Press Release **23 June 2014**

Sorbic International Plc

("Sorbic" or the "Group" or the "Company")

Interim Results

Sorbic International plc, (AIM:SORB), a leading sorbates producer in China, today announces its unaudited Interim Results for the six months period ended 31 March 2014.

Summary

- Revenue for the period increased by 7% to £7.5 million (H1 2013: £7.0 million)
- Gross profit margin for the period rose to 11.9% (H1 2013: 10.7%)
- Operating profit for the period improved to £0.258 million (H1 2013: £0.103 million)
- EBITDA for the period of £0.554 million (H1 2013: £0.408 million)
- Net cash balance at the end of the period of £6.61 million (H1 2013: £6.60 million)
- Net assets of £9.95 million as at 31 March 2014 (H1 2013: £17.35 million)

John McLean, Chairman, commented: "These results show a significant improvement in both revenues and operating profits when compared to the same period in 2013. As food safety in China becomes ever more important, coupled with the advent of increased numbers of supermarkets, more consumers and a greater range of products, the Board expect the Company's products to become increasingly in demand."

- Ends -

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Notes to Editors:

Sorbic International's principal activity is the production and sale of the food preservatives Sorbic Acid and Potassium Sorbate from its base in Linyi City, Shandong Province, Peoples Republic of China. Approximately half of Sorbic International's production is sold to overseas markets and half into the Chinese domestic market.

Sorbic Acid is a naturally occurring organic compound that is used in all kinds of foods for its anti-decomposition and anti-fungus function and also in grains, medicines, cosmetics, toothpaste, tobacco, animal feed, latex, paper-manufacturing and pesticides. Potassium Sorbate is used to inhibit moulds and yeasts in many foods, such as cheese, wine, yogurt, dried meat, baked goods, cosmetics and pharmaceuticals.

Sorbic International operates through its wholly owned subsidiary Linyi Van Science and Technique Co., Ltd ("LVST").

Chairman's Statement

Operational overview

During the six months to 31 March 2014, revenues have increased by £500,000 representing a 7% uplift, whilst operating profits have increased to £256,000, which represents a significant improvement against the half year result for 2013.

This operating improvement has been driven by a number of factors which includes an improved margin performance of 11.9% (2013: 10.7%), due to a combination of improved selling prices and reduced cost of sales, together with a small reduction in administrative expenses.

Following the above performance, EBITDA improved to £554,000 (H1 2013: £408,000).

As food safety in China becomes more important, which together with the advent of more supermarkets, more consumers and a greater range of products, demand for the Company's products is expected to increase further. Accordingly the need to expand Sorbic's production capacity becomes even more critical.

Against this background, the discussions to expand production in Linyi have slowed and as a result the Board is taking steps to remedy matters by the appointment of at least two China experienced bilingual directors together with an internal rearrangement of responsibilities. As soon as these appointments have been made, shareholders will be updated.

Negotiations with Inner Mongolia in March 2014 over the Ulanquab compensation have resulted in an agreed framework for compensation, which will be expedited once the rearrangement of responsibilities (as mentioned above) has occurred.

As can be seen from the balance sheet, the Group has over £6.6 million in the bank and, as previously announced, these funds are needed both to repay the outstanding loan stock and meet ongoing plc costs. Since admission to AIM, the Legal Representative of LinYi Van Science and Technique Co Ltd ("LVST"), the main trading subsidiary of Sorbic, has been Mr. Wang Yan Ting, the Company's CEO. Mr. Wang remains reluctant to allow funds to be transferred to the UK and accordingly the Board has now decided to replace him in this capacity. The Company has today announced a placing to raise £250,000 million which is expected to provide sufficient funds for Sorbic International plc until the transfer of legal representative is complete. Surplus cash can then be transferred to the UK.

As can be seen in note 4 to these results, the Board believes that the representations made by the Company's CEO concerning a loan that he had purported to have made to the Company for the purchase of the land in Inner Mongolia is incorrect. Following a meeting with the Inner Mongolian authorities, it has become apparent that the land was purchased for a nominal amount. The land certificate recorded the gross amount of the transaction (£1.65 million), with a corresponding loan to fund the purchase. However the industrial zone policy was to provide land for a nominal amount, and therefore provided grants for the full amount to cover the purchase. As these costs, were impaired in the year ended 30 September 2013, the impact of this item on the net assets as set out in the consolidated balance sheet is not expected to decrease the net assets of the Group.

