



Yamada Green Resources Limited

(Company Registration No. 201002962E)
(Incorporated in the Republic of Singapore)

Unaudited Financial Statements And Dividend Announcement for The Second Quarter and Half-Year Ended 31 December 2013

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	3 Months Ended		Change %	Half-Year Ended		Change %
	31 Dec 2013	31 Dec 2012		31 Dec 2013	31 Dec 2012	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	232,643	179,570	29.6%	272,766	212,587	28.3%
Cost of sales	(173,561)	(151,166)	14.8%	(202,183)	(174,488)	15.9%
Gross profit	59,082	28,404	108.0%	70,583	38,099	85.3%
<i>Gross profit margin</i>	25.4%	15.8%	+9.6 ppt	25.9%	17.9%	+8.0 ppt
<i>Other items of income</i>						
Interest income	27	8	237.5%	45	21	114.3%
Other income	124	106	17.0%	152	217	(30.0%)
<i>Other items of expenses</i>						
Selling & distribution expenses	(963)	(1,412)	(31.8%)	(1,759)	(3,638)	(51.6%)
Administrative expenses	(4,760)	(4,608)	3.3%	(11,791)	(9,097)	29.6%
Other operating expenses	(3,555)	(3,823)	(7.0%)	(5,451)	(4,807)	13.4%
Financial cost	(412)	(28)	1,371.4%	(488)	(28)	1,642.9%
Profit before income tax	49,543	18,647	165.7%	51,291	20,767	147.0%
Income tax expense	(3,916)	(1,951)	100.7%	(5,019)	(3,069)	63.5%
Profit for the financial period	45,627	16,696	173.3%	46,272	17,698	161.5%
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	-	-	-	-	-
Total comprehensive income for the financial period	45,627	16,696	173.3%	46,272	17,698	161.5%
<i>Profit attributable to:</i>						
Owners of the parent	45,627	16,696	173.3%	46,272	17,698	161.5%
<i>Total comprehensive income attributable to:</i>						
Owners of the parent	45,627	16,696	173.3%	46,272	17,698	161.5%

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

The Group's total comprehensive income for the financial period is derived after charging/(crediting):

	3 Months Ended			Half-Year Ended		
	31 Dec 2013 RMB'000	31 Dec 2012 RMB'000	Change %	31 Dec 2013 RMB'000	31 Dec 2012 RMB'000	Change %
Amortisation of land use rights	723	640	13.0%	1,431	1,251	14.4%
Amortisation of biological assets	103,723	99,753	4.0%	103,723	99,753	4.0%
Amortisation of prepayment	5,343	4,284	24.7%	8,388	6,136	36.7%
Depreciation of property, plant and equipment	1,895	2,417	(21.6%)	4,062	3,304	22.9%
Exchange loss, net	847	963	(12.0%)	928	120	673.3%
Interest income	(27)	(8)	237.5%	(45)	(21)	114.3%
Interest expenses on bank loan	412	28	1371.4%	488	28	1642.9%
Government grants	(84)	(100)	(16.0%)	(84)	(155)	(45.8%)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	As at 31 Dec 2013	As at 30 Jun 2013	As at 31 Dec 2013	As at 30 Jun 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	76,817	54,157	1	3
Biological assets ⁽¹⁾	166,866	166,866	-	-
Land use rights	99,446	100,741	-	-
Investments in subsidiaries	-	-	117,266	117,266
Prepayments	69,504	72,895	-	-
Deferred tax assets	1,847	1,847	-	-
	414,480	396,506	117,267	117,269
Current assets				
Biological assets ⁽²⁾	148,855	32,186	-	-
Inventories	23,073	16,325	-	-
Trade receivables	37,583	16,862	-	-
Other receivables	132,667	211,261	72,287	72,310
Cash and bank balances	11,947	21,108	1,375	10,692
	354,125	297,742	73,662	83,002
Less:				
Current liabilities				
Trade and other payables	21,686	19,740	130	1,172
Bank borrowings	30,000	-	-	-
Current income tax payable	6,451	3,849	-	-
	58,137	23,589	130	1,172
Net current assets	295,988	274,153	73,532	81,830
Non-current liability				
Deferred tax liability	(3,711)	(3,711)	-	-
Net assets	706,757	666,948	190,799	199,099
Capital and reserves				
Share capital	190,471	186,092	190,471	186,092
Share-based payment reserve	2,016	6,395	2,016	6,395
Statutory reserve	57,124	55,141	-	-
Accumulated profits/(losses)	457,146	419,320	(1,688)	6,612
Total equity	706,757	666,948	190,799	199,099

⁽¹⁾This represents eucalyptus trees and moso bamboo plantations.

