of those investments may differ from the values reflected in these financial statements and the difference may be significant.

i) *Foreign currency translation*

Functional and presentation currency

The Company's Ordinary Shares and Warrants are denominated in Sterling and are traded on AIM in Sterling. The primary activity of the Group is to invest in a portfolio of companies whose business operations are based in China. The performance of the Group is measured and reported to the investors in Sterling and the majority of the expenses incurred by the Group are in Sterling. The majority of the Group's investments are in Sterling. Consequently, the Board of Directors considers that Sterling is the currency that most faithfully represents the effects of the underlying transactions, events and conditions. The consolidated financial statements are presented in Sterling, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement. Translation differences on non-monetary financial assets and liabilities, such as equities at fair value through profit or loss, are recognised in the Consolidated Income Statement within the net unrealised change in fair value of investments.

j) *Net asset value and earnings per share*

The net asset value per share disclosed on the face of the Consolidated Balance Sheet is calculated by dividing the net assets by the number of Ordinary Shares in issue at the period end. Earnings per share is calculated by dividing net profit for the period by the weighted average number of Ordinary Shares in issue during the period. The dilutive effect of outstanding Warrants is reflected as additional share dilution in the computation of the net asset value per share and earnings per share.

k) *New standards and interpretations not applied*

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these consolidated financial statements:

International Accounting Standards (IAS/IFRS)		*Effective date*
IAS 1 (revised)	Presentation of Financial Statements (revised 2007 and 2008)	1 January 2009
IAS 16	Property, Plant and Equipment (revised May 2008)	1 January 2009
IAS 19	Employee Benefits (revised May 2008)	1 January 2009
IAS 20	Government Grants and Disclosure of Government Assistance (revised May 2008)	1 January 2009
IAS 23	Borrowing Costs (revised 2007 and May 2008)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 January 2009 and 1 July 2009
IAS 28	Investments in Associates (revised 2008)	1 January 2009 and 1 July 2009
IAS 29	Financial Reporting in Hyperinflationary Economies (revised May 2008)	1 January 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 January 2009 and 1 July 2009
IAS 32	Financial Instruments: Presentation (revised 2008)	1 January 2009
IAS 36	Impairment of Assets (revised May 2008)	1 January 2009
IAS 38	Intangible Assets (revised May 2008)	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised May 2008)	1 January 2009
IAS 40	Investment Property (revised May 2008)	1 January 2009
IAS 41	Agriculture (revised May 2008)	1 January 2009
IFRS 1	First Time Adoption of International Financial Reporting Standards (revised May 2008)	1 January 2009
IFRS 2	Share-Based Payment (revised 2008)	1 January 2009
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations (revised May 2008)	1 July 2009

IFRS 8	Operating Segments	1 January 2009

International Financial Interpretations Committee (IFRIC)		*Effective date*
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, minimum funding requirements and their interaction	1 January 2008

The Directors have chosen not to early adopt the above standards and interpretations. Therefore, the standards and interpretations will be adopted from the effective date, as stated. Upon adoption, the Directors do not anticipate that they would have a material impact on the Group's financial statements in the period of initial application.

Upon adoption of IFRS 8, the Group will have to disclose additional information about its operating segments, including how the Group identifies its operating segments, and the type of products and services from which each operating segment derives its revenue. There will be no effect on reported income or net assets.

Other interpretations, which are effective in this financial period, are not applicable to the Group.

3. Critical Accounting Estimates and Judgements

The Board of Directors and the Investment Consultant make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Fair value of unquoted and PLUS quoted securities

The fair value of unquoted securities that are not quoted in active markets is determined by using valuation techniques in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The valuations used to determine fair values are validated and periodically reviewed by experienced personnel. The valuations are based on a mixture of:

- third party financing (if available);
- PE ratios;
- cost, where the investment has been made during the year and no further information has been available to indicate that cost is not an appropriate valuation;
- discounted cash flow; and
- bid prices of PLUS quoted investments to support any of the techniques mentioned above.

Functional currency

The Board of Directors considers Sterling to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions (see note 2i).

4. Other Income

	1 April 2007 to 31 March 2008 £'000	*23 February 2006 to 31 March 2007 £'000*
Bank interest receivable	168	1,493
Dividends receivable	134	–
Loan note interest	785	–
Profit on foreign currency exchange	6	2
Interest on loan receivable	5	23
	1,098	1,518

5. Investment Consultant, Performance, Introductory and Administration Fees

London Asia Capital (S) Pte Limited (the "Investment Consultant"), which is a subsidiary of London Asia Capital Plc, is Investment Consultant to the Group.

Investment Consultant fee

In consideration for the services rendered by the Investment Consultant the Group pays the Investment Consultant a fee of 2.0% per annum of the Net Asset Value, payable quarterly in advance.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

Performance fee

In addition, the Investment Consultant is entitled to a performance fee, which is payable on realised profits in certain circumstances. This fee is payable by reference to the increase in Adjusted NAV per Ordinary Share over the course of a 'performance period'. The first performance period began on Admission and ended on 31 March 2007; each subsequent period is a period of one financial year. The Investment Consultant becomes entitled to a performance fee in respect of a performance period only if two conditions are met.

