



**YAMADA GREEN RESOURCES LIMITED**  
山田绿色资源有限公司

# Cultivating limitless potential



Annual Report 2010

# A Blooming Year

2010 marked our successful listing on the Mainboard of the Singapore Stock Exchange Securities Trading Limited ("SGX-ST"). Our initial public offering ("IPO") received a strong response and was more than 5 times subscribed. This demonstrates investors' confidence in our business model and prospects and their wish to support beginning and we will our business and financial the aim of to our new

our growth. The IPO is just the strive to consistently enhance performance with delivering returns shareholders.



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# Corporate Profile



**"We operate one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC"**

**Yamada** is a major supplier of shiitake mushrooms, operating with one of the largest shiitake mushrooms cultivation bases of 2,614.4 mu in Fujian Province, People's Republic of China ("PRC"). We possess potential upstream resource sustainability with sawdust from our eucalyptus plantations of approximately 30,000 mu, which will be utilised to produce synthetic logs used in the cultivation of shiitake mushrooms. The sawdust from the eucalyptus trees are the raw material for the synthetic logs used in the cultivation of shiitake mushrooms.

Our products include self-cultivated shiitake mushrooms, which are mainly sold as fresh produce to wholesalers of agricultural food products in the PRC, as well as processed food products such as dried mushrooms, water-boiled/dried vegetables and konjac-based convenience food products, which are sold in major cities in the PRC under trademark brands like  , **研發坊** , **懶人廚房** . The Company also exports its processed food products overseas, mainly to Japan and the United States of America ("USA") under its customers' brand names.

# Our Products



## Self-cultivated shiitake mushrooms

Most of our self-cultivated shiitake mushrooms are harvested and sold as fresh produce, while the remaining undergo further processing before being sold as dried products. It is sold mainly to wholesalers of agricultural food products in the PRC, who in turn sell our products to restaurants, supermarkets and retailers. Cultivation period is from late September to April.



## Processed food products

Our processed food products are manufactured from various types of fresh vegetables and semi-processed food products purchased from our suppliers. We also produce convenience food products including konjac instant noodles, pre-cooked dishes and instant porridge. It is distributed and sold to PRC consumers mainly through supermarkets under our own brands, and to overseas markets such as Japan and the USA.

# Chairman's Statement



2010 has been a milestone year for Yamada as we became a publicly-listed company on the Main Board of the Singapore Exchange Securities Trading Limited. Our listing exercise received a strong response and was 5.3 times subscribed, raising approximately S\$13.5 million for the Group's future expansion. With this highly-successful listing, we are well-equipped to drive the Group forward into the next stage of growth.

## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Yamada Green Resources Limited's annual report for the financial year ended 31 December 2010 ("FY2010").

2010 has been a milestone year for Yamada as we became a publicly-listed company on the Main Board of the Singapore Exchange Securities Trading Limited. Our listing exercise received a strong response and was 5.3 times subscribed, raising approximately S\$13.5 million for the Group's future expansion. With this highly-successful listing, we are well-equipped to drive the Group forward into the next stage of growth.

### Starting out Strong

We started our journey on a positive note, registering a strong set of results in FY2010. Sales of our self-cultivated shiitake mushrooms grew significantly, enabling revenue to increase by 32.9%; reaching RMB314.0 million, while net profit rose 26.5%; increasing from RMB81.7 million in the same period last year ("FY2009") to RMB103.3 million in FY2010.

### Manufacturing excellence, quality products

At Yamada, we uphold quality excellence in our products and manufacturing processes. Our self-cultivated shiitake mushrooms for instance, are cultivated in prime locations that provide an optimal, pollution-free environment. These cultivation bases facilitate irrigation to supply a steady, sufficient flow of pollution-free water. Synthetic logs used in the cultivation process also require stringent checks to yield high-quality shiitake mushrooms.

We also place strong emphasis on the quality of raw materials used in the manufacturing processes. Through strict selection processes, suppliers are selected in accordance with our internal quality assessment system, which takes into consideration factors such as consistency in quality, pricing, reliability, reputation, track record and their ability to meet required delivery schedules.

As a testament of our quality standards, we have attained several certificates and standards, which include the Organic JAS awarded by the BCS Oko-Garantie GmbH and we are also certified as being in compliance with the requirements of the HACCP, ISO9001:2000 and ISO22000:2005, as conferred by the China Quality Certification Centre.

### Expanding product range

To build on our high quality standards, we constantly seek and pursue new business opportunities to explore new growth avenues and develop the business further. One such growth avenue is the introduction of new products to existing and new customers by leveraging on our cultivation knowledge, expertise and experience. In February 2011, we announced that we have commenced feasibility study of small scale cultivation of black fungus (黑木耳) with the lease from Zhenban Village Committee, Xinqiao Town, Zhangping City, Fujian Province, PRC, of existing cultivation plots with an annual production capacity of approximately 2,800 tonnes of fresh black fungus.

# 主席致辞



2010年是山田绿色具有里程碑式意义的一年。在2010年10月8日，公司在新加坡证券交易所主板正式挂牌上市。对我们的上市，市场反应热烈，股票发行认购率达到了5.3倍，为集团募集了约1350万新元的资金。在成功上市的基础上，我们为集团下一阶段的发展和未来扩张，做好了充分的准备。

## 尊敬的各位股东：

在此，我谨代表山田绿色资源有限公司董事会，向各位呈报公司截止2010年12月31日的年报。

2010年是山田绿色具有里程碑式意义的一年。在2010年10月8日，公司在新加坡证券交易所主板正式挂牌上市。对我们的上市，市场反应热烈，股票发行认购率到了5.3倍，为集团募集了约1350万新元的资金。在成功上市的基础上，我们为集团下一阶段的发展和未来扩张，做好了充分的准备。

## 强势起航

我们的起航，十分顺利。在2010年度，我们交出了一份漂亮的答卷。我们的自产香菇销售增长迅猛，销售收入增长了32.9%，达3.14亿元人民币。与此同时，公司净利从2009年度的8170万元人民币增长到了2010年的1.03亿元人民币，增长了26.5%。

## 生产精益求精，产品优质

在山田绿色，无论是最终产品还是生产过程，我们都秉承质量至上的原则。以自产香菇为例，我们选择在原生态无污染的地方种植香菇。这些种植基地，拥有充足稳定且无污染的天然流水灌溉的优势。对种植过程中使用的菌棒，我们实施严格的检查，以保证能产出质量优异的香菇。

我们也非常注重生产过程中所使用的原材料的质量。我们有一套严格的内部质量评估体系，对供应商实施筛选。对于供应商，我们会对他们的产品供应质量、价格、可信赖度、声誉、以往交易情况及是否能按期交货等因素，进行综合评估。

作为我们质量水平的见证，我们获得了包括由德国BCS认证中心授予的JAS有机产品认证，以及由中国质量认证中心颁发的HACCP，ISO9001:2000和ISO22000:2005认证证书。

## 扩展产品种类

在高质量标准的基础上，我们一直在寻找新的商机，从而发现新的收入增长点，推动业务发展。我们利用自身在种植领域的知识、经验和专长，向客户推出新产品。2011年2月份，我们开始小规模种植黑木耳，以此来进行可行性研究。我们位于福建省漳平市新桥镇珍坂村的黑木耳种植地，年产能约2800吨。

# Chairman's Statement

We are optimistic about our business environment for the near future. The Department of Agriculture Fujian Province forecasts that demand for fresh shiitake mushrooms in the PRC from 2010 to 2012 to be approximately 1.38 million tonnes, 1.59 million tonnes and 1.82 million tonnes respectively.



## **Expanding upstream eucalyptus plantations**

Aside from expanding our product range, strategies are also in place to expand our upstream eucalyptus cultivation bases. Currently, our eucalyptus plantations cover an aggregate area of approximately 30,000 mu, and we are looking to expand it further in 2011, through further acquisitions of non-mature eucalyptus plantations. As such, we will be able to achieve upstream resource sustainability by producing our own eucalyptus sawdust in the production of synthetic logs for the cultivation of our shiitake mushrooms. Alongside the environmentally-friendly wave is the growing trend of healthier food choices amongst an increasingly health-conscious population. Both our shiitake mushrooms and konjac-based processed food products are therefore expected to expand and continue riding on the high demand. To serve the growing demand, we have acquired an additional production line and relevant auxiliary facilities and equipment for the processing of konjac instant noodles in the fourth quarter of FY2010, thereby increasing our annual processing capacity by approximately 60% to 20 million cups per annum.

## **A buoyant landscape**

We are optimistic about our business environment for the near future. According to a report by the Department of Agriculture Fujian Province ("DAFP"), the total volume of fresh shiitake mushrooms sold in the PRC increased from approximately 800,080 tonnes in 2007 to approximately 1.15 million tonnes in 2009. DAFP forecasts that the demand for fresh shiitake mushrooms in the PRC from 2010 to 2012 to be approximately 1.38 million tonnes, 1.59 million tonnes and 1.82 million tonnes respectively.

People in the PRC are also getting more health-conscious and are thus placing stronger emphasis on healthier food choices. Furthermore, their growing affluence gives them the financial capacity to implement these changes in their choice of food. Meanwhile, PRC's increasingly hectic lifestyles are also heightening the need for convenience food products. With these factors contributing to greater demand, we are poised to seize the opportunities and drive greater growth.

Looking ahead, we plan to boost production capacity and expand our cultivation bases to serve the growing demand. To enhance our reach, we also plan to establish our own distribution and marketing networks as well as a new logistics centre to reach out to customers beyond Fujian province, PRC. With these plans in the pipeline, Yamada looks set to build on the success we have achieved thus far.

## **Proposed Dividends**

In view of the positive results and to reward our shareholders for their support, the Board of Directors has proposed a final dividend of RMB0.043 per ordinary share, subject to approval by shareholders at the forthcoming Annual General Meeting.

## **In appreciation**

On behalf of the Board, I would like to thank our shareholders, management, staff, business associates and clients for their steadfast support and dedication to the Company. As we embark on our next stage of growth, your commitment and confidence in Yamada will continue to propel our success in the years to come.

**Chen Qihai**

Executive Chairman & Chief Executive Officer

# 主席致辞



## 增加上游资源

除了扩展我们的产品种类，我们还实施继续增加上游资源桉树林种植基地的战略。目前，我们的桉树林总面积约为30000亩。在2011年度，我们将通过购买未成材桉树林的方式，扩大桉树林基地。我们将利用自产的桉树屑来生产香菇种植所需的菌棒，这样就保持了香菇种植原材料的稳定。伴随着环保浪潮，以及越来越多具有健康意识的人选择健康食品的发展势头，我们的香菇和魔芋加工食品，都有望继续迎合人们高涨的需求。随着需求的增长，我们在2010年第四季度，购入了另一条魔芋生产线和相关辅助设备，从而使我们的年加工产能增加了约60%，达到年产能约2千万杯。

## 广阔前景

对于将来的经营大环境，我们充满信心。根据福建省农业厅的报告，中国境内的鲜香菇销售量，从2007年度的约80万吨增加到了2009年度的约115万吨。福建省农业厅预测，中国市场的鲜香菇需求将稳步增长，在2010年至2012年将分别达到约138万吨，159万吨和182万吨的水平。

中国人的健康意识日益增强，因而更加注重选择健康食品。收入增长使他们更加具备了这样的经济条件，来选择自己想要的食品。与此同时，中国日益高节奏的生活方式，也增加了人们对方便食品的需求。这些因素推动了需求增长，我们准备抓住良好的机遇，获得更大的发展。

未来，我们计划通过提升产能、扩大种植基地，来满足不断增长的需求。为了更加深入地与市场接触，我们还计划建立自己的供销网络和物流中心，以使我们的产品能推向福建之外的客户。在以往所取得的成就的基础上，山田正坚定地实施这些计划。

## 股息分配

在良好业绩的基础上，为了回报我们的股东，董事会已经提出了每股0.043元人民币的股息分配议案，将在年度股东大会上，寻求股东批准。

## 致谢

我谨代表公司董事会，再次感谢我们的股东、公司管理人员、员工、生意伙伴和我们的客户。感谢他们对公司的坚定支持和所作出的贡献。在公司向下一阶段发展目标进发之际，你们对山田绿色的奉献和信心，将继续推动着我们在今后取得更大的成就。

## 陈秋海

执行主席兼首席执行官

对于将来的经营大环境，我们充满信心。福建省农业厅预测，中国市场的鲜香菇需求将稳步增长，在2010年至2012年将分别达到约138万吨，159万吨和182万吨的水平。



# Financial Highlights

## Revenue, Gross Profit and Profit After Income Tax

RMB'mil



(RMB'mil)	FY2008	FY2009	FY2010
Revenue	135.4	236.2	314.0
Gross Profit	51.7	94.6	131.2
Gross Profit Margin (%)	38.2	40.0	41.8
Profit After Income Tax	37.1	81.7	103.3
Profit After Income Tax Margin (%)	27.4	34.6	32.9

## Revenue Breakdown by Segment



## Revenue Breakdown by Geographical Location



Our first year of public listing saw us produce a strong set of financial results. With plans for expansion in the pipeline, Yamada is set to build on this momentum and enable our growth to mushroom further.

Profit after  
Income Tax  
**↑ 26.5%**  
to RMB103.3 million

Gross Profit  
**↑ 38.7%**  
to RMB131.2 million

Revenue  
**↑ 32.9%**  
to RMB314.0 million

**Strength in Numbers**

# Operations Review



Revenue for the year increased by approximately RMB77.8 million or 32.9%, from approximately RMB236.2 million in FY2009 to approximately RMB314.0 million in FY2010.

## Business overview

Yamada is a major supplier of shiitake mushrooms, operating with one of the largest shiitake mushrooms cultivation bases of approximately 2,614.4 mu in Fujian Province, PRC. We possess potential upstream resource sustainability with sawdust from our eucalyptus plantations of approximately 30,000 mu, which will be utilised to produce synthetic logs used in the cultivation of shiitake mushrooms. The sawdust from the eucalyptus trees are the raw material for the synthetic logs used in the cultivation of shiitake mushrooms. Our products include self-cultivated shiitake mushrooms, which are mainly sold as fresh produce to wholesalers of agricultural food products in the PRC, as well as processed food products such as dried mushrooms, water-boiled/dried vegetables and konjac-based convenience food products, which are sold in major cities in the PRC under trademark brands like  ,  ,  . The Company also exports its processed food products overseas, mainly to Japan and the USA under its customers' brand names.

## Highlights of the year

Revenue for the year increased by approximately RMB77.8 million or 32.9%, from approximately RMB236.2 million in FY2009 to approximately RMB314.0 million in FY2010. This was mainly attributed to a 37.3% increase in the sales of our self-cultivated shiitake mushrooms; as a result of significantly larger cultivation bases and higher average unit selling price compared to the previous year.

Sales revenue from processed food products were also in line with the overall growth, increasing by approximately RMB30.9 million or 27.9%, from RMB110.8 million in FY2009 to RMB141.7 million in FY2010. This was mainly due to the improved sentiments of Yamada's Japanese customers towards food products from the PRC, thereby increasing export sales of dried shiitake mushrooms, water-boiled bamboo shoot products and other dried/water-boiled vegetable products. Domestic sales of konjac instant noodles (a convenience food product) and other processed

food items also improved, in tandem with rising food consumption in the PRC.