During the six month period, the exchange rate for the £ against the RMB has strengthened, and as a result the Group has had unrealised foreign exchange losses of £237,000 which compares to a gain of £328,000 for the previous six months. In addition, there have been adverse exchange differences arising from translating foreign operations, and in aggregate, these exchange fluctuations have, as at 31 March 2014, given rise to a foreign currency translation reserve of £1,916,000.

Outlook

As can be seen from the results and the positive food climate, the Company's products are in demand. However, there remains a number of internal structural issues which need to be addressed so that the Group can move forward. Steps are being taken to resolve these issues and shareholders will be updated with progress.

John McLean
Chairman
20 June 2014

Unaudited consolidated statement of financial position
As at 31 March 2014

	Notes	**Six months ended 31 March 2014**	Six months ended 31 March 2013	Year ended 30 September 2013
		Unaudited	Unaudited	Audited
		£	£	£
Revenue		**7,472,712**	7,049,273	14,619,913
Cost of sales		**(6,580,780)**	(6,295,243)	(12,726,137)
Gross profit		**891,932**	754,030	1,893,776
Distribution and selling expenses		**(88,653)**	(87,755)	(184,121)
Administrative expenses		**(545,748)**	(563,671)	(1,105,984)
Operating profit		**257,531**	102,604	603,671
Impairment loss	**4**	**-**	-	(6,684,701)
Other income		**16,404**	26,271	30,867
Finance costs		**(2,488)**	(33,377)	(74,471)
Unrealised foreign exchange (loss)/gain		**(237,124)**	328,314	(5,016)
Profit/(loss) before taxation		**34,323**	423,812	(6,129,650)
Income tax expense	**5**	**(109,512)**	(65,907)	(221,240)
Profit / (loss) for the period		**(75,189)**	357,905	(6,350,890)
Other comprehensive income				
- Exchange differences on translating foreign operations		**(431,134)**	827,106	288,423
Total comprehensive (loss)/ income, net of tax		**(506,323)**	1,185,011	(6,062,467)
(Loss)/profit attributable to equity holders of the parent		**(75,189)**	357,905	(6,350,890)
Total comprehensive (loss)/ income for the year attributable to equity holders of the parent		**(506,323)**	1,185,011	(6,062,467)
Earnings per share (pence):	**6**			
Basic		**(0.14)**	0.79	(13)
Diluted		**(0.14)**	0.65	(13)

Unaudited consolidated statement of financial position
As at 31 March 2014

	As at 31 March 2014	As at 31 March 2013	As at 30 September 2013
	Unaudited	Unaudited	Audited
	£	£	£
Assets			
Non-current assets			
Property, plant and equipment	5,569,982	11,580,072	6,001,071
Land use rights	2,097,746	4,076,060	2,243,331
	7,667,728	15,656,132	8,244,402
Current assets			
Inventories	520,810	459,138	1,083,429
Trade receivables	762,220	1,228,302	1,271,036
Prepayments, deposits and other receivables	199,831	278,494	259,040
Amount due from director	5,895,483	6,460,663	6,142,668
Cash and cash equivalents	6,607,177	6,597,116	5,311,311
	13,985,521	15,023,713	14,067,484
Total assets	21,653,249	30,679,845	22,311,886
Equity and liabilities			
Current liabilities			
Trade payables	136,390	110,962	96,226
Advanced payments	-	197,122	161,143
Accruals and other payables	378,838	303,390	225,336
Amount due to directors	8,324,430	8,929,998	8,588,833
Borrowings	-	1,256,400	-
Current tax liabilities	34,470	81,547	102,780
Convertible loan notes	2,833,290	-	2,685,414
	11,707,418	10,879,419	11,859,732
Non-current liability			
Convertible loan notes	-	2,450,983	-
Total liabilities	11,707,418	13,330,402	11,859,732
Capital and reserves			
Share capital	3,203,159	2,899,730	3,203,159
Share premium	22,120,265	22,073,505	22,120,265
Capital reserve	2,703,062	2,899,699	2,788,918
Surplus reserve	481,856	516,909	497,161
Retained earnings	806,833	7,560,817	882,022
Share based payment reserve	-	30,000	-
Reverse acquisition reserve	(20,911,925)	(20,911,925)	(20,911,925)
Foreign currency translation reserve	1,916,092	2,656,042	2,246,065
Hedging reserve	(451,353)	(451,353)	(451,353)
Convertible loan notes – Equity	77,842	76,019	77,842
Total equity	9,945,831	17,349,443	10,452,154
Total equity and liabilities	21,653,249	30,679,845	22,311,886