⁽²⁾This represents shiitake mushroom synthetic logs held by the Group.

(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 31 Dec 2013		As at 30 Jun 2013	
Secured	Unsecured	Secured	Unsecured
30,000,000	Nil	Nil	Nil

Amount repayable after one year

As at 31 Dec 2013		As at 30 Jun 2013	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

The Company's wholly-owned subsidiary, Wangcheng Foods Development Co., Ltd. ("Wangcheng"), had accepted the offer of credit facility (the "Facility") up to an aggregate principal amount of RMB40 million granted by China Everbright Bank (the "Bank") and pledged its buildings and land use rights as collateral for the Facility in favour of the Bank. Mr Chen Qiu Hai, the Executive Chairman and Chief Executive Officer of the Company, agreed to stand as personal guarantor for payment of all monies and liabilities owing by Wangcheng to the Bank including but not limited to payment of all monies owing or payable (whether actual or contingent) to the Bank with respect to the Facility extended by the Bank.

As at the date of this announcement, RMB20 million has been drawn down for working capital purposes and RMB10 million was used as capital expenditure, mainly invested in the construction of our R&D Centre.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	3 Months Ended		Half-Year Ended	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flow from operating activities				
Profit before income tax	49,543	18,647	51,291	20,767
Adjustments for:				
Depreciation	1,895	2,417	4,062	3,304
Amortisation of biological assets ⁽¹⁾	103,723	99,753	103,723	99,753
Amortisation of land use rights	723	640	1,431	1,251
Amortisation of prepayments	5,343	4,284	8,388	6,136
Gain on disposal of property, plant and equipment	-	-	-	(56)
Interest income	(27)	(8)	(45)	(21)
Interest expenses	412	28	488	28
Operating profits before working capital changes	161,612	125,761	169,338	131,162
Biological assets ⁽¹⁾	(220,392)	(234,446)	(220,392)	(234,446)
Inventories	(7,469)	4,524	(6,749)	6,096
Trade and other receivables	63,230	100,606	53,898	101,905
Trade and other payables	5,570	16,287	1,946	11,435
Cash generated from operations	2,551	12,732	(1,959)	16,152
Interest received	27	8	45	21
Income taxes paid	(1,510)	(1,119)	(3,439)	(3,096)
Net cash generated from/ (used in) operating activities	1,068	11,621	(5,353)	13,077
Cash flow used in investing activities				
Proceeds from disposal of property, plant and equipment	-	-	-	56
Purchase of property, plant and equipment	(25,164)	(6,426)	(26,857)	(14,876)
Net cash used in investing activities	(25,164)	(6,426)	(26,857)	(14,820)
Cash flow from financing activities				
Proceeds from bank loan	10,000	10,000	30,000	10,000
Repayment of bank loan	-	(10,000)	-	(10,000)
Interest paid	(412)	(28)	(488)	(28)
Dividend payment	(6,463)	-	(6,463)	-
Net cash used in financing activities	3,125	(28)	23,049	(28)

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<u>The Group</u>	3 Months Ended		Half-Year Ended	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	RMB'000	RMB'000	RMB'000	RMB'000
Net (decrease)/increase in cash and bank balances	(20,971)	5,167	(9,161)	(1,771)
Cash and bank balances at beginning of the financial period	32,918	7,342	21,108	14,280
Cash and bank balances at end of the financial period	11,947	12,509	11,947	12,509