Alongside strong revenue growth, gross profit improved 38.7% to RMB131.2 million from RMB94.6 million in the previous corresponding period. Gross profit margin also improved from 40.0% in FY2009 to 41.8% in FY2010. This was largely due to the increased revenue contribution from self-cultivated shiitake mushrooms, which generally commands a higher gross profit margin compared to processed food products.

In FY2010, we reported a net profit after income tax of RMB103.3 million, rising 26.5% from RMB81.7 million. This double-digit growth in the bottom line was achieved on the back of a 32.9% increase in Group revenue, which crossed the RMB300-million mark to reach RMB314.0 million.

## Segmental Review

### Self-cultivated shiitake mushrooms

In FY2010, we recorded sales of RMB172.3 million for our self-cultivated shiitake mushrooms, reflecting an increase of 37.3% or RMB46.8 million. This was mainly due to the larger aggregate of cultivation bases, which increased from approximately 1660 mu at the end of 2008 to approximately 2614 mu at the end of 2010. It was also attributable to the higher average unit selling price of fresh produce of our self-cultivated shiitake mushrooms, which rose by approximately RMB0.80 per kg or 13.8%, from RMB5.8 per kg in FY2009 to RMB6.6 per kg in FY2010, as a result of an increase in the prices of agricultural goods. Self-cultivated mushrooms contributed 54.9% of the total revenue.

### Processed food products

Sales of processed food products increased by approximately RMB30.9 million or 27.9%, from RMB110.8 million in FY2009 to RMB141.7 million in FY2010. This was largely due to the improved sentiments our Japanese customers have towards PRC products, which in turn increased export sales of dried shiitake mushrooms by approximately RMB13.3 million,

and increased export sales of water-boiled bamboo shoots products and other dried/water-boiled vegetable products of approximately RMB9.7 million.

The increased sales of konjac-based instant noodles also contributed significantly by approximately RMB5.6 million. This was attributable to its rising demand in the PRC, as well as the expansion of its production line in end FY2010.

The growth in sales of dried shiitake mushrooms amounted to approximately RMB2.3 million was mainly due to the increase in average unit selling price in FY2010.

#### **Use of IPO proceeds**

The successful listing of Yamada on the SGX-ST raised net IPO proceeds of approximately S\$13.5 million (approximately RMB68.4 million). The IPO proceeds will be utilised for the expansion of cultivation bases for shiitake mushrooms and eucalyptus plantations, the establishment of our distribution and marketing network, the strengthening of the processing capabilities of our konjac-based processed food products and working capital purposes.

In November 2010 and December 2010, a wholly-owned subsidiary, Zhangping Fengwang Agricultural Products Co., Ltd ("Fengwang") entered into agreements with various Villagers' Committee of Zhangping City and individual farmers to purchase non-matured eucalyptus plantations and its corresponding forestry land use rights. The non-matured eucalyptus plantations cover a total land area of 10,222 mu and have between 30 and 44 years remaining on its tenure. They are expected to be matured for harvesting from 2013. The total investment, including corresponding forestry land use rights, amounted to approximately RMB52.4 million, and has been partially funded by the net proceeds from the IPO listing.

#### **Cash Flows and Financial Position**

As at 31 December 2010, the Group maintained a strong working capital position. Net cash generated from operating activities amounted to approximately RMB111.8 million. We generated net cash of approximately RMB167.6 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately RMB45.2 million. This was mainly due to the purchase of synthetic logs of approximately RMB84.1 million and an increase in inventories of approximately RMB6.7 million. The cash outflow was partially offset by cash inflow from a decrease in trade and other receivables of approximately RMB32.8 million and increase in trade and other payables of approximately RMB12.7 million. Our operating cash flow from operations was reduced by income taxes payment of approximately RMB9.7 million as well as loss arising from exchange difference of approximately RMB0.9 million.

We used net cash of approximately RMB130.1 million in investing activities, mainly for the purchase of biological assets, namely the eucalyptus trees in the plantation forest, of approximately RMB86.8 million, purchase of land use rights of approximately RMB39.7 million as a result of acquisition of additional 12 plots of eucalyptus plantations, additional prepayment made to Villagers' Committees for maintenance cost of eucalyptus trees in our plantation forest and rental of additional shiitake mushroom cultivation bases of approximately RMB4.9 million, and purchase of property, plant and equipment of approximately RMB4.0 million. The cash outflow was partially offset by cash inflow of approximately RMB4.5 million mainly from the compensation received by Wangcheng for expropriated land located at Houyu Village, Jingxi Town, Fuzhou City, Fujian Province, PRC, measuring approximately 20.75 mu and proceeds from disposal of property, plant and equipment of approximately RMB0.8 million.

In addition, we have raised approximately RMB93.1 million from financing activities by the conversion of redeemable convertible shares and issuing new shares pursuant to the IPO in FY2010. Our cash flow from financing activities was reduced by loss arising from exchange difference of approximately RMB0.3 million.

As at 31 December 2010, our non-current assets increased by approximately RMB146.5 million or 268.8%, from RMB54.5 million to RMB201.0 million, while our current assets increased by RMB69.1 million or 60.5%, from RMB114.2 million to RMB183.3 million. Our non-current liability made up of deferred tax liability represented withholding tax that would be payable on certain undistributed earnings of our PRC subsidiaries. Deferred tax liability stood at RMB4.9 million and RMB8.4 million as at 31 December 2009 and 31 December 2010 respectively.

Our current liabilities increased by approximately RMB14.4 million or 100.0%, from approximately RMB14.4 million as at 31 December 2009 to approximately RMB28.8 million as at 31 December 2010. The increase was mainly attributable to the increase in trade payables of approximately RMB1.8 million and increase in other payables which comprise social insurance, value added tax, acquisition of land use rights and eucalyptus trees in plantation forest.

Our capital and reserves increased by approximately RMB197.8 million or 132.5% from RMB149.3 million as at 31 December 2009 to RMB347.1 million as at 31 December 2010 mainly due to the retention of net profit in FY2010 and the issuance of new shares.

# Standing Strong

- Expand our shiitake mushroom cultivation bases by leasing additional plots of agricultural land
  
- Expand our eucalyptus plantations through acquiring additional non-mature eucalyptus plantations and the corresponding forestry land use rights





Establish our own distribution and marketing network as well as logistics centre to reach out to customers of our self-cultivated shiitake mushrooms in other parts of PRC beyond Fujian Province



Expand our product range through introduction of new products such as black fungus to existing and new customers by leveraging on our cultivation knowledge, expertise and experience



# Board of Directors



## **Chen Qiucai, Executive Chairman and Chief Executive Officer**

Mr Chen Qiucai is our Executive Chairman and Chief Executive Officer ("CEO"), and the founder of our Group. He was appointed as a director of our Company on 8 February 2010. He is also the director of Fuzhou Wangcheng Foods Development Co., Ltd ("Wangcheng") and Nanping Yuanwang Foods Co., Ltd ("Yuanwang"). He is responsible for overseeing the overall management, operations and business strategy of our Group. Prior to the setting up of Wangcheng, he was a manager at Fujian Tourism Company Ltd from 1988 to 1998, and was responsible for the company's sales and liaisons. He was the chief representative of a Japanese company named Yamashiro-Nosan Co., Ltd. from 1994 to 1998 on a part-time basis, where he was responsible for negotiation, procurement, inspection and coordination with exporters of food products (mainly mushrooms and bamboo shoots) from PRC (Fujian and Shandong Provinces) to Japan.

Since the setting up of Wangcheng, he has received recognition for his contributions to Wangcheng, and was awarded the prestigious Outstanding Young Entrepreneur Award by the Communist Youth League Committee of Fujian Province in 2009. In 2010, he was appointed the Vice President of Fujian Province Green Food Association by the Fujian Association for Science and Technology and Fujian Province Green Food Association. In the same year, he was also made the Vice Chairman of the Fujian Province Edible Fungi Association. Chen Qiucai graduated from Chinese People's Public Security University with a degree in Japanese language in 1988.



## **Chen Qisheng, Executive Director**

Chen Qisheng is our Executive Director and was appointed on 17 September 2010. He is also the director of Wangcheng and Yuanwang, Group Head of Production and Sales and head of sales department of Wangcheng. Chen Qisheng has over 10 years of experience in the agricultural and forestry related industries. He first joined Wangcheng in 2001 as an assistant manager, overseeing the procurement of raw materials, sales and production processes. From 2003 to 2006, he was the assistant general manager where he oversaw the warehouse and logistics. From 2006 to 2008, he oversaw the procurement of raw materials for Wangcheng. He was made the deputy general manager and head of production of Wangcheng in 2008. Prior to joining Wangcheng, he was a production assistant in Longyan Natural Tea Leaves Co., Ltd in 2001. From 1999 to 2000, he was a forestry officer at the Xinluo District Baisha Forest Station, responsible for the approval and inspection of afforestation. He graduated from Fujian Forestry School (Fujian Agricultural University), PRC in 1999 with a degree in forestry management.

### **Chang Feng-chang, Non-Executive Director**

Chang Feng-chang is our Non-Executive Director and was appointed on 17 September 2010. From 2009 to 2010, he was a senior partner at Grant Thornton Zhonghua CPAs, where he oversaw the international client service, in particular assisting and advising Chinese clients on their global expansion. From 2000 to 2009, he was a partner at BDO Shanghai Zhonghua CPAs. He is also a Supervisory Board Member of Zhongde Waste Technology AG. Chang Feng-chang has been a member of the Institute of Certified Public Accountants of Taiwan since 2000, and a Certified Tax Agent since 2001. He graduated from The University of Missouri in 1994 with a Master of Science in Accounting.



### **Soh Beng Keng, Lead Independent Director**

Soh Beng Keng is our Lead Independent Director and was appointed on 17 September 2010. In 1996, he became the director of finance of Heeton Management Pte. Ltd., and subsequently upon listing, he became the executive director of Heeton Holdings Limited. In 2005, he joined Kim Heng Marine & Oilfield Pte. Ltd., a Singapore company involved in marine and oil related industries, and served as their financial controller. In 2006, he joined Miclyn Offshore Pte. Ltd., a Singapore company involved in the business of owning and chartering of ships, and served as their financial controller. Soh Beng Keng was the chief financial officer ("CFO") of China Fashion Holdings Limited, a public listed company in Singapore from March 2007 to April 2009. Soh Beng Keng is the Lead Independent Director of Ziwo Holdings Ltd. and Sino Grandness Food Industry Group Limited. He is also the Independent Director of ISDN Holdings Limited and China Haida Ltd.. He is a full member of the Singapore Institute of Directors and a Fellow Member of the Institute of Certified Public Accountants of Singapore. He obtained his Bachelor of Commerce (Accountancy) from Nanyang University in 1979.



### **Sim Yong Chan, Independent Director**

Sim Yong Chan is our Independent Director and was appointed on 17 September 2010. He has 30 years of experience as a lawyer in private practice. He is currently a partner in Arthur Loke & Sim LLP. From 1990 to 2009, he was a sole proprietor in his own law firm, Sim Yong Chan & Co. Sim Yong Chan has been the Independent Director of Sinopipe Holdings Limited since the company's listing on the SGX-ST in 2005 where he is the chairman of the nominating committee and a member of the audit committee and remuneration committee. He is a fellow of the Singapore Institute of Arbitrators and a member of the Singapore Institute of Directors. He obtained his Bachelor of Laws (LL.B) from the University of Singapore in 1972, and his Master of Laws (LL.M) from the National University of Singapore in 1991.



# Key Management

**Yang Lin** was appointed as our CFO on 1 January 2010 and is overall in charge of the financial matters of our Group, overseeing our Group's financial reporting and compliance with post-listing obligations. Prior to joining our Company, from September 2008 to May 2009, she was the CFO for Multi Sports Holdings Ltd., a major sports shoe sole manufacturer based in PRC and currently listed on the Main Board of Bursa Malaysia. Her responsibilities then included overseeing the company's project financial matters for their attempt to submit an application for listing on SGX-ST, and she was instrumental in the setting up of appropriate internal controls and credit control procedures for the company. From 2006 to 2008, she was the finance manager of Sin Ghee Huat Corporation Ltd, a company engaged in the trading of stainless steel products and listed on SGX-ST. She was responsible for the company's operations of finance and related matters, including the preparation of all financial information for the listing of the company on SGX-ST. In 2005, she was the group accountant at MAP Technology Holding Limited. From 2004 to 2005, she was an accountant at Sinoying Singapore Pte Ltd, and from 2001 to 2004, she was an auditor at Paul Wan & Co. She was admitted as a Fellow of the Association of Chartered Certified Accountants in 2009, having been admitted as a Member of the Association in 2004. She is also a member of the Institute of Certified Public Accountants of Singapore since 2004. Yang Lin graduated from University of Shanghai for Science & Technology with a Bachelor of Engineering in 1991 and from Nanyang Technological University with a Master of Science (Finance) in 2010.

**Chen Qiufa** is our Head of Shiitake Mushroom Cultivation Bases. He is a brother of our Executive Chairman and CEO, Chen Qiucai. He was appointed as the general manager of Fengwang since 2008, and is responsible for the overall management of our shiitake mushroom cultivation bases. He also directly heads the cultivation, administration and finance departments at Fengwang. Prior to joining Fengwang, he assisted in the feasibility study for the cultivation of shiitake mushrooms conducted by our Executive Chairman and CEO, Chen Qiucai, from 2007 to 2008. He was a sole proprietor as a trader of shiitake mushrooms and bamboo shoots based in Beijing, PRC, from 2003 to 2008. From 1998 to 2003, he was the deputy manager of Wangcheng, and was responsible for procurement of raw materials. He completed his high school education in Caoxi Middle School in 1982.

**Liu Liping** is our Head of Administration and Procurement departments and is responsible for human resource, administrative matters and procurement of raw materials for our Company. He first joined Wangcheng in 1998, overseeing the logistical operations for transport and warehousing of both raw and finished products. Prior to joining Wangcheng, he was a supervisor at Fujian Lionscore Sport Products Co., Ltd. from 1993 to 1998. From 1990 to 1993, he was a research and development assistant in Fuzhou Pharmaceutical Factory. He graduated from East China Institute of Chemical Technology with a degree in pharmaceutical studies in 1990. He was admitted as an assistant engineer by Fuzhou Personnel Bureau in 1992.

**Huang Ting** is our Deputy Head of Shiitake Mushroom Cultivation Bases. He was appointed as the deputy general manager of Fengwang since 2008, and assists Chen Qiufa in the overall management of our shiitake mushroom cultivation bases. He also directly heads the sales department and supervises the head of the technical department at Fengwang. He first joined Wangcheng in 1999, as a supervisor in the production department. From 2005 to 2008, he was appointed as the general manager of Yuanwang, where he oversaw the overall management of Yuanwang. He completed his high school education in Longyan No.3 Middle School in 1987.

**Fang Shuzhen** is our Head of Research and Development. She oversees the Research and Development department, and is responsible for research on new products for Wangcheng. She also liaises with our overseas customers for feedback on our existing products and for possible new products. She joined Wangcheng in 2001 as a supervisor of the Research and Development department. Prior to joining Wangcheng, she was a researcher with Fujian Sunner Industrial Co., Ltd. She graduated from Fujian Agricultural University, PRC with a degree in veterinary science in 2000.