Unaudited condensed statement of cash flows
For the six month period ended 31 March 2014

	Six months ended 31 March 2014	Six months ended 31 March 2013	Year ended 30 September 2013
	Unaudited	Unaudited	Audited
	£	£	£
Cash flows from operating activities			
Profit/(loss) for the period	**34,323**	423,812	(6,129,650)
Adjustments for:			
Amortisation of prepaid land lease payments	**26,322**	26,646	54,109
Depreciation	**270,491**	278,765	564,294
Impairment loss			6,684,701
Interest income	**(16,404)**	(26,271)	(30,867)
Interest expense	**2,488**	33,378	74,471
Operating profit before working capital changes:	**317,220**	736,330	1,217,058
Changes in working capital			
(Increase)/decrease in inventories	**529,268**	(4,940)	(646,583)
(Increase)/decrease in trade and other receivables	**689,827**	(7,877)	174,505
Increase/(decrease) in trade and other payables	**58,113**	225,019	(19,525)
Cash generated from operating activities	**1,594,428**	948,532	725,455
Interest paid	**(2,488)**	(33,378)	(150,543)
Income tax paid	**(136,903)**	(65,907)	(74,471)
Net cash generated from operating activities	**1,455,037**	849,247	500,441
Cash flows from investing activities			
Interest received	**16,404**	26,271	30,881
Net cash generated from investing activities	**16,404**	26,271	30.881
Cash flows from financing activities			
Proceeds from issuance of new share	**-**	109,890	535,078
Loan from financial institution	**-**	1,256,400	1,208,400
Repayment of loan from financial institution	**-**	-	(1,208,400)
Proceeds from issuance of convertible loans notes	**-**	-	88,260
Net cash generated from financing activities	**-**	1,366,290	623,338
Net increase in cash and cash equivalents	**1,471,441**	2,241,808	1,154,660
Cash and cash equivalents at the beginning of the period	**5,311,311**	4,174,723	4,088,593
Exchange (loss)/ gain on cash and cash equivalents	**(175,575)**	180,585	68,058
Cash and cash equivalents at the end of the period	**6,607,177**	6,597,116	5,311,311

Unaudited condensed consolidated statement of changes in equity
For the six month period ended 31 March 2014

	Share capital	*Share premium*	*Capital reserve*	*Surplus reserve*	*Retained earning*	*Share based payment reserve*	*Foreign currency translation reserve*	*Reverse acquisition reserve*	*Hedging reserve*	*Convertible loan notes - equity*	*Total equity attributable to equity holders of the parent*
	£	£	£	£	£	£	£	£	£	£	£
Balance at 1 October 2012	2,703,273	22,085,073	2,725,219	485,805	7,202,912	30,000	2,034,520	(20,911,925)	(451,353)	76,019	15,979,543
Issue of ordinary share	196,457	32,743	-	-	-	-	-	-	-	-	229,200
Share issue costs	-	(44,311)	-	-	-	-	-	-	-	-	(44,311)
Profit for the period	-	-	-	-	357,905	-	-	-	-	-	357,905
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	174,480	31,104	-	-	621,522	-	-	-	827,106
Total comprehensive income for the period	-	-	174,480	31,104	357,905	-	621,522	-	-	-	1,185,011
Balance at 31 March 2013	2,899,730	22,073,505	2,899,699	516,909	7,560,817	30,000	2,656,042	(20,911,925)	(451,353)	76,019	17,349,443
Balance at 1 October 2013	3,203,159	22,120,265	2,788,918	497,161	882,022	-	2,246,065	(20,911,925)	(451,353)	77,842	10,452,154
Profit for the period	-	-	-	-	(75,189)	-	-	-	-	-	(75,189)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	(85,856)	(15,305)	-	-	(329,973)	-	-	-	(431,134)
Total comprehensive income for the period	-	-	(85,856)	(15,305)	(75,189)	-	(329,973)	-	-	-	(506,323)
Balance at 31 March 2014	3,203,159	22,120,265	2,703,062	481,856	806,833	-	1,916,092	(20,911,925)	(451,353)	77,842	9,945,831

