



Annual Report 2011

# PURSUIT OF **GROWTH**





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# Strong Growth

The contribution from self-cultivated edible fungi to Group revenue increased from 54.9% in FY2010 to 66.9% in FY2011. The main reasons were the strong demand for self-cultivated shiitake mushrooms, black fungus sales and the higher margins from self-cultivated edible fungi compared with processed food products.

Revenue  
RMB216.3 million  
↑ 30.4%

Net Profit after tax  
RMB69.6 million  
↑ 15.6%



# CORPORATE PROFILE

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



**Yamada** is a major supplier of edible fungi, operating one of the largest shiitake mushroom cultivation bases in Fujian Province, People’s Republic of China (“PRC”). We possess potential upstream resource sustainability with sawdust from our eucalyptus plantations which can be utilised to produce synthetic logs used in the cultivation of edible fungi.

We also export our processed food products overseas, mainly to Japan under our customers’ brand names.

# OUR PRODUCTS

## Self-cultivated Edible Fungi



Most of our self-cultivated edible fungi, such as shiitake mushrooms and black fungus, are harvested and sold as fresh produce, while the remaining undergo further processing before being sold as dried products. They are 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. We have started cultivation and sales of black fungus in FY2011.

## 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 konjac-based dietary fibre food products, such as konjac instant noodles and konjac desserts. They are distributed and sold to the PRC consumers mainly through local supermarket chains in major cities under our own brands, and to overseas markets, mainly Japan.

# CHAIRMAN'S STATEMENT



**In FY2011, we saw revenue increased by 30.4% to RMB216.3 million from RMB165.8 million for the six-month period ended 30 June 2010 ("2H2010").**

## Dear Shareholders,

It was only recently that we shared the results for FY2010.

After reviewing the operations of the Company, we decided to change our financial year end from 31 December to 30 June. The change is to better reflect the structure, performance and financial position of the Company as the new financial year end is more aligned with the shiitake mushroom cultivation cycle, which is from late September to April. As such, we are issuing you another annual report after the last. You will notice that the current financial year ended 30 June 2011 only covered a period of six months from 1 January 2011 to 30 June 2011 ("FY2011").

Our second year as a listed entity has been eventful, productive and profitable. Despite the uncertainties in the business environment worldwide, our niche as a major shiitake mushroom supplier in China has stood us in good stead. With long-standing wholesale customers and domestic consumption trends that favour healthy foods such as mushrooms and konjac-based dietary fibre food products, we remain well-positioned to continue leveraging on our strengths and ensuring our expansion.

In FY2011, we saw revenue increased by 30.4% to RMB216.3 million from RMB165.8 million for the six-month period ended 30 June 2010 ("2H2010"). This was partly brought about by a 4.6% increase in average selling price for our main product, self-cultivated shiitake mushrooms; from about RMB 6.50/kg in 2H2010 to RMB 6.80/kg in FY2011. We also booked higher sales in konjac-based dietary fibre food products and other processed foods. As a result, gross profits grew by 22.0%, from RMB73.9 million in 2H2010 to RMB90.2 million in FY2011. Our gross profit margin declined to 41.7% in FY2011 from 44.6% in 2H2010. This was mainly due to higher raw material costs and the relatively lower gross profit margin from self-cultivated black fungus when compared with that of self-cultivated shiitake mushrooms. The increase in raw material costs has been partly mitigated by the upward adjustment in average selling price for self-cultivated shiitake mushrooms. Overall, the Group recorded a satisfactory set of results with net profit rising 15.6% to RMB69.6 million in FY2011 from RMB60.2 million in 2H2010, underpinned by the strong growth momentum from the higher margin self-cultivated edible fungi business segment.

### Operational Highlights

Over the year, we made significant strides in increasing our bases of arable shiitake mushrooms farmland. From 2,614 mu (1 mu equals to approximately 667 square metres) of farmland in FY2010, we have 5,134 mu in FY2011, an increase of 96.4%. This allowed us to significantly increase production and sales of self-cultivated shiitake mushrooms.

In February 2011, we leased 86 mu of farmland in Zhangping City, Fujian Province to establish a cultivation base with an estimated annual production capacity of 2,800 tonnes of fresh black fungus. In FY2011, we sold approximately 2,000 tonnes of fresh black fungus for RMB9.1 million. Even though revenue from this new product constitutes a small portion of our Group revenue, we are encouraged by this positive start.



# 主席致辞

本年度，我们的香菇种植基地面积获得大幅的增加。从2010财年的2614亩(1亩约为667平方米)，扩大到2011年6月份财年末的5134亩，扩大了约96.4%。这使我们可以大幅提高自产香菇的产量和销售。

从2011年2月份开始，我们在福建省漳平市租用了86亩的农地，用于木耳种植，预计年产鲜木耳可以达到2800吨。到2011年6月份为止，我们售出新鲜木耳约2000吨，创收910万元人民币。虽然木耳收入所占集团收入的比例很小，但是，我们依然为有这样的良好开端，感到鼓舞。

## 亲爱的股东们，

直到近来，我才刚与大家分享了我们的2010财年的业绩报告。

在对我们的经营进行审视之后，我们决定，将我们的财年末日期从12月31日调整到6月30日。经过这样的调整，公司财务年度的时间会更贴近香菇种植的周期，即每年的9月末至来年的4月，也能更好的反映公司经营架构、公司业绩表现和财务状况。因此，我在上份报告之后，又向诸位发布了新的年度报告。这份截止2011年6月30日的报告，覆盖了从2011年1月1日到2011年6月30日之间6个月的时间(即2011财年或FY2011)。

今年是我们上市后的第二年，是重要且获得产能利润双丰收的一年。尽管全球大环境具有不确定性，但是我们仍旧岿然不动地占据着中国香菇大供应商的位置。借助国内对健康食品消费的发展趋势和我们与客户的长期合作关系，我们继续发挥着香菇和魔芋膳食纤维食品生产销售方面的优势，实施企业扩大战略。

我们在2011财年的收入，从2H2010(即截至2010年6月30日的6个月)的1.658亿元人民币增加到了2.163亿元人民币，增长了30.4%。收入获得增长的部分原因，是由于我们的主要产品香菇的平均售价增长了4.6%，从2H2010的6.5元人民币/公斤增加到2011财年的6.8元/公斤。另外，魔芋膳食纤维食品和其他加工食品的销售收入，也有所提高。在收入增长的推动下，公司的毛利从2H2010的7390万元人民币增加到2011财年的9020万元人民币，毛利增长了22.0%。然而，由于原料成本的提高和新加入了比香菇毛利率低的木耳收入，公司毛利率从2H2010的44.6%降低到了41.7%。自产香菇平均售价的向上调整，一定程度上抵消了原料成本的提高。

总体而言，集团提交了一份令人满意的报告。受具有高利润率的自产食用菌产品强劲的增长势头的驱动，集团纯利从2H2010的6020万元人民币增加到6960万元人民币，提升了15.6%。

### 经营亮点

本年度，我们的香菇种植基地面积获得大幅的增加。从2010财年的2614亩(1亩约为667平方米)，扩大到2011年6月份财年末的5134亩，扩大了约96.4%。这使我们可以大幅提高自产香菇的产量和销售。

从2011年2月份开始，我们在福建省漳平市租用了86亩的农地，用于木耳种植，预计年产鲜木耳可以达到2800吨。到2011年6月份为止，我们售出新鲜木耳约2000吨，创收910万元人民币。虽然木耳收入所占集团收入的比例很小，但是，我们依然为有这样的良好开端，感到鼓舞。

这一年，我们还对加工产品进行积极的市场营销，以提升产品的品牌价值。为了树立我们的品牌形象，我们聘用了品牌顾问公司，对我们的加工食品在中国的销售，进行品牌塑造、市场定位和产品营销。也因此，我们的营业费用从2H2010的150万元，提高到了FY2011的250万元，增加了62.4%。

### 管控原料供应和提升生产力

在我们争取提高销售额和扩大产品种类的同时，我们还通过扩大原料渠道，以稳定原料供应。在2010年12月，我们又购入了10200亩的桉树林，使桉树林总面积达到了30257亩。桉树木屑是用以生产香菇种植所需菌棒的原料。从2012年开始，部分的桉树林预计可以开始用来制作桉树木屑，因而，我们将会于2013财年，开始使用桉树木屑来生产菌棒。

# CHAIRMAN'S STATEMENT

During the year, we made inroads on the marketing front as well. In an effort to develop our brand equity, we engaged a brand consulting firm for branding, repositioning and marketing of our processed food products in the PRC. These efforts increased our selling and distribution expenses by 62.4% to approximately RMB2.5 million in FY2011 from RMB1.5 million in 2H2010.

## **Managing Upstream Supplies and Boosting Productivity**

While we seek avenues to boost and widen our sales, we have been expanding upstream to manage upstream resource sustainability. In December 2010, we acquired another 10,200 mu of eucalyptus plantations and increased total land area of this resource to 30,257 mu. Eucalyptus sawdust is used in the production of synthetic logs which are the basic growing beds for our self-cultivated shiitake mushrooms. Part of our eucalyptus trees are expected to be ready for harvesting in 2012 and we will start to use eucalyptus sawdust to manufacture synthetic logs in FY2013.

In the long-term, having our own sustainable source of synthetic logs will enable us to better manage our cultivation costs, promote timely and reliable supplies and ultimately help ensure consistent quality standards for our produce.

## **Outlook and Strategy**

### *Larger Trends Favourable*

With economic growth, growing health consciousness and rising disposable incomes, we believe we are well-placed to leverage on underlying favourable economic and social trends. The growing awareness of the health benefits of mushrooms and black fungus, we believe, will drive demand fundamentally. According to the Department of Agriculture, Fujian Province, demand for fresh shiitake mushrooms in the PRC is projected to be 1.59 million tonnes in 2011 and 1.82 million tonnes in 2012.

Meanwhile, increasing urbanisation and urban lifestyles will funnel the growth of instant foods, similar to the consumption patterns in developed countries and cities. Long-term trends as such augur well for our processed food products segment.

### *Wider Economic Environment*

Beyond social trends, China's economy continues to register robust expansion. The International Monetary Fund, in its latest report released in September 2011, projects growth in China to be about 9.0% in 2012. Inflation, however, continues to remain at about 5.5% as of October 2011, according to China's National Bureau of Statistics. This might dampen consumer spending. While we have benefited from food price inflation, it is difficult to project how group sales and expenses, including labour costs, will unfold if the inflationary environment persists. We will continue to monitor this development and manage our costs and expenses pro-actively.

Despite China's robust growth, the global economy represents a bleaker picture. Developed countries such as the USA, Japan and the European Union are still experiencing headwinds from weak economies and significant sovereign debt, and we anticipate continued volatility in our wider operating environment.

Be that as it may, while we must be aware of the changes in our larger environment and make appropriate adjustments, our growth strategies remain essentially intact and we believe they will anchor us for long-term, sustainable development.