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# Corporate Governance Report

Yamada Green Resources Limited (the "Company") was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 8 October 2010.

The Company and its subsidiaries (the "Group") are committed to ensuring and maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment, which helps to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference made to the principles and guidelines of the Singapore Code of Corporate Governance 2005 (the "Code").

## BOARD MATTERS

### Board's Conduct of its Affairs

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Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

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The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It supervises the Management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

- a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;
- b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;
- c. approve the release of the Group's quarterly and full year's financial results and interested person transactions;
- d. oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls, as may be recommended by the Audit Committee ("AC");
- e. review the performance of Management, approve the nominations to the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee ("NC");
- f. review and endorse the framework of remuneration for the Board and key executives, as may be recommended by the Remuneration Committee ("RC"); and
- g. review and endorse corporate policies in keeping with good corporate governance and business practice.

The Board provides shareholders with a balanced and clear assessment of the Group's performance, position and prospects on a quarterly basis.

# Corporate Governance Report

## Board committees

Our Directors recognise the importance of good corporate governance and in offering high standards of accountability to our shareholders. In order to provide an independent oversight and to discharge its responsibilities more efficiently, the Board has delegated certain functions to various Committees. The Board committees consist of the AC, NC and RC, each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. The Chairman of the respective Committee will report to the Board on the outcome of the Committee meetings and their recommendations on the specific agendas mandated to the Committee by the Board.

Matters which are specifically reserved to the Board for decision are those involving corporate plans and budgets, material acquisitions and disposals of assets, share issuances, dividends and other returns to shareholders.

The Board conducts at least four meetings on a quarterly basis to review the Company's financial results and where necessary, additional Board meetings are held to address significant issues or transactions. Since the public listing of the Company on the SGX-ST in October 2010, the Board held two meetings. Dates of the Board meetings are normally set by the Directors well in advance. The Company's Articles of Association allow a Board meeting to be conducted by way of a telephone and or by means of similar communication equipment whereby all Directors participating in the meeting are able to hear each other. Decisions of the Board and Board Committees may also be obtained through circular resolutions.

Following the Company's listing on 8 October 2010, the number of meetings held by the Board and Board committees and attendance thereat as at the date of this report are as follows:

Name of Director	Board		AC		RC		NC	
	Number of Meeting		Number of Meeting		Number of Meeting		Number of Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chen Qiupei <sup>(1)</sup>	2	2	2	2*	2	2*	2	2*
Chen Qisheng <sup>(2)</sup>	2	2	2	2*	2	2*	2	2*
Chang Feng-chang <sup>(2)</sup>	2	2	2	2	2	2	2	2
Soh Beng Keng <sup>(2)</sup>	2	2	2	2	2	2	2	2
Sim Yong Chan <sup>(2)</sup>	2	2	2	2	2	2	2	2

\* By invitation

(1) Appointed on 8 February 2010

(2) Appointed on 17 September 2010

Notwithstanding the above disclosures, the Board is of the view that the contribution of each Director should not be focused only on his/her attendance at meetings of the Board and/or Board Committees. A Director's contribution may also extend beyond the confines of the formal environment of such meetings, through the sharing of views, advices, experiences and strategic networking relationships which would further the interests of the Company.

The Board has received relevant training to familiarise themselves with the roles and responsibilities of a Director of a public listed company in Singapore. In addition, the Directors may also attend other appropriate or relevant courses, conferences and seminars. Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses and operations of the Group, including site visits to the Group's plants in China.

# Corporate Governance Report

All Directors are provided with relevant information on the Company's policies, procedures and practices relating to governance issues, including disclosures of interest in securities, dealings in Company's securities, restrictions on disclosures of price sensitive information and disclosure of interests relating to the Group's businesses. Directors are also updated regularly on key regulatory and accounting changes at Board Meetings. Directors and senior executives are encouraged to undergo relevant training to enhance their skills and knowledge, especially on new laws and regulations affecting the Group's operations.

## Board Composition and Balance

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Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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The Board comprises two Executive Directors, one Non-Executive Director and two Independent Directors. The list of Directors is as follows:

### Executive Director

Chen Qiucai	Executive Chairman and Chief Executive Officer ("CEO")
Chen Qisheng	Executive Director

### Non-Executive Director

Chang Feng-chang	Non-Executive Director
Soh Beng Keng	Lead Independent Director
Sim Yong Chan	Independent Director

The profiles of the Directors are set out on pages 14 and 15 of this Annual Report.

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision making. The Board has examined its size and is of the view that the current Board size of five Directors of which two are Independent Directors and one is Non-Executive Director, is appropriate and effective, taking into account the nature and scope of the Group's operations.

The current Board comprises persons with diverse expertise and experience in accounting, business and management, finance, legal and risk management, who as a group provide core competencies necessary to meet the Company's requirements. This balance is important in ensuring that the strategies proposed by the Management are fully discussed and examined, taking into account the long-term interests of the Company.

The independence of each director will be reviewed on an annual basis by the NC in accordance with the Code's definition of what constitutes an Independent Director. The NC is of the view that the two Independent Directors (who represent at least one-third of the Board) are independent and that there is a strong and independent element on the Board which is able to exercise objective judgement on corporate matters independently, in particular, from Management, and that no individual or small group of individuals dominate the Board's decision-making process.

# Corporate Governance Report

## Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is a clear division of responsibilities at the top Management with clearly defined lines of responsibility between the Board and executive functions of the Management of the Company's business.

Mr Chen Qiupei, the founder of the Group, is the Executive Chairman and CEO of the Company. As the CEO, he oversees the business direction, long term strategic planning and the overall management and operations of the Group. He is also responsible for, among others, the exercise of control over quantity, quality and timeliness of information flow between the Management and the Board. He, with the assistance of the Company Secretary, ensures that the Board receives accurate, timely and clear information, ensures that the Board meetings are held as and when necessary and sets the Board's meeting agenda. He assists in ensuring compliance with the Group's guidelines on corporate governance and facilitating the effective contribution of Non-Executive Directors.

Mr Chen Qiupei together with the Management comprising the general managers and key senior managers of each subsidiary, are responsible for the day-to-day management of the Group.

Although the roles and responsibilities of the Chairman and the CEO are vested in Mr Chen Qiupei, the current composition of the Board is able to make objective and prudent judgment on the Group's corporate affairs. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Further, the AC, RC and NC are chaired by Independent Directors.

In view of Mr Chen Qiupei's concurrent appointment as the Executive Chairman and CEO, the Company appointed Mr Soh Beng Keng as its Lead Independent Director, pursuant to the recommendation in Commentary 3.3 of the Code. The Lead Independent Director will lead and coordinate the activities of the Independent Directors and serve as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to shareholders who have concerns for which contact through the normal channels of the Chairman, CEO, Executive Directors or CFO have failed to resolve or for which such contact is inappropriate.

## Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The NC was formed in October 2010 and has adopted the written terms of reference approved and adopted by the Board. Since the public listing of the Company on the SGX-ST in October 2010, the NC held two meetings as at the date of this report.

The NC comprises two Independent Directors and one Non-Executive Director as follows:

Sim Yong Chan	Chairman
Soh Beng Keng	Member
Chang Feng-chang	Member

# Corporate Governance Report

In accordance with the definition in the Code, the Chairman of the NC is not associated with any substantial shareholder of the Company.

The key roles of the NC are:

- make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including marking recommendations on the composition of the Board;
- review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- identify and nominate candidates for the approval of the Board, determine annually whether or not a Director is independent, to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular for the Chairman and the CEO;
- determine the independence of Directors on an annual basis in accordance with Guideline 2.1 of the Code;
- make recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of seventy (70) years;
- recommend Directors who are retiring by rotation to be put forward for re-election;
- decide whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;
- recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards;
- assess the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board; and
- decide on how the Board's performance may be evaluated and propose objective performance criteria.

The Articles of Association of the Company require the number nearest to one-third of the Directors to retire by rotation and subject themselves to re-election by shareholders at the Annual General Meeting ("AGM"). It was also provided in the Articles of Association of the Company that additional Directors appointed during the year shall hold office only until the next AGM and shall then be eligible for re-election at that AGM.

The Board has accepted NC's nomination of the retiring Directors who have given their consent for re-election at the Company's forthcoming AGM. The retiring Directors are Mr Chen Qiupei who will retire pursuant to Article 91 of the Company's Articles of Association; and Mr Chen Qisheng, Mr Chang Feng-chang, Mr Soh Beng Keng and Mr Sim Yong Chan who will retire pursuant to Article 97 of the Company's Articles of Association.

The NC has assessed the independence of Mr Soh Beng Keng and Mr Sim Yong Chan and is satisfied that there are no relationships which would deem them not to be independent.

# Corporate Governance Report

## Board Performance

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Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

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The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established a formal process for assessment of the effectiveness of the Board as a whole.

The NC evaluated the Board's performance as a whole on an annual basis based on performance criteria set out by the Board. Each individual Director assessed the performance of the Board. The assessment parameters includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with Management and standards of conduct of the directors. The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group.

The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole. In the course of the financial year, the NC has conducted the assessment by preparing a performance evaluation questionnaire to be completed by each Director, of which were then collated and the findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The results of the NC's assessment for the financial year ended 31 December 2010 has been communicated to and accepted by the Board.

## Access to Information

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Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

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To assist the Board in fulfilling its responsibilities, the Management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. The Board has separate and independent access to the Management, including the Company Secretary at all times. The Company Secretary or his/her representatives attends all Board and Board Committee meetings and assist the Board to ensure that Board procedures and all other rules and regulations applicable to the Company are complied with.

The Management keeps the Board informed of the Company's operation and performance through regular updates and reports as well as through separate meetings and discussions. The Management will present reports and updates on the Group's performance, financial position, prospects and other relevant information for review at each Board meeting. In addition, all other relevant information on material events and transactions are circulated by electronic mail and facsimile to the Directors for review and approval. The key management staff may be invited to attend the Board and AC meetings to answer queries and to provide insights into its Group's operations.

Changes to regulations are closely monitored by Management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The Board and the Chairman of the respective Board Committees, whether as a group or individually, are able to seek independent professional advice as and when necessary in the furtherance of their duties and the costs will be borne by the Company. The appointment of such professional advisor is subject to approval by the Board.

# Corporate Governance Report

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

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The RC was formed in October 2010 and has adopted the written terms of reference approved and adopted by the Board. Since the public listing of the Company on the SGX-ST in October 2010, the RC held two meetings as at the date of this report.

The RC comprises two Independent Directors and one Non-Executive Director as follows:

Sim Yong Chan	Chairman
Soh Beng Keng	Member
Chang Feng-chang	Member

The main functions of the RC are:

- review and recommend to the Board the remuneration packages and terms of employment of the Executive Directors and senior management or key executives;
- review and recommend to the Board the grant of Share Award Schemes or any long term incentive schemes which may be set up from time to time; and
- carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.
- all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefit-in-kind are covered;
- the remuneration packages should be comparable within the industry practices and norms and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Director's and senior management's performance; and
- the remuneration packages of employee related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scope and levels of responsibility.

The recommendations of the RC would be submitted to the Board for endorsement. The RC has full authority to engage any external professional to advice on matters relating to remuneration as and when the need arises. No individual Director shall be involved in deciding his/her own remuneration.

Each member of the RC shall abstain from making any recommendation on or voting on any resolutions in respect of his/her own remuneration package.

# Corporate Governance Report

## Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the RC takes into consideration prevailing economic situation, pay and employment conditions within the similar industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of Executive Directors and is designed to align the Directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration commensurate with the contribution and responsibilities of the Directors. The Company submits the quantum of Directors' fees of each year to the shareholders for approval at each AGM.

The Non-Executive and Independent Directors do not have any service contracts. They receive Directors' fees, which takes into account their level of contribution and responsibilities. Their fees are subject to shareholders' approval at the AGM of the Company.

Service Agreement for the Executive Chairman and CEO is for a fixed appointment period of three years with effect from 8 October 2010, the date where the Company is admitted to the Official List of the SGX-ST. The Service Agreement will continue for a further term of three years unless otherwise terminated by either party giving not less than six months' notice in writing to the other.

## Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown of the remuneration of the Directors and key executives (who are not Directors), in percentage terms showing the level and mix, for the financial year ended 31 December 2010 falling within the broad bands are set out below:

Remuneration of the directors:

Name of Director	Remuneration Band	Salary	Bonus	Directors' Fees <sup>(1)</sup>	Total
	S\$	%	%	%	%
Chen Qiucai <sup>(2)</sup>	<250,000	54	46	–	100
Chen Qisheng	<250,000	56	44	–	100
Chang Feng-chang	<250,000	–	–	100	100
Soh Beng Keng	<250,000	–	–	100	100
Sim Yong Chan	<250,000	–	–	100	100

# Corporate Governance Report

Remuneration of key executives:

Name of Key Executive	Remuneration Band	Salary	Bonus	Directors' Fees <sup>(1)</sup>	Total
	S\$	%	%	%	%
Yang Lin <sup>(3)</sup>	<250,000	86	14	—	100
Chen Qiufa	<250,000	46	54	—	100
Liu Liping	<250,000	53	47	—	100
Huang Ting	<250,000	40	60	—	100
Fang Shuzhen	<250,000	51	49	—	100

- (1) The Directors' fees are subject to the approval of the shareholders at the AGM.
- (2) Mr Chen Qiuhan is entitled to the use of a motorcar of at least 3,500cc in PRC with the running costs incurred (including all road tax, insurance and maintenance costs) being borne by the Company.
- (3) Remuneration did not include the share-based payment pursuant to the employment agreement with the Company.

Save as disclosed, there is no employee of the Group who is an immediate family member of any Director or the CEO or a controlling shareholder and whose remuneration has exceeded S\$150,000 during the financial year ended 31 December 2010.

The RC has reviewed and approved the remuneration packages of the Directors and key executives, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Directors and key executives are adequately but not excessively remunerated.

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him/her.

The Company does not have any employees shares option schemes.

## ACCOUNTABILITY AND AUDIT

### Accountability

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Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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The Board is accountable to the shareholders for the Group's financial position and performance. In this respect, the Board endeavors to ensure that the annual audited financial statements and quarterly and full year financial results announcements of the Group present a balanced and clear assessment of the Group's performance, financial position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. The Management provides the Board on a quarterly basis, financial reports and other information on the Group's performance, financial position and prospects for their effective monitoring and decision-making.

# Corporate Governance Report

## Audit Committee

Principle 11: The Board should establish an Audit Committee with the written terms of reference which clearly set out its authority and duties.

The AC was formed in October 2010 and has adopted the written terms of reference approved and adopted by the Board. Since the public listing of the Company on the SGX-ST in October 2010, the AC held two meetings as at the date of this report.

The AC comprises two Independent Directors and one Non-Executive Director as follows:

Soh Beng Keng	Chairman
Sim Yong Chan	Member
Chang Feng-chang	Member

The AC meets regularly with the Group's external and internal auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.

The AC also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting implications of major transactions. In addition, it advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports.

The Board considers that the members of the AC are appropriately qualified to fulfil their responsibilities as the members bring with them invaluable managerial and professional expertise in the financial, legal and industry domain.