First, a performance hurdle condition must be met. The performance hurdle is that the Adjusted NAV per Ordinary Share at the end of the relevant performance period exceeds an amount equal to the Placing Price increased at a rate of 6.0% per annum on a compounding basis up to the end of the relevant performance period. The second condition to be met (a 'high watermark' test) is that the Adjusted NAV per Ordinary Share at the end of the relevant performance period is higher than the highest previously recorded Adjusted NAV per Ordinary Share at the end of a performance period in relation to which a performance fee was last earned (or if no performance fee has been earned since Admission, is higher than the Placing Price).

If the performance hurdle is met, and the high watermark exceeded, the performance fee is equal to 20.0% of the increase in the Adjusted NAV per Ordinary Share multiplied by the time weighted average of the total number of Ordinary Shares in issue in each case since the performance period in respect of which a performance fee was last earned (or since Admission, if no performance fee has yet been earned).

Performance fees of £1,605,760 (2007: nil) were paid in the year ended 31 March 2008. This payment was in relation to performance fees earned in the previous period. The performance fee that is disclosed in the Consolidated Income Statement and which has been cumulatively accrued as disclosed in note 13, is not due to be paid until investment gains are realised.

Introductory fees

It is common practice in China to pay introductory fees to intermediaries who introduce investee companies to investors. Such fees, which typically equate to 3% to 5% of the value of the investment, are paid by the Group. Where the intermediary introducing the investment to the Group is a representative of the London Asia Group, such fees are payable to a member of the London Asia Group. Payment of any fees in respect of such services to a member of the London Asia Group (or any third party) are subject to the approval of the Non-Executive Directors. If an investment is sourced directly by either of the Executive Directors, no introductory fees are payable to the relevant Executive Director nor to the London Asia Group.

During the year a total of £2,747,252 (2007: £5,185,962) was incurred in respect of Investment Consultant, performance and introductory fees as follows:

	1 April 2007 to 31 March 2008 £'000	*23 February 2006 to 31 March 2007 £'000*
Investment Consultant's fees	1,376	1,009
Performance fees	1,285	3,345
Introductory fees	86	832
	2,747	5,186

Administration fees

Elysium Fund Management Limited ("Elysium") is entitled to an administration fee from the Group at a rate of 0.1% per annum (subject to a minimum of £125,000) of the Net Asset Value of the Group together with an amount equal to the long term borrowings invested by the Group calculated at the close of business on each Calculation Day, payable quarterly in arrears. The charge for the year includes a fee of £25,000 for additional work performed.

6. Directors' Fees

	1 April 2007 to 31 March 2008 £'000	*23 February 2006 to 31 March 2007 £'000*
Robert Leighton – *Chairman (appointed 24 July 2007)*	17	–
Mark Huntley	20	29
Simon Littlewood	–	–
Victor Ng	–	–
Peter John Manser *(resigned 24 July 2007)*	8	28
Christopher Hill *(resigned 24 July 2007)*	6	29
Duncan Baxter *(resigned 7 July 2006)*	–	7
	51	93

No bonuses or pension contributions were paid or were payable on behalf of the Directors.

Details of the Directors' interests in the share capital are set out in the Report of Directors.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

7. Other Expenses

	1 April 2007 to 31 March 2008 £'000	23 February 2006 to 31 March 2007 £'000
Public relations fees	32	26
Nominated Adviser's fees	15	16
Nominated Broker's fees	15	16
Directors' and Officers' liability insurance	11	15
Registrar fees	12	12
Listing fees	14	10
Other expenses	28	20
	127	115

8. Earnings per Share

The earnings per Ordinary Share is based on the profit for the year of £5,139,000 (2007: £18,374,000) and on a weighted average number of 50 million Ordinary Shares in issue during the year (2007: 50 million).

The average price of the Ordinary Shares during the year, of 114.26p (2007: 112.25p), was less than the exercise price of the Warrants (120.00p). Therefore, there was no dilution in the return per Ordinary Share.

9. Dividends

During the year ended 31 March 2008 no dividend was paid to Shareholders (2007: nil). The Directors do not propose a final dividend for the year ended 31 March 2008 (2007: nil).

10. Investments at Fair Value Through Profit or Loss

GROUP AND COMPANY	1 April 2007 to 31 March 2008 £'000	23 February 2006 to 31 March 2007 £'000
Designated at fair value through profit or loss:		
Opening valuation	65,905	–
Purchases at cost	2,469	43,477
Sales proceeds	(3,277)	–
Realised gain from sale of investments	1,701	–
Net unrealised change in fair value of investments	5,521	22,428
Closing valuation	72,319	65,905
Closing book cost	44,370	443,477
Closing unrealised gain	27,949	22,428
Closing valuation	72,319	65,905

See note 2h and note 3 regarding the classification, recognition, derecognition, measurement and fair value estimation of financial assets at fair value through profit or loss.