⁽¹⁾ This represents synthetic logs of edible fungus held by the Group.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>The Group</u>	← Attributable to owners of the parent →					
	Share capital RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
Balance as at 01.07.2013	186,092	6,395	55,141	-	419,320	666,948
Profit for the financial period	-	-	-	-	645	645
<i>Total comprehensive income for the financial period</i>	-	-	-	-	645	645
Balance as at 30.09.2013	186,092	6,395	55,141	-	419,965	667,593
Issue of new shares	4,379	-	-	-	-	4,379
Share-based payment reserve	-	(4,379)	-	-	-	(4,379)
Profit for the financial period	-	-	-	-	45,627	45,627
Transfer to statutory reserve	-	-	1,983	-	(1,983)	-
Dividend payment	-	-	-	-	(6,463)	(6,463)
<i>Total comprehensive income for the financial period</i>	-	-	1,983	-	37,181	39,164
Balance as at 31.12.2013	190,471	2,016	57,124	-	457,146	706,757

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<u>The Group</u>	← Attributable to owners of the parent →					
	Share capital RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
Balance as at 01.07.2012	138,692	6,632	47,988	(1,143)	354,123	546,292
Effects on change of functional currency	(4,242)	(61)	-	1,143	3,160	-
Profit for the financial period	-	-	-	-	1,002	1,002
<i>Total comprehensive income for the financial period</i>	0	0	-	0	1,002	1,002
Balance as at 30.09.2012	134,450	6,571	47,988	-	358,285	547,294
Issue of new shares	4,555	(4,555)	-	-	-	-
Profit for the financial period	-	-	2,203	-	14,493	16,696
<i>Total comprehensive income for the financial period</i>	0	0	2,203	-	14,493	16,696
Balance as at 31.12.2012	139,005	2,016	50,191	-	372,778	563,990

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<u>The Company</u>	Share capital RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated profits/(losses) RMB'000	Total equity RMB'000
Balance as at 01.07.2013	186,092	6,395	-	6,612	199,099
Loss for the financial period	-	-	-	(606)	(606)
<i>Total comprehensive income for the financial period</i>	-	-	-	(606)	(606)
Balance as at 30.09.2013	186,092	6,395	-	6,006	198,493
Issue of new shares	4,379				4,379
Share-based payment reserve		(4,379)			(4,379)
Loss for the financial period	-	-	-	(1,231)	(1,231)
Dividend payment	-	-	-	(6,463)	(6,463)
<i>Total comprehensive income for the financial period</i>	-	-	-	(7,694)	(7,694)
Balance as at 31.12.2013	190,471	2,016	-	(1,688)	190,799

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<u>The Company</u>	Share capital RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated profits/(losses) RMB'000	Total equity RMB'000
Balance as at 01.07.2012	138,692	6,632	(2,876)	(1,210)	141,238
Effects on change of functional currency	(4,242)	(61)	2,876	1,427	-
Loss for the financial period	-	-	-	(346)	(346)
<i>Total comprehensive income for the financial period</i>	-	-	-	(346)	(346)
Balance as at 30.09.2012	134,450	6,571	-	(129)	140,892
Issue of new shares	4,555	(4,555)	-	-	-
Loss for the financial period	-	-	-	(1,387)	(1,387)
<i>Total comprehensive income for the financial period</i>	-	-	-	(1,387)	(1,387)
Balance as at 31.12.2012	139,005	2,016	-	(1,516)	139,505

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Grant of Performance Share Awards

During the 3 months ended 31 December 2013, selected eligible employees of the Group and Director of the Company had been awarded 3,750,000 ordinary shares pursuant to Yamada Green Resources Performance Share Plan (the "Plan") on 31 December 2013. The Plan was approved and adopted by the shareholders at our Extraordinary General Meeting on 29 April 2011.

These new shares have been listed and quoted on the Singapore Exchange Securities Trading Limited on 2 January 2014. The new shares issued rank pari passu in all respects with the existing shares of the Company. Pursuant to the above issue and allotment of new shares, the number of issued and paid-up shares in the capital of the Company has increased from 498,452,175 ordinary shares to 502,202,175 ordinary shares.