The AC meets at a minimum, on a quarterly basis to perform the following functions:

- review the financial and operating results and accounting policies;
- review the effectiveness and adequacy of internal accounting and financial control procedures;
- review the audit plans of the external and internal auditors and evaluate their overall effectiveness through regular meetings with each group of auditors;
- evaluates the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and Management's responses and actions to correct any deficiencies;
- review the quarterly and annual financial statements and results announcements and the external auditors' report before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements;
- ensure co-ordination between the external auditors and the Management, and review the co-operation given by the Company's officers to the external auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any other matters which the auditors may wish to discuss (without the presence of Management, where necessary);
- review and discuss with the external and internal auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;

# Corporate Governance Report

- review and evaluate the independence and performance of the external auditors and to consider their appointment, remuneration and re-appointment;
- review interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders;
- review potential conflicts of interest;
- review the key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, immediately announced via SGXNet;
- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- generally undertake such other functions and duties as may be required by law or the Listing Manual of the SGX-ST, or by such amendments as may be made thereto from time to time.

Apart from the above functions, AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of AC shall abstain from making any recommendation on or voting in respect of matters in which he is interested. Upon the listing of the Company, we had engaged an internal audit professional to review the Group's internal control procedures under the guidance of the AC.

Before any agreement or arrangement that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from AC. In the event that a member of the AC is interested in any interested person transactions, he shall abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by the AC.

The AC has full access to and co-operation of the Management and external and internal auditors. It also has the discretion to invite any Director and key executive to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

The external auditors have unrestricted access to the AC. Both the external and internal auditors report directly to the AC in respect of their findings and recommendations.

The AC meets with the external and internal auditors, each separately without the presence of Management, annually. The AC reviews the findings from the auditors and the assistance given to the auditors by the Management. As at the date of this report, the AC met once with the external auditors without the presence of the Management.

The external auditors, during their course of audit, will evaluate the effectiveness of the Company's internal controls and report to the AC, together with their recommendations and any material weakness and non-compliance of the internal controls. The AC has reviewed the external audit reports and based on the controls in place, is satisfied that there are adequate internal controls in the Group.

The AC noted that the external auditors do not provide non-audit services for the financial year ended 31 December 2010. The AC has recommended to the Board the nomination of Messrs BDO LLP for re-appointment as external auditors of the Company at the forthcoming AGM.

# Corporate Governance Report

In July 2010, the Singapore Exchange Limited and Accounting and Corporate Regulatory had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the guidance.

The AC had reviewed, approved and implemented a Whistle Blowing Policy which provides well-defined and accessible channels in the Group through which employees of the Group may, in confidence, raise concerns about possible improprieties in matter of financial reporting or other matters within the Group. The policy includes arrangements for independent investigation and appropriate follow-up of such matters. Details of the policy and arrangements have been made available to the employees. As at the date of this report, there was no report received through the whistle-blowing mechanism.

The AC had reviewed the Company's key financial risk areas and noted that apart from exchange rate differences; the Group has not entered into any financial contracts which will give rise to financial risks.

## **Internal Controls**

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Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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The Board ensures that the Management maintains a sound system of internal controls and effective risk management policies to safeguard the shareholders' investment and the Company's assets and in this regard, is assisted by the AC which conducts the reviews.

The Company's external auditors conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk assessment at least once annually to ensure the adequacy thereof. This review will be conducted by the Company's external auditors which will then present their findings to the AC. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors in this respect.

The AC, with the assistance of the external auditors, have reviewed, and the Board is satisfied that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's Management throughout the financial year ended 31 December 2010 up to the date of this report is adequate to meet the needs of the Group in its current business environment. The internal auditors, who have been appointed subsequent to the Company's listing, will be conducting appropriate reviews to ensure that the system of internal controls maintained by the Group's Management is adequate.

In addition, the AC and the Board had reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseeable as it strives to achieve its business objectives.

However, the Board notes that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

# Corporate Governance Report

## Internal Audit

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Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

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The AC has outsourced the internal audit functions of the Group to Shanghai Zhonghua Certified Public Accountants, a professional accounting firm providing internal audit, risk and compliance services. The appointed internal auditors will report directly to the AC.

The internal auditors are responsible for evaluating the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group, assisting the AC in the review of interested person transactions and ensuring that the internal controls of the Group is adequate for proper recording of transactions and safeguarding the assets of the Group. The internal auditors will also carry out major internal control checks and compliance tests as instructed by the AC. The AC will review the internal auditors' reports and ensure that there are adequate internal controls within the Group.

The AC, on an annual basis, will assess the effectiveness of the internal audit by examining the scope of the internal audit work and its independence, the internal auditors' reports and its relationship with the external auditors to ensure that the internal auditors has the necessary resources to adequately perform its functions.

The AC will ensure that the internal auditors meet or exceed the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

## COMMUNICATION WITH SHAREHOLDERS

### Communication with Shareholders

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Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

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Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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The Company believes that a high standard of disclosure is keys to raising the level of corporate governance. Quarterly results and news releases are published through the SGXNet. All information of the Company's new initiatives is first disseminated via SGXNet followed by a news release. In addition, the Company also holds analysis briefing of its quarterly and full year results.

The Company does not practice selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website at <http://www.yamada-green.com> which provides, inter-alia, corporate announcements, press releases and the latest financial results as disclosed by the Company on SGXNet.

A copy of the Annual Report will be sent to every shareholder. The Notice of AGM is advertised in the press and released via SGXNet. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed at general meetings for approval.

In accordance with the Articles of Association of the Company, shareholders may appoint one or two proxies to attend and vote at general meetings in their absence. All shareholders are allowed to vote in person or by proxy. Central Provident Fund investors of the Company's securities may attend shareholders' meetings as observers provided they have registered to do so with the agent banks within the specified time frame.

# Corporate Governance Report

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at AGMs. The Chairman of the AC, NC and RC of the Company are normally available at the general meetings to answer questions from the shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

The Group understands the increasing global attention towards issues of environmental protection and social responsibility. In this respect, the Group continues its commitment towards sustainable development of self-cultivated shiitake mushrooms and processed food products, including mushrooms, vegetable and convenience food products (mainly konjac-based) as part of the Group's corporate social responsibility. The Company embarked on voluntarily sustainability reporting on an annual basis as an integral part of good corporate governance. The practice of systematic sustainability reporting has thus improved stakeholders communications by providing an additional dimension beyond financial performance of the Group.

## DEALINGS IN SECURITIES

The Group has adopted its Code of Best Practices on dealing in securities by setting out the implications of insider trading with regard to dealings in the Company's securities by its Directors and officers, that is modelled, with some modifications, on Rule 1207(18) of the Listing Manual of the SGX-ST. The Company's Code of Best Practices provides guidance for Directors, officers and employees on their dealings in the Company's securities.

The Group's Code of Best Practices prohibits the Directors, key executives and employees who have access to unpublished material price sensitive information from dealing in Company's securities. They are advised not deal in the Company's securities during the period commencing two weeks immediately preceding the announcement of the Company's quarterly financial results and one month immediately preceding the announcement of the Company's full year financial results and ending on the date of announcement of such results on the SGX-ST, or when they are in possession of the unpublished price sensitive information of the Group. In addition, the Directors, key executives and employees are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short term considerations.

## INTERESTED PERSON TRANSACTIONS

The Company has, in its Prospectus dated 29 September 2010, set out procedures for review and approval of the Group's interested person transactions ("IPTs"). To ensure compliance within the scope of Chapter 9 of the Listing Manual of the SGX-ST, the Board and the AC regularly reviews if the Group will be entering into any IPT and if it does, to ensure that the Group complies with the requisite rules under Chapter 9 in that all the IPTs are conducted at arm's length and on normal commercial terms and ensuring that it will not be prejudicial to the interest of the Company and its minority shareholders.

# Corporate Governance Report

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual of the SGX-ST) for the financial year ended 31 December 2010:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB'000	RMB'000
Chen Liyan	Nil	8,710
Deng Wenfeng	Nil	12,627
Luo Qiaohua	Nil	12,952
Du Deming <sup>(1)</sup>	Nil	9,338

- (1) Du Deming purchased self-cultivated shiitake mushrooms from our Group in his personal capacity and/or via Zhangzhou Mingcheng Foods Co., Ltd., a company incorporated in PRC and controlled by him.

Prior to entry by the Group into an interested person transaction, the Board and the AC will review such a transaction to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST are complied with.

## MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" on page 166 of the Company's Prospectus dated 29 September 2010 and in the Directors' Report and financial statements, no material contracts to which the Company or any of its subsidiary, is a party and which involve the interests of the CEO, any Director or the controlling shareholder, were subsisting at the end of the financial year ended 31 December 2010 or entered into since the date of listing of the Company.

## RISK MANAGEMENT

The Management reviews regularly the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. In addition, the external auditors carry out in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Material non-compliance and internal control weaknesses noted during their audit are reported to the AC together with their recommendations. Management will follow up on the auditors' recommendations so as to strengthen the Group's risk management procedures.

# Corporate Governance Report

The following key financial risks areas had been discussed by the Board:

- (a) Credit Risk
- (b) Foreign Exchange Risk
- (c) Interest Rate Risk
- (d) Liquidity Risk
- (e) Business Risk
- (f) Fair values of financial assets and liabilities
- (g) Capital Risk Management policies and objectives

These key financial risk areas are disclosed in the notes to the accompanying audited financial statements on pages 78 to 83.

## USE OF IPO PROCEEDS

The Company refers to the net IPO proceeds amounted to approximately S\$13.5 million raised from its initial public offering of its shares.

Application of net IPO Proceeds to the Group as at 31 December 2010:

Intended Use	Amount Allocated	Amount Utilised pursuant to the agreements as announced on 1 December 2010	Amount Utilised pursuant to the agreements as announced on 23 December 2010	Unutilised Amount
	S\$'million	S\$'million	S\$'million	S\$'million
Expansion of shiitake mushroom cultivation bases	4.6	–	–	4.6
Expansion of eucalyptus plantations	5.0	3.7	1.3	–
Establishment of own distribution and marketing network	2.0	–	–	2.0
Strengthen processing capabilities of konjac-based processed food products	1.8	0.5	–	1.3
Working capital	0.1	–	–	0.1
<b>Total</b>	<b>13.5</b>	<b>4.2</b>	<b>1.3</b>	<b>8.0</b>

The Company will continue to provide periodic updates on the use of the balance of the IPO proceeds through SGXNet.

# Corporate Social Responsibility

Corporate Social Responsibility plays an essential role in the long-term success of our business. It is important that we align our interests with that of the communities in which we operate in order to have the support of the local communities and government agencies. We believe that our initiatives and emphasis on returning to the community and looking after the welfare of our staff have translated into goodwill for our Group, contributing to high employee retention rate and staff morale.

## **Environmental Policy**

We share our customers' commitment to the environment and we believe in the importance of caring for our planet, working with and encouraging others to do the same. As a company that relies on an agricultural product, it makes good business sense and as people living in the world, it is simply the right thing to do.

## **Commitment to Sustainable Development**

Our Directors recognised the importance of being a responsible steward of the land we manage. With this in mind, the Company has, in its Prospectus dated 29 September 2010, established a corporate social responsibility policy which included the review of the following areas of the Group's activities:

- (a) to review and recommend the Group's policy with regards to corporate social responsibility issues;
- (b) to review the Group's environmental policies and standards;
- (c) to review the social impact of the Group's business practices in the communities that it operates in;
- (d) to review and recommend policies and practices with regard to key stakeholders (suppliers, customers and employees); and
- (e) to review and recommend policies and practices with regard to regulators.

## **Core Values of the CSR Framework**

The Company aims to be recognised as an organisation that is transparent and ethical in all its dealings as well as making a positive contribution to the community in which it operates. It is committed to being a deeply responsible company in the communities with the following core values in all aspects of its work, including the fulfilment of its social responsibility toward achieving sustainable development:

- Clear direction, strong leadership and open communication;
- Customer focus;
- Equality, fairness and transparency;
- Development of positive working relationships with others; and
- Respect for people.

# Corporate Social Responsibility

## Toward Sustainability Strategies

The Company will seek to achieve corporate and social objectives by focusing on four strategic areas:

**Good Relations** - adopting an employee relations strategy to enhance management and employee interactions and to promote work-life balance and health among employees.

**Community Impact** - encouraging staff to be involved in projects in support of the wider community.

**Fair Trade** - providing farmers decent working conditions and fair terms of trade for farmers so as to maintain local sustainability.

**Environment** - developing environmental management practices that minimise adverse impact on the environment.

The corporate social responsibility and commitments are integral to the Company's overall business strategy. As a result, the Company believes it delivers benefits to the Company and its stakeholders, including employees, business partners, customers, suppliers, shareholders, community members and others.

The Company will, as and when necessary, provide updates on the status of its implementation of its corporate social responsibility policy in the annual reports of the Company.

# Report of the Directors

The Directors of the Company present their report to the members together with the audited financial statements of Yamada Green Resources Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2010 and the statement of financial position of the Company as at 31 December 2010.

## 1. Directors

The Directors of the Company in office at the date of this report are as follows:

Chen Qiucai	(Appointed on 8 February 2010)
Chen Qisheng	(Appointed on 17 September 2010)
Chang Feng-chang	(Appointed on 17 September 2010)
Soh Beng Keng	(Appointed on 17 September 2010)
Sim Yong Chan	(Appointed on 17 September 2010)

## 2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 3. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial period had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act") except as follows:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of period or date of appointment, if later	At end of period	At beginning of period or date of appointment, if later	At end of period
<b>Company</b>				
Yamada Green Resources Limited		Number of ordinary shares		
Chen Qiucai	2	-	-	285,114,023
<b>Holding Company</b>				
Sanwang International Holdings Limited		Number of ordinary shares		
Chen Qiucai	1	1	-	-

# Report of the Directors

### 3. Directors' interests in shares or debentures (Continued)

By virtue of Section 7 of the Act, Chen Qiupei is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited (SGX-ST), the Directors' of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2011 in the shares of the Company have not changed from those disclosed as at 31 December 2010.

### 4. Directors' contractual benefits

Since the date of incorporation, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as Directors of those related corporations as disclosed in Note 27 of the accompanying financial statements.

### 5. Share options

There were no share options granted by the Company or its subsidiaries during the financial period.

There were no shares issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial period.

### 6. Audit committee

The audit committee of the Company, consisting all Non-Executive Directors, is chaired by Mr Soh Beng Keng, Lead Independent Director, and includes Mr Sim Yong Chan, Independent Director and Mr Chan Feng-chang, Non-Executive Director. The audit committee has met twice since the Company's listing on 08 October 2010 to the date of this report and has reviewed the following, where relevant, with the Executive Directors and external auditors of the Company:

- (a) the audit plans and evaluation of the Group's systems of internal accounting controls;
- (b) the Group's financial and operating results and accounting policies;
- (c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditors' report on those financial statements;
- (d) the quarterly and annual announcements as well as the related press releases on the results and financial position of the Group and the Company;
- (e) the co-operation and assistance given by the management to the Company's external auditors;

# Report of the Directors

## 6. Audit committee (Continued)

- (f) the interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders; and
- (g) the re-appointment of the external auditors of the Company.