Looking ahead, we aim to continue to expand our edible fungi cultivation bases cautiously, as well as increase production of edible fungi, which generate comparatively higher gross profit margins in the Group. We also look to expand our range of konjac-based dietary fibre food products as well as our distribution network. As mentioned, we will concurrently seek to expand our eucalyptus and other types of plantation holdings according to our needs in order to secure upstream sources of sawdust. From FY2013 onwards, we will use part of this plantation to manufacture synthetic logs. This will enable us to better manage costs going forward.

## **Conclusion**

The past year has been productive and with plans in place going forward, we look to an equally productive FY2012. On behalf of the Board, I would like to thank our directors, management and staff for their advice and efforts over the year. I would also like to thank our business associates and shareholders. We look forward to the year ahead.

## **Chen Qiuhai**

Executive Chairman and Chief Executive Officer

# 主席致辞

从长远来看，通过自有桉树来制作菌棒，将可以使我们更好地管控种植成本，可以获得及时可靠的原料供应，并最终使我们得以保持产品的质量。

## 前景展望和战略规划

### 有利公司发展的契机

随着经济和社会的发展、人们的健康意识在增强，可支配收入在增加。我们相信，这样的发展趋势，将为我们带来良好的发展机会。通过增强人们对香菇和木耳健康功效的意识，势将推动产品需求的增长。根据福建省农业厅的研究报告，中国鲜香菇的需求，在2011年和2012年将分别达到159万吨和182万吨。

同时，随着城市化的推进和城市化生活方式的普及化，快速食品的发展将会加速。人们的消费方式会越来越接近发达国家。这样的趋势，有利于我们加工食品的发展。

### 经济大环境分析

在中国社会向前发展之时，中国的经济规模也日益壮大。国际货币基金组织在其2011年9月发布的最新报告中预测，2012年中国GDP将有9.0%的增长。然而，根据中国国家统计局的数据，在2011年10月份之时，中国的通胀仍然保持在5.5%高位。通胀导致的食品价格上涨，可能会弱化消费者的购买欲望，而如果通胀持续的话，我们将会很难对集团的销售和费用(包括劳力成本)进行准确规划。对此，我们将对通胀走势保持密切关注，并积极管控好经营成本和费用。

尽管中国的经济形势良好，但是全球经济却依然表现疲软。美国、日本和欧盟等发达国家，还在经受经济复苏乏力和欧债危机的困扰。我们预计，经营大环境的不确定性，还将延续。

通过积极了解大环境的变化，我们会未雨绸缪地做出适当的安排。但是，我们的发展战略基本上没有发生变化。我们相信，这些战略将会确保公司长远、稳定的发展。

未来，我们在条件成熟的情况下，将适量扩大食用菌种植基地并增加食用菌的产量，因为食用菌的毛利率是集团产品中相对较高的。此外，我们还将增加魔芋膳食纤维食品的产品种类，并扩大产品分销网络。与此同时，我们还会根据需要，扩大桉树林及其他林木的拥有量，以稳定菌棒制作所需的木屑供应。从2013财年起，我们将会陆续使用桉树屑制成的菌棒。这将可以使我们在未来更好的管控成本。

## 结语

在过去的一年中，我们收获颇多，并且对未来做好了规划。对于2012财年，我们期待公司同样会硕果累累。值此年报发布的机会，我谨代表公司董事会，对我们的董事们、公司管理层和所有的员工在过去的一年中，给予公司的建议和努力的工作，表示由衷的感激！也感谢我们的生意伙伴和股东们对公司的支持。我们期待着更加辉煌的来年。

## 陈秋海

执行董事长兼首席执行官

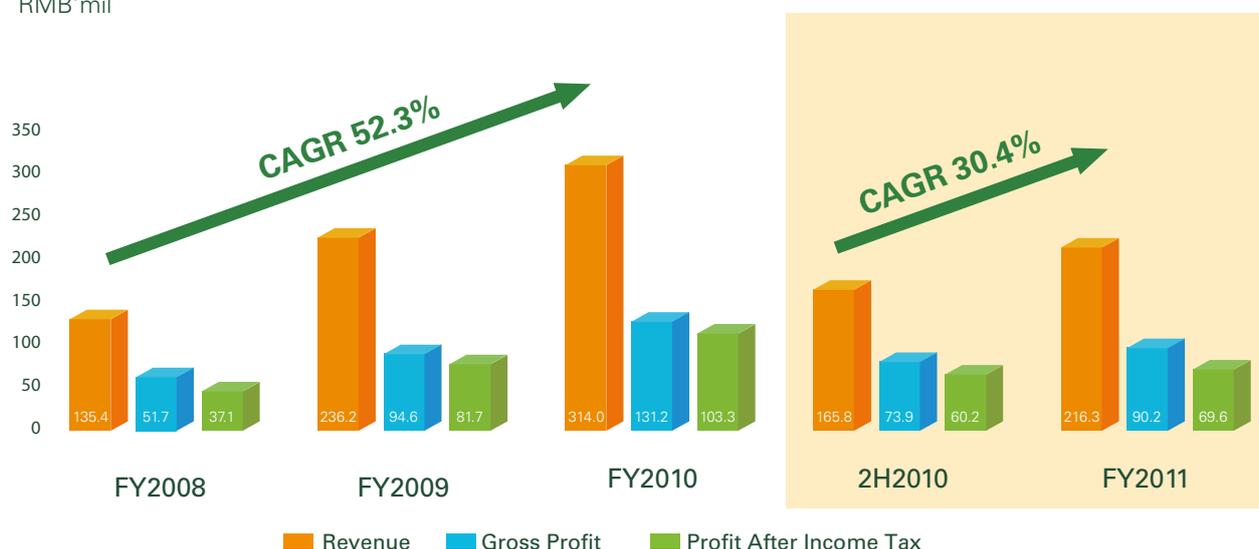


# FINANCIAL HIGHLIGHTS

(RMB'mil)	FY2008	FY2009	FY2010	2H2010	FY2011
Revenue	135.4	236.2	314.0	165.8	216.3
Gross Profit	51.7	94.6	131.2	73.9	90.2
Gross Profit Margin (%)	38.2	40.0	41.8	44.6	41.7
Profit After Income Tax	37.1	81.7	103.3	60.2	69.6
Profit After Income Tax Margin (%)	27.4	34.6	32.9	36.3	32.2

## Revenue, Gross Profit and Profit After Income Tax

RMB'mil

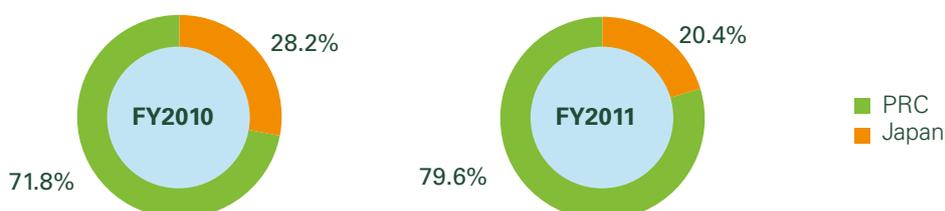


\* CAGR: Compound Annual Growth Rate

## Revenue Breakdown by Business Segment



## Revenue Breakdown by Geographical Location



# Growth in Size

Newly leased mushroom cultivation bases of 842 mu is expected to be ready in time for next harvest season between late September 2011 and April 2012. In addition to the 1,678 mu of shiitake mushroom cultivation bases leased in April 2011, total cultivation bases leased to date will be increased significantly by 96.4% to 5,134 mu as of 30 June 2011 as compared to 2,614 mu as of 31 December 2010.



**Shiitake Mushroom  
Cultivation Bases  
5,134 mu**  
**↑ 96.4%**



# OPERATIONS REVIEW



## Business Overview

Yamada is a major supplier of edible fungi with one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC. We currently occupy approximately 5,134 mu of shiitake mushrooms farmland and 86 mu of black fungus farmland (1 mu equals to approximately 667 square metres). We possess potential upstream resource sustainability with sawdust obtained from our own eucalyptus trees. Sawdust is the raw material used to produce synthetic logs which are, in turn, used in the cultivation of shiitake mushrooms. Our eucalyptus plantations now cover over 30,000 mu.

Our products include self-cultivated edible fungi, such as shiitake mushrooms and black fungus, 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 dietary fibre food products which are sold in major cities in the PRC under trademark brands like  御食坊 懒人厨房. We also export our processed food products, mainly to Japan under our customers' brand names.

## Financial Highlights

For comparative purposes, due to the change of financial year end from 31 December to 30 June, the financial year 2011 covered a period of six months from 1 January 2011 to 30 June 2011 ("FY2011"). We compare that against the previous corresponding period from 1 January 2010 to 30 June 2010 ("2H2010"). Using this comparison, revenue increased 30.4% from RMB165.8 million to RMB216.3 million.

This was due to several factors. Firstly, we saw an increase of approximately RMB39.3 million in sales of self-cultivated fresh shiitake mushrooms because of an expansion in cultivation bases. In FY2011, we operated approximately 2,614 mu of mushroom cultivation bases compared to approximately 2,213 mu in 2H2010. We produced and sold approximately 20,000 tonnes of self-cultivated fresh shiitake mushrooms in FY2011.

Secondly, we started producing and selling approximately 2,000 tonnes of fresh black fungus, generating revenue of approximately RMB9.1 million in FY2011. Thirdly, we managed to increase our average unit selling price of self-cultivated fresh shiitake mushrooms by approximately 4.6%, from approximately RMB6.50/kg in 2H2010 to RMB6.80/kg in FY2011. Fourthly, with intense promotional efforts in the PRC, we managed to increase sales of konjac-based dietary fibre food products, especially konjac instant noodles, from approximately RMB16.1 million in 2H2010 to approximately RMB17.9 million in FY2011. The increase in revenue from other processed food products was approximately RMB0.4 million. Export sales of processed food products were relatively stable at approximately RMB44.1 million for FY2011 and 2H2010.

With healthy revenue expansion, gross profit increased by approximately RMB16.3 million or 22.0% from RMB73.9 million in 2H2010 to RMB90.2 million in FY2011. Gross profit margin, however, narrowed from 44.6% in 2H2010 to approximately 41.7% in FY2010, with the overall increase in raw material costs.

On a segmental basis, gross profit margin for our self-cultivation business segment decreased from approximately 52.8% in 2H2010 to approximately 48.3% in FY2011 due essentially to rising raw material costs of synthetic logs while the selling price of our shiitake mushrooms did not increase in tandem. Our self-cultivated black fungus commanded a relatively lower gross profit margin of approximately 40.5%, compared to our self-cultivated shiitake mushrooms of approximately 48.9%.

Meanwhile, the gross profit margin for our processed food products segment decreased from 25.7% in 2H2010 to 22.2% in FY2011 due to rising raw material costs of our processed food products, specifically bamboo shoots and other vegetables. All in, net profits grew 15.6% from RMB60.2 million in 2H2010 to RMB69.6 million in FY2011. This was achieved on the back of revenue of RMB216.3 million in FY2011.

## Segmental Review

### Self-Cultivated Edible Fungi

In FY2011, sales to customers for our self-cultivated edible fungi amounted to RMB144.8 million. This comprises about two-thirds or 66.9% of the total Group revenue. Sales during this period were primarily driven by higher average selling price of fresh shiitake mushrooms, a larger production volume with the increase in farmland for such purposes, as well as the production and sale of a new product, black fungus.