Associates

Included in investments are the following associates which are accounted for as at fair value through profit or loss in accordance with the accounting policy set out in note 2h:

	Country of incorporation	Currency of investment	Percentage Holding	
Asia Clean Energy Pte Limited	Singapore	US Dollars	24.0%	conv loan notes
Asia Water Technology Limited	Singapore	Singapore Dollars	21.0%	ordinary shares
China Biofoods Limited	Jersey	Sterling	30.8%	ordinary shares
China Metal Packaging Group Company Limited *(formerly Canmake Business Limited)*	BVI	Renminbi	20.0%	ordinary shares
China New Energy Limited	Jersey	Sterling	25.0%	ordinary shares
China Real Estate Services Limited	China	Sterling	25.0%	ordinary shares
Hainan Zhengye Zhongnong High Tech. Co. Limited	China	Renminbi	23.0%	ordinary shares
Honest Mind Investments Limited *(which invests in the Wan Wei Oil and Gas Technology Group)*	BVI	Sterling	–	conv loan notes
Starlight Viewpoint Limited *(which invests in the Wan Wei Oil and Gas Technology Group)*	BVI	Sterling	24.0%	ordinary shares

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

10. Investments at Fair Value Through Profit and Loss (continued)

Subsidiary

World Water Private Limited is registered in Singapore, is a wholly-owned subsidiary of the Company, and the Company holds two of World Water Private Limited's S$1 Ordinary Shares.

11. Loan Receivable

On 3 January 2007 the Group advanced a loan of S$1 million (£335,000) to Devotion Energy Group Limited. This unsecured loan bore interest at 18.0% in Singapore Dollars and was repaid in full on 28 May 2007.

12. Other Receivables

	GROUP		COMPANY	
	31 March 2008 £'000	*31 March 2007 £'000*	*31 March 2008 £'000*	*31 March 2007 £'000*
Other income accrued	495	23	495	23
Other debtors and prepayments	18	31	18	31
Due from subsidiary undertaking	–	–	149	–
	513	54	662	54

13. Payables and Accruals

	GROUP		COMPANY	
	31 March 2008 £'000	*31 March 2007 £'000*	*31 March 2008 £'000*	*31 March 2007 £'000*
Investments awaiting settlement	334	8,456	334	8,456
Due to Investment Consultant in respect of an investment paid for on behalf of the Group	125	–	125	–
Performance fees payable	3,024	3,345	3,024	3,345
Investment Consultant's fee payable	719	2	719	2
Introductory fees payable	243	196	243	196
Other creditors and accruals	127	93	115	93
	4,572	12,092	4,560	12,092

14. Share Capital

	31 March 2008 £'000	*31 March 2007 £'000*
Authorised:		
200,000,000 Ordinary Shares of 1p	2,000	2,000
Allotted, called up and fully paid:		
50,000,000 Ordinary Shares of 1p	500	500

On 15 March 2006 the Company raised gross proceeds of £50 million through the issue of 50 million Ordinary Shares and 10 million Warrants (on the basis of one Warrant for every five Ordinary Shares subscribed).

All the Ordinary Shares and Warrants were admitted to trading on AIM, a market operated by the London Stock Exchange, on 15 March 2006.

As stated in the Admission Document, the Company cancelled all of its share premium account, transferring it to a distributable reserve.

Pursuant to the authority granted at an extraordinary general meeting and renewed at the first annual general meeting, the Company has authority to utilise distributable reserves to buy back up to 14.99% of the Ordinary Shares issued at the Placing for cancellation. No shares were purchased for cancellation during the period.

A resolution enabling the Company to purchase up to 10% of the Ordinary Shares in issue and hold them as treasury shares was passed at the first annual general meeting.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

15. Warrants

At the Placing on 15 March 2006, for every five Ordinary Shares received the subscriber also received one Warrant.

	Exercise Price	*End of Subscription period*	*Alloted*
Warrants	120 pence	31 March 2011	10,000,000

Registered holders of Warrants shall have the right to subscribe for Ordinary Shares in the Company in cash from the date of Admission to 31 March 2011 for one Ordinary Share for each Warrant, for which they are the registered holders, at the exercise price of 120 pence per Ordinary Share.

No Warrants were exercised during the year (2007: nil).

16. Duration of the Company

There are no specific provisions for the life span of the Company. However, at the annual general meeting of the Company to be held following the seventh anniversary of the Company's incorporation on 23 February 2006 an ordinary resolution will be proposed that the Company ceases to continue as presently constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter. If the resolution is passed, the Directors shall formulate proposals to be put to the Shareholders to reorganise, unitise, reconstruct or wind up the Company.

17. Net Asset Value per Ordinary Share

Basic

The basic net asset value per Ordinary Share is based on the net assets attributable to equity shareholders of £71,662,000 (2007: £66,523,000) and on 50 million Ordinary Shares in issue at the end of the period.

Fully-diluted

The 31 March 2008 price (96.00p) of the Ordinary Shares was below the exercise price of the Warrants (exercise price of 120.00p). Therefore, as at 31 March 2008 the Warrants had no dilutive effect. The price of the Ordinary Shares on 31 March 2007 (being 120.50p) was above the exercise price of the Warrants. Therefore, the fully-diluted net asset value per share at 31 March 2007 was based on net assets of £78,523,000 and on 60 million Ordinary Shares.

18. Related Parties

The relationships between the Company and the London Asia Group, Elysium Fund Management Limited and Collins Stewart are disclosed in the Report of the Directors and note 5. Investment Consultant's fees, the performance fees and introductory fees payable at 31 March 2008 and 31 March 2007 are disclosed in note 13. In addition, at the year end, £125,000 was due to the London Asia Group in respect of an investment paid for on behalf of the Group.

Details of the investments in associates and a subsidiary are disclosed in note 10.

At the year end, shares in United Envirotech Limited were held in trust by the Company's wholly-owned subsidiary World Water Private Limited.

The Directors consider that there is no immediate or ultimate controlling party.

19. Commitments and Contingencies

All contracted capital commitments have been provided for. At the year end there were no contingent liabilities (2007: nil).