The audit committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officers to attend its meetings. The external auditors have unrestricted access to the audit committee.

The audit committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditors of the Company at the forthcoming AGM of the Company.

## 7. Auditors

The auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Chen Qiucai**  
Director

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**Chen Qisheng**  
Director

21 March 2011

# Statement by Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

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**Chen Qiucai**  
Director

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**Chen Qisheng**  
Director

21 March 2011

# Independent Auditors' Report

To the Members of Yamada Green Resources Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of Yamada Green Resources Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 42 to 86, which comprise the statements of financial position of the Group and of the Company as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditors' Report

To the Members of Yamada Green Resources Limited

## *Opinion*

In our opinion, the financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## **BDO LLP**

Public Accountants and  
Certified Public Accountants

Singapore  
21 March 2011

# Statements of Financial Position

As at 31 December 2010

		Group		Company
	Note	2010 RMB'000	2009 RMB'000	2010 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	4	18,946	18,513	–
Biological assets	5	117,930	14,340	–
Land use rights	6	44,998	7,235	–
Investments in subsidiaries	7	–	–	72,156
Prepayments	8	19,119	14,391	–
		<u>200,993</u>	<u>54,479</u>	<u>72,156</u>
<b>Current assets</b>				
Biological assets	5	54,635	34,706	–
Inventories	9	13,314	6,582	–
Trade and other receivables	10	35,288	67,857	44,498
Cash and bank balances	11	80,020	5,049	45,830
		<u>183,257</u>	<u>114,194</u>	<u>90,328</u>
<b>Less:</b>				
<b>Current liabilities</b>				
Trade and other payables	12	26,010	11,323	1,575
Current income tax payable		<u>2,747</u>	<u>3,108</u>	<u>–</u>
		<u>28,757</u>	<u>14,431</u>	<u>1,575</u>
<b>Net current assets</b>		<u>154,500</u>	<u>99,763</u>	<u>88,753</u>
<b>Non-current liability</b>				
Deferred tax liability	13	<u>(8,419)</u>	<u>(4,931)</u>	<u>–</u>
<b>Net assets</b>		<u>347,074</u>	<u>149,311</u>	<u>160,909</u>
<b>Capital and reserves</b>				
Share capital	14	135,176	42,095	135,176
Share-based payment reserve	15	2,077	–	2,077
Statutory reserve	16	24,045	13,530	–
Foreign currency translation account	17	(735)	–	380
Accumulated profits		<u>186,511</u>	<u>93,686</u>	<u>23,276</u>
<b>Total equity</b>		<u>347,074</u>	<u>149,311</u>	<u>160,909</u>

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the Financial Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenue	18	313,956	236,240
Cost of sales		(182,741)	(141,630)
Gross profit		131,215	94,610
Other income	19	5,418	498
Gain from changes in fair value of biological assets	5	16,838	6,443
Selling and distribution expenses		(3,082)	(1,690)
Administrative expenses		(25,884)	(7,929)
Other expenses	20	(6,489)	(158)
Profit before income tax	21	118,016	91,774
Income tax expense	23	(14,676)	(10,099)
Profit for the financial year		103,340	81,675
<b>Other comprehensive income</b>			
Currency translation differences		(735)	-
Total comprehensive income for the financial year		102,605	81,675
Earnings per share (RMB cents)			
- Basic and diluted	24	86.1	24.6

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2010

	Note	Share capital RMB'000	Share-based payment reserve RMB'000	Foreign currency translation account RMB'000	Statutory reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
Balance as at 01.01.2010		42,095	–	–	13,530	93,686	149,311
Adjustments arising from Group restructuring		(42,095)	–	–	–	–	(42,095)
Issue of new shares	14	135,176	–	–	–	–	135,176
Share-based payment reserve	15	–	2,077	–	–	–	2,077
Transfer to statutory reserve		–	–	–	10,515	(10,515)	–
Total comprehensive income for the financial year		–	–	(735)	–	103,340	102,605
Balance as at 31.12.2010		<u>135,176</u>	<u>2,077</u>	<u>(735)</u>	<u>24,045</u>	<u>186,511</u>	<u>347,074</u>
Balance as at 01.01.2009		42,095	–	–	5,226	41,713	89,034
Transfer to statutory reserve		–	–	–	8,304	(8,304)	–
Dividend paid	25	–	–	–	–	(21,398)	(21,398)
Total comprehensive income for the financial year		–	–	–	–	81,675	81,675
Balance as at 31.12.2009		<u>42,095</u>	<u>–</u>	<u>–</u>	<u>13,530</u>	<u>93,686</u>	<u>149,311</u>

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	118,016	91,774
Adjustments for:		
Depreciation of property, plant and equipment	3,260	3,205
Amortisation of land use rights	858	174
Amortisation of biological assets	64,125	52,248
(Gain)/loss on disposal of property, plant and equipment	(474)	24
Gain on compensation for expropriated land	(3,389)	–
Gain arising from fair value changes in biological assets	(16,838)	(6,443)
Share-based payment expenses	2,077	–
Interest income	(27)	(16)
Operating cash flows before working capital changes	167,608	140,966
Biological assets	(84,054)	(63,102)
Inventories	(6,732)	11
Trade and other receivables	32,855	(36,670)
Trade and other payables	12,687	1,863
Cash generated from operations	122,364	43,068
Interest received	27	16
Income taxes paid	(9,654)	(6,482)
Exchange difference on operating activities	(938)	(14)
Net cash generated from operating activities	<u>111,799</u>	<u>36,588</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	833	7
Purchase of property, plant and equipment	(4,052)	(1,492)
Purchase of biological assets	(86,752)	(7,897)
Purchase of land use rights	(39,746)	(3,018)
Compensation received for expropriated land	4,514	–
Prepayments	(4,968)	(3,812)
Exchange difference on investing activities	88	–
Net cash used in investing activities	<u>(130,083)</u>	<u>(16,212)</u>
<b>Cash flows from financing activities</b>		
Issue of new shares	93,080	–
Payment of dividend	–	(21,398)
Exchange difference on financing activities	(342)	–
Net cash generated from/(used in) financing activities	<u>92,738</u>	<u>(21,398)</u>

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Net change in cash and bank balances	74,454	(1,022)
Cash and bank balances at beginning of the financial year	5,049	6,063
Effect of foreign exchange rate changes in cash and bank balances	517	8
Cash and bank balances at end of the financial year	<u>80,020</u>	<u>5,049</u>

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

These notes form an integral part of and should be read in conjunction with the financial statements.

## 1. General

Yamada Green Resources Limited (the "Company") was incorporated in the Republic of Singapore on 08 February 2010 under the Singapore Companies Act, Cap. 50 (the "Act") as a private limited company under the name of Yamada Green Resources Pte. Ltd. The Company changed its name to Yamada Green Resources Limited on 28 September 2010 in connection with its conversion into a public company limited by shares. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 08 October 2010. The Company's registration number is 201002962E.

The Company does not have a place of business in Singapore at the date of this report as its principal activities are those of an investment holding company. The registered office of the Company is at 80 Raffles Place, #25-01 UOB Plaza, Singapore 048624.

The Company's immediate and ultimate holding company is Sanwang International Holdings Limited ("Sanwang") which is incorporated in British Virgin Island.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

The financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2010 was authorised for issue by the Board of Directors on 21 March 2011.

### ***Restructuring exercise***

The restructuring exercise, comprising the following steps, was undertaken by the Group for the listing of the Group on SGX-ST:

(a) Incorporation of the Company

The Company was incorporated in the Republic of Singapore on 08 February 2010 as the holding company of the Group with an issued and paid-up share capital of S\$2 (RMB10) comprising 2 ordinary shares, which were transferred to Sanwang on 09 September 2010. The entire share capital of Sanwang is owned by the Executive Chairman and Chief Executive Officer, Chen Qihai.

(b) Acquisitions of Fuzhou Wangcheng Food Development Co., Ltd ("Wangcheng") and Nanping Yuanwang Food Co., Ltd ("Yuanwang")

On 21 February 2010, the Company, as the purchaser, and Sanwang, as the vendor, entered into Share Transfer Agreements, pursuant to which the Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang for a consideration of US\$4.03 million (RMB33.9 million) and US\$1.0 million (RMB8.1 million), respectively. The above consideration was determined based on the registered and paid-up capital of each of Wangcheng and Yuanwang. The acquisition was approved by Minhou and Pucheng Foreign Trade and Economic Cooperation Bureau and the consideration was satisfied by the allotment and issue of an aggregate of 307,287,506 ordinary shares of the Company to Sanwang on 09 September 2010.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 1. General (Continued)

### *Restructuring exercise (Continued)*

- (c) Extension and conversion of redeemable convertible loan by Great Spot Limited ("Great Spot")

Pursuant to an investment agreement dated 24 June 2010 entered into between the Company, Great Spot and Chen Qiupei, Great Spot extended a redeemable convertible loan to the Company for an aggregate principal amount of S\$2.74 million. Great Spot shall be entitled to convert the redeemable convertible loan into such number of fully paid new ordinary shares to be calculated based on (i) the enlarged post-Invitation share capital of the Company, (ii) 2.75 times of the fully diluted earnings per Share, and (iii) the net total comprehensive income for the financial year ended 31 December 2009 of RMB81.68 million (the "Conversion Rights"). On 24 September 2010, 24,395,711 shares were allotted and issued to Great Spot by the Company as settlement of the redeemable convertible loan.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group presented for the financial year ended 31 December 2009 present what the historical information might have been had the Group as described below been in place throughout the financial years.

Upon the completion of the restructuring exercise, the Company has the following subsidiaries:

Name of subsidiary	Country/ Date of incorporation	Registered capital	Principal activities	Effective equity interest held
<u>Held by the Company</u>				
Wangcheng	People's Republic of China ("PRC")	USD4,029,431	Production and sales of processed foods products	100%
Yuanwang	PRC	USD1,000,000	Production and sales of semi- processed foods products	100%
<u>Held by Wangcheng</u>				
Zhangping Fengwang Agricultural Products Co., Ltd ("Fengwang")	PRC	RMB1,000,000	Cultivation and sales of shiitake mushrooms	100%

The restructuring exercise involved companies which are under common control. The combined financial statements of the Group for the financial year ended 31 December 2009 have been prepared in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after the end of the financial year.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Chinese renminbi ("RMB"). The functional currency of the Company is Singapore dollar. As the Group mainly operates in the PRC, RMB is used as the presentation currency for the consolidated financial statements and the statement of financial position of the Company and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to the operations and effective for the current financial year. The adoption of these new or revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

#### ***FRS 27 (2009) Consolidated and Separate Financial Statements***

Changes in the accounting policies resulting from the adoption of FRS 27 (2009) include the following:

- Effects of all transactions with non-controlling interests are to be recorded in equity if there are no changes in control and these transactions will no longer result in goodwill or gains and losses.
- In the event where control is lost, any remaining interests in the entity are re-measured to fair value, and a gain or loss is recognised in profit or loss.
- The Group has applied FRS 27 (2009) prospectively to transactions with non-controlling interests from 1 January 2010. There were no transactions with non-controlling interests in the current financial year. Accordingly the changes do not have any impact on the financial statements for the current financial year.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### *FRS and INT FRS issued but not yet effective*

At the date of authorisation of these statements, the following FRS and INT FRS that are relevant to the Group were issued but not effective:

		Effective date (annual periods beginning on or after)
FRS 12	Amendments to FRS 12 Deferred Tax : Recovering of Underlying Assets	01.01.2012
FRS 24	Related Party Disclosures	01.01.2011
FRS 32	Amendment to Financial Instruments: Recognition and Measurement – Classification of Rights Issues	01.02.2010
FRS 107	Amendments to FRS 107 Disclosures - Transfer of Financial Assets	01.07.2011
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	01.07.2010

Consequential amendments were also made to various standards as a result of these new or revised standards.

The management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements in the period of their initial adoption, except as disclosed below.

#### *FRS 24 (2010) Related Party Disclosures*

FRS 24 (2010) changes certain requirements for related party disclosures for entities under control, joint control or significant influence of a government ("government-related entities"). FRS 24 (2010) also made related party relations symmetrical between each of the related parties and new relationships were included and clarified in the definition of a related party. The Group will apply the amendments to FRS 24 retrospectively for annual periods beginning on or after 1 January 2011 and is currently determining the impact of the changes to the definition of a related party on the related disclosures. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company or the Group when implemented in 2011.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.3 Common control business combination outside the scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the financial statements.

In applying merger accounting, financial statement items of the combining entities for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the financial statements of the combined entity as if the combination had occurred from the date when these entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if the combined entity's accounting policies have been applied in all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities, whether occurring before or after the combination, are eliminated in preparing the financial statements of the combined entity.

### 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is charged so as to write off the depreciable amounts of assets, over their estimated useful lives, using the straight-line method, on the following bases:

	<u>Years</u>
Buildings	20
Motor vehicles	5 -10
Office equipment	5
Plant and machinery	10
Fixture & fittings	5 – 10
Farm equipment & fixtures	3 – 5

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.4 Property, plant and equipment (Continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

### 2.5 Biological assets

#### *Mushroom synthetic logs*

Mushroom synthetic logs are stated at cost less accumulated amortisation and any accumulated impairment losses. The cost of the mushroom synthetic logs includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation is provided using units of production method over a period of seven months.

#### *Eucalyptus trees in plantation forest*

Eucalyptus trees in plantation forest are classified as biological assets and stated at fair value less estimated point-of-sale costs.

Gains or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in profit or loss in the financial year in which they arise.

Biological assets that are expected to be realised in the next harvest within twelve months have been disclosed under current assets.

### 2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of land use rights is calculated on a straight line basis to write-off the cost of the land use right over the lease term of 25 to 50 years.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.7 Impairment of tangible and intangible assets

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 2.8 Financial assets

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial assets.

Financial assets are initially measured at fair value plus transaction costs.

The Group classifies the financial assets as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expenses are recognised on an effective interest basis for debt instruments other than those financial instruments measured at fair value through profit or loss.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.9 Impairment of financial assets

The Group assesses at end of each financial year whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### 2.10 Derecognition of financial assets

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in profit or loss.

### 2.11 Trade and other receivables

Trade and other receivables (excluding prepayments) are classified and accounted for as loans and receivables under FRS 39 Financial Instruments: Recognition and Measurement. The accounting policy for this category of financial assets is stated in Note 2.8.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.9.

### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.13 Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits, which are subject to insignificant risk of changes in value.

### 2.14 Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

A financial liability is derecognised when the obligations under liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

### 2.15 Trade and other payables

Liabilities for trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### 2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.17 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

### 2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### *Sale of goods*

Revenue from the sale of goods is recognised when the Group has transferred to the buyer significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### 2.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income in profit or loss over the periods necessary to match it on a systematic basis to the costs which it is intended to compensate.

### 2.20 Operating leases

#### *Prepaid leases*

The Group leases farm lands under operating leases and the leases run for a period of 18 to 20 years. The upfront lump-sum payments made under the leases are amortised to profit or loss on a straight-line basis over the term of the leases. The amortisation amount is included in cost of sales.