### Processed Food Products

With our intense promotional efforts, sales in this segment registered a total of RMB71.6 million in FY2011. Sales of konjac instant noodles were especially strong. The processed food products segment made up about one-third or 33.1% of the total Group revenue for the current financial period.

### Geographical Segments

The bulk of our sales for FY2011 were generated from the PRC market. The PRC sales were booked at RMB172.2 million or approximately 79.6% of the total Group revenue in the current financial year. Sales to Japan comprise about 20.4% of the total Group revenue or RMB44.1 million.

### Cash Flows and Financial Position

During the year in review, we continued to maintain a strong financial position as well as a positive working capital position. Net cash generated from operations was approximately RMB8.5 million. We generated net cash of approximately RMB135.9 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately RMB123.6 million.

This was due to several reasons. Firstly, an increase in advances to suppliers of approximately RMB103.6 million mainly for material costs of synthetic logs which will be used for the cultivation of shiitake mushrooms during late September 2011 to April 2012 on 5,134 mu of farmland. Secondly, purchase of

black fungus synthetic logs and mycelia of shiitake mushrooms for approximately RMB5.3 million. Thirdly, an increase in inventories such as finished goods and packaging materials of approximately RMB3.3 million and a decrease in trade and other payables amounting to approximately RMB13.1 million. Cash outflow was partially offset by a decrease in trade and other receivables of approximately RMB1.7 million. Our operating cash flow from operations was reduced by payment of income taxes of approximately RMB3.8 million.

The Group used net cash of approximately RMB40.2 million in investing activities. This was mainly for the purchase of property, plant and equipment of approximately RMB1.9 million, prepayment of maintenance costs of eucalyptus trees in our plantation forests of approximately RMB2.1 million, advance payment made to Villagers' Committees for the rental of black fungus and shiitake mushroom cultivation bases of approximately RMB30.0 million and payment of grant towards sales and marketing costs to our newly appointed self-cultivated shiitake mushroom distribution outlets in the PRC of RMB5.0 million. The cash outflow was partially offset by cash inflow of approximately RMB0.3 million from the compensation received by Fuzhou Wangcheng Foods Development Co., Ltd for the Expropriated Land. Loss arising from exchange differences on investing activities was approximately RMB1.5 million.

Net cash used in financing activities was approximately RMB14.1 million as a result of payment of final dividends of RMB0.043 per share in May 2011. This amounted to approximately RMB17.5 million. Exchange difference on financing activities was approximately RMB3.4 million due to translation of capital and reserve at end of financial period as a result of the appreciation of the Singapore Dollar against the Chinese Renminbi.

Our non-current assets increased by approximately RMB36.5 million or 18.2%, from RMB201.0 million as at 31 December 2010 to RMB237.5 million as at 30 June 2011. This was mainly due to a RMB5.0 million increase in value of our biological assets, that is



Synthetic Logs

# OPERATIONS REVIEW



our eucalyptus trees, and an increase in our capital expenditure for, among other things, advance payments made to Villagers' Committees for the rental of edible fungi cultivation bases and the maintenance of eucalyptus trees. This was partially offset by the amortisation and depreciation of non-current assets.

Current assets increased by RMB7.2 million or 3.8%, from RMB183.3 million as at 31 December 2010 to RMB190.5 million as at 30 June 2011. This increase was mainly due to an increase in trade and other receivables by approximately RMB104.0 million for advances to suppliers for material costs of synthetic logs which will be used for the cultivation of shiitake mushrooms and a RMB3.3 million increase in our inventories due to our increased production activities. This increase was partially offset by the amortisation of biological assets, namely usage of synthetic logs towards the end of harvesting season till April 2011, and decrease in cash and bank balances of approximately RMB45.5 million.

Non-current liabilities are made up of deferred tax liability represented by withholding tax payable on certain undistributed earnings of our PRC subsidiaries. Deferred tax liability was RMB12.1 million as at 30 June 2011 and RMB8.4 million as at 31 December 2010.

Current liabilities decreased by approximately RMB14.1 million or 49.0%, from approximately RMB28.8 million as at 31 December 2010 to approximately RMB14.7 million as at 30 June 2011, mainly because of a decrease in trade payables of approximately RMB13.2 million and a decrease in current income tax payable of approximately RMB0.9 million.

Capital and reserves increased by approximately RMB54.2 million or 15.6% from RMB347.1 million as at 31 December 2010 to RMB401.3 million as at 30 June 2011 mainly due to the retention of net profit of approximately RMB69.6 million and foreign currency translation reserve of approximately RMB2.1 million in FY2011. Capital and reserves were reduced

by approximately RMB17.5 million as a result of the payment of final dividends of RMB0.043 per share in May 2011.

## Use of IPO Proceeds

We had raised approximately S\$13.5 million in net proceeds during our initial public offering (the "IPO"). To date, the Group has utilised most of the proceeds in accordance with our intended use as described in our IPO Prospectus dated 29 September 2010. We have expanded our shiitake mushroom cultivation bases and eucalyptus plantations, thereby boosting economies of scale and future production while mitigating future increases in raw material costs with the cultivation of our own raw materials, eucalyptus sawdust, for producing synthetic logs.

As announced on 15 June 2011, the Group had entered into collaboration agreements with 12 newly-appointed distributors to expand the sales and distribution network for self-cultivated shiitake mushrooms. The RMB5.0 million paid pursuant to the collaboration agreements is not in accordance with the stated use in the IPO Prospectus dated 29 September 2010, wherein it was stated that, the Group intended to utilise S\$1.0 million (equivalent to approximately RMB5.1 million) of the IPO proceeds on the setting up of eight of its own distribution outlets. However, the Company intends to achieve the same result of expanding its distribution and marketing network to reach out to customers for our self-cultivated shiitake mushrooms in other parts of the PRC beyond Fujian Province, PRC through the above collaboration agreements.

With the acquisition of additional machinery and auxiliary facilities as announced on 1 December 2010, we have sufficient production capacity of konjac-based processed food products to cater to the existing demand. As such, the Board has decided to postpone the usage of the remaining S\$1.3 million of the IPO proceeds. We will make a separate announcement when it is materially disbursed.



# Growth in Product Range

We benefited from the maiden contribution of RMB9.1 million in sales of black fungus from the newly-leased black fungus cultivation base. Sales of self-cultivated edible fungi also surged 50.2% to RMB144.8 million in FY2011, largely due to the expansion of shiitake mushrooms cultivation bases. Our sales of processed food products grew 3.2% to RMB71.6 million in FY2011 from RMB 69.4 million in 2H2010, mainly due to growing domestic sales of konjac-based dietary fibre food products which increased approximately 11.2% to RMB17.9 million in FY2011.

**Black Fungus**  
**RMB9.1 million**

**Shiitake Mushroom**  
**RMB135.7 million**

**↑ 40.7%**

**Processed Food Products**  
**RMB71.6 million**

**↑ 3.2%**



# BOARD OF DIRECTORS



**Chen Qiuhai**

Executive Chairman and Chief Executive Officer

Mr Chen Qiuhai 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 the 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 Qiuhai 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. He is currently the Chief Executive Officer of Kinsley Capital International Pte. Ltd.. 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 been in private legal practice for about 30 years. He is currently a partner in RHT Law LLP. From 2009 to 2011, he was a partner in Arthur Loke & Sim LLP. From 1984 to 2009, he was the sole proprietor of Sim Yong Chan & Co. 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.

# EXECUTIVE OFFICERS

**Yang Lin** was appointed as our Chief Financial Officer (“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 the 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 the Singapore Exchange Trading Securities Limited (“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 the 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 the 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 Edible Fungi Cultivation Bases. He is a brother of our Executive Chairman and CEO, Chen Qiu Hai. He was appointed as the general manager of Zhangping Fengwang Agricultural Products Co., Ltd. (“Fengwang”) since 2008, and is responsible for the overall management of our edible fungi 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 Qiu Hai, 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 Edible Fungi Cultivation Bases. He was appointed as the deputy general manager of Fengwang since 2008, and assists Chen Qiufa in the overall management of our edible fungi 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.



# Corporate Governance and Financial Contents

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# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board” or the “Directors”) of Yamada Green Resources Limited (the “Company”) recognises the importance of sound corporate governance in protecting the interest of its shareholders as well as strengthening investors’ confidence in its management and financial reporting.

The Company, together with its subsidiaries (the “Group”), is 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”). Unless otherwise stated, these practices were in place throughout the financial year.

## 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 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 Board 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. 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.

Since the beginning of the financial year, 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 Qiu hai	5	5	5	5*	3	3*	3	3*
Chen Qisheng	5	5	5	5*	3	3*	3	3*
Chang Feng-chang	5	5	5	5	3	3	3	3
Soh Beng Keng	5	5	5	5	3	3	3	3
Sim Yong Chan	5	5	5	5	3	3	3	3

\* By invitation

Notwithstanding the above disclosures, the Board is of the view that the contribution of each Director should not be focused only on his 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. The 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.

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.

# CORPORATE GOVERNANCE REPORT

## 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 and three Non-Executive Directors, the majority of whom are Independent Directors. The list of Directors is as follows:

### **Executive Directors**

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

### **Non-Executive Directors**

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 the Management, and that no individual or small group of individuals dominate the Board's decision-making process.

## Chairman and Chief Executive Officer

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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.

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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.

# CORPORATE GOVERNANCE REPORT

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

Although the roles and responsibilities of the Chairman and the CEO are vested in Mr Chen Qiu Hai, the current composition of the Board is able to make objective and prudent judgement of 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 or small group of individuals exercising any considerable concentration of power or influence. Further, the AC, RC and NC are chaired by Independent Directors.

In view of Mr Chen Qiu Hai'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 Chief Financial Officer have failed to resolve or for which such contact is inappropriate.

## Board Membership

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

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The NC comprises three Non-Executive Directors and the members of the NC are:

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

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 making 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;

# CORPORATE GOVERNANCE REPORT

- 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 duties as a Director of the Company, particularly when he 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 Qisheng and Mr Soh Beng Keng who will retire pursuant to Article 91 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.

## 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 the 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 period from 1 January 2011 to 30 June 2011 has been communicated to and accepted by the Board.

# CORPORATE GOVERNANCE REPORT

## 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 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 the AC meetings to answer queries and to provide insights into its Group's operations.

Changes to regulations are closely monitored by the 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 Committee, whether as a group or individually, are able to seek independent professional advice as and when necessary to fulfil their duties, such advice will be obtained from a professional firm and the cost of which will be borne by the Company. The appointment of such professional advisor is subject to approval by the Board.

## 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 comprises three Non-Executive Directors and the members of the RC are:

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;
- 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;

# CORPORATE GOVERNANCE REPORT

- 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 own remuneration.

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

## Level and Mix of Remuneration

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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.

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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.