20. Segmental Information

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment in a portfolio of companies whose business operations are focused on China (see note 2c).

21. Financial Instruments

Treasury policies

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

The Group finances its activities with cash and short-term deposits, with maturities of three months or less. Other financial assets and liabilities, such as debtors and creditors, arise directly from the Group's operating activities. The Group does not trade in financial instruments. Derivative instruments may be used to change the economic characteristics of financial instruments in accordance with the Group's treasury policies, although no derivatives were in place during the period (2007: nil).

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

21. Financial Instruments (continued)

Treasury policies (continued)

The financial assets and liabilities of the Group were:

	Total £'000	*Loans and receivables £'000*	*Assets at fair value through profit or loss £'000*	*Other financial liabilities £'000*	*Non-financial assets/ (liabilities) £'000*
31 March 2008					
Financial assets					
Investments at fair value through profit or loss	72,319	–	72,319	–	–
Other receivables	513	495	–	–	18
Cash and cash equivalents	3,402	3,402	–	–	–
	76,234	3,897	72,319	–	18
Financial liabilities					
Payables and accruals	(4,572)	–	–	(4,572)	–
	71,662	3,897	72,319	(4,572)	18
31 March 2007					
Financial assets					
Investments at fair value through profit or loss	65,905	–	65,905	–	–
Loan receivable	335	335	–	–	–
Other receivables	54	31	–	–	23
Cash and cash equivalents	12,321	12,321	–	–	–
	78,615	12,687	65,905	–	23
Financial liabilities					
Payables and accruals	(12,092)	–	–	(12,092)	–
	66,523	12,687	65,905	(12,092)	23

The main risks arising from the Group's financial assets and liabilities are market risk, credit risk and liquidity risk and are set out below, together with the policies currently applied by the Board for their management. Market risk comprises three types of financial risk, being interest rate risk, currency risk and other price risk, being the risk that the fair value or future cash flows will fluctuate because of changes in market prices other than from interest rate and currency risks.

Market risk

(i) Price risk

The Company's securities are susceptible to price risk arising from uncertainties about future values of the investment securities. This price risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investments traded in the market. The Group's Investment Consultant provides the Board of Directors with investment recommendations that are consistent with the Group's objectives. The Investment Consultant's recommendations are carefully reviewed by the Board of Directors before the investment decisions are implemented.

During the period under review, the Group did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in a £7,231,900 (10.1%) (2007: £6,652,300 (9.9%)) increase/decrease in the net asset value.

While investments in companies whose business operations are based in China may offer the opportunity for significant capital gains, such investments also involve a high degree of business and financial risk, particularly for private companies. For example, even though the Group invests only in companies which the Directors reasonably expect to list on a stock exchange or to sell within 12 to 36 months from the date the Group makes an investment in such companies, such companies may require additional capital to support their business before trading on a stock exchange or a sale can be effected. There is no assurance that the Group will have the necessary capital to provide for such needs or that other sources of financing will be available to it. Further, there is no assurance that an admission to trading on a stock exchange or a sale can be effected at all.

21. Financial Instruments (continued)

Market risk (continued)

(i) Price risk (continued)

Generally, the Group's investments in companies are difficult to value and there may be little or no protection for such investments. If an admission to trading on a stock exchange is not possible, investments may have to be held for an appreciable time. Sales of securities in private companies that fail to obtain an admission to trading may not be possible and, if possible, may only be possible at substantial discounts.

Certain investments represent a significant proportion of the Group's total assets (see the Investment Portfolio on page 4). As a result, the impact on the Group's performance and the potential returns to investors will be more adversely affected if any one of those investments were to perform badly than would be the case if the Group's portfolio of investments were more diversified.

ii) Currency risk

Because returns from the companies in which the Group invests may be received in Singapore Dollars, US Dollars or Renminbi, the Sterling equivalent of the Group's net assets and distributions, if any, would be adversely affected by reductions in the value of Singapore Dollars, US Dollars or Renminbi relative to Sterling.

The value of the Renminbi fluctuates and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies such as the US Dollar has been generally based on rates set by the People's Bank of China. In July 2005, China's government revalued the Renminbi and moved to a managed floating exchange rate with reference to a basket of currencies. Any future revaluation may materially and adversely affect an investee company's business.

Limited hedging transactions are currently available in China to reduce exposure to exchange rate fluctuations. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to successfully hedge its exposure at all. In addition, the Group's currency exchange losses may be magnified by Chinese exchange control regulations that restrict its ability to convert Renminbi into other currencies.

Additionally, financial markets in many Asian countries have in the past experienced severe volatility. As a result, some Asian currencies have been subject to significant devaluation from time to time. The devaluation of some Asian currencies may have the effect of rendering exports from China more expensive and less competitive. An appreciation in the value of the Renminbi could have a similar effect.

The distribution of profits and dividends by companies in which the Group invests may be adversely affected if the Chinese government imposes greater control on the ability of the Renminbi to exchange into foreign currencies. There can be no assurance that the Group or the companies in which the Group invests will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.