#### *Other operating leases*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.21 Retirement benefit costs

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Singapore Central Provident Fund and the social security contribution plan in PRC on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Contributions to defined contribution plans are recognised as an expense in profit or loss in the same financial year as the employment that gives rise to the contributions.

### 2.22 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the financial year.

### 2.23 Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 2. Summary of significant accounting policies (Continued)

### 2.23 Income tax expense (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

### 2.24 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

### 2.25 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

For the purpose of presenting financial statements of the Group and the statement of financial position of the Company, the results and financial position of the Company which has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities presented are translated at the closing exchange rate at the end of financial year;
- (ii) income and expenses are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in the foreign currency translation account in equity.

### 2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements made in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, 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.

#### (i) *Depreciation of property, plant and equipment*

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment at 31 December 2010 were RMB18.9 million (2009: RMB18.5 million).

#### (ii) *Allowance for impairment losses of trade and other receivables*

The provision policy for impairment losses of receivables of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, as discussed in Note 28, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2010 were RMB29.9 million (2009: RMB66.1 million) and RMB44.5 million (2009: nil) respectively.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

### 3.2 Key sources of estimation uncertainty (Continued)

#### (iii) Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current tax payable as at 31 December 2010 was RMB2.7 million (2009: RMB3.1 million).

#### (iv) Withholding tax on dividends

According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations, dividends distributed to the foreign investor by Foreign Invested Enterprises ("FIE") in the PRC, would be subject to withholding tax of 10% (5% for countries such as Singapore that has signed bilateral treaty with the PRC). The FIE's profits, arising in the financial year 2008 and beyond, to be distributed to the foreign investors as dividends shall be subject to withholding tax. The management has considered the above tax exposure and has provided for deferred tax liability as at 31 December 2010 based on the assumption that the FIE will, in the foreseeable future, declare dividend payments to the Company and there will be withholding tax on dividends to be distributed out of the retained earnings for the financial year 2010. The carrying amounts of the Group's deferred tax liabilities on dividends as at 31 December 2010 were RMB8.4 million (2009: RMB4.9 million).

#### (v) Biological assets

Eucalyptus trees in plantation forest included in the Group's biological assets are stated at fair value less estimated point-of-sale costs. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, costs incurred and expected yield of the crops. The fair value of the biological assets is determined by an independent valuation firm. Changes in conditions of the biological assets could impact the fair value of the assets. The carrying amount of the Group's biological assets at 31 December 2010 was approximately RMB117.9 million (2009: RMB14.3 million) respectively. The independent valuation firm used highly subjective assumptions and estimates to determine the valuation of the biological assets and the land use rights. These assumptions and estimates involve inherent uncertainties and the application of judgements. As a result, if factors change and this independent valuation firm uses different assumptions and estimates, the fair value of the biological assets and the land use rights could be materially different. The valuations are based on information available on initial recognition and at each reporting date.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 4. Property, plant and equipment

<u>Group</u>	<b>Buildings</b> RMB'000	<b>Motor vehicles</b> RMB'000	<b>Office equipment</b> RMB'000	<b>Plant and machinery</b> RMB'000	<b>Fixture &amp; fittings</b> RMB'000	<b>Farm equipment &amp; fixtures</b> RMB'000	<b>Total</b> RMB'000
<b>Cost</b>							
Balance as at 01.01.2010	12,961	1,749	548	12,783	17	4,544	32,602
Additions	–	304	41	2,845	–	862	4,052
Disposals	(91)	–	(17)	(661)	–	–	(769)
Balance as at 31.12.2010	<u>12,870</u>	<u>2,053</u>	<u>572</u>	<u>14,967</u>	<u>17</u>	<u>5,406</u>	<u>35,885</u>
<b>Accumulated depreciation</b>							
Balance as at 01.01.2010	3,624	1,661	388	6,888	8	1,520	14,089
Charged for the financial year	618	–	60	994	2	1,586	3,260
Disposals	(44)	–	(15)	(351)	–	–	(410)
Balance as at 31.12.2010	<u>4,198</u>	<u>1,661</u>	<u>433</u>	<u>7,531</u>	<u>10</u>	<u>3,106</u>	<u>16,939</u>
<b>Carrying amount</b>							
Balance as at 31.12.2010	<u>8,672</u>	<u>392</u>	<u>139</u>	<u>7,436</u>	<u>7</u>	<u>2,300</u>	<u>18,946</u>

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 4. Property, plant and equipment (Continued)

<u>Group</u>	<b>Buildings</b> RMB'000	<b>Motor vehicles</b> RMB'000	<b>Office equipment</b> RMB'000	<b>Plant and machinery</b> RMB'000	<b>Fixture &amp; fittings</b> RMB'000	<b>Farm equipment &amp; fixtures</b> RMB'000	<b>Total</b> RMB'000
<b>Cost</b>							
Balance as at 01.01.2009	12,961	1,749	516	12,681	12	3,426	31,345
Additions	–	–	32	337	5	1,118	1,492
Disposals	–	–	–	(235)	–	–	(235)
Balance as at 31.12.2009	12,961	1,749	548	12,783	17	4,544	32,602
<b>Accumulated depreciation</b>							
Balance as at 01.01.2009	3,006	1,505	325	5,961	6	285	11,088
Charged for the financial year	618	156	63	1,131	2	1,235	3,205
Disposals	–	–	–	(204)	–	–	(204)
Balance as at 31.12.2009	3,624	1,661	388	6,888	8	1,520	14,089
<b>Carrying amount</b>							
Balance as at 31.12.2009	<u>9,337</u>	<u>88</u>	<u>160</u>	<u>5,895</u>	<u>9</u>	<u>3,024</u>	<u>18,513</u>

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 5. Biological assets

Biological assets comprise eucalyptus trees in plantation forest and mushroom synthetic logs. Eucalyptus trees are separated from land on which these assets are located. Due to the uniqueness of the mushrooms synthetic logs and as an active market does not exist for these mushrooms synthetic logs, these have been stated at cost less accumulated amortisation and accumulated impairment losses. As the useful life of mushrooms synthetic logs is less than one year, they are classified as current asset. Movements of the total value were as follows:

	Group	
	2010 RMB'000	2009 RMB'000
<b><u>Current</u></b>		
<b>Mushroom synthetic logs</b>		
<b>Cost</b>		
Balance as at beginning of the financial year	63,102	43,367
Additions	84,054	63,102
Utilisation	<u>(63,102)</u>	<u>(43,367)</u>
Balance as at end of the financial year	<u>84,054</u>	<u>63,102</u>
<b>Accumulated amortisation</b>		
Balance as at beginning of the financial year	28,396	19,515
Charged for the financial year	64,125	52,248
Utilisation	<u>(63,102)</u>	<u>(43,367)</u>
Balance as at end of the financial year	<u>29,419</u>	<u>28,396</u>
<b>Carrying amount</b>		
Balance as at end of the financial year	<u>54,635</u>	<u>34,706</u>
<b><u>Non-current</u></b>		
<b>Eucalyptus trees in plantation forest</b>		
<b>Fair value</b>		
Balance as at beginning of the financial year	14,340	-
Additions	86,752	7,897
Gain from changes in fair value less estimated point-of-sale costs	<u>16,838</u>	<u>6,443</u>
Balance as at end of the financial year	<u>117,930</u>	<u>14,340</u>
Quantity and sales of mushrooms harvested during the financial year were as follows:		
	<b>2010</b>	<b>2009</b>
Quantity of mushrooms (in tonnes)	26,220	21,618
Sales of mushrooms (RMB '000)	<u>172,289</u>	<u>125,478</u>

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 5. Biological assets (Continued)

Mature eucalyptus trees produce sawdust, which are used to produce synthetic logs. The fair values of eucalyptus trees in plantation forest are measured by an independent valuer using the fair value less estimated point-of-sale costs. The fair value is determined based on either present value of expected net cash flows from the eucalyptus trees discounted at a current market-determined pre-tax rate.

Significant assumptions made in determining the fair values of the eucalyptus trees in plantation forest are as follows:

- (a) average expected timber reserves per mu for eucalyptus at different ages are estimated based on professional opinion from the expert by observe the height and diameter of eucalyptus trees;
- (b) analysis of independent log market price obtained from markets where the eucalyptus trees located based on diameter;
- (c) cutting area design cost, cutting cost, timber scaling cost and transport costs will increase at a modest rate of 3% (2009: 3%) during the projected period after considering the long term inflation rate of 3% (2009: 3%) of PRC and the future demand and supply; and
- (d) the discount rate used for the eucalyptus trees in plantation forest which is applied in the discounted future cash flows calculation is 12.50% (2009: 11.96%).

The eucalyptus trees in plantation forest have not been insured against risks of fire, diseases and other possible risks.

## 6. Land use rights

	Group	
	2010 RMB'000	2009 RMB'000
<b>Cost</b>		
Balance as at beginning of the financial year	8,048	5,030
Additions	39,746	3,018
Disposals	(1,369)	–
Balance as at end of the financial year	46,425	8,048
<b>Accumulated amortisation</b>		
Balance as at beginning of the financial year	813	639
Charged for the financial year	858	174
Disposals	(244)	–
Balance as at end of the financial year	1,427	813
<b>Carrying amount</b>		
Balance as at end of the financial year	44,998	7,235

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 6. Land use rights (Continued)

The Group has land use rights over the plots of state-owned land in PRC where the Group's PRC operation resides. The land use rights are not transferable and have remaining tenure ranging from 24 to 45 years (2009: 25 to 42 years).

During the financial year, the PRC government expropriated land use rights of carrying amount of RMB1,125,000.

## 7. Investments in subsidiaries

	Company 2010 RMB'000	
Investments in subsidiaries, at cost		72,243
Currency translation differences		(87)
Carrying value of investments		<u>72,156</u>

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation/ operation)	Principal activities	Cost of investment by the Company		Percentage of equity held by the Group	
		2010 RMB'000	2009 RMB'000	2010 %	2009 %
<b><u>Held by Company:</u></b>					
Wangcheng <sup>(1)</sup> (PRC)	Production and sales of processed foods products	64,107	33,959	100	100
Yuanwang <sup>(1)</sup> (PRC)	Production and sales of semi-processed food products	8,136	8,136	100	100
<b><u>Held by Wangcheng:</u></b>					
Fengwang <sup>(1)</sup> (PRC)	Cultivation and sales of shiitake mushrooms	–	–	100	100

(1) Audited for consolidation purposes by BDO LLP.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 8. Prepayments

	Group		Company
	2010 RMB'000	2009 RMB'000	2010 RMB'000
Prepaid lease of farm lands	17,194	15,499	–
Prepaid maintenance cost	6,291	–	–
Prepaid other operating expenses	976	636	10
Less : current portion (Note 10)	(5,342)	(1,744)	(10)
Non-current portion	<u>19,119</u>	<u>14,391</u>	<u>–</u>

Prepaid lease represents amounts paid by the Group for advance lease of farm lands for a period of 18 to 20 (2009: 20) years. The Group prepaid farm lands lease for approximately 2,614 mu (2009: 2,200 mu).

Prepaid maintenance cost represents amount paid by the Group for advance maintenance cost of the eucalyptus trees in plantation forest for a period of 1 to 3 (2009: nil) years.

## 9. Inventories

	Group	
	2010 RMB'000	2009 RMB'000
Raw materials	10,032	3,813
Work-in-progress	15	36
Finished goods	2,550	2,223
Packing materials	717	510
	<u>13,314</u>	<u>6,582</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB149.1 million (2009: RMB101.5 million).

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 10. Trade and other receivables

	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000
Trade receivables	11,455	11,722	–
Other receivables			
- third parties	2,001	23	–
- a subsidiary	–	–	44,473
Advances to suppliers	16,490	54,368	–
Current portion of prepaid lease (Note 8)	1,347	1,108	–
Current portion of prepaid maintenance cost (Note 8)	3,019	–	–
Current portion of prepaid other operating expenses (Note 8)	976	636	10
Deposit	–	–	15
	<hr/> 35,288	<hr/> 67,857	<hr/> 44,498
Add: Cash and bank balances	80,020	5,049	45,830
Less: Prepayments	<hr/> (5,342)	<hr/> (1,744)	<hr/> (10)
Loans and receivables	<hr/> 109,966	<hr/> 71,162	<hr/> 90,318

The average credit period on sale of goods are 30 to 90 days (2009: 30 to 90 days).

Other receivables from third parties are unsecured, interest free and repayable on demand.

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

Advances to suppliers relate to payments to villages' committees for the purchase of mushrooms synthetic logs.

The Group's and Company's trade and other receivables are denominated in the following currencies:

	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000
Chinese renminbi	29,443	59,048	44,473
Japanese yen	3,333	1,896	–
Singapore dollar	415	–	25
United States dollar	<hr/> 2,097	<hr/> 6,913	<hr/> –
	<hr/> 35,288	<hr/> 67,857	<hr/> 44,498

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 11. Cash and bank balances

The Group's and Company's cash and bank balances are denominated in the following currencies:

	Group		Company
	2010 RMB'000	2009 RMB'000	2010 RMB'000
Chinese renminbi	38,820	4,469	35,042
Japanese yen	15	132	–
Singapore dollar	41,110	–	10,788
United States dollar	75	448	–
	<u>80,020</u>	<u>5,049</u>	<u>45,830</u>

## 12. Trade and other payables

	Group		Company
	2010 RMB'000	2009 RMB'000	2010 RMB'000
Trade payables	1,980	265	–
Other payables	15,995	5,819	–
Advances from customers			
- third parties	4,568	718	–
- related parties	–	2,196	–
Due to a Director (trade)	–	1,511	–
Accrued expenses	3,467	814	1,575
	<u>26,010</u>	<u>11,323</u>	<u>1,575</u>
Less: Accrued expenses	(3,467)	(814)	(1,575)
Financial liabilities at amortised costs	<u>22,543</u>	<u>10,509</u>	<u>–</u>

The average credit period on purchase of goods are 30 to 90 days (2009: 30 to 90 days).

The amount due to a Director was unsecured, interest-free and repayable on demand. It was fully repaid during the financial year.

Advances from customers are prepayment made by customers for purchases of products from the Group.

Other payables comprise social insurances and value-added tax.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 12. Trade and other payables (Continued)

The Group's and Company's trade and other payables are denominated in the following currencies:

	Group	Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000
Chinese renminbi	24,389	11,323	–
Singapore dollar	1,575	–	1,575
United States dollar	46	–	–
	<u>26,010</u>	<u>11,323</u>	<u>1,575</u>

## 13. Deferred tax liability

	Group	
	2010 RMB'000	2009 RMB'000
Balance as at beginning of the financial year	4,931	2,195
Transferred to profit or loss	<u>3,488</u>	<u>2,736</u>
Balance as at the end of the financial year	<u>8,419</u>	<u>4,931</u>

Deferred tax liability represents withholding tax that would be payable on certain undistributable earnings of the PRC subsidiaries.

## 14. Share capital

	Group	Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000
<b>Issue and paid-up:</b>			
2 ordinary shares at date of incorporation	42,095	42,095 <sup>(1)</sup>	–*
Adjustments arising from Group restructuring	(42,095)	–	–
New issuance of ordinary shares	<u>135,176</u>	<u>–</u>	<u>135,176</u>
406,595,175 ordinary shares at end of the financial period	<u>135,176</u>	<u>42,095</u>	<u>135,176</u>

\* Denotes amount less than RMB 1,000

(1) For the purpose of combined financial statements, the share capital represents aggregation of registered capital of Wangcheng and Yuanwang.

