

## Summary from Q & A Session at AGM 2019

**Question 1:** There is reference to a £1.8 million loan advance to the EBT in the Accounts as a debit with a corresponding balancing item. Why is this not fully accounted for with a formal accountancy provision?

**Answer:** It was a loan to the EBT to buy shares from shareholders who no longer wished to be involved with the company. The loan is fully repayable with interest by the EBT on the happening of certain events such as the sale of the shares.

**Question 2:** Are the shares between the two classes the same?

**Answer:** For all intents and purposes, yes they are the same.

**Question 3:** What can we do about the price and the dividends?

**Answer:** Our shares are not listed and therefore there is no quoted share price and as you know we have not paid a dividend for a long time.

**Question 4:** How long is this going to continue in this process?

**Answer:** That is a more difficult question. LAC is outside of China and Kaidi has operations also outside of China in the EU and other countries around the world and they have a growing requirement for external capital for these operations. Therefore there is an option for discussion for LAC to relist at some point in the future, in order possibly to assist in raising finance for our joint investment partner, and that would be a way that we would be able to inject some liquidity into the shares. So we have to work with our Chinese partner towards that possible outcome and try to better understand the effect of the Kaidi restructuring.

**Question 5:** Is it China's view to allow LAC to wither and run out of cash and so the minority shareholders can no longer be represented?

**Answer:** The shareholders' rights remain in place even though Kaidi is the dominant partner in our joint venture. But you must also remember that our major principal shareholder, with just under 70% of our shares, is Richpoint Group Overseas Limited whose ownership is based in Singapore. Richpoint injected £5m just over two years ago.

But yes we are concerned that we have not been kept up to date with details of the Kaidi restructuring and its effect for LAC and a number of scheduled meetings in China over the last year have been cancelled at the last moment. We are working hard to resolve this.

**Question 6:** This is my first time at one of our AGMs. I think it is important that directors and shareholders are aligned. Do you have any shares in the company? Is your interest in seeing shares growth or just maximizing salary?

**Answer:** As I have said before, I do not get paid on an hourly basis and my interest is to get value long-term for shareholders. I do have an agreement that if the company shares increase in value then I would get a bonus and that is what I am working towards. I do not have shares in the

company and so I don't think there is a conflict. I have been working very hard with our joint venture partner to maximise and realise value for shareholders and continue to do so.

**Question 7:** Can you give us a breakdown of staff costs between directors and shareholders?

**Answer:** There is a breakdown in the Accounts for reference purposes and all shareholders have been sent the Accounts and they are also posted on our website.

**Question 8:** If Kaidi wants a European arm, would we sell our 20% stake to them or would we be that arm and an asset of our joint venture partner?

**Answer:** Management are working on that there would be an option for shareholders to sell out at that time. At the moment our shares are unrealisable unless you can find individually a buyer and we do not want our shareholders to remain stuck like that. Remember that our joint venture agreement with Kaidi is a 35-year one signed back in 2004 and there is no provision to cash out of that JV and bring it to an earlier end except by mutual agreement.

**Question 9:** If there was a completion of that restructuring do you see events, hypothetically speaking, moving forward in the next 18 months?

**Answer:** Those discussions that we have been having, if satisfactorily concluded, should clear the way for a solution for shareholders in the UK.

**Question 10:** Could you send a letter of protest to the President of China? They have lots of money and business and can therefore help our company's shareholders realise their investment in China.

**Answer:** I don't think it works that way but there has been a real willingness on the part of the Central Government to help Sunshine Kaidi and its business. If China had wanted to see the company fail then it would have done so already. And billions of US dollars have been pumped into Sunshine Kaidi to keep it trading.

**Question 11:** The number of Kaidi plants have gone up over the last year. Does our 20% only go to a share in the original number or do we share in this increase in some way?

**Answer:** The original number of plants was 5 and then it went to 50 and now as a result of acquisitions it is around 200. We have a 20% holding in Zhongying and the overall situation is something that I hope to be updated about when next in China. Kaidi appears to be going through its own restructure and there is a lot more information we need to obtain in order to judge whether there is any prospect of realisable value in our investment in the future.

**Question 12:** Is there a realistic possibility of an increase in the value of our shares?

**Answer:** Subject to what I have just said, we think there could be value and potential upside in our investment. We have not added value in the asset in our Accounts because until we are certain, and get real evidence based information out of China, it is difficult to do that. That is another reason why we go there and meet the Chairman, and his interpreters, and we visit the factories.

**Question 13:** How much time do you key people spend on LAC business?

**Answer:** The majority of time is spent on LAC business. There is substantial travel and meetings in China and our Managing Director, Paul Bobroff, has spent a substantial amount of time in realising assets and closing out litigation that the company has been involved with- which through tracing assets required him to travel to Singapore, Malaysia and Indonesia, for instance. It is only over the last 9 to 12 months or so that we have been able to focus on other matters. The current work now is focussed on our 20% stake in Zhongying and seeking the Croatian recovery. The latter has complex jurisdictional issues regarding the appropriate law and takes a lot of our time to investigate but with US dollars 5 million potentially realisable we do have a duty to investigate that possibility.

**Question 14:** It is encouraging you have been invited back to China but less so not having Mr Chen's lawyer on the board anymore. Any news on that?

**Answer:** Li Jiawei came off the board and we are open to have another stakeholder representative on the board.

**Question 15:** Does the power plant technology work in Europe and is there proprietorial IP?

**Answer:** Yes there is IP. It is extraordinary technology. The generation of green electricity processes goes back some 80 years but what Kaidi has done is enable an increase in efficiency for the process from an industry level of around 23% to 24% conversion rate to somewhere nearer 28% to 29% conversion rate which is outstanding and I don't think has yet been replicated anywhere else in the world.

**Question 16:** is any name change on the cards?

**Answer:** If things go well then perhaps yes but if not then we will probably look to a privatisation of the company.

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