The currency split of the Group's assets and liabilities was:

	Total £'000	*GBP £'000*	*US Dollars £'000*	*Singapore Dollars £'000*	*Renminbi £'000*
31 March 2008					
Financial assets					
Investments at fair value through profit or loss	72,319	46,058	9,513	9,690	7,058
Cash and cash equivalents	3,402	2,952	300	150	–
Other receivables	495	485	10	–	–
Total financial assets	76,216	49,495	9,823	9,840	7,058
Non-financial assets					
Other receivables	18	18	–	–	–
Total assets	76,234	49,513	9,823	9,840	7,058
Financial liabilities	(4,572)	(4,572)	–	–	–
Net assets	71,662	44,941	9,823	9,840	7,058

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

21. Financial Instruments (continued)

Market risk (continued)

ii) Currency risk (continued)

	Total *£'000*	*GBP* *£'000*	*US Dollars* *£'000*	*Singapore Dollars* *£'000*	*Renminbi* *£'000*
31 March 2007					
Financial assets					
Investments at fair value through profit or loss	65,905	33,650	8,367	16,773	7,115
Loan receivable	335	–	–	335	–
Cash and cash equivalents	12,321	12,321	–	–	–
Other receivables	31	8	–	23	–
Total financial assets	78,592	45,979	8,367	17,131	7,115
Non-financial assets					
Other receivables	23	23	–	–	–
Total assets	78,615	46,002	8,367	17,131	7,115
Financial liabilities	(12,092)	(8,025)	(4,067)	–	–
Net assets	66,523	37,977	4,300	17,131	7,115

Sensitivity analysis

A 10% weakening/strengthening of Sterling against each currency as at 31 March 2008 would have increased/(decreased) the net assets attributable to holders of Ordinary Shares and the profit for the period per the Consolidated Income Statement by the amounts shown below. This analysis assumes that all other variables remain constant.

	31 March 2008 *£'000*	*31 March 2007* *£'000*
The effect on net assets/profit of a weakening of Sterling by 10% against each currency:		
US Dollar	1,091	478
Singapore Dollar	1,093	1,903
Renminbi	784	791
Total	2,968	3,172
The effect on net assets/profit of a strengthening of Sterling by 10% against each currency:		
US Dollar	(893)	(391)
Singapore Dollar	(895)	(1,557)
Renminbi	(642)	(647)
Total	(2,430)	(2,595)

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

21. Financial Instruments (continued)

Market risk (continued)

iii) Interest rate risk

The Group currently funds its operations through the use of retained earnings and equity. Cash at bank, the majority of which was in Sterling at the year end, is held at variable rates. At the period end, the Group's financial liabilities did not suffer interest and thus were not subject to any interest rate risk. Ignoring any impact on foreign exchange rates or the prices of the investments, an increase of 1% in interest rates would have increased profit for the year ended 31 March 2008 by £42,000 (2007: £373,000). The interest rate risk profile of the Group's assets and liabilities at the year end was:

	Total £'000	*Fixed rate £'000*	*Floating rate £'000*	*Assets on which no interest is received £'000*	*Weighted average interest rate %*	*Weighted average period until maturity years*
31 March 2008						
Financial assets						
Investments at fair value through profit or loss	72,319	9,502	–	62,817	13.1%	n/a
Cash and cash equivalents	3,402	129	2,951	322	–	–
Other receivables	495	–	–	495		
Total financial assets	76,216	9,631	2,951	63,634		
Non-financial assets						
Other receivables	18	–	–	18		
Total assets	76,234	9,631	2,951	63,652		
Financial liabilities	(4,572)	–	–	(4,572)	–	–
Net assets	71,662	9,631	2,951	59,080		
31 March 2007						
Financial assets						
Investments at fair value through profit or loss	65,905	6,767	–	59,138	12.8	n/a
Loan receivable	335	335	–	–	18.0	n/a
Cash and cash equivalents	12,321	–	3,649	8,672	–	–
Other receivables	31	–	–	31		
Total financial assets	78,592	7,102	3,649	67,841		
Non-financial assets						
Other receivables	23	–	–	23		
Total assets	78,615	7,102	3,649	67,864		
Financial liabilities	(12,092)	–	–	(12,092)	–	–
Net assets	66,523	7,102	3,649	55,772		

Credit risk

The Group's credit risk is primarily attributable to its non-equity investments and cash and cash equivalents. Credit risks of new non-equity based investments are assessed before entering into such new contracts.

The risk on cash and cash equivalents is limited by using banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. At the year end the highest credit risk in respect of cash and cash equivalents related to £1,499,000 placed with HSBC (2007: £8,667,000 placed with Standard Chartered). Details of the Group's exposure to non-equity based investments is disclosed in the Investment Portfolio on page 4 and in note 10.

Liquidity risk

The Group has invested in private companies, which, by their very nature, are illiquid. However, the Group maintains sufficient cash balances to meet its working capital requirements.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

21. Financial Instruments (continued)

Liquidity risk (continued)

The liquidity risk is that the Group cannot meet its financial obligations when they fall due. The Group has ongoing expenses which it is required to settle under the terms of the various agreements detailed in the notes. Specifically, the performance fee accrues and is due to be settled out of investment disposal proceeds when investment gains are realised.

In accordance with Group policy, the Board monitors the liquidity position on a biannual basis.

22. Other Risks

Chinese Legal System and Enforcement

Chinese law governs almost all of the Group's investments' material agreements. It cannot be guaranteed that the investee companies will be able to enforce any of their material agreements or that remedies will be available either inside or outside China. This potential inability of the investee companies to enforce or obtain a remedy under any of its agreements could result in a significant loss of business, business opportunities or capital. Intellectual property rights and confidentiality protections in particular may not be as effective as in the UK or other countries.