# CORPORATE GOVERNANCE REPORT

## 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 30 June 2011 falling within the broad bands are set out below:

	Remuneration Band	Salary	Bonus	Directors' Fees <sup>(1)</sup>	Total
	S\$	%	%	%	%
<b>Directors</b>					
Chen Qiu Hai <sup>(2)</sup>	<250,000	59	41	–	100
Chen Qisheng	<250,000	100	0	–	100
Chang Feng-chang	<250,000	–	–	100	100
Soh Beng Keng	<250,000	–	–	100	100
Sim Yong Chan	<250,000	–	–	100	100
<b>Key Executives</b>					
Yang Lin	<250,000	100	0	–	100
Chen Qiufa	<250,000	100	0	–	100
Liu Liping	<250,000	100	0	–	100
Huang Ting	<250,000	100	0	–	100
Fang Shuzhen	<250,000	100	0	–	100

(1) The Directors' fees are subject to the approval of the shareholders at the AGM of the Company.

(2) Mr Chen Qiu Hai is entitled to the use of a motorcar of at least 3,500cc in the PRC with the running costs incurred (including all road tax, insurance and maintenance costs) being borne by the Company.

Saved 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 for the financial period from 1 January 2011 to 30 June 2011.

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.

The Company has existing share incentives schemes, namely, Yamada Green Resources Employee Share Option and Yamada Green Resources Performance Share Plan (the "Schemes") as a long term incentive schemes for the Company's executives, including Directors and employees of the Group, whose services are vital to the Group's well being and successes. Both Schemes will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Information on the Schemes is set out in the Directors' Report.

# CORPORATE GOVERNANCE REPORT

## 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.

### Audit Committee

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

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The AC comprises three Non-Executive Directors and the members of the AC are:

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 the 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 evaluates their overall effectiveness through regular meetings with each group of auditors;
- evaluate the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and the Management's responses and actions to correct any deficiencies;

# CORPORATE GOVERNANCE REPORT

- 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 the 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 the Management's response;
- 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 the legislation, regulations 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, the 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 the AC shall abstain from making any recommendation on or voting in respect of matters in which he is interested.

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 the 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.

# CORPORATE GOVERNANCE REPORT

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 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, 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, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice and affect the independence and objectivity of the external auditors.

The audit and non-audit fees paid/payable to the auditors, Messrs BDO LLP, for the financial period ended 30 June 2011 were S\$250,000 and S\$1,500 respectively.

The AC has recommended to the Board that Messrs BDO LLP be nominated for re-appointment as external auditors at the forthcoming AGM of the Company.

In July 2010, the Singapore Exchange Limited and Accounting and Corporate Regulatory Authority 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 the 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.

# CORPORATE GOVERNANCE REPORT

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 period from 1 January 2011 to 30 June 2011 up to the date of this report is adequate to meet the needs of the Group in its current business environment. The internal auditors had also conducted 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 control provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen 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.

## 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 Company has outsourced its internal audit functions of the Group to a professional accounting firm to perform the review and test of controls of its processes. The appointed internal auditors meets the professional standards set out in the code and reports directly to the AC on internal audit matters.

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.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS

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

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 key to raise 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 financial results.

The Company does not practice selective disclosure. Price sensitive information is publicly released and financial 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 on each distinct issue 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.

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 edible fungi and processed food products, including mushrooms, vegetables and high fibre 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 and its regulations with regard to dealings in the Company's securities by its Directors and officers, that is modelled, with some modifications, on Rule 1207(19) 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.

# CORPORATE GOVERNANCE REPORT

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 to 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 established internal control procedures to ensure the transactions with interested persons are properly reviewed and approved by the AC and conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions between the Company and any of its interested person (Directors, executive officers or controlling shareholders of the Group or the associates of such Directors, executive officers or controlling shareholders) subsisting for the financial period from 1 January 2011 to 30 June 2011.

## **MATERIAL CONTRACTS**

Save as disclosed in the financial statements, there were no material contracts entered into by the Company or any of its subsidiaries, involving the interests of the CEO, any Director or the controlling shareholder during the financial period from 1 January 2011 to 30 June 2011.

## **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. The Management will follow up on the auditors' recommendations so as to strengthen the Group's risk management procedures.

Information in relation to the risks arising from the Group's financial operations is disclosed in the notes to the accompanying audited financial statements on pages 78 to 82.

# CORPORATE GOVERNANCE REPORT

## USE OF IPO PROCEEDS

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

Application of net IPO Proceeds to the Group as at 30 June 2011 is as follows:

<b>Intended Use</b>	<b>Amount Allocated (S\$'million)</b>	<b>Amount Utilised (S\$'million)</b>	<b>Balance Amount (S\$'million)</b>
Expansion of shiitake mushroom cultivation bases	4.6	4.6	–
Expansion of eucalyptus plantations	5.0	5.0	–
Establishment of own distribution and marketing network	2.0	1.0	1.0
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>11.2</b>	<b>2.3</b>

The above utilisations are in accordance with the intended use of the proceeds from the IPO as stated in the Company's Prospectus dated 29 September 2010 except for the S\$1.0 million used for establishing our own distribution and marketing network. Please refer to the Company's announcement made on 15 June 2011 for details.

With the acquisition of additional machinery and auxiliary facilities as announced by the Company on 1 December 2010, the present production capacity of konjac-based processed food products is sufficient to cater to the existing demand. Accordingly, the Board had decided to postpone the utilisation of the remaining allocated IPO proceeds of approximately S\$1.3 million.

The Company will make a separate announcement when it is materially disbursed and will continue to provide periodic updates on the use of the balance of the IPO proceeds through SGXNet.

# CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (the “CSR”) 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 agricultural products, 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 established a CSR 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 CSR 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 CSR 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 CSR 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 period from 1 January 2011 to 30 June 2011 and the statement of financial position of the Company as at 30 June 2011.

## 1. Directors

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

Chen Qiuhai  
Chen Qisheng  
Chang Feng-chang  
Soh Beng Keng  
Sim Yong Chan

## 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	
	Balance as at 1.1.2011	Balance as at 30.6.2011	Balance as at 1.1.2011	Balance as at 30.6.2011
<b>Company</b>				
Yamada Green Resources Limited			Number of ordinary shares	
Chen Qiuhai	–	–	285,114,023	285,114,023
<b>Ultimate Holding Company</b>				
Sanwang International Holdings Limited			Number of ordinary shares	
Chen Qiuhai	1	1	–	–

# REPORT OF THE DIRECTORS

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

By virtue of Section 7 of the Act, Chen Qiu Hai 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 July 2011 in the shares of the Company have not changed from those disclosed as at 30 June 2011.

## 4. Directors' contractual benefits

Since the previous financial year, 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 and/or executives of those related corporations.

## 5. Share options and performance shares

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.

The Company has adopted share incentive schemes, namely, Yamada Green Resources Employee Share Option and Yamada Green Resources Performance Share Plan (the "Schemes"). The Schemes were approved and adopted by the Shareholders at an Extraordinary General Meeting of the Company held on 29 April 2011. No share options or performance shares have been granted pursuant to the Schemes.

## 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 Chang Feng-chang, Non-Executive Director. The audit committee has met five times since the previous financial year 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;

# REPORT OF THE DIRECTORS

## 6. Audit committee (Continued)

- (e) the co-operation and assistance given by the management to the Company's external auditors;
- (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 Messrs BDO LLP for re-appointment as external auditors of the Company at the forthcoming annual general meeting of the Company.

## 7. Auditors

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

On behalf of the Board of Directors

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Chen Qiu hai  
Director

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Chen Qisheng  
Director

2 December 2011

# STATEMENT BY THE DIRECTORS

In the opinion of the Board of Directors,

- (a) the financial statements of the Group and the statement of financial position of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 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 30 June 2011 and of the results, changes in equity and cash flows of the Group for the financial period from 1 January 2011 to 30 June 2011; 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 Qiu hai  
Director

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Chen Qisheng  
Director

2 December 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 41 to 84, which comprise the statements of financial position of the Group and of the Company as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial period from 1 January 2011 to 30 June 2011, 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 auditors consider 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 evaluating 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.

### *Opinion*

In our opinion, the accompanying 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 30 June 2011 and of the results, changes in equity and cash flows of the Group for the financial period from 1 January 2011 to 30 June 2011.

# INDEPENDENT AUDITORS' REPORT

To the Members of Yamada Green Resources Limited

## **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  
2 December 2011

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2011

	Note	Group		Company	
		30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000	31.12.2010 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	4	18,907	18,946	13	–
Biological assets	5	122,950	117,930	–	–
Land use rights	6	44,408	44,998	–	–
Investments in subsidiaries	7	–	–	88,686	72,156
Prepayments	8	51,256	19,119	–	–
		<u>237,521</u>	<u>200,993</u>	<u>88,699</u>	<u>72,156</u>
<b>Current assets</b>					
Biological assets	5	100	54,635	–	–
Inventories	9	16,619	13,314	–	–
Trade and other receivables	10	139,302	35,288	47,066	44,498
Cash and bank balances	11	34,454	80,020	7,649	45,830
		<u>190,475</u>	<u>183,257</u>	<u>54,715</u>	<u>90,328</u>
<b>Less:</b>					
<b>Current liabilities</b>					
Trade and other payables	12	12,834	26,010	1,378	1,575
Current income tax payable		1,824	2,747	–	–
		<u>14,658</u>	<u>28,757</u>	<u>1,378</u>	<u>1,575</u>
<b>Net current assets</b>		<u>175,817</u>	<u>154,500</u>	<u>53,337</u>	<u>88,753</u>
<b>Non-current liability</b>					
Deferred tax liability	13	(12,079)	(8,419)	–	–
<b>Net assets</b>		<u>401,259</u>	<u>347,074</u>	<u>142,036</u>	<u>160,909</u>
<b>Capital and reserves</b>					
Share capital	14	135,176	135,176	135,176	135,176
Share-based payment reserve	15	2,077	2,077	2,077	2,077
Statutory reserve	16	31,385	24,045	–	–
Foreign currency translation reserve/ (account)	17	1,372	(735)	4,018	380
Accumulated profits		<u>231,249</u>	<u>186,511</u>	<u>765</u>	<u>23,276</u>
<b>Total equity attributable to owners of the parent</b>		<u>401,259</u>	<u>347,074</u>	<u>142,036</u>	<u>160,909</u>

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Period From 1 January 2011 to 30 June 2011

	Note	Period from 1.1.2011 to 30.6.2011 RMB'000	Year ended 31.12.2010 RMB'000
Revenue	18	216,338	313,956
Cost of sales		(126,149)	(182,741)
Gross profit		90,189	131,215
Other income	19	373	5,418
Gain from changes in fair value of biological assets	5	5,020	16,838
Selling and distribution expenses		(2,469)	(3,082)
Administrative expenses		(13,393)	(25,884)
Other expenses	20	(3,580)	(6,489)
Profit before income tax	21	76,140	118,016
Income tax expense	23	(6,578)	(14,676)
Profit for the financial period/year attributable to owners of the parent		69,562	103,340
<b>Other comprehensive income, net of tax</b>			
Currency translation differences, representing other comprehensive income for the financial period/year		2,107	(735)
Total comprehensive income for the financial period/year attributable to owners of the parent		71,669	102,605
Earnings per share (RMB cents)			
- Basic and fully diluted	24	17.1	86.1

