

## **AGM 22 March 2023 Chairman's Statement and Q&A**

David Buchler, Chairman: I would like to say a few words on the past year and recent developments for the company in China.

The position of the company for the last two years as it awaits Kaidi's restructure is and has been very different. As I reported last year, the restructure involves LAC's 20% stake in Zhongying, which has had for many years a joint venture agreement which was put in place well before my time. We've tried for many years to monetise this investment for our shareholders.

The long story is that the Kaidi restructure in China is nearing its conclusion and we've been working so that the company can retain its position in the Chinese group, which is struggling to retain its position in the Chinese market because it has run out of money. Mr. Chen, the chairman is still advising Kaidi. The Chinese government is supportive by supporting its restructure, and it looks like it's going to be concluded.

The latest information as of the course of last week is that it looks like it is being concluded. And we've entered into a lot of legal documentation. Certainly, documentation required by us to preserve our position in relation to the value of our Zhongying investment. We haven't had the ability to visit China and discuss the finances and employ professional advisors there. We had to rely on the considerable goodwill that we spent many years building up with Kaidi in order to protect LAC's position as best we can.

We are in regular contact with Kaidi's Chinese representatives and I have requested a meeting that would enable us to have face to face meetings now. I'm hopeful that is something that we might achieve over the next few months. I don't think anything is going to happen immediately, because of the continuing impact of COVID in China. But with the recent relaxation of COVID rules, at least a face to face meeting – that appears possible.

There are no meaningful funds in the company's accounts . No one in the company is being paid. That includes your directors. The employee benefit trust has 15% of the shareholder shareholding of which 10% has been distributed. There remains 5% which will be distributed shortly, and has not been distributed yet. We've linked directors' reward with yours through the EBT shares. And we think that that's the appropriate thing to do.

So, what does that mean? The Chinese seem to indicate that they're placing a real value on LAC's stake in Zhongying, which will translate into a multi-million-dollar stake in Kaidi's listed company and if that is correct and it gets to completion, there will be a return to shareholders going forward. I am very cautious about it though.

We've seen how circumstances in China can change very rapidly. And particularly the government's views of China may change without notice. So we are relying on good faith and close contact, but we can do no more than that at this stage. I'm now going to hand over to the Managing Director Mr. Paul Bobroff to just give a brief overview.

Paul Bobroff, Managing Director: Thank you. There isn't much that I'm in a position to add to what the Chairman has said. But it has been very difficult not being able to meet face to face with our Chinese counterparts. It is still a little problematic. I know recently of another instance where an English company has had to actually meet in Hong Kong with their Chinese

counterparts because they couldn't get the required visas for them to go to China. It is not a simple situation. I know it's almost a broken record, but it has been going on now for three years since the COVID crisis became apparent and we were last in Wuhan in December 2019, literally just before start of the pandemic.

As the Chairman has said, we are very reliant on what we are told in calls and communications with China but having a face to face meeting with Mr. Chen we believe would be very helpful and in fact is necessary now. And we are doing what we can to arrange that. Whether that ends up taking place in Wuhan, maybe Hong Kong, doesn't from my point of view really matter as long as it is arranged and it happens. A great deal of time and effort was spent agreeing the terms of the transaction that would see our shares in Zhongying converted into shares in an active listed Kaidi and we are awaiting further progress to see that actually happen. We've heard and seen nothing that would indicate that it is not going to happen. But at present we have not got the necessary evidence to say, well, it is going to happen and when. All we can do is keep pressing for timely information and keep pressing for a face-to-face meeting at which hopefully matters will become clearer.

In the meantime, the company's expenditure is strictly limited to that which is necessary to keep it legal, in terms of audit, filings, the rest of it. There have been no drawings from the company for either the directors or anybody else with the company for that matter. But running a public company is still an expensive proposition because full audited accounts and filings are required, and all these things cost money.

We've taken the view so far that's worth the investment because, if the restructure is completed, everybody will benefit. And that is why, as directors, we are certainly comfortable as we stand to benefit in the same way as other shareholders. And if, in the unlikely event that nothing happens, we don't get anything and other shareholders won't get anything, so we're all aligned in this enterprise.

We're all aligned and we will have to keep pushing as hard as we can to bring matters to a conclusion that as David said, dealing with China is not simple. The relationship between China and the UK is very fraught at times. What was, when we were there really until 2019 a very warm relationship, has deteriorated.

And further evidence of that could be seen in the last few days with the stance that China is taking with regard to the West, including Britain, on Ukraine. So that is not a helpful situation. The only comfort I think we have is that the Chinese economy is still very dependent upon access to the US and European markets. And very large numbers of Chinese citizens earn their living by providing goods and services for the US and Europe. And we would hope, in the end, that would prevail over some geopolitical wanderings that we've seen of late. All we can do is keep pushing. And we will keep shareholders up to date as soon as there is something tangible to report.