The issued and paid up capital of S\$26,333,076 (2009: nil) is equivalent to approximately RMB135.2 million (2009: nil).

The Company was incorporated in the Republic of Singapore on 08 February 2010 with an initial issued and paid up capital of S\$2 (RMB10).

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 14. Share capital (Continued)

Pursuant to an restructuring exercise, the Company issued 307,287,505 shares to Sanwang on 09 September 2010 in accordance with the Share Transfer Agreements dated 21 February 2010 entered into between the Company and Sanwang, pursuant to which the Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang for a consideration of US\$4.03 million and US\$1.0 million, respectively amounting to S\$8.1 million (RMB42.1 million). The above consideration was determined based on the registered and paid-up capital of each of Wangcheng and Yuanwang. The acquisition was approved by Minhou and Pucheng Foreign Trade and Economic Cooperation Bureau and the considerations were satisfied by the allotment and issuance of shares.

During the financial year, the Company issued 24,395,711 shares to Great Spot on 24 September 2010 amounting to S\$2.7 million (RMB13.8 million), pursuant to an investment agreement dated 24 June 2010 and varied on 08 September 2010, entered into between the Company, Great Spot and Chen Qiuhan, Great Spot extended a redeemable convertible loan to the Company for an aggregate principal amount of S\$2.74 million. Great Spot was entitled to convert the redeemable convertible loan into such number of fully paid new shares to be calculated based on (i) the enlarged post-Invitation share capital of the Company, (ii) 2.75 times of the fully diluted earnings per share, and (iii) the consolidated net total comprehensive income for the financial year of the Group for 31 December 2009 of RMB81.68 million.

The Company further issued 74,911,957 shares during its initial public offering exercise on 08 October 2010 with proceeds of S\$15.5 million (RMB79.2 million) net of listing expenses amounting to S\$1.7 million (RMB8.5 million).

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

## 15. Share-based payment reserve

This share-based payment reserve pertains to the ordinary shares transferred by Sanwang to a key management personnel in accordance to the employment agreement with the Company.

## 16. Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

	Group	
	2010 RMB'000	2009 RMB'000
Balance as at beginning of the financial year	13,530	5,226
Transferred from accumulated profits	10,515	8,304
Balance as at end of the financial year	24,045	13,530

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 17. Foreign currency translation account

The foreign currency translation account pertains to exchange differences arising from the translation of the financial statements of the Company whose functional currency is Singapore dollar to the Group's presentation currency of RMB.

## 18. Revenue

	Group	
	2010 RMB'000	2009 RMB'000
Self-cultivated shiitake mushrooms	172,289	125,478
Processed food products	141,667	110,762
	<hr/>	<hr/>
	313,956	236,240
	<hr/>	<hr/>

## 19. Other income

	Group	
	2010 RMB'000	2009 RMB'000
Interest income	27	16
Gain on compensation from expropriated land	3,389	–
Gain on disposal of property, plant and equipment	474	–
Government grants	1,522	460
Others	6	22
	<hr/>	<hr/>
	5,418	498
	<hr/>	<hr/>

Government grants relate to incentive awards and subsidies for the subsidiary's research and development projects, received from government-related agencies in support of agricultural activities in the PRC. There are no unfulfilled conditions or contingencies attached to these grants.

## 20. Other expenses

	Group	
	2010 RMB'000	2009 RMB'000
Loss on disposal of property, plant and equipment	–	24
Foreign exchange loss, net	150	100
Biological assets maintenance cost	6,333	–
Others	6	34
	<hr/>	<hr/>
	6,489	158
	<hr/>	<hr/>

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 21. Profit before income tax

The above is arrived at after charging:

	Group	
	2010 RMB'000	2009 RMB'000
<b><i>Cost of sales</i></b>		
Amortisation of biological assets	64,125	52,248
Depreciation of property, plant and equipment	2,296	2,245
Operating lease expenses	1,347	832
<b><i>Selling and distribution expenses</i></b>		
Freight charges	1,269	328
Carriage outwards	505	705
<b><i>Administrative expenses</i></b>		
Amortisation of land use rights	858	174
Bad debts written off	–	13
Depreciation of property, plant and equipment	964	960
Research expenses	1,450	700
Share-based payment expenses	2,077	–
Operating lease expenses	68	20

There are no non-audit fees paid to the auditors of the Company.

## 22. Employee benefits expense

	Group	
	2010 RMB'000	2009 RMB'000
Salaries and related costs (including Directors' remuneration)		
Employer's contribution to defined contribution plans	12,196	7,695
Share-based payment expenses	2,917	2,008
	2,077	–
	17,190	9,703

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 23. Income tax expense

	Group	
	2010 RMB'000	2009 RMB'000
Current income tax expense	9,249	7,363
Deferred tax expense	3,488	2,736
Withholding tax expense	1,939	–
	<u>14,676</u>	<u>10,099</u>

A reconciliation between tax expense and accounting profit multiplied by the applicable tax rate for the financial year are as follows:

	2010 RMB'000	2009 RMB'000
Profit before income tax	<u>118,016</u>	<u>91,774</u>
Tax at the applicable tax rates of 25% in PRC where the Group's taxable income is mainly derived	29,504	22,944
Expenses not deductible for tax purposes	3,781	429
Income not subject to tax	(23,985)	(16,010)
Withholding tax on unremitted earnings of subsidiaries	3,488	2,736
Withholding tax overseas	1,939	–
Others	(51)	–
	<u>14,676</u>	<u>10,099</u>

### Applicable tax rate

The subsidiaries are subject to the Enterprise Income Tax Law of the PRC adopted by the National People's Congress and came into force on 01 January 2008 ("EIT Law").

#### (a) Wangcheng

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises which expired on 01 January 2008 ("FIE EIT Law"), Wangcheng, as a FIE, was entitled to full exemption of EIT for the initial two years and a 50% reduction in EIT for the next three years. In addition to the aforesaid tax benefits granted by the FIE EIT Law, as Wangcheng was certified as an export-oriented enterprise and enjoyed a preferential EIT rate of 12%. Pursuant to the EIT Law, the EIT rate applicable to all resident enterprises (including all FIEs and domestic companies) in the PRC shall be 25%. As a result, Wangcheng no longer enjoys any further EIT incentives available under the FIE EIT Law from 2008.

#### (b) Yuanwang

Yuanwang enjoyed full exemption for the initial two years and a 50% reduction for the next three years. The two years' tax exemption period for Yuanwang had expired on 31 December 2009.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 23. Income tax expense (Continued)

### Applicable tax rate (Continued)

#### (c) Fengwang

Fengwang, according to the approval issued by Zhangping State Tax Bureau dated 27 October 2007, has obtained full tax exemption for EIT from Fujian tax authority for income derived from cultivation, preliminary processing of agricultural products. The full tax exemption period is from 07 October 2008 to 31 December 2011.

## 24. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	Group	
	2010 RMB'000	2009 RMB'000
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share (profit for the financial year attributable to the owners)	103,340	81,675
	<hr/>	<hr/>
	2010	2009
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	120,036,899	331,683,218*
	<hr/>	<hr/>
Earnings per share (RMB cents)		
Basic and diluted	86.1	24.6
	<hr/>	<hr/>

Basic earnings per share for the financial year ended 31 December 2010 is computed based on the weighted average number of shares in issue of 120,036,899 ordinary shares during the financial year. The weighted average number of ordinary shares represents the number of ordinary shares at the beginning of the financial year, adjusted for new ordinary shares issued during the financial year, multiplied by a time-weighting factor.

As there are no dilutive potential ordinary shares, the diluted earnings per share are equivalent to basic earnings per share.

\* There is no earnings per share for the financial year ended 31 December 2009 as the Company was incorporated subsequent to 31 December 2009. However, for comparative and illustration purposes, the earnings per share for the year ended 31 December 2009 computed above is based on the Company's share capital before the listing on SGX-ST of 331,683,218 ordinary shares.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 25. Dividend

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Final dividend paid in respect of financial year	—	21,398

The Board of Directors of the Company recommend a final tax-exempt dividend of RMB0.043 per share amounting to RMB17,483,592 to be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of financial year as it is subject to approval at the Annual General Meeting of the Company.

## 26. Commitments

### (a) Capital commitment

Capital expenditure contracted for at the end of the financial year but not recognised in the financial statements are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Acquisition of property, plant and equipment	—	347
Maintenance agreement of eucalyptus trees	2,063	—
Purchase of synthetic logs	7,740	—

### (b) Operating lease commitments

As at the end of the financial year, the future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within one year	212	20
After one year but within five years	116	—
After five years	6,832	4,700
	7,160	4,720

Part of the minimum lease under non-cancellable operating leases has not been included in the above as they have been prepaid by the Group and recorded as prepayments in Note 8 to the financial statements.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 26. Commitments (Continued)

### (b) Operating lease commitments (Continued)

The non-cancellable operating lease commitments relate to the following:

- Lease of farm lands by the Group for a period of 18 to 20 years. The Group leases farm lands of approximately 2,614mu (2009: 2,200mu) and prepays a portion of the total lease payable. Lease payments of the farm lands are based on area of the farm lands leased.
- Lease of office premises by the Group for a period of 2 years.
- Fully prepaid maintenance cost of the eucalyptus trees in plantation forest for a period of 1 to 3 years.

## 27. Significant related party transactions

Related parties are entities with common direct or indirect shareholders and/or Directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties:

	Group	
	2010 RMB'000	2009 RMB'000
Sales of self-cultivated shiitake mushroom to spouse of a Director of subsidiary	11,419	15,289
Sales of processed food products to spouse of a Director of subsidiary	1,532	3,616
	Company	
	2010 RMB'000	2009 RMB'000
Settlement of liabilities on behalf of subsidiary	1,910	–
Settlement of liabilities on behalf by subsidiary	3,991	–

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 27. Significant related party transactions (Continued)

### *Key management personnel remuneration*

	Group	Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000
Short-term benefits	2,217	118	887
Post-employment benefits	140	26	52
Share-based payment expenses	2,077	–	2,077
	<hr/> <u>4,434</u>	<hr/> <u>144</u>	<hr/> <u>3,016</u>
Analysed into:			
Directors of the Company	949	–	149
Directors of the subsidiaries	251	144	–
Other key management personnel	3,234	–	2,867
	<hr/> <u>4,434</u>	<hr/> <u>144</u>	<hr/> <u>3,016</u>

## 28. Financial risk and capital management policies

The Group's activities expose it to credit risks, market risks (including foreign currency risks, interest rate risks and equity price risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 28. Financial risk and capital management policies (Continued)

### Credit risk (Continued)

Major customers are defined as those who accounted for 5% or more of the Group's total revenue for the respective financial year ended. Revenue from the major customers amounted to 16.8% (2009: 50.8%) of total revenue for the financial year ended 2010.

The major customers made up 7.8% (2009: 54.0%) of the total trade receivables as at 31 December 2010.

As the Group does not hold any collateral, at the end of respective financial years, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the statement of financial position.

Trade and other receivables as at the end of the financial year, which are neither past due nor impaired, are creditworthy debtors with good payment record with the Group.

As at 31 December 2010, substantially all the bank balances as detailed in Note 11 to the consolidated financial statements, are held with major financial institutions which are regulated and located mainly in Singapore and PRC, which the management believes are of high credit quality. The management does not expect any losses arising from non-performance by these counterparties.

### Currency risk

Currency risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Group in the current reporting period and in future years.

The Company and its subsidiaries maintain their respective books and accounts in their functional currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses natural hedges between sales receipts and purchases, and operating expenses disbursement. It is, and has been throughout the current and previous financial years the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The Group incurs foreign currency risk on sales that are denominated in currencies other than the functional currency of Group entities, primarily Singapore dollar ("SGD"), the United States dollar ("USD") and Japanese yen ("JPY").

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 28. Financial risk and capital management policies (Continued)

### Currency risk (Continued)

The Group's and Company's currency exposure based on the information provided by management is as follows:

<u>Group</u>	JPY RMB'000	SGD RMB'000	USD RMB'000	Total RMB'000
<b>At 31 December 2010</b>				
<u>Financial assets</u>				
Trade and other receivables	3,333	415	2,097	5,845
Cash and bank balances	15	41,110	75	41,200
Currency exposure	<u>3,348</u>	<u>41,525</u>	<u>2,172</u>	<u>47,045</u>
<u>Financial liabilities</u>				
Trade and other payables	<u>–</u>	<u>(1,575)</u>	<u>(46)</u>	<u>(1,621)</u>
<b>At 31 December 2009</b>				
<u>Financial assets</u>				
Trade and other receivables	1,896	–	6,913	8,809
Cash and bank balances	132	–	448	580
Currency exposure	<u>2,028</u>	<u>–</u>	<u>7,361</u>	<u>9,389</u>
<u>Company</u>				
<b>At 31 December 2010</b>				
<u>Financial assets</u>				
Trade and other receivables	–	25	–	25
Cash and bank balances	–	10,788	–	10,788
Currency exposure	<u>–</u>	<u>10,813</u>	<u>–</u>	<u>10,813</u>
<u>Financial liabilities</u>				
Trade and other payables	<u>–</u>	<u>(1,575)</u>	<u>–</u>	<u>(1,575)</u>

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 28. Financial risk and capital management policies (Continued)

### Currency risk (Continued)

#### Foreign exchange risk sensitivity analysis

The following details the sensitivity of a 10% increase and decrease in the relevant foreign currencies against the RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the financial year end for a 10% change in foreign currency rates.

If the following currencies changes against the RMB by 10% with all other variables including tax rates being held constant, the effect on profit or loss arising from the change in the net financial assets or liabilities position will increase/(decrease) by:

	Group		Company
	2010	2009	2010
	RMB'000	RMB'000	RMB'000
JPY against RMB			
- strengthen	335	203	–
- weaken	(335)	(203)	–
SGD against RMB			
- strengthen	3,995	–	924
- weaken	(3,995)	–	(924)
USD against RMB			
- strengthen	213	736	–
- weaken	(213)	(736)	–

### Interest rate risk

Interest rate risk is the risk (variability in value) borne by an interest-bearing asset, such as deposits in banks, due to variability of interest rates.

The Group's exposure to changes in interest rates relates primarily to deposits in banks. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The impact of the Group's exposure to changes in interest rate is not expected to be material.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## **28. Financial risk and capital management policies (Continued)**

### **Liquidity risk**

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows. All non-derivative financial liabilities of the Group mature within 1 year.

The impact of the Group's exposure to liquidity risk is not expected to be material.

### **Business risk**

The Group's business is subject to financial risks arising from changes in prices of agricultural products and the usual agricultural hazards from fire, wind, insects and other natural disasters. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place. Nevertheless, unexpected factors affecting harvestable agricultural produce may result in re-measurement or harvest changes in future accounting periods.

The impact of the Group's exposure to business risk is not expected to be material.

### **Capital management policies and objectives**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value.

The capital structure of the Group comprises only share capital, reserves and retained earnings as disclosed in the balance sheet as at respective financial year end.

As disclosed in Note 16, the PRC subsidiaries are required by relevant laws and regulations of the PRC to contribute to and maintain a non-distributable PRC statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial year ended 31 December 2010 and 2009.