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Period From 1 January 2011 to 30 June 2011

	Share capital RMB'000	Share- based payment reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve/ (account) RMB'000	Accumulated profits RMB'000	Total equity RMB'000
<b>Group</b>						
Balance as at 1.1. 2010	42,095	–	13,530	–	93,686	149,311
Share-based payment reserve	–	2,077	–	–	–	2,077
<b>Contributions by and distributions to owners</b>						
Adjustments arising from Group restructuring	(42,095)	–	–	–	–	(42,095)
Issue of new shares	135,176	–	–	–	–	135,176
Transfer to statutory reserve	–	–	10,515	–	(10,515)	–
<b>Total contributions by and distributions to owners</b>	<b>93,081</b>	<b>–</b>	<b>10,515</b>	<b>–</b>	<b>(10,515)</b>	<b>93,081</b>
Profit for the financial year	–	–	–	–	103,340	103,340
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	(735)	–	(735)
<b>Total comprehensive income for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(735)</b>	<b>103,340</b>	<b>102,605</b>
Balance as at 31.12.2010	135,176	2,077	24,045	(735)	186,511	347,074
<b>Distributions to owners</b>						
Dividends (Note 25)	–	–	–	–	(17,484)	(17,484)
Transfer to statutory reserve	–	–	7,340	–	(7,340)	–
<b>Total contributions by and distributions to owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(24,824)</b>	<b>(17,484)</b>
Profit for the financial period	–	–	–	–	69,562	69,562
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	2,107	–	2,107
<b>Total comprehensive income for the financial period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,107</b>	<b>69,562</b>	<b>71,669</b>
Balance as at 30.6. 2011	135,176	2,077	31,385	1,372	231,249	401,259

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Period From 1 January 2011 to 30 June 2011

	Period from 1.1.2011 to 30.6.2011 RMB'000	Year ended 31.12.2010 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	76,140	118,016
Adjustments for:		
Amortisation of biological assets	59,805	64,125
Amortisation of land use rights	590	858
Amortisation of prepayments	2,771	–
Depreciation of property, plant and equipment	1,901	3,260
Gain from changes in fair value of biological assets	(5,020)	(16,838)
Gain on compensation for expropriated land	(260)	(3,389)
Gain on disposal of property, plant and equipment	–	(474)
Interest income	(63)	(27)
Share-based payment expenses	–	2,077
Operating cash flows before working capital changes	135,864	167,608
Biological assets	(5,270)	(84,054)
Inventories	(3,305)	(6,732)
Trade and other receivables	(101,871)	32,855
Trade and other payables	(13,176)	12,687
Cash generated from operations	12,242	122,364
Interest received	63	27
Income taxes paid	(3,797)	(9,654)
Currency translation differences on operating activities	–	(938)
Net cash from operating activities	8,508	111,799
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	–	833
Purchase of property, plant and equipment	(1,862)	(4,052)
Purchase of biological assets	–	(86,752)
Purchase of land use rights	–	(39,746)
Compensation received for expropriated land	260	4,514
Prepayments	(37,094)	(4,968)
Currency translation differences on investing activities	(1,530)	88
Net cash used in investing activities	(40,226)	(130,083)

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Period From 1 January 2011 to 30 June 2011

	<b>Period from 1.1.2011 to 30.6.2011 RMB'000</b>	<b>Year ended 31.12.2010 RMB'000</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of new ordinary shares	–	93,080
Payment of dividend	(17,484)	–
Currency translation differences on financing activities	3,344	(342)
Net cash (used in)/from financing activities	<u>(14,140)</u>	<u>92,738</u>
Net change in cash and bank balances	(45,858)	74,454
Cash and bank balances at beginning of the financial period/year	80,020	5,049
Effect of foreign exchange rate changes in cash and bank balances	292	517
Cash and bank balances at end of the financial period/year	<u><u>34,454</u></u>	<u><u>80,020</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

## 1. General corporate information

Yamada Green Resources Limited (the “Company”) is a public company limited by shares, incorporated in the Republic of Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 8 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 6 Battery Road, #10-01, Singapore 049909.

The Company’s immediate and ultimate holding company is Sanwang International Holdings Limited (“Sanwang”), a company incorporated in the British Virgin Island and wholly owned by the Executive Chairman and Chief Executive Officer, Chen Qiuhai.

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

The consolidated financial statements of the Company and its subsidiaries (the “Group”) for the financial period ended 30 June 2011 and the statement of financial position of the Company as at 30 June 2011 was authorised for issue by the Board of Directors on 2 December 2011.

### **Restructuring exercise**

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

(a) Incorporation of the Company

The Company was incorporated in the Republic of Singapore on 8 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 9 September 2010. The entire share capital of Sanwang is owned by the Executive Chairman and Chief Executive Officer, Chen Qiuhai.

(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 9 September 2010.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 1. General corporate information (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 Qiu Hai, 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

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

Name of subsidiary	Country	Registered capital	Principal activities	Effective equity interest held
<u>Held by the Company</u>				
Wangcheng	People's Republic of China (“PRC”)	USD 4,029,431	Production and sales of processed food products	100%
Yuanwang	PRC	USD1,000,000	Production and sales of semi-processed food products	100%
<u>Held by Wangcheng</u>				
Zhangping Fengwang Agricultural Products Co.,Ltd (“Fengwang”)	PRC	RMB1,000,000	Cultivation and sales of shiitake mushroom	100%

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 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

### 2.1 Basis of preparation (Continued)

In the current financial period, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial period. 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 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 applies the amendments to FRS 24 retrospectively for annual periods beginning on or after 1 January 2011. As this is a disclosure standard, it has no impact on the financial position or financial performance of the Company or the Group when implemented in 2011.

FRS and INT FRS issued but not yet effective

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

		<b>Effective date (annual years beginning on or after)</b>
FRS 1 (Amendments)	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS 19	Employee Benefits	1 January 2013
FRS 27	Separate Financial Statements	1 January 2013
FRS 28	Investments in Associates and Joint Ventures	1 January 2013
FRS 107 (Amendments)	Disclosures: Transfers of Financial Assets	1 July 2011
FRS 110	Consolidated Financial Statements	1 January 2013
FRS 111	Joint Arrangements	1 January 2013
FRS 112	Disclosure of Interests in Other Entities	1 January 2013
FRS 113	Fair Value Measurements	1 January 2013

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.

The preparation of 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 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.

#### *Acquisition under common control*

Business combination arising from transfer of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholders' financial statements. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and the share capital of the subsidiary acquired is reflected within equity as merger reserve.

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

### 2.3 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 amount 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 & machinery	10
Fixtures & fittings	5 – 10
Farm equipment & fixtures	3 – 5

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

#### 2.3 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 period.

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.

#### 2.4 Biological assets

##### *Synthetic logs (including mycelia)*

Synthetic logs are stated at cost less accumulated amortisation and any accumulated impairment losses. The cost of the 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 the end of each financial period are included in the profit or loss in the financial period in which they arise.

Biological assets that are expected to be realised in the next harvest within twelve months from the end of financial period are included as current assets.

#### 2.5 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 method to write-off the cost of the land use rights over the lease term of 25 to 47 years.

#### 2.6 Impairment of tangible and intangible assets

At the end of each financial period, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

### 2.6 Impairment of tangible and intangible assets (Continued)

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.

### 2.7 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.

### 2.8 Financial instruments

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

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 expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

#### **Financial assets**

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

The Group classifies its 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.

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

#### 2.8 Financial instruments (Continued)

##### **Financial assets (Continued)**

###### *Loan and receivables*

Trade and other receivables and cash and bank balances which have fixed or determinable payments that are not quoted in active markets are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

###### Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each financial period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

###### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

##### **Financial liabilities and equity instruments**

###### Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

### 2.8 Financial instruments (Continued)

#### **Financial liabilities and equity instruments (Continued)**

##### 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.

##### Financial liabilities

The Group classifies its financial liabilities as other financial liabilities.

##### Other financial liabilities

##### *Trade and other payables*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

### 2.9 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.

### 2.10 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 period, 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.

### 2.11 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.

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

#### 2.11 Revenue recognition (Continued)

##### Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the 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.

#### 2.12 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 asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

The Singapore government introduced a cash grant known as the Jobs Credit Scheme (the "Scheme") in its Budget for 2009 in a bid to help businesses preserve jobs in the economic downturn. The amounts received for jobs credit are to be paid to eligible employers in 2009 in four payments and the amount an employer can receive would depend on the fulfillment of the conditions as stated in the Scheme.

In October 2009, the Government announced that the Scheme would be extended for half a year with another 2 payments at stepped-down rates in March and June 2010 based on 6% of wages to be paid in March 2010 and 3% of wages to be paid in June 2010.

The Group recognises the amounts received for jobs credit at their fair value as other income in the month of receipt of these grants from the government.

#### 2.13 Operating leases

##### Prepaid leases

The Group leases farmland under operating leases and the leases run for a period of 3 to 20 years. The upfront lump-sum payments made under the leases are amortised to profit or loss on a straight-line method 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 method 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 Period From 1 January 2011 to 30 June 2011

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

### 2.14 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 period as the employment that gives rise to the contributions.

### 2.15 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 period.

### 2.16 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 period. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other financial periods 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 period.

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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 period 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 period. 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 Period From 1 January 2011 to 30 June 2011

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

#### 2.16 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.

#### 2.17 Dividends

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

#### 2.18 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 period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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 period;
- (ii) income and expenses are translated at average exchange rate for the financial period (unless this average rate 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.

#### 2.19 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 Period From 1 January 2011 to 30 June 2011

## 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

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have the significant effect on the amounts recognised in the financial statements.

#### *Impairment of financial assets*

Financial assets, are assessed for indicators of impairment at the end of each financial period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

### 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 period, 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 and the Company's property, plant and equipment at 30 June 2011 were RMB18,907,000 (31 December 2010: RMB18,946,000) and RMB13,000 (31 December 2010: Nil) respectively.

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

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

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

The provision policy for impairment 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 30 June 2011 were RMB131,750,000 (31 December 2010: RMB29,946,000) and RMB46,998,000 (31 December 2010: RMB44,488,000) respectively.

(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 amount of the Group's current income tax payable as at 30 June 2011 was RMB1,824,000 (31 December 2010: RMB2,747,000).

(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 including Singapore which have entered respective bilateral treaties 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 30 June 2011 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 accumulated profits. The carrying amount of the Group's deferred tax liabilities on dividends as at 30 June 2011 was RMB12,079,000 (31 December 2010: RMB8,419,000).