Despite significant improvement in its developing legal system, China does not yet have a comprehensive system of laws and those laws and regulations governing economic matters in general may also change frequently. In particular, the interpretation and enforcement of these laws and regulation involve uncertainties. The effect of future developments in the Chinese legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof or the pre-emption of local regulations by national laws cannot be predicted. These uncertainties limit the legal protections available to the Group and the Group could face significant difficulties enforcing its agreements and rights, or realising its assets.

The Chinese Government has brought in a numbr of measures to regulate investment by foreigners in Chinese assets and their listing outside China. The impact of these various rules is to restrict the ability of non-Chinese investors to acquire assets in China, and for Chinese businesses to list outside China. These regulations considerably restrict the range of assets that non-Chinese investors, such as the Group, can invest in.

The taxation system in China was significantly amended with effect from 1 January 2008. As a result a number of preferences previously available to foreign invested companies have been removed and, in certain circumstances, the level of tax paid by a foreign invested business operating in China can exceed that paid by a Chinese owned and incorporated business.

In January 2008 new labour laws came into force in China. The result of these laws is to significantly increase the rights of employees, restrict the actions of employers, and increase the cost of operating businesses employing staff within China. The laws are likely to have a negative impact on the profits of a number of the Group's investments.

China's Economic, Political and Social Conditions

The Group's return on its investments and prospects are subject, to a significant extent, to economic, political and social developments in China and the Asia-Pacific region. In particular, the Group's return on its investments may be adversely affected by:

- changes in China's political, economic and social conditions;
- changes in China's economic or social priorities;
- changes in policies of the government or changes in laws and regulations, or the interpretation of laws and regulations;
- regulations governing the sale or purchase of assets to or by foreign investors;
- regulations governing the listing or sale of Chinese assets outside China;
- changes in foreign exchange regulations;
- measures that may be introduced to control inflation, such as interest rate increases;
- changes in the rate or method of taxation;
- natural and man-made disasters within China;
- changes to, or enforcement of, environmental regulations; and
- changes to the environment within China.

The Group's investments, as well as its future prospects, would be materially and adversely affected by an economic downturn in China which itself may be affected by a slowdown in the economies of the United States, the European Union or certain other Asian countries.

The Chinese economy is dependent on the import of significant quantities of natural resources, particularly energy and those related to the construction of infrastructure. Increases in, or shortage of supplies of, these natural resources could have a significant negative impact on the performance of the Chinese economy, and of the Group's investments.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

22. Other Risks (continued)

China's Economic, Political and Social Conditions (continued)

China has for the last few years received substantial inflows of capital from overseas, which have contributed significantly to the growth of the Chinese economy and the build up of its foreign reserves. It is unclear how much of this capital is long term, and were the capital providers to decide to withdraw their capital, it could cause significant problems for the Chinese economy, its exchange rate, and impact on the value of the Group's investments and its ability to realise cash.

China is an amalgamation of a number of different races and cultures. The country has a history of instability and fragmentation, and there have recently been increasing moves towards independence and civil disturbance in a number of regions in China. Were these issues to escalate, it could have an impact on the value of the Group's investments.

China is a member of the World Trade Organisation and has seen a number of benefits from its membership and free trade agreements, particularly in relation to its manufacturing sector which makes significant sales overseas, employing large numbers of Chinese and boosting China's foreign currency reserves and the economy as a whole. The Chinese economy and the value of the Group's investments could be adversely affected by changes to the global trading environment and any restrictions placed on the export/import of Chinese goods.

China is situated in a region which is developing rapidly and experiencing shifts of power, causing security concerns and conflicts over scarce resources. The Group's investments would be adversely affected by any hostilities or armed conflicts in the region.

23. Capital Management Policy and Procedures

The Group's capital management objectives are to ensure that the Group will be able to continue as a going concern in order to maximise total return for Shareholders and to maintain an optimal capital structure to minimise the cost of capital.

The Group's borrowing policy, for investment or short-term funding purposes, is that it should borrow no more than 10% of net asset value, calculated at the time of borrowing.

The Board, with the assistance of the Investment Consultant, monitors and reviews the structure of the Group's capital on an ad hoc basis. This review includes:

- the current and future levels of gearing;
- the need to buy back Ordinary Shares for cancellation or to be held in treasury, which takes account of the difference between the net asset value per Ordinary Share and the Ordinary Share price; and
- the current and future dividend policy.

The Group is not subject to any externally imposed capital requirements.

24. Events After the Balance Sheet Date

There were no material events after the balance sheet date that require disclosure at as 17 September 2008.