Notes to the interim financial information

1. General information

The Company, Sorbic International plc, owns Honour Field International Limited ("HF") and its subsidiary ("Honour Field Group") which wholly owns LVST. The Group's principal activities comprise the production and sale of food preservatives, namely Sorbic Acid and Potassium Sorbate and the Group's main operations are in the People's Republic of China.

Sorbic International plc, a public limited company, is the Group's ultimate parent company. It is incorporated and domiciled in the United Kingdom. The address of Sorbic International's registered office is 17 Hanover Square, London, W1S 1HU. Sorbic International's shares are traded on the AIM market of the London Stock Exchange.

2. Basis of preparation

The financial information for the six months ended 31 March 2013 and 31 March 2014 set out in this interim financial information is unaudited and does not constitute statutory financial statements. The financial information for the year ended 30 September 2013 set out in this interim financial information does not comprise the Group's statutory financial statements as defined in Section 435 Companies Act 2006 but has been extracted from those financial statements.

The Board approved the interim financial information for the six months ended 31 March 2014 on 20June 2014.

Copies of this interim financial information will be available on the Company's website: www.sorbicinternational.com

The statutory financial statements for the year ended 30 September 2013, which have been filed at Companies House, were prepared under IFRS and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRS. The auditors reported on those financial statements; their Audit Report was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006. The Audit Report contained an emphasis of matter in respect of the Group's ability to continue as a going concern.

The accounting policies adopted by the Group are consistent with those of the previous financial year except in the current financial year; the Group has adopted all the new and revised standards and Interpretations of IFRS that are effective for annual periods beginning on or after 1 October 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

Key assumptions and sources of estimation uncertainty

The Group makes 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 discussed below:

Going concern

The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on finance being available for the continuing working capital requirements of the Group and finance for the development of the Group's projects becoming available.

The following key areas impact on the going concern basis:

i) The Company's requirement for either further equity fund raising or the transfer of funds from the Chinese operations in order to meet the Company's ongoing costs.
ii) The Company has convertible loan notes which mature on 31 August 2014. The repayment, conversion or renegotiation of the loan notes is dependent on the performance of the Group.

In approving the interim financial information the Board have recognised that the combination of these circumstances creates a level of uncertainty. However, having made enquiries and considered the uncertainties outlined above, the directors have a reasonable expectation that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future. Accordingly, the Board believes it is appropriate to adopt the going concern basis in the preparation of the interim financial information.

Impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Group will continue to review the carrying value of their property, plant and equipment and adjustments will be made in future periods should an impairment loss be identified. For the year ending 30 September 2013, the Group made a total impairment provision of £6.68 million, consisting of £1.65 million of its intangible assets as well as £5.03 million against property, plant and equipment of Inner Mongolia to reflect its fair value in accordance with IAS 36. Further detail is provided in note 4 to the financial information.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in accessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial condition of the Group's debtors were to deteriorate, resulting in an impairment of the ability to make payments, additional impairment loss of trade and other receivable may be required. The Group will continue to review the carrying value of their trade and other receivables and adjustments will be made in future periods should an impairment loss be identified.

Commercial and business environment in the PRC

The Group's main trading operations are based in the People's Republic of China ("PRC").

The Chinese system operates within a political framework of communist control. Although the Directors believe that political conditions in the PRC are generally stable, changes may occur in its political, fiscal and legal systems which might affect the ownership or operation of the Group's interests, including, inter alia, changes in exchange control regulations, changes in government and in legislative and regulatory regimes.

Activities, assets and entities based in the PRC within the group may be impacted by these evolving structures as well as other China related considerations, which could impact on the control of individual assets or the control of whole entities.