(v) *Biological assets (Eucalyptus trees)*

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 these 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 (eucalyptus trees) at 30 June 2011 was RMB122,950,000 (31 December 2010: RMB117,930,000) respectively. The independent valuation firm used highly subjective assumptions and estimates to determine the valuation of the biological assets. 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 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 Period From 1 January 2011 to 30 June 2011

#### 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 &amp; machinery</b> RMB'000	<b>Fixtures &amp; fittings</b> RMB'000	<b>Farm equipment &amp; fixtures</b> RMB'000	<b>Total</b> RMB'000
<b>Cost</b>							
Balance as at 1.1.2011	12,870	2,053	572	14,967	17	5,406	35,885
Additions	–	–	43	878	–	941	1,862
Balance as at 30.6.2011	12,870	2,053	615	15,845	17	6,347	37,747
<b>Accumulated depreciation</b>							
Balance as at 1.1.2011	4,198	1,661	433	7,531	10	3,106	16,939
Depreciation for the financial period	307	30	30	555	1	978	1,901
Balance as at 30.6.2011	4,505	1,691	463	8,086	11	4,084	18,840
<b>Carrying amount</b>							
Balance as at 30.6.2011	8,365	362	152	7,759	6	2,263	18,907

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 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 &amp; machinery</b> RMB'000	<b>Fixtures &amp; fittings</b> RMB'000	<b>Farm equipment &amp; fixtures</b> RMB'000	<b>Total</b> RMB'000
<b>Cost</b>							
Balance as at 1.1.2010	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	12,870	2,053	572	14,967	17	5,406	35,885
<b>Accumulated depreciation</b>							
Balance as at 1.1.2010	3,624	1,661	388	6,888	8	1,520	14,089
Depreciation for the financial year	618	–	60	994	2	1,586	3,260
Disposals	(44)	–	(15)	(351)	–	–	(410)
Balance as at 31.12.2010	4,198	1,661	433	7,531	10	3,106	16,939
<b>Carrying amount</b>							
Balance as at 31.12.2010	8,672	392	139	7,436	7	2,300	18,946

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

<u>Company</u>	<b>Office equipment RMB'000</b>	<b>Total RMB'000</b>
<b>Cost</b>		
Balance as at 1.1.2011	–	–
Additions	15	15
Balance as at 30.6.2011	15	15
<b>Accumulated depreciation</b>		
Balance as at 1.1.2011	–	–
Depreciation for the financial period	2	2
Balance as at 30.6.2011	2	2
<b>Carrying amount</b>		
Balance as at 30.6.2011	13	13

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 5. Biological assets

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

	Group	
	30.6.2011	31.12.2010
	RMB'000	RMB'000
<b>Current</b>		
<b>Synthetic logs</b>		
<b>Cost</b>		
Balance as at beginning of the financial period/year	84,054	63,102
Additions	5,270	84,054
Utilisation	(89,224)	(63,102)
Balance as at end of the financial period/year	100	84,054
<b>Accumulated amortisation</b>		
Balance as at beginning of the financial period/year	29,419	28,396
Amortisation for the financial period/year	59,805	64,125
Utilisation	(89,224)	(63,102)
Balance as at end of the financial period/year	–	29,419
<b>Carrying amount</b>		
Balance as at end of the financial period/year	100	54,635
<b>Non-current</b>		
<b>Eucalyptus trees in plantation forests</b>		
<u>Fair value</u>		
Balance as at beginning of the financial period/year	117,930	14,340
Additions	–	86,752
Gain from changes in fair value less estimated point-of-sale costs	5,020	16,838
Balance as at end of the financial period/year	122,950	117,930

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 5. Biological assets (Continued)

Quantity and sales of edible fungi harvested during the financial period were as follows:

	<b>Period from 1.1.2011 to 30.6.2011</b>	<b>Year ended 31.12.2010</b>
Quantity of edible fungi (in tonnes)	21,971	26,220
Sales of edible fungi (RMB'000)	144,775	172,289

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:

- (i) average expected timber reserves per mu for eucalyptus at different ages are estimated based on professional opinion expressed by independent expert through his observation of these the height and diameter of eucalyptus trees;
- (ii) analysis of independent log market price obtained from markets where the eucalyptus trees located based on diameter;
- (iii) cutting area design cost, cutting cost, timber scaling cost and transport costs will increase at a modest rate of 3% (2010: 3%) during the projected period after considering the long term inflation rate of 3% (2010: 3%) of PRC and the future demand and supply; and
- (iv) the discount rate used for the eucalyptus trees in plantation forest which is applied in the discounted future cash flows calculation is 12.50% (2010: 12.50%).

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 6. Land use rights

	Group	
	30.6.2011 RMB'000	31.12.2010 RMB'000
<b>Cost</b>		
Balance as at beginning of the financial period/year	46,425	8,048
Additions	–	39,746
Disposals	–	(1,369)
Balance as at end of the financial period/year	46,425	46,425
<b>Accumulated amortisation</b>		
Balance as at beginning of the financial period/year	1,427	813
Amortisation for the financial period/year	590	858
Disposals	–	(244)
Balance as at end of the financial period/year	2,017	1,427
<b>Carrying amount</b>		
Balance as at end of the financial period/year	44,408	44,998

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 23.5 to 44.5 years (2010: 24 to 45 years).

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

## 7. Investments in subsidiaries

	Company	
	30.6.2011 RMB'000	31.12.2010 RMB'000
Investments in subsidiaries, at cost	87,243	72,243
Currency translation differences	1,443	(87)
	88,686	72,156

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 7. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

<b>Name of subsidiary (Country of incorporation/ operation)</b>	<b>Principal activities</b>	<b>Cost of investment by the Company</b>		<b>Percentage of equity held by the Company</b>	
		<b>30.6.2011</b>	<b>31.12.2010</b>	<b>30.6.2011</b>	<b>31.12.2010</b>
<b><i>Held by Company:</i></b>		RMB'000	RMB'000	%	%
Wangcheng <sup>(1)</sup> (PRC)	Production and sales of processed food products	79,107	64,107	100	100
Yuanwang <sup>(1)</sup> (PRC)	Production and sales of semi-processed food products	8,136	8,136	100	100
<b><i>Held by Wangcheng:</i></b>					
Fengwang <sup>(1)</sup> (PRC)	Cultivation and sales of edible fungi	–	–	100	100
Zhangping Senwang Forestry Management Co., Ltd. <sup>(1)</sup> (PRC) (“Senwang”)	Forestry management	–	–	100	100

<sup>(1)</sup> Audited for consolidation purpose by BDO LLP.

### 8. Prepayments

	<b>Group</b>		<b>Company</b>	
	<b>30.6.2011</b>	<b>31.12.2010</b>	<b>30.6.2011</b>	<b>31.12.2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Prepaid lease of farmland	47,239	17,194	–	–
Prepaid maintenance cost	6,501	6,291	–	–
Prepaid other operating expenses	5,068	976	68	10
Less : current portion (Note 10)	(7,552)	(5,342)	(68)	(10)
Non-current portion	51,256	19,119	–	–

Prepaid lease represents amounts paid by the Group for advance lease of farmland for a period of 3 to 20 years (31 December 2010: 20 years). The Group prepaid farmland lease for approximately 5,220 mu (31 December 2010: 2,614 mu).

Prepaid maintenance cost represents amounts paid by the Group for advance maintenance cost of the eucalyptus trees in plantation forest for a period of 1 to 3 (31 December 2010: 1 to 3) years.

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 9. Inventories

	Group	
	30.6.2011 RMB'000	31.12.2010 RMB'000
Raw materials	10,690	10,032
Work-in-progress	–	15
Finished goods	4,514	2,550
Packing materials	1,415	717
	16,619	13,314

The cost of inventories recognised as an expense and included in “cost of sales” amounted to RMB103,300,000 (31 December 2010: RMB149,100,000).

### 10. Trade and other receivables

	Group		Company	
	30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000	31.12.2010 RMB'000
Trade receivables	10,625	11,455	–	–
Other receivables				
- third parties	1,030	2,001	–	–
- a subsidiary	–	–	46,998	44,473
Advances to suppliers	120,095	16,490	–	–
Current portion of prepaid lease (Note 8)	3,464	1,347	–	–
Current portion of prepaid maintenance cost (Note 8)	3,020	3,019	–	–
Current portion of prepaid other operating expenses (Note 8)	1,068	976	68	10
Deposit	–	–	–	15
Trade and other receivables	139,302	35,288	47,066	44,498
Add: Cash and bank balances	34,454	80,020	7,649	45,830
Less: Prepayments	(7,552)	(5,342)	(68)	(10)
Loans and receivables	166,204	109,966	54,647	90,318

The average credit period on sale of goods are 30 to 90 (31 December 2010: 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 advance payments to villages' committees for the purchase of mushrooms synthetic logs.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 10. Trade and other receivables (Continued)

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

	Group		Company	
	30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000	31.12.2010 RMB'000
Chinese renminbi	133,774	29,443	38,233	44,473
Japanese yen	2,554	3,333	–	–
Singapore dollar	68	415	8,833	25
United States dollar	2,906	2,097	–	–
	<u>139,302</u>	<u>35,288</u>	<u>47,066</u>	<u>44,498</u>

## 11. Cash and bank balances

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

	Group		Company	
	30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000	31.12.2010 RMB'000
Chinese renminbi	20,244	38,820	7,107	35,042
Japanese yen	25	15	–	–
Singapore dollar	13,975	41,110	542	10,788
United States dollar	210	75	–	–
	<u>34,454</u>	<u>80,020</u>	<u>7,649</u>	<u>45,830</u>

## 12. Trade and other payables

	Group		Company	
	30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000	31.12.2010 RMB'000
Trade payables	3,340	1,980	–	–
Other payables	6,257	15,995	–	–
Advances from customers	411	4,568	–	–
Accrued expenses	2,826	3,467	1,378	1,575
Trade and other payables	<u>12,834</u>	<u>26,010</u>	<u>1,378</u>	<u>1,575</u>
Less: Accrued expenses	<u>(2,826)</u>	<u>(3,467)</u>	<u>(1,378)</u>	<u>(1,575)</u>
Financial liabilities at amortised costs	<u>10,008</u>	<u>22,543</u>	<u>–</u>	<u>–</u>

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 12. Trade and other payables (Continued)

The average credit period on purchase of goods are 30 to 90 (31 December 2010: 30 to 90) days.

Other payables comprise social insurances and value-added tax.

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

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

	Group		Company	
	30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000	31.12.2010 RMB'000
Chinese renminbi	11,456	24,389	–	–
Singapore dollar	1,378	1,575	1,378	1,575
United States dollar	–	46	–	–
	<u>12,834</u>	<u>26,010</u>	<u>1,378</u>	<u>1,575</u>

### 13. Deferred tax liability

	Group	
	30.6.2011 RMB'000	31.12.2010 RMB'000
Balance as at beginning of the financial period/year	8,419	4,931
Transferred from profit or loss	<u>3,660</u>	<u>3,488</u>
Balance as at end of the financial period/year	<u>12,079</u>	<u>8,419</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 14. Share capital

	Group		Company	
	30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000	31.12.2010 RMB'000
<i>Issued and fully paid:</i>				
406,595,175 ordinary shares at beginning of financial period (2 ordinary shares at date of incorporation)	135,176	42,095	135,176	—*
Adjustments arising from Group restructuring	—	(42,095)	—	—
New issuance of ordinary shares	—	135,176	—	135,176
406,595,175 ordinary shares at end of financial period	<u>135,176</u>	<u>135,176</u>	<u>135,176</u>	<u>135,176</u>

\* Denotes amount less than RMB1,000

The issued and paid up capital of S\$26,333,076 (31 December 2010: S\$26,333,076) is equivalent to approximately RMB135,176,000 (31 December 2010: RMB135,176,000).