25. Company Income Statement

	Note	*1 April 2007 to 31 March 2008 £'000*	*23 February 2006 to 31 March 2007 £'000*
Income			
Net unrealised change in fair value of investments	10	5,521	22,428
Realised gain from sale of investments	10	1,701	-
Other income		1,098	1,518
Total income		8,320	23,946
Expenses			
Investment Consultant's fee	5	(1,376)	(1,009)
Performance fee	5	(1,285)	(3,345)
Introductory fees	5	(86)	(832)
Administration fees	5	(150)	(131)
Directors' fees	6	(51)	(93)
Audit fees		(80)	(29)
Custodian fees		(19)	(18)
Other expenses		(123)	(115)
Total expenses		(3,170)	(5,572)
Profit for the year/period		5,150	18,374

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

26. Company Balance Sheet

	Note	31 March 2008 £'000	31 March 2007 £'000
Non-current assets			
Investments at fair value through profit or loss	10	72,319	65,905
Current assets			
Loan receivable	11	–	335
Other receivables	12	662	54
Cash and cash equivalents		3,252	12,321
		3,914	12,710
Total assets		76,233	78,615
Current liabilities			
Payables and accruals	13	(4,560)	(12,092)
Net assets		71,673	66,523
Capital and reserves attributable to equity holders of the Company			
Share capital	14	500	500
Other reserve		2,293	2,293
Distributable reserves		68,880	63,730
Total equity shareholders' funds		71,673	66,523

27. Company Statement of Changes in Equity for the year ended 31 March 2008

	Share capital £'000	Other reserve £'000	Distributable reserves £'000	Total £'000
Balance at 31 March 2007	500	2,293	63,730	66,523
Profit for the period	–	–	5,150	5,150
Balance at 31 March 2008	500	2,293	68,880	71,673

for the period from 23 February 2006 to 31 March 2007

	Note	Share capital £'000	Share premium £'000	Other reserve £'000	Distributable reserves £'000	Total £'000
Gross proceeds of placing	14	500	47,207	2,293	–	50,000
Issue costs		–	(1,851)	–	–	(1,851)
Cancellation of share premium	14	–	(45,356)	–	45,356	–
Profit for the period		–	–	–	18,374	18,374
Balance at 31 March 2007		500	–	2,293	63,730	66,523

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

28. Company Cash Flow Statement

	Note	1 April 2007 to 31 March 2008 £'000	23 February 2006 to 31 March 2007 £'000
Cash flows from operating activities			
Other income received		491	1,486
Performance fee paid		(1,606)	–
Investment Consultant's fees paid		(557)	(1,009)
Introductory fees paid		(141)	(636)
Administration fees paid		(125)	(100)
Directors' fee paid		(70)	(63)
Audit fees paid		(65)	(4)
Custodian fees paid		(16)	(19)
Other expenses paid		(117)	(129)
Net cash outflow from operating activities		(2,206)	(474)
Cash flows from investing activities			
Purchase of fair value through profit or loss investments		(10,466)	(35,021)
Sale of fair value through profit or loss investments		3,276	–
Loan to investee company	11	–	(335)
Repayment of loan to investee company	11	333	–
Net cash outflow from investing activities		(6,857)	(35,356)
Cash flows from financing activities			
Issue of Ordinary Shares and Warrants	14	–	50,000
Issue costs		–	(1,851)
Net cash inflow from financing activities		–	48,149
(Decrease)/increase in cash and cash equivalents		(9,063)	12,319
Cash and cash equivalents brought forward		12,321	–
(Decrease)/increase in cash and cash equivalents		(9,063)	12,319
Foreign exchange movement		(6)	2
Cash and cash equivalents carried forward		3,252	12,321

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the second ANNUAL GENERAL MEETING of LONDON ASIA CHINESE PRIVATE EQUITY FUND LIMITED will be held at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 27 October 2008 at 9.00 a.m. for the following purposes:

Resolution on form of proxy

…………………………………………………………………………………………..

As ordinary business:

Ordinary Resolution 1

To receive and, if thought fit, to accept the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2008.

Ordinary Resolution 2

To re-appoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree its remuneration.

Ordinary Resolution 3

To re-elect Mr Huntley, who offers himself for re-election, as a Director.

Ordinary Resolution 4

To re-elect Mr Battey, who offers himself for election, as a Director.

Ordinary Resolution 5

To approve the Group's Investment Strategy (in accordance with AIM Rules) and the Investment Objective, as set out in the Admission Document dated 9 March 2006 as follows:

"The Investment Objective of the Group is to provide Shareholders with capital growth from investing in a portfolio of companies whose business operations are primarily focused on China."

Ordinary Resolution 6

To change the Company's website address from www.lacpefund.com to chinagrowthopportunities.com.

As special business:

Ordinary Resolution 7

That the Company be and is hereby generally and unconditionally authorised in accordance with The Companies (Purchase of Own Shares) Ordinance 1998 to make market purchases, as defined in that Ordinance, of and cancel its Ordinary Shares of 1p each, provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 18,362,750;

(ii) the minimum price which may be paid for an Ordinary Share shall be 1p;

(iii) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 115% of the average of the middle market quotations for an Ordinary Share taken from and calculated by reference to the London Stock Exchange Alternative Investment Market Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;

(iv) the price paid per Ordinary Share shall be less than the last publicly announced net asset value per Ordinary Share;

(v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2009, unless the authority is renewed prior to such time; and

(vi) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

Special Resolution 1

To approve the change of name of the Company to "China Growth Opportunities Limited".

…………………………………………………………………………………………..

By order of the Board

Registered office:
No. 1 Le Truchot
St Peter Port
Guernsey
GY1 3JX

Elysium Fund Management Limited, Secretary
17 September 2008

…………………………………………………………………………………………..

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his or her stead. A proxy need not also be a member of the Company. To be effective, forms of proxy must be lodged with the Company's Secretary, Elysium Fund Management Limited, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.

Note:

The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

a) A statement of Directors' interests in the share capital of the Company; and

b) The Articles of Association.