Chairman: Thank you, Paul. I wonder whether Mark, you can give a slightly higher level geopolitical view about this. Mark Field, who is our director designate, is the former MP for Westminster and also was a Foreign Office Minister.

Mark Field: Thank you, David. And I think Paul has summed it up well. The broader situation geopolitically that again was rightly said, was there used to be a very warm relationship, the so-called golden era, particularly in David Cameron's time, that has deteriorated substantially in recent years. The UK's position is very similar to that of most other European nations,

perhaps excepting Germany. But again, Germany has even more large corporate exposure to the Chinese market.

I think I would like to reassure all the shareholders, in the dealings that I have with London Asia Capital the directors do turn their minds on a regular basis to whether we should sustain this situation. It is very frustrating that we've not been able to get matters resolved, but I think understanding the costs and the bureaucracy that comes with hope to maintain a public company, it still makes a lot of sense that we hold open our options and obviously keep trying to get matters resolved.

I think one thing I would say specifically about the investments that Kaidi have made, particularly in the environmental field and having an eye towards biomass and their other forms of environmental work. That is one of the areas ( of course by no means the only area when you look at what's happening in relation to people trafficking, money laundering, terrorism and finance) where there is ongoing cooperation. It's crying out for bilateral cooperation between UK and China. And therefore it does seem to me that we should do all that we can, as things open up in China, to try sensibly to keep matters as high profile as possible.

But I think certainly the broader environmental field, the importance of this is something that is very much in the heart of the Chinese government, whether it's biodiversity, but it's also an issue fundamentally, actually, of their own legitimacy with their own people. The issues around pollution, that's water and air pollution, are very profound in many of the cities of China, and I think that the work that we have done will play a part hopefully in alleviating that.

So we are going to keep lines of communication open in our own way, through our Embassy in Beijing, our Consulate General in Shanghai and of course the Governor General in Hong Kong to ensure that we maintain as strong a connection as we possibly can throughout that region because I think the situation between the UK and China geopolitically could change very rapidly.

Whilst it might look to be on a downward spiral, as I say I think there are areas where we can work closely. I think there is the broader corporate area, particularly the sort of investments that London Asia Capital has had over the last few years. There are some threads at least that we can work towards. So I hope that that is fairly helpful. As I say, it has been a frustration I think for all concerned and I do understand that; how many of our shareholders feel as well as all of us who are at the centre of LAC, that we've not been able to make as much progress as we would all wish. But please be assured that we are working on that and keeping some of the concerns that I know are expressed by shareholders that we will come onto later, very much at the forefront of our minds.

Chairman: Thank you. David Fordham, our Company Secretary, is going to make a few comments.

David Fordham, Company Secretary: I am your Company Secretary. I reiterate the officers of the company are not drawing any salary or remuneration and we will not do so until the company is in funds. But it's important to reassure you that the mechanics of the company continue, the administration, the reporting, that's all continuing as it should. Shareholder movements are all recognised and dealt with on the Register. All nominees that we deal with are given their reporting information as required.

I also want to make it clear that the directors take their positions very seriously. They do monitor the financial situation very carefully and they are very sophisticated and experienced directors. As long as the directors of the company are of the view that there is 12 months liquidity to deal with all the necessary filings and such like, and given we do have assets, of uncertain value but nonetheless assets, this situation can continue ,with close and regular review.

Chairman: Thank you, David. We will now answer questions received.

1. Is it not time to liquidate the company, sell the investments at best price possible and return any proceeds to shareholders?

I think that it is not the right time at the moment to liquidate the company because by far the very largest investment is in Zhongying. And until there is reasonable certainty as to the outcome then it would be wrong to liquidate the company, I think it would also be impossible to sell the investment with Zhongying while the uncertainty remains. I think, therefore, that it's premature to think in those terms. If the Zhongying situation is resolved in the way that it was agreed with Kaidi; if it is resolved, then of course there will be a return to shareholders without the company needing to be liquidated. There will be a return to shareholders, but I think we'll have to wait and see how that goes.

2. Is there any chance that the company will be listing on the Stock Exchange in the near future?

I don't see that as being possible at this moment, not until there has been a proper return to the company in relation to its investors.

3. We should like a general update on the financial health of the company.

I don't think there's anything really to add. There is only one asset and that is the investment in China and that's what we are working on now to try and realise from an investment point of view.

There being no more questions, I will bring this annual general meeting to an end. Thank you very much for your on-line attendance.