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 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	
	30.6.2011 RMB'000	31.12.2010 RMB'000
Balance as at beginning of the financial period/year	24,045	13,530
Transferred from accumulated profits	7,340	10,515
Balance as at end of the financial period/year	<u>31,385</u>	<u>24,045</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 17. Foreign currency translation reserve/(account)

The foreign currency translation reserve/(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	
	Period from 1.1.2011 to 30.6.2011 RMB'000	Year ended 31.12.2010 RMB'000
Self-cultivated edible fungi	144,775	172,289
Processed food products	71,563	141,667
	216,338	313,956

## 19. Other income

	Group	
	Period from 1.1.2011 to 30.6.2011 RMB'000	Year ended 31.12.2010 RMB'000
Gain on compensation from expropriated land	260	3,389
Gain on disposal of property, plant and equipment	–	474
Government grants and subsidies	50	1,522
Interest income	63	27
Miscellaneous income	–	6
	373	5,418

Government grants relates 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.

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 20. Other expenses

	Group	
	Period from 1.1.2011 to 30.6.2011	Year ended 31.12.2010
	RMB'000	RMB'000
Cost of operating biological assets	1,853	6,333
Foreign exchange loss, net	1,719	150
Miscellaneous expenses	8	6
	3,580	6,489

### 21. Profit before income tax

The above is arrived after charging:

	Group	
	Period from 1.1.2011 to 30.6.2011	Year ended 31.12.2010
	RMB'000	RMB'000
<i>Cost of sales</i>		
Amortisation of biological assets	59,805	64,125
Depreciation of property, plant and equipment	1,381	2,296
Operating lease expenses	901	1,347
	901	1,347
<i>Selling and distribution expenses</i>		
Freight charges	534	1,269
Carriage outwards	263	505
	263	505
<i>Administrative expenses</i>		
Amortisation of land use rights	590	858
Depreciation of property, plant and equipment	520	964
Research expenses	2,805	1,450
Share-based payment expenses	–	2,077
Operating lease expenses	96	68
	96	68

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 22. Employee benefits expense

	Group	
	Period from 1.1.2011 to 30.6.2011 RMB'000	Year ended 31.12.2010 RMB'000
Salaries and related costs (including Directors' remuneration)	6,588	12,196
Employer's contribution to defined contribution plans	1,895	2,917
Share-based payment expenses	–	2,077
	8,483	17,190

### 23. Income tax expense

	Group	
	Period from 1.1.2011 to 30.6.2011 RMB'000	Year ended 31.12.2010 RMB'000
Current income tax expense	2,918	9,249
Deferred tax expense	3,660	3,488
Withholding tax expense	–	1,939
	6,578	14,676

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

	Group	
	Period from 1.1.2011 to 30.6.2011 RMB'000	Year ended 31.12.2010 RMB'000
Profit before income tax	76,140	118,016
Tax calculated at the applicable domestic tax rates of 25% in PRC where the Group's taxable income is mainly derived.	19,035	29,504
The tax effect of expenses not deductible for tax purposes	1,408	3,781
The tax effect of income not subject to tax	(17,566)	(23,985)
Withholding tax on unremitted earnings of subsidiaries	3,660	3,488
Withholding tax paid overseas	–	1,939
Others	41	(51)
	6,578	14,676

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 23. Income tax expense (Continued)

#### *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 1 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 1 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.

#### (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 7 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:

	<b>Group</b>	
	<b>Period from 1.1.2011 to 30.6.2011 RMB'000</b>	<b>Year ended 31.12.2010 RMB'000</b>
<i>Earnings</i>		
Earnings for the purposes of basic and diluted earnings per share (profit for the financial period/year attributable to the owners)	69,562	103,340
<i>Number of shares</i>		
Actual (31 December 2010: weighted average) number of ordinary shares for the purposes of basic and diluted earnings per share	406,595,175	120,036,899
<i>Earnings per share (RMB cents)</i>		
Basic and diluted	17.1	86.1

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 24. Earnings per share (Continued)

Basic earnings per share for the financial period ended 30 June 2011 is computed based on the actual number of ordinary shares in issue of 406,595,175.

Basic earnings per share for the financial year ended 31 December 2010 is computed based on the weighted average number of ordinary shares in issue of 120,036,899. 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-weighted factor.

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

## 25. Dividends

	Group and Company	
	Period from	Year ended
	1.1.2011 to 30.6.2011 RMB'000	31.12.2010 RMB'000
Final tax-exempt dividend of RMB0.043 (31 December 2010: Nil) per ordinary share in respect of the financial year ended 31 December 2010	17,484	—

The Board of Directors did not recommend any dividend in respect of the financial period ended 30 June 2011.

## 26. Commitments

### 26.1 Capital commitment

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

	Group		Company
	30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000
Acquisition of property, plant and equipment	7,775	—	—
Maintenance agreement of eucalyptus trees	—	2,063	—
Purchase of synthetic logs	75,380	7,740	—
Committed registered capital in a subsidiary in PRC	—	—	19,515

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 26. Commitments (Continued)

#### 26.2 Operating lease commitments

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

	Group	
	30.6.2011	31.12.2010
	RMB'000	RMB'000
Not later than one year	216	212
Later than one year but not later than five years	28	116
Later than five years	5,925	6,832
	6,169	7,160

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.

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

- Lease of farmland by the Group for a period of 3 to 20 years. The Group leases farmland of approximately 5,220mu (31 December 2010: 2,614 mu) and prepays a portion of the total lease payable. Lease payments of the farmland are based on area of the farmland 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 27. Significant related party transactions (Continued)

During the financial period/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:

	<b>Group</b>	
	<b>Period from 1.1.2011 to 30.6.2011 RMB'000</b>	<b>Year ended 31.12.2010 RMB'000</b>
Sales of self-cultivated shiitake mushroom to spouse of a director of subsidiary	–	11,419
Sales of processed food products to spouse of a director of subsidiary	–	1,532

	<b>Company</b>	
	<b>Period from 1.1.2011 to 30.6.2011 RMB'000</b>	<b>Year ended 31.12.2010 RMB'000</b>
Consultancy fee charged to subsidiary	471	–
Loan made to subsidiary	1,686	–
Settlement of liabilities on behalf of subsidiary	233	1,910
Settlement of liabilities on behalf by subsidiary	–	3,991

### *Key management personnel remuneration*

	<b>Group</b>		<b>Company</b>	
	<b>Period from 1.1.2011 to 30.6.2011 RMB'000</b>	<b>Year ended 31.12.2010 RMB'000</b>	<b>Period from 1.1.2011 to 30.6.2011 RMB'000</b>	<b>Year ended 31.12.2010 RMB'000</b>
Short-term employee benefits	1,770	2,217	581	887
Post-employment benefits	85	140	22	52
Share-based payment expenses	–	2,077	–	2,077
	<u>1,855</u>	<u>4,434</u>	<u>603</u>	<u>3,016</u>

Analysed into:

Directors of the Company	1,246	949	236	149
Directors of the subsidiaries	102	251	–	–
Other key management personnel	507	3,234	367	2,867
	<u>1,855</u>	<u>4,434</u>	<u>603</u>	<u>3,016</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 28. Financial risk and capital management policies

The Group's activities expose it to credit risks, market risks (including foreign currency 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.

### 28.1 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.

Major customers are defined as those who accounted for 5% or more of the Group's total revenue for the respective financial period/year ended. Revenue from the major customers amounted to 26.3% (31 December 2010: 16.8%) of total revenue for the financial period ended 30 June 2011.

The major customers made up 11.5% (31 December 2010: 7.8%) of the total trade receivables as at 30 June 2011.

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

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

As at 30 June 2011, substantially all the bank balances as detailed in Note 11 to the financial statements, are held in major financial institutions which are regulated and located 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.

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

#### 28.2 Market risks

##### 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 year 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").

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

<b>Group</b>	<b>JPY RMB'000</b>	<b>SGD RMB'000</b>	<b>USD RMB'000</b>	<b>Total RMB'000</b>
<b>At 30 June 2011</b>				
<u>Financial assets</u>				
Trade and other receivables	2,554	68	2,906	5,528
Cash and bank balances	25	13,975	210	14,210
Currency exposure	<u>2,579</u>	<u>14,043</u>	<u>3,116</u>	<u>19,738</u>
<u>Financial liabilities</u>				
Trade and other payables	<u>–</u>	<u>(1,378)</u>	<u>–</u>	<u>(1,378)</u>
<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>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

### 28.2 Market risks (Continued)

#### Currency risk (Continued)

<b>Company</b>	<b>JPY RMB'000</b>	<b>SGD RMB'000</b>	<b>USD RMB'000</b>	<b>Total RMB'000</b>
<b>At 30 June 2011</b>				
<u>Financial assets</u>				
Trade and other receivables	–	–	–	–
Cash and bank balances	–	542	–	542
Currency exposure	–	542	–	542
<u>Financial liabilities</u>				
Trade and other payables	–	(1,378)	–	(1,378)
<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	–	10,813	–	10,813
<u>Financial liabilities</u>				
Trade and other payables	–	(1,575)	–	(1,575)

#### Foreign exchange risk sensitivity analysis

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

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

#### 28.2 Market risks (Continued)

##### Currency risk (Continued)

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

	Group		Company	
	30.6.2011 RMB'000	31.12.2010 RMB'000	30.6.2011 RMB'000	31.12.2010 RMB'000
JPY against RMB				
- strengthen	258	335	–	–
- weaken	(258)	(335)	–	–
SGD against RMB				
- strengthen	1,266	3,995	(84)	924
- weaken	(1,266)	(3,995)	84	(924)
USD against RMB				
- strengthen	312	213	–	–
- weaken	(312)	(213)	–	–

##### 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.

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

#### 28.3 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 cash at bank 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

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

### 28.4 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.

### 28.5 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 accumulated profits as disclosed in the statements of financial position as at respective financial period/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 period ended 30 June 2011 and financial year ended 31 December 2010..

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 a 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.

### 28.6 Fair values of financial assets and financial liabilities

The carrying amount of the Group's financial assets and financial liabilities approximate their fair values as at respective end of financial period/year due to the relatively short-term maturity of these financial instruments.

## 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 edible fungi

The self-cultivated edible fungi business segment comprises the fresh shiitake mushrooms and black fungus cultivated at the Group's cultivation bases.

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 29. Segment information (Continued)

(ii) Processed food products

The processed food products business segment comprises processed vegetable products and dietary fibre food products (including konjac-based processed food products).

The Group has no inter-segment sales.