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Form of Proxy

For use at the ANNUAL GENERAL MEETING (Block capitals please)

I/We, the undersigned, ...

of ....
being a member/members of London Asia Chinese Private Equity Fund Limited hereby appoint the Chairman of the meeting/

....
as my/our proxy to vote for me/us on my/our behalf at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 27 October 2008 at 9.00 a.m. and at any adjournment thereof and at his discretion on any other matter arising at such meeting.

Signature ....

Dated...

Please indicate with an X in the spaces below how you wish your votes to be cast.

		For	**Against**	**Abstain**
Ordinary Resolution 1	To receive and, if thought fit, to adopt the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2008.			
Ordinary Resolution 2	To re-appoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree its remuneration.			
Ordinary Resolution 3	To re-elect Mr Huntley, who offers himself for re-election as a Director.			
Ordinary Resolution 4	To re-elect Mr Battey, who offers himself for election as a Director.			
Ordinary Resolution 5	To approve the Group's Investment Strategy in accordance with AIM Rules.			
Ordinary Resolution 6	To approve the change of website address of the Company.			
Ordinary Resolution 7	To authorise the Company to buy back its own shares.			
Special Resolution 1	To approve the change of name of the Company.			

Notes

1. A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words 'the Chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, he or she will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company's Secretary not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

FOLD 3

Affix
stamp
here

FOLD 1

FOLD 2

Capita Registrars (Guernsey) Limited
Longue Hougue House
St Sampsons
Guernsey
GY2 4JN

FOLD 4

Directors

Robert Leighton *(Non-Executive Chairman)*
Aged 67, Mr Leighton was appointed to the Board on 24 July 2007. He has over 35 years' finance and investment experience. He was chairman of Nymex Europe Limited, the European arm of the commodity futures exchange and was previously UK chairman for Calyon (formerly Credit Lyonnais) as well as chairman of their European advisory board. Having been active in the banking and finance sector in China for over thirty years, Mr Leighton has developed a significant expertise in oil, gas, metals and desalination sectors in Asia, the Middle East, Latin America and the former Soviet Union. He is an active member of the CFTC's Global Advisory Committee in Washington and also holds a number of non-executive posts, including being senior independent director of EDX (the European Derivatives Exchange), immediate past chairman of Financial Services Practitioner Panel and past chairman of the World Bank's International Task Force for Commodities. Mr Leighton is a director of the Dubai Mercantile Exchange and Chairman of the UKTI Financial Services Sector Advisory Board.

Simon Littlewood *(Executive Director)*
Aged 40, based in Hong Kong. After qualifying as a Chartered Accountant with Coopers & Lybrand, London (now PricewaterhouseCoopers) where he specialised in high growth companies, he joined the structured and corporate finance division of the HSBC Group in London. In 1995, he moved to BDO Stoy Hayward's corporate finance team, where he advised on AIM flotations, mergers and acquisitions and fund raisings. In 1996 he founded the London Asia Group, an international merchant bank. He has experience of working on transactions in the UK, Europe, North America, the Middle East, Greater China and South East Asia. Simon graduated in Law from Oxford University.

Victor Ng *(Executive Director)*
Aged 60, based in China and Singapore. A former principal with KPMG Singapore, he has funded, advised and launched several start-ups as well as later stage companies including several which were subsequently listed in Singapore, Malaysia, New York and London. These have included a number of Chinese companies. Victor was awarded the PBM (a public community service medal) for his social contributions by the President of the Republic of Singapore in 1992.

Mark Huntley *(Non-Executive Director)*
Aged 50, Mark Huntley is an Associate of the Chartered Institute of Bankers. He is the managing director of Heritage International Fund Managers Limited, an independent fund administrator based in Guernsey. He was formerly head of Business Development & Communications for the Baring Financial Services Group. Whilst at Barings, he was also deputy managing director of Guernsey International Fund Managers Limited (Guernsey's largest fund administrators), until April 2000. He has 28 years' experience in trust and fiduciary services, private banking and offshore funds, particularly in the specialist and alternative fund sectors gained whilst at Barings over the last 19 years and, prior to that, with The First National Bank of Chicago. He is a founding director of The Channel Islands Stock Exchange ("CISX") and Chairman of the CISX Business Development Committee. He is a resident of Guernsey.

Advisers

Investment Consultant
London Asia Capital (S) PTE Limited
141 Market Street
#8-00
International Factors Building
Singapore 048944

Registrar
Capita Registrars (Guernsey) Limited
Longue Hougue House
St Sampsons
Guernsey
GY2 4JN

Custodian and Settlement Agent
Collins Stewart (CI) Limited
Operations Centre
Landes du Marché Chambers
Vale
Guernsey
GY1 3TY

English Legal Adviser to the Group
Stephenson Harwood
One St Paul's Churchyard
London
EC4M 8SH

Administrator, Secretary and Registered Office
Elysium Fund Management Limited
PO Box 650
No. 1 Le Truchot
St Peter Port
Guernsey
GY1 3JX

Nominated Adviser and Stockbroker
Collins Stewart Europe Limited
9th Floor
88 Wood Street
London
EC2V 7QR

Independent Auditors
PricewaterhouseCoopers CI LLP
National Westminster House
Le Truchot
St Peter Port
Guernsey
GY1 4ND

Guernsey Legal Adviser to the Group
Carey Olsen
7 New Street
St Peter Port
Guernsey
GY1 4BZ

www.lacpefund.com

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