Whilst it is not possible to quantify the potential effect of such uncertainty on the Group's operations, it is noted that the Group is currently has been approached by the Linyi authorities to relocate the current facility in Linyi due to the area being rezoned by local authorities. As previously reported, the Group's plans to build in Inner Mongolia were changed following the Inner Mongolia Authority's requirement to rezone the Company's factory.

Overall, the Group recognises that doing business in the PRC entails certain ambiguities and risks. The lack of consistency and predictability in the outcome of dispute resolutions, the lack of certainty in the interpretation, implementation and enforcement of the PRC laws and regulations and political system, may affect the Group's business, profitability, financial position and prospect.

3. Segmental reporting

The Group has adopted IFRS 8, Operating Segments for the March 2014 interim reporting. IFRS 8 requires that segments represent the level at which financial information is reported to the Board of directors ("The Board") of the Group, being the chief operating decision maker as defined in IFRS 8. The Board consists of the Chairman, the Chief Executive Officer, the Chief Financial Officer and the independent director. The Board determines the operating segments based on reports reviewed and used by the Board for strategic decision-making and resource allocation.

Segment information is presented in respect of the Group's geographical and operating segments. The Group's operating segments are as follows:

(i) Sorbic acid
(ii) Potassium sorbate
(iii) Head office and other adjustments, which incorporates a measure of assets and liabilities not included in the other segments.

	Six months ended 31-Mar-14	Six months ended 31-Mar-13	Year ended 30-Sep-13
	£	£	£
PRC	**4,130,332**	3,152,824	6,862,773
United States	**2,973,877**	3,097,340	6,604,170
Netherlands	**52,776**	208,767	375,194
Other	**315,727**	590,342	777,776
Consolidated	**7,472,712**	7,049,273	14,619,913

Operating Segments – Six months ended 31 March 2014

	Sorbic Acid	**Potassium Sorbate**	**Head office and other adjustments**	**Consolidated**
	£	**£**	**£**	**£**
Revenue	3,781,426	3,691,286	-	7,472,712
Gross profit	204,215	687,717	-	891,932
Profit before taxation	-	-	34,323	34,323
Taxation	-	-	(109,512)	(109,512)
Net losses after tax	-	-	(75,189)	(75,189)
Segment assets	640,746	971,717	20,040,786	21,653,249
Segment liabilities	-	-	(11,707,418)	(11,707,418)
Finance income	-	-	16,404	16,404
Finance costs	-	-	(2,488)	(2,488)
Depreciation and amortisation	45,951	29,367	221,495	296,813
Capital expenditure	-	-	-	-

During the period to March 2014, approximately 39.0% (£2,918,314) of revenue was earned from one customer.

Operating Segments – Six months ended 31 March 2013

	Sorbic Acid	Potassium Sorbate	Head office and other adjustments	Consolidated
	£	£	£	£
Revenue	3,504,310	3,544,964	-	7,049,274
Gross profit	157,871	596,159	-	754,030
Profit before taxation	-	-	423,812	423,812
Taxation	-	-	(65,907)	(65,907)
Net profit after tax	-	-	357,905	357,905
Segment assets	687,358	1,042,406	28,950,081	30,679,845
Segment liabilities	-	-	(13,330,402)	(13,330,402)
Finance income	-	-	26,271	26,271
Finance costs	-	-	(33,377)	(33,377)
Depreciation and amortisation	25,474	39,860	240,069	305,403
Capital expenditure	-	-	-	-

During the period to March 2013, approximately 38.5% (£2,711,984) of revenue was earned from one customer.

Operating Segments – Year ended 30 September 2013

	Sorbic Acid	Potassium Sorbate	Head office and other adjustments	Consolidated
	£	£	£	£
Revenue	7,283,223	7,336,690	-	14,619,913
Gross profit	412,064	1,481,712	-	1,893,776
Loss before taxation	-	-	(6,129,650)	(6,129,650)
Taxation	-	-	(221,240)	(221,240)
Net loss after tax	-	-	(6,350,890)	(6,350,890)
Segment assets	299,957	232,652	21,779,277	22,311,886
Segment liabilities	-	-	11,859,732	11,859,732
Finance income	-	-	30,867	30,867
Finance costs	-	-	(74,471)	(74,471)
Depreciation and amortisation	322,760	295,643	-	618,403
Capital expenditure	-	-	-	-

During the year to September 2013, approximately 45% (£6,578,961) of revenue was earned from one customer.