#### 29.1 Business segment

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

	Self-cultivated edible fungi RMB'000	Processed food products RMB'000	Corporate RMB'000	Total RMB'000
<b>1.1.2011 to 30.6.2011</b>				
<b>Revenue</b>				
Sales to external customers	144,775	71,563	–	216,338
<b>Segment results</b>	69,975	20,214	–	90,189
Other income	23	334	16	373
Gain from changes in fair value of biological assets	5,020	–	–	5,020
Selling and distribution expenses	(139)	(2,330)	–	(2,469)
Administrative expenses	(3,219)	(6,233)	(3,941)	(13,393)
Other expenses	(1,853)	(8)	(1,719)	(3,580)
Profit before income tax	69,807	11,977	(5,644)	76,140
Income tax expense	–	(2,918)	(3,660)	(6,578)
Profit after income tax	69,807	9,059	(9,304)	69,562
<b>Other segment items</b>				
Additions of biological assets	5,270	–	–	5,270
Capital expenditure-property, plant and equipment	942	906	14	1,862
Interest income	23	24	16	63
Depreciation and amortisation	61,335	959	2	62,296
<b>Segment assets</b>	340,283	79,983	7,730	427,996
<b>Segment liabilities</b>	287	12,993	1,378	14,658
Unallocated liabilities	–	–	–	12,079
<b>Total liabilities</b>	287	12,993	1,378	26,737

# NOTES

## TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

### 29. Segment information (Continued)

#### 29.1 Business segment (Continued)

	Self- cultivated edible fungi RMB'000	Processed food products RMB'000	Corporate RMB'000	Total RMB'000
<b>1.1.2010 to 31.12.2010</b>				
<b>Revenue</b>				
Sales to external customers	172,289	141,667	–	313,956
<b>Segment results</b>	89,203	42,012	–	131,215
Other income	10	5,407	1	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)	(8,511)	(13,586)	(25,884)
Other expenses	(6,333)	(156)	–	(6,489)
Profit before income tax	95,554	36,047	(13,585)	118,016
Income tax expense	–	(9,249)	(5,427)	(14,676)
Profit after income tax	95,554	26,798	(19,012)	103,340
<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 income	10	16	1	27
Depreciation and amortisation	66,466	1,777	–	68,243
<b>Segment assets</b>	251,912	86,482	45,855	384,249
<b>Segment liabilities</b>	12,248	14,934	1,575	28,757
Unallocated liabilities	–	–	8,419	8,419
<b>Total liabilities</b>	12,248	14,934	9,994	37,176

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Period From 1 January 2011 to 30 June 2011

## 29. Segment information (Continued)

### 29.2 Geographical information

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

	<b>Period from 1.1.2011 to 30.6.2011 RMB'000</b>	<b>Year ended 31.12.2010 RMB'000</b>
<b>Sales to external customers</b>		
China	172,206	225,435
Japan	44,132	88,521
	<u>216,338</u>	<u>313,956</u>

The Group's non-current assets, based on the location of such assets, are in China and Singapore.

	<b>Balance as at 30.6.2011 RMB'000</b>	<b>Balance as at 31.12.2010 RMB'000</b>
<b>Non-current assets</b>		
China	237,508	200,993
Singapore	13	-
	<u>237,521</u>	<u>200,993</u>

The Group's revenue of RMB24,329,000 representing 11.2% of the Group's revenue is derived from processed food products transactions with a single third party customer.

## 30. Events subsequent to the reporting date

On 22 August 2011, the Company announced that it has changed its financial year end from 31 December to 30 June to better reflect the structure, performance and financial position of the Company as the new financial year end is more aligned with the shiitake mushroom cultivation cycle, which is from late September to April.

## 31. Comparative figures

The current financial period covers a financial period of 6 months from 1 January 2011 to 30 June 2011 as the Company changed its financial year end from 31 December to 30 June.

The audited comparative figures presented in the financial statements are not entirely comparable as they cover a period from 1 January 2010 to 31 December 2010.

# STATISTICS OF SHAREHOLDINGS

As at 16 November 2011

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

## ANALYSIS OF SHAREHOLDINGS

Size of Shareholding		Number of Shareholders	%	Number of Shares	%
1	- 999	1	0.07	581	0.00
1,000	- 10,000	500	34.43	3,319,000	0.82
10,001	- 1,000,000	933	64.26	61,538,725	15.13
1,000,001	and above	18	1.24	341,736,869	84.05
		<u>1,452</u>	<u>100.0</u>	<u>406,595,175</u>	<u>100.0</u>

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sanwang International Holdings Limited	285,114,023	70.12	–	–
Chen Qiu hai <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:

- Sanwang International Holdings Limited ("Sanwang") is a company incorporated in British Virgin Islands and wholly-owned by Mr Chen Qiu hai, the Executive Chairman and Chief Executive Officer of the Company. Accordingly, Mr Chen Qiu hai 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 16 November 2011

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	SANWANG INTERNATIONAL HOLDINGS LIMITED	285,114,023	70.12
2.	FORTUNE TECHNOLOGY FUND LTD	10,000,000	2.46
3.	UOB KAY HIAN PTE LTD	9,243,000	2.27
4.	HONG LEONG FINANCE NOMINEES PTE LTD	5,659,000	1.39
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	3,982,846	0.98
6.	CHIA KEE KOON	3,227,000	0.79
7.	OCBC SECURITIES PRIVATE LTD	3,201,000	0.79
8.	LEE SUI HEE	2,653,000	0.65
9.	CIMB SECURITIES (SINGAPORE) PTE LTD	2,465,000	0.61
10.	LEOW SIEW CHOO	2,358,000	0.58
11.	SIM BENG HUAT HENRY	2,300,000	0.57
12.	KIM ENG SECURITIES PTE. LTD.	2,212,000	0.54
13.	HSBC (SINGAPORE) NOMINEES PTE LTD	2,206,000	0.54
14.	TEO SZE SOON (ZHANG ZHISHUN)	1,700,000	0.42
15.	HL BANK NOMINEES (SINGAPORE) PTE LTD	1,500,000	0.37
16.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,440,000	0.35
17.	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,263,000	0.31
18.	PHILLIP SECURITIES PTE LTD	1,213,000	0.30
19.	LIM YONG LUY	1,000,000	0.25
20.	PEH LI NA	1,000,000	0.25
		343,736,869	84.54

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

29.83% 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 Singapore Exchange Securities Trading Limited.

## SHARE PURCHASE MANDATE

At the Extraordinary General Meeting ("EGM") of the Company held on 29 April 2011, the shareholders had approved the share purchase mandate to enable the Company to purchase or otherwise acquire not more than 10 per cent of the issued ordinary share capital of the Company as at the date of the EGM. As at 16 November 2011, the Company has not purchased any shares pursuant to the mandate.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Yamada Green Resources Limited (the “Company”) will be held at 6 Battery Road, #10-01, Singapore 049909 on Wednesday, 28 December 2011 at 9.30 a.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 1 January 2011 to 30 June 2011 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Articles of Association of the Company:  
  
Mr Chen Qisheng **(Resolution 2)**  
Mr Soh Beng Keng **(Resolution 3)**  
[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$160,000 for the financial year ending 30 June 2012 to be paid half yearly in arrears. **(Resolution 4)**  
[See Explanatory Note (ii)]
4. 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 5)**
5. To transact any other ordinary business which may properly be transacted at the Annual General Meeting.

## AS SPECIAL BUSINESS

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

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of Companies Act, Cap. 50 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
- (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

# NOTICE OF ANNUAL GENERAL MEETING

- (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. **(Resolution 6)**  
[See Explanatory Note (iii)]

## 7. Authority to issue shares under the Yamada Green Resources Share Option Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Yamada Green Resources Share Option Scheme (the "Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force 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. **(Resolution 7)**  
[See Explanatory Note (iv)]

# NOTICE OF ANNUAL GENERAL MEETING

## 8. Authority to issue shares under the Yamada Green Resources Performance Share Plan

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards under the Yamada Green Resources Performance Share Plan (the “Plan”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Plan shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force 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. **(Resolution 8)**

[See Explanatory Note (v)]

## 9. Renewal of Share Purchase Mandate

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Appendix to the Company’s letter to shareholders dated 13 December 2011 (the “Letter”), in accordance with the terms of the Share Purchase Mandate set out in the Letter, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force 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. **(Resolution 9)**

[See Explanatory Note (vi)]

By Order of the Board

Wong Chee Meng Lawrence  
Company Secretary

Singapore  
13 December 2011

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) Mr Soh Beng Keng will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee respectively and will be considered independent.
- (ii) In view of the change of financial year end of the Company from 31 December to 30 June, the proposed payment of Directors' fees of S\$160,000 would include the balance of the Directors' fees of S\$80,000 to be paid for the period from 1 July 2011 to 31 December 2011 which was approved by the shareholders at the Annual General Meeting of the Company held on 29 April 2011.
- (iii) The Ordinary Resolution 6 in item 6 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.

- (iv) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, from the date of this Meeting until 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 in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (v) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until 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 in the Company pursuant to the vesting of awards under the Plan up to a number not exceeding in total (for the entire duration of the Plan) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (vi) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting until 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 the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in Appendix to the Letter. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial period from 1 January 2011 to 30 June 2011 are set out in greater detail in Appendix to the Letter.

## 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 6 Battery Road, #10-01, Singapore 049909 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)

## 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.

## PROXY FORM

(Please see notes overleaf before completing this Form)

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	%
Address			

and/or (delete as appropriate)

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

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 Annual General Meeting (the "Meeting") of the Company to be held at 6 Battery Road, #10-01, Singapore 049909 on Wednesday, 28 December 2011 at 9.30 a.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 a tick [✓] within the box provided.)**

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the financial period from 1 January 2011 to 30 June 2011		
2	Re-election of Mr Chen Qisheng as Director		
3	Re-election of Mr Soh Beng Keng as Director		
4	Approval of Directors' Fees amounting to S\$160,000 for the financial year ending 30 June 2012 to be paid half yearly in arrears		
5	Re-appointment of Messrs BDO LLP as Auditors		
6	Authority to issue shares		
7	Authority to issue shares under the Yamada Green Resources Share Option Scheme		
8	Authority to issue shares under the Yamada Green Resources Performance Share Plan		
9	Renewal of Share Purchase Mandate		

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/she 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 6 Battery Road, #10-01, Singapore 049909 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/her name in the Depository Register as at forty-eight (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 Qiuhai (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

6 Battery Road  
#10-01  
Singapore 049909  
Tel : 65- 6381 6966  
Fax : 65- 6381 6967

## PRINCIPAL PLACE OF BUSINESS

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

## SHARE REGISTRAR

Tricor Barbinder Share Registration Services  
(A division of Tricor Singapore Pte. Ltd.)  
80 Robinson Road  
#02-00  
Singapore 068898  
Tel : 65- 6236 3333  
Fax : 65- 6236 4399

## AUDITORS

BDO LLP  
Public Accountants and  
Certified Public Accountants  
21 Merchant Road  
#05-01 Royal Merukh S.E.A. Building  
Singapore 058267  
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 Everbright Bank, Fuzhou Tongpan Branch  
First Floor, Provincial Tax Bureau Commercial Building  
Mid Section, North Second Ring Road  
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  
10 Collyer Quay  
#09-08 Ocean Financial Centre  
Singapore 049315

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

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