

## 23 June 2021

### **Chairman's Statement and Q&A of annual General Meeting held at 6 Grosvenor Street , Mayfair, London W1K 4PZ and by ZOOM**

#### **Chairman's statement:**

I would like to say a few words on the last year and recent developments for the company. It is quite an almost surreal story. As you all know , the Head Office of the Chinese investment business in our Zhongying partnership is in Wuhan in China which was the centre of the pandemic. At the end of 2019, your Managing Director and I visited the company and its factories at the beginning of December, and spent a number of days in Wuhan discussing the future of our Chinese investment and what might be possible with Kaidi. On our return we were met with a confirmation that Taiwan had closed its borders with China due to COVID . I didn't fully understand what this meant even when after I returned a number of my family became unwell with flu-like symptoms.

It was not until January and following up with Mr Chen, Kaidi's chairman that we learnt that Wuhan was closing down because of the COVID virus and that it was under lock and key and all business closed and that is how it remained for almost 6 months.

The result is that Kaidi has undergone a restructuring in China and the government there and Mr Chen (who remains a member of the National Congress) are restructuring its power business and we have been approached and requested to approve a plan to change our shareholding by a sale of our share in our Zhongying joint venture and converting that into a shareholding in Kaidi Eco, which Kaidi company will be going public on the Shenzhen stock exchange in China.

One of the reasons for considering doing this is that we have a 20% equity stake in a joint venture with Kaidi and its group and that joint venture has another 15 years to run. We have no real way of enforcing rights or obligations in respect of the terms of the joint venture and no certainty that at the end the 30-year process , in 15 years' time, we would have any way of assessing the probability of being able to realise our investment [and extracting the value from China for our shareholders]. For many of our shareholders it would be too long to wait another 15 years and for me it would certainly be too long! So, to convert our shares now into a public quoted company , albeit in China, is probably a better path for us to be on than not.

I would say we have lots of concerns as a board. We do not have all the details of the Kaidi restructuring and even if we did it would be very difficult for us to interpret that restructuring into English law and the English language. We do not know enough yet about the proposed holding in Kaidi Eco or Kaidi Eco in the future although we understand that it will be the main trading company for Kaidi's restructured power business in China.

We have had these issues before in China because of our involvement in the joint venture. The joint venture agreement, under which we hold our 20% stake, is itself extremely difficult to interpret. We are not losing these same issues in Zhongying by entering into a similar agreement, so to speak, with Kaidi Eco. But I think if the Chinese are trying to clear up the Kaidi group of companies and put them into a more formal process at least we will get a number of shares in Kaidi Eco to the tune of, in today's value, alleged to be reputedly worth approximately £80 million. So we would be converting £15million of shares into a shareholding theoretically worth £80 million in Kaidi Eco shares.

On the face of it and if all works out ,and that itself is uncertain, we will become the owners of £80 million shares in a company quoted on the Shenzhen exchange which to your board's way of

thinking presently , and given the situation of the company, must be likely to be better than being a minority shareholder in an unquoted Chinese corporate structure.

So this is where we are heading and without me being able necessarily to give you the comfort that you need or deserve . At this stage we understand the legal documents for the restructuring have been signed in China, we have no proof of this, and all I can tell you is that we hope to have more knowledge of the proceedings and what we want to see achieved in the weeks ahead.

I also promised to come back to you and tell you when the major shareholder had agreed to a release of the EBT shares to members of your board and employees and I can tell you that out of approximately 80 million shares owned by the EBT there is to be a distribution of two-thirds of those shares with a further third being kept behind for further incentives to officers and staff to be distributed at a later time. I now declare to you, as I promised I would years ago, that we have got that approval and therefore there is to be a distribution of those EBT shares to your company officers and staff.

Having now brought you up to speed with most recent developments in China and for the company, and provided we can get the technology working correctly, we can open the meeting up to questions and answers.

#### **Questions and Answers session:**

**Chairman:** I have received a written question from Amita Lecamwasam , for which many thanks, [which reads]:

“Is there a possibility that I could sell these shares?”

I would like our Company Secretary, David Fordham, to explain the present position.

**D Fordham:** The question deals with the ability of our shares to be sold and nothing has changed in that regard. Our shares are freely transferable and can be gifted or sold but of course the difficulty, as we all know, is finding a buyer. Our shares are not listed and there is no market maker in our shares and that hasn't changed . Although if the arrangements that the Chairman has set out are successful there might be a more interesting position for LAC's shareholders in the future.

**Chairman:** I would add that there was a time with regard to our investment in China, with a group based in Wuhan, that I was worried that the value of our shares would become worthless but under the present position I find this much more encouraging.

We don't have any more submitted written questions and I would be very grateful if anyone wants to raise a question to raise your hand electronically and we will be able to unmute you and you can ask your question.

**Mark Partington:** I am pleased with the proposals and well done for that. If the shares are listed what pathway is possible to LAC shareholders? Could there be a pro-rata distribution of the Kaidi Eco shares or a relisting of LAC shares on a UK market?

**Chairman:** That's uncertain at the moment. The best I can describe it is first we work out what it is we are getting, then we have to work out if we sold that investment what it might be worth and could we realise that and also could we get the money out of China and all that is still quite away off. I would not however try to make an in specie distribution of the Kaidi Eco shares because that would leave a great number of our small individual shareholders with very small holdings indeed in the Chinese company and facing all the difficulties of realising that investment and getting their capital

out. I would like to ask Mark Field [who is joining our Board ] and who was at the Foreign Office during 2017 to 2019 when China was undergoing change, to comment.

**Mark Field:** Yes , I was a Foreign Office Minister between 2017 and 2019 and my area of responsibility was for Asia when China was dealing with the new US presidency of Donald Trump and the Five Eyes intelligence and security relationship (US, UK, Canada, Australia and New Zealand) was building up pressure on China regarding its international business practices whilst also taking the view that there has to be a pragmatic business relationship as far as the Communist Party is concerned.

With regard to the proposal we feel it's a positive step forward based on what has been put to us so far , when everything is properly explained and understood, and also the technology Kaidi may have globally. Obviously our directors are very engaged with that process and now also with so much support from the proxies to take that step forward. When things open up again better to be in Beijing or Shanghai but that may be some time away and rather than just hold on to shares in an agreement for the next 15 years but to return value to shareholders for their trust.

**Chairman:** I would add despite what has been said about Kaidi Eco we have made no adjustment to the value in our accounts for our investment either up or down. It is much too early to make adjustments one way or the other because of this uncertainty.

If there are no other questions I would just like to take a vote of the meeting on whether you are in favour of proceeding as explained.

Based upon our technology I think that means that there is a unanimous vote in favour but with just two attendees abstaining. Thank you very much for that.

On that positive note we will bring this annual general meeting to an end. I hope very much that next year we can all meet in person and at around this time of day. Thank you very much for being in attendance and please stay safe.

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