The Group manages its capital structure by making necessary adjustments to it in response to the changes in economic conditions.

The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group manages capital by regularly monitoring its current and expected liquidity requirements. Except as mentioned above and the conversion of RMB into foreign currencies which is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government, the Group is not subject to either internally or externally imposed capital requirements.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 28. Financial risk and capital management policies (Continued)

### Fair values of financial assets and financial liabilities

The carrying amount of the Group's current financial assets and financial liabilities approximate their fair values as at respective balance sheet dates due to the relatively short-term maturity of these financial instruments.

The fair values of financial assets and financial liabilities are determined as follows:

- (a) the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);
- (b) in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative fair value hierarchy instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).

## 29. Segment information

For management purposes, the Group is organised into business units based on their products, and has two reportable operating segments as follow:

- (i) Self-cultivated shiitake mushrooms

The self-cultivated shiitake mushrooms segment comprises the fresh shiitake mushrooms cultivated at the Group's cultivation bases.

- (ii) Processed food products

The processed food products segment comprises processed vegetable products, convenience food products (such as konjac instant noodle, pre-cooked dishes and instant porridge).

The Group has no inter-segment sales.

All non-current assets of the Group are located in China.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 29. Segment information (Continued)

### (a) Business segment

The following is an analysis of the Group's revenue and results by reportable segment:

	<b>Self-cultivated shiitake mushrooms RMB'000</b>	<b>Processed food products RMB'000</b>	<b>Total RMB'000</b>
<b>2010</b>			
Revenue	172,289	141,667	313,956
<b>Segment results</b>			
Other income	10	5,408	5,418
Gain from changes in fair value of biological assets	16,838	–	16,838
Selling and distribution expenses	(377)	(2,705)	(3,082)
Administrative expenses	(3,787)	(22,097)	(25,884)
Other operating expenses	(6,333)	(156)	(6,489)
Profit before income tax	95,554	22,462	118,016
Income tax expense	–	(14,676)	(14,676)
<b>Profit after income tax</b>	<b>95,554</b>	<b>7,786</b>	<b>103,340</b>
<b>Other segment items</b>			
Additions of biological assets	170,806	–	170,806
Capital expenditure:			
- property, plant and equipment	862	3,190	4,052
- land use rights	39,746	–	39,746
Interest revenue	10	17	27
Depreciation and amortisation	66,466	1,777	68,243
<b>Segment assets</b>	<b>251,912</b>	<b>132,337</b>	<b>384,249</b>
<b>Segment liabilities</b>			
Unallocated liabilities	–	–	8,419
<b>Total liabilities</b>	<b>12,248</b>	<b>16,509</b>	<b>37,176</b>

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 29. Segment information (Continued)

### (a) Business segment (Continued)

	Self-cultivated shiitake mushrooms RMB'000	Processed food products RMB'000	Total RMB'000
<b>2009</b>			
Revenue	125,478	110,762	236,240
<b>Segment results</b>			
Other income	–	498	498
Gain from changes in fair value of biological assets	6,443	–	6,443
Selling and distribution expenses	(462)	(1,228)	(1,690)
Administrative expenses	(1,676)	(6,253)	(7,929)
Other operating expenses	–	(158)	(158)
Profit before income tax	62,758	29,016	91,774
Income tax expense	–	(10,099)	(10,099)
<b>Profit after income tax</b>	<b>62,758</b>	<b>18,917</b>	<b>81,675</b>
<b>Other segment items</b>			
Additions of biological assets	70,999	–	70,999
Capital expenditure:			
- property, plant and equipment	1,118	374	1,492
- land use rights	3,018	–	3,018
Interest revenue	–	16	16
Depreciation and amortisation	53,552	2,075	55,627
<b>Segment assets</b>	<b>125,927</b>	<b>42,746</b>	<b>168,673</b>
<b>Segment liabilities</b>			
Unallocated liabilities	–	–	4,931
<b>Total liabilities</b>	<b>6,698</b>	<b>7,733</b>	<b>19,362</b>

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 29. Segment information (Continued)

### (b) Geographical information

The Group's sales, based on the customers' location, are in countries China and Japan.

	2010 RMB'000	2009 RMB'000
Sales to external customers		
China	225,435	170,735
Japan	88,521	65,505
	<u>313,956</u>	<u>236,240</u>

The revenue from a major customer of the Group's processed food products segment represents 16.8% (2009: 14.6%) of the Group's total revenue.

## 30. Events subsequent to the reporting date

Subsequent to the financial year ended 31 December 2010, Fengwang commenced a feasible study of small scale cultivation of black fungus and entered into an agreement with Zhenban Village Committee for lease of cultivation bases and provision of labour services.

## 31. Comparative figures

There are no comparative figures of the Company as this is the first set of audited financial statements prepared since the date of incorporation of the Company on 08 February 2010.

# Statistics of Shareholdings

As at 15 March 2011

Issued and fully paid-up capital	:	S\$26,333,076.31
Total Number of Shares	:	406,595,175
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share (excluding treasury shares)
Treasury Shares	:	Nil

## STATISTICS OF SHAREHOLDINGS

Size of Shareholding		Number of	Number of		
		Shareholders	%	Shares	%
1	- 999	-	0.00	-	0.00
1,000	- 10,000	445	39.24	2,809,000	0.69
10,001	- 1,000,000	673	59.35	39,167,725	9.63
1,000,001	and above	16	1.41	364,618,450	89.68
		<u>1,134</u>	<u>100.00</u>	<u>406,595,175</u>	<u>100.00</u>

## SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2011

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sanwang International Holdings Limited	285,114,023	70.12	-	-
Chen Qiucai <sup>(1)</sup>	-	-	285,114,023	70.12

The percentage of shareholding above is computed based on the total issued shares of 406,595,175 excluding treasury shares.

### Note:

- (1) Sanwang International Holdings Limited ("Sanwang") is a company incorporated in British Virgin Islands and wholly-owned by Mr Chen Qiucai, the Executive Chairman and Chief Executive Officer of the Company. Accordingly, Mr Chen Qiucai is deemed to be interested in the shares held by Sanwang by virtue of Section 4 of the Securities and Futures Act.

# Statistics of Shareholdings

As at 15 March 2011

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	SANWANG INTERNATIONAL HOLDINGS LIMITED	285,114,023	70.12
2.	GREAT SPOT LIMITED	14,637,427	3.60
3.	HSBC (SINGAPORE) NOMINEES PTE LTD	12,808,000	3.15
4.	UOB KAY HIAN PTE LTD	12,344,000	3.04
5.	FORTUNE TECHNOLOGY FUND LTD	10,000,000	2.46
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	5,780,000	1.42
7.	HONG LEONG FINANCE NOMINEES PTE LTD	5,520,000	1.36
8.	KIM ENG SECURITIES PTE. LTD.	3,318,000	0.82
9.	LEE SUI HEE	2,653,000	0.65
10.	SIM BENG HUAT HENRY	2,300,000	0.57
11.	MERRILL LYNCH (SINGAPORE) PTE LTD	2,230,000	0.55
12.	PHILLIP SECURITIES PTE LTD	2,097,000	0.52
13.	DBS NOMINEES PTE LTD	1,687,000	0.41
14.	CIMB SECURITIES (SINGAPORE) PTE LTD	1,654,000	0.41
15.	OCBC SECURITIES PRIVATE LTD	1,464,000	0.36
16.	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,012,000	0.25
17.	LEW FAI KAH DAVID	850,000	0.21
18.	NG CHING THIAM	801,000	0.20
19.	NG CHENG HUAT	600,000	0.15
20.	YEAP LAM HONG	550,000	0.14
		<u>367,419,450</u>	<u>90.39</u>

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

29.88% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# Notice of First Annual General Meeting

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of Yamada Green Resources Limited (the "Company") will be held at International Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593, Meeting Room 207, Level 2 on Friday, 29 April 2011 at 2.30 p.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial period from 8 February 2010 (date of incorporation) to 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a tax exempt one-tier final dividend of RMB0.043 per share for the financial period from 8 February 2010 (date of incorporation) to 31 December 2010. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 91 and Article 97 of the Articles of Association of the Company:

Mr Chen Qiucai (Retiring under Article 91)	<b>(Resolution 3)</b>
Mr Chen Qisheng (Retiring under Article 97)	<b>(Resolution 4)</b>
Mr Chang Feng-chang (Retiring under Article 97)	<b>(Resolution 5)</b>
Mr Soh Beng Keng (Retiring under Article 97)	<b>(Resolution 6)</b>
Mr Sim Yong Chan (Retiring under Article 97)	<b>(Resolution 7)</b>
[See Explanatory Note (i)]	
4. To approve the payment of Directors' Fees of S\$80,000 for the financial period from 8 February 2010 (date of incorporation) to 31 December 2010. **(Resolution 8)**
5. To approve the payment of Directors' Fees of S\$160,000 for the financial year ending 31 December 2011, to be paid half yearly in arrears. **(Resolution 9)**
6. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 10)**
7. To transact any other ordinary business which may properly be transacted at the First Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

8. **Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

# Notice of First Annual General Meeting

- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:
  - (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
  - (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
    - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
    - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
    - (c) any subsequent bonus issue, consolidation or subdivision of shares;
  - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and
  - (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

**(Resolution 11)**

# Notice of First Annual General Meeting

## NOTICE OF BOOK CLOSURE DATE FOR FINAL DIVIDEND

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of the Company will be closed on 11 May 2011 for the purpose of determining the members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 29 April 2011.

Duly completed registrable transfers in respect of the shares of the Company received by the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services up to 5.00 p.m. on 10 May 2011 will be registered to determine members' entitlements to such dividend. Member whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares of the Company as at 5.00 p.m. on 10 May 2011 will be entitled to such proposed dividends.

Payment of the dividend, if approved by the members at the Annual General Meeting, will be paid on 23 May 2011.

By Order of the Board

Wong Chee Meng Lawrence  
Company Secretary

Singapore  
13 April 2011

### Explanatory Notes:

- (i) Mr Chang Feng-chang will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Remuneration Committee and Nominating Committee respectively and will be considered non-independent.

Mr Soh Beng Keng will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee respectively and will be considered independent.

Mr Sim Yong Chan will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee respectively and will be considered independent.

- (ii) The Ordinary Resolution 11 in item 8 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

### Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624 not less than forty-eight (48) hours before the time appointed for holding the Meeting or any postponement or adjournment thereof.

# **YAMADA GREEN RESOURCES LIMITED**

(Company Registration No. 201002962E)

(Incorporated in the Republic of Singapore)

## **PROXY FORM**

(Please see notes overleaf before completing this Form)

**IMPORTANT:**

1. For investors who have used their CPF monies to buy Yamada Green Resources Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Yamada Green Resources Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
<b>Address</b>			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
<b>Address</b>			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the First Annual General Meeting (the "Meeting") of the Company to be held at International Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593, Meeting Room 207, Level 2 on Friday, 29 April 2011 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with an "X" within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the financial period from 8 February 2010 (date of incorporation) to 31 December 2010		
2	Payment of proposed tax exempt one-tier final dividend of RMB0.043 per share for the financial period from 8 February 2010 (date of incorporation) to 31 December 2010		
3	Re-election of Mr Chen Qiucai as a Director		
4	Re-election of Mr Chen Qisheng as a Director		
5	Re-election of Mr Chang Feng-chang as a Director		
6	Re-election of Mr Soh Beng Keng as a Director		
7	Re-election of Mr Sim Yong Chan as a Director		
8	Approval of Directors' Fees amounting to S\$80,000 for the financial period from 8 February 2010 (date of incorporation) to 31 December 2010		
9	Approval of Directors' Fees amounting to S\$160,000 for the financial year ending 31 December 2011		
10	Re-appointment of Messrs BDO LLP as Auditors		
11	Authority to issue shares		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624 not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# Corporate Information

## BOARD OF DIRECTORS

Chen Qiucai (Executive Chairman and CEO)  
Chen Qisheng (Executive Director)  
Chang Feng-chang (Non-Executive Director)  
Soh Beng Keng (Lead Independent Director)  
Sim Yong Chan (Independent Director)

## AUDIT COMMITTEE

Soh Beng Keng (Chairman)  
Sim Yong Chan  
Chang Feng-chang

## NOMINATING COMMITTEE

Sim Yong Chan (Chairman)  
Soh Beng Keng  
Chang Feng-chang

## REMUNERATION COMMITTEE

Sim Yong Chan (Chairman)  
Soh Beng Keng  
Chang Feng-chang

## COMPANY SECRETARY

Wong Chee Meng Lawrence, LL.B. (Hons)

## REGISTERED OFFICE

80 Raffles Place  
#25-01 UOB Plaza  
Singapore 048624  
Tel : 65- 6535 6844  
Fax : 65- 6438 4184

## PRINCIPAL PLACE OF BUSINESS

Houyu Food Industry Zone, Jingxi Town, Minhou County,  
Fuzhou City, Fujian Province  
PRC 350101  
Tel : 86- 591 2262 6262  
Fax : 86- 591 2262 6269  
Website: [www.yamada-green.com](http://www.yamada-green.com)

## SHARE REGISTRAR

Tricor Barbinder Share Registration Services  
(A division of Tricor Singapore Pte. Ltd.)  
8 Cross Street  
#11-00 PWC Building  
Singapore 048424  
Tel : 65- 6236 3333  
Fax : 65- 6236 4399

## AUDITORS

BDO LLP  
Public Accountants and  
Certified Public Accountants  
19 Keppel Road  
#02-01 Jit Poh Building  
Singapore 089058  
AUDIT PARTNER-IN-CHARGE  
William Ng Wee Liang  
(a practising member of the Institute of Certified Public Accountants of Singapore)  
(Appointed with effect from financial year ended 31 December 2010)

## PRINCIPAL BANKERS

**Bank of China Limited, Fujian Branch**  
136 Wusi North Road BOC Building  
Fuzhou Fujian Province  
PRC 350001

## China Merchant Bank, Fuzhou Hualin Branch

245 Hualin Road  
Roman Holiday Garden  
Fuzhou Fujian Province  
PRC 350013

## Pucheng Agricultural Credit Union

235 Xingpu Road Pucheng County  
Nanping Fujian Province  
PRC 353400

## Zhangping Rural Credit Co-operatives, Xinan Branch

Nanzhou Road Xinan Town  
Zhangping Fujian Province  
PRC 364408

## Bank of China Limited, Singapore Branch

4 Battery Road  
Bank of China Building  
Singapore 049908

## Oversea-Chinese Banking Corporation Limited

65 Chulia Street  
#26-00 OCBC Centre  
Singapore 049513

## United Overseas Bank Limited

80 Raffles Place  
UOB Plaza  
Singapore 048624

## ISSUE MANAGER, UNDERWRITER AND PLACEMENT AGENT

DMG & Partners Securities Pte Ltd  
20 Raffles Place  
#22-01 Ocean Towers  
Singapore 048620

The initial public offering of the Company's shares was sponsored by DMG & Partners Securities Pte Ltd (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this Annual Report.



**YAMADA GREEN RESOURCES LIMITED**

Company Registration No. 201002962E

Houyu Food Industrial Zone, Jingxi Town, Minhou County,  
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