4. Impairment loss

Following a meeting with the Inner Mongolia authorities, the Board now believes that the representations made by the Company's CEO in respect of a loan totalling £1.65 million that he had purported to have made to the Group for the purchase of land in Inner Mongolia is incorrect. This amount was capitalised as an intangible asset and then fully provided against in the year ended 30 September 2013. Accordingly, it has a carrying value of nil as at 31 March 2014.

During the year ended 30 September 2013, the Directors decided not to continue to pursue the commencement of rebuilding the existing facility in Inner Mongolia. The Group continues to seek compensation and negotiations are currently taking place on the understanding that the compensation agreement will be 'fair and reasonable' to both parties.

As the basis of negotiation with the Inner Mongolia authorities had changed, the Directors considered it appropriate to impair certain assets relating to the facility in Inner Mongolia. The net book value of the non-current assets in respect of Inner Mongolia prior to any impairment amounted to £9.14 million, of which £1.65 million was included within intangible assets, and the remaining £7.59 million was included within plant, property and equipment. The Directors made an impairment provision against all of the intangible assets (£1.65 million) as well as £5.03 million against property, plant and equipment. The total provision in this respect amounted to

£6.68 million. As part of the negotiations, the Group understands that any further liabilities relating to the Inner Mongolia facility will be met by the compensation arrangements.

The unprovided non-current assets relate to equipment purchased which the Directors expect to use in a new facility. The provision will be reassessed on an ongoing basis as well as when the quantum of the compensation agreement has been agreed.

5. Taxation

The taxation charge for the six months ended 31 March 2014 has been based on the estimated effective rate of 25% from October 2013 to March 2014.

6. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

(Loss) / profit attributable to equity holders of the Company: £75,188 (2013: £357,905)
Weighted average number of ordinary shares in issue: 53,039,600 (2013: 45,126,120)
(Loss) / earnings per share: 0.14 pence (2013: 0.79 pence)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares during the period.

(Loss) / profit attributable to equity holders of the company: £75,188 (2013: £357,905)
Weighted average number of ordinary shares in issue: 53,039,600 (2013: 55,103,043)
Diluted (loss) / earnings per share: (0.14) pence (2013: 0.65 pence)

The diluted loss per share for the period ended 31 March 2014 is the same as the basic loss per share as the effect of the loss for the period on earnings per share is anti-dilutive.

7. Amounts due from/to director

	As at 31 March 2014	As at 31 March 2013	As at 30 September 2013
		£	£
Wang Yan Ting:			
Amount due from	5,895,483	6,460,663	6,142,668
Amount due to directors	8,324,430	8,929,998	8,588,883

The director loans are denominated in Renminbi and are unsecured.

Mr. Wang Yan Ting is a director of the Company and the former owner of LVST. RMB50.8 million (£5.1 million) within the amount due from directors relates to transactions entered with the director to resolve a tax position that arose due to the acquisition of LVST. In order to resolve the position, a loan of RMB50.8 million (£5.1 million) was made by Wang Yan Ting ("WYT"), [repetitive]to LVST, and a contribution of the same amount was made by WYT to Honour Field International Limited ("HF"). ?] These amounts are repayable on demand. Since the legal agreements relating to the set off of the above transactions have not been executed at the date of statement of financial position, the amounts due to and due from WYT are included in other payables and other receivables respectively. Further loans have since been made to finance the Group's expansion plans in Inner Mongolia. Additionally, and as discussed in note 4 above, the Board is reassessing the representations made by the Company's CEO in respect of a loan of £1.65 million that he had purported to have made to the Group for the purchase of land in Inner Mongolia. The amount is included in the liability due to the directors above. Once finalised, and the position with respect to the £1.65 million is clarified, it is not expected to decrease the net assets of the Group.

The amount due to directors consists of the loan from the director in relation to the above tax position and additional loans from the director to fund the Group's expansion plans. All these loans repayable on demand, unsecured, interest free.

- Ends -