There were no outstanding convertibles or treasury shares held as at 31 December 2013 and 31 December 2012.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares (excluding treasury shares)

As at 30 June 2013	498,452,175
Grant of performance share awards	<u>3,750,000</u>
As at 31 December 2013	<u>502,202,175</u>

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation applied by the Group are consistent with those used in its most recently audited financial statements for the financial year ended 30 June 2013 except for the valuation of biological assets, fair value of share-based payment reserves, deferred tax assets and provision for deferred tax which will be undertaken at the end of financial year.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 Months Ended		Half-Year Ended	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
<u>The Group</u>				
Earnings per share (RMB cents)				
- <i>basic</i>	9.1	4.1	9.2	4.3
- <i>diluted</i>	8.9	3.9	9.0	4.1
Weighted average number of ordinary shares ('000) - basic	498,452	410,935	498,452	410,935
- diluted	510,032	431,595	510,032	431,595

Basic earnings per share are calculated by dividing the net profit after tax attributable to equity holders of the Company of the respective periods and the weighted average number of shares in issue during the respective financial periods. The weighted average number of ordinary shares represents the number of ordinary shares at the beginning of the financial period, adjusted for new ordinary shares issued during the financial period, multiplied by a time-weighted factor.

Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company for the respective periods and the weighted average number of shares, adjusted for the effects of all dilutive potential ordinary shares. The Company approved the grant of 25,000,000 shares of the Company to selected eligible employees of the Group and Director of the Company on 29 December 2011, under the Yamada Performance Shares Plan which had been approved and adopted by the shareholders at our Extraordinary General Meeting on 29 April 2011. For calculation purposes, we assumed that the grant of 25,000,000 ordinary shares took place on 1 July 2011.

As at 31 December 2013, 9,670,000 ordinary shares of the above 25,000,000 ordinary shares were issued and vested and 3,750,000 ordinary shares of the above 25,000,000 ordinary shares were forfeited

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

<u>The Group</u>	As at 31 Dec 2013	As at 30 Jun 2013
Net asset value per share (RMB cents)	140.7	133.8
Number of ordinary shares ('000)	502,202	498,452

<u>The Company</u>	As at 31 Dec 2013	As at 30 Jun 2013
Net asset value per share (RMB cents)	37.9	39.9
Number of ordinary shares ('000)	502,202	498,452

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

STATEMENT OF COMPREHENSIVE INCOME

Review of performance for the second quarter ended 31 December 2013 ("2Q2014")

Revenue

Segment Revenue Breakdown

	2Q2014		HY2014	
	(RMB'million)	%	(RMB'million)	%
Cultivation Business Segment				
- Shiitake mushroom	166.4	71.4	166.4	61.0
- Black fungus	5.7	2.5	5.7	2.1
- Moso bamboos and bamboo shoots	9.9	4.3	9.9	3.6
Processed Food Products Business Segment	50.6	21.8	90.8	33.3
Total Revenue	232.6		272.8	

Our revenue increased by approximately RMB53.0 million or 29.6%, to approximately RMB232.6 million in 2Q2014 from approximately RMB179.6 million during October to December 2012 ("2Q2013").

The significant increase was mainly due to higher sales from our cultivation business segment of approximately RMB43.0 million or 30.9%, to RMB182.0 million in 2Q2014 from approximately RMB139.0 million in 2Q2013.

The revenue from sales of self-cultivated shiitake mushrooms increased by approximately RMB34.2 million or 25.9%, to RMB166.4 million in 2Q2014 from RMB132.2 million in 2Q2013. Favorable weather condition during the harvesting period in our cultivation sites boosted the production volumes of self-cultivated shiitake mushrooms to approximately 24,000 tonnes in 2Q2014 as compared with 20,500 tonnes in 2Q2013. More than 98% of our self-cultivated shiitake mushrooms were sold as fresh produce; the rest were produced into dried mushrooms for sale. The average selling price of self-cultivated fresh shiitake mushrooms was approximately RMB7 per kg in 2Q2014, up about 8% as compared to the same period in the last financial year.

In addition, we commenced harvesting of our self-cultivated winter bamboo shoots and moso bamboos during 2Q2014. We produced and sold 565,100 pieces of moso bamboos and 85 tonnes of winter bamboo shoots during the period. The harvesting season of winter bamboo shoots is from December to January each year while moso bamboos is from July to December each year. Currently, we operate 11,032 mu of bamboo plantations in Pucheng County, Fujian Province.

Sales from processed food products business segment rose approximately RMB10.0 million or 24.6%, to approximately RMB50.6 million in 2Q2014 from RMB40.6 million in 2Q2013. It was mainly due to higher export sales to the Japanese market during the period.

Gross profit and gross profit margin

In tandem with the higher revenue, our gross profit increased by approximately RMB30.7million or 108.0%, to approximately RMB59.1million in 2Q2014 from approximately RMB28.4million in 2Q2013.

Our overall gross profit margin increased to 25.4% in 2Q2014 as compared with 15.8% in 2Q2013.

The gross profit margin of our cultivation business segment increased to 23.0% in 2Q2014 from 11.8% in 2Q2013. It mainly resulted from higher average selling price of shiitake mushrooms in 2Q2014 whereas cost per unit of shiitake mushroom was lowered by higher production rate of shiitake mushrooms. The unusual winter season in our cultivation sites during the same period last year lowered the yield. In 2Q2014, the climatic condition returned to normal which was favourable for the cultivation and harvesting of our shiitake mushrooms. Meanwhile, winter bamboo shoots and moso bamboos generated gross profit margin of approximately 45% to 50% in 2Q2014.

The gross profit margin for our processed food products business segment also improved to 34.0% in 2Q2014 from 28.8% in 2Q013. It was primarily due to changes in product mix.

Other operating income

Other operating income comprises mainly government grants and subsidies, interest income and other miscellaneous gains.

Operating expenses

Selling and distribution expenses decreased by approximately RMB0.4 million or 31.8%, to approximately RMB1.0 million in 2Q2014 from approximately RMB1.4 million in 2Q2013. The decline arose from the reduction in sales and marketing staff and sales promotion expenses as we are in the process of adjusting our marketing strategy.

Administrative expenses increased by approximately RMB0.2 million or 3.3%, to approximately RMB4.8 million in 2Q2014 from approximately RMB4.6 million in 2Q2013. The increased R & D expenditures and improved staff welfare led to higher

administrative expenses. The increase was partially offset by reclassification of amortization of prepaid lease for the bamboo plantations to cost of production.

Other operating expenses mainly consisted of maintenance cost of eucalyptus plantations and foreign exchange loss. The decrease by approximately RMB0.2 million or 7.0%, to approximately RMB3.6 million in 2Q2014 from approximately RMB3.8 million in 2Q2013, was mostly due to fluctuations in foreign exchange rate.

Income tax expenses

Income tax expense increased to approximately RMB3.9 million in 2Q2014, from approximately RMB2.0 million in 2Q2013, in line with higher profit before income tax from our processed food products segment. Our cultivation business segment is exempted from the Enterprise Income Tax and the value-added tax. Our subsidiary, Wangcheng and Yuanwang, are subject to Enterprise Income Tax at the rate of 25%. Our effective tax rate is 7.9% in 2Q2014 as compared with 10.5% in 2Q2013.

Total comprehensive income for the period

The resulting comprehensive income for the three months under review increased by approximately RMB28.9 million or 173.3%, to approximately RMB45.6 million in 2Q2014 from approximately RMB16.7 million in 2Q2013. The increase was primarily attributable to higher sales and profitability during the current financial period.

Review of performance for the half-year ended 31 December 2013 (“HY2014”)

Revenue

Our revenue increased by approximately RMB60.2 million or 28.3%, to approximately RMB272.8 million in HY2014 from approximately RMB212.6 million during July to December 2013 (“HY2013”).

The significant increase was mainly due to higher sales from our cultivation business segment of approximately RMB43.0 million or 30.9%, to RMB182.0 million in HY2014 from approximately RMB139.0 million in HY2013.

The revenue from sales of self-cultivated shiitake mushrooms increased by approximately RMB34.2 million or 25.9%, to RMB166.4 million in HY2014 from RMB132.2 million in HY2013. Favorable weather condition during the harvesting period in our cultivation sites boosted the production volumes of self-cultivated shiitake mushrooms to approximately 24,000 tonnes in HY2014 as compared with 20,500 tonnes in HY2013. More than 98% of our self-cultivated shiitake mushrooms were sold as fresh produce; the rest were produced into dried mushrooms for sale. The average selling price of self-cultivated fresh shiitake mushrooms was approximately RMB7 per kg in HY2014, up about 8% as compared to the same period in the last financial year.

In addition, we commenced harvesting of our self-cultivated winter bamboo shoots and moso bamboos during HY2014. We produced and sold 565,100 pieces of moso bamboos and 85 tonnes of winter bamboo shoots. The harvesting season of winter bamboo shoots is from December to January each year while moso bamboos is from July to December each year. Currently, we operate approximately 11,032 mu of bamboo plantations in Pucheng County, Fujian Province.

Sales from processed food products business segment rose approximately RMB17.2 million or 23.4%, to approximately RMB90.8 million in HY2014 from RMB73.6 million in HY2013. It was mainly due to higher export sales to the Japanese market during the period.

Gross profit and gross profit margin

In tandem with the higher revenue, our gross profit increased by approximately RMB32.5 million or 85.3%, to approximately RMB70.6 million in HY2014 from approximately RMB38.1 million in HY2013.

Our overall gross profit margin increased to 25.9% in HY2014 as compared with 17.9% in HY2013.

The gross profit margin of our cultivation business segment increased to 23.0% in HY2014 from 11.8% in HY2013. It mainly resulted from higher average selling price of shiitake mushrooms in HY2014 whereas cost per unit of shiitake mushroom was lowered by higher production rate of shiitake mushrooms in HY2014. The unusual winter season in our cultivation sites during the same period last year lowered the yield. In HY2014, the climatic condition returned to normal which was favourable for the cultivation and harvesting of our shiitake mushrooms. Meanwhile, winter bamboo shoots and moso bamboos generated gross profit margin of approximately 45% to 50% in HY2014.

The gross profit margin for our processed food products business segment also improved to 31.6% in HY2014 from 30.7% in HY2013. It was primarily due to changes in product mix.

Other operating income

Other operating income comprises mainly government grants and subsidies, interest income and other miscellaneous gains

Operating expenses

Selling and distribution expenses decreased by approximately RMB1.8 million or 51.6%, to approximately RMB1.8 million in HY2014 from approximately RMB3.6 million in HY2013. The decline arose from the reduction in sales and marketing staff and sales promotion expenses as we are in the process of adjusting our marketing strategy.

Administrative expenses increased by approximately RMB2.7 million or 29.6%, to approximately RMB11.8 million in HY2014 from approximately RMB9.1 million in HY2013. The increase resulted from additional depreciation of property, plant and equipment following the completion of our logistic centre and office building at Fengwang. Furthermore, increased R & D expenditures and improved staff welfare also led to higher administrative expenses. The increase was partially offset by reclassification of amortization of prepaid lease for the bamboo plantations to cost of production.

Other operating expenses mainly consisted of maintenance cost of eucalyptus plantations and foreign exchange loss. The increase by approximately RMB0.6 million or 13.4%, to approximately RMB5.4 million in HY2014 from approximately RMB4.8 million in HY2013, was mostly due to higher exchange loss as a result of weaker US dollars and Japanese Yen.

Income tax expenses

Income tax expense increased to approximately RMB5.0 million in HY2014, from approximately RMB3.1 million in HY2013, in line with higher profit before income tax from our processed food products segment. Our cultivation business segment is exempted from the Enterprise Income Tax and the value-added tax. Our subsidiary, Wangcheng and Yuanwang, are subject to Enterprise Income Tax at the rate of 25%. Our effective tax rate is 9.8% in HY2014 as compared with 14.8% in HY2013.

Total comprehensive income for the period

The resulting comprehensive income for the six months under review increased by approximately RMB28.6 million or 161.5%, to approximately RMB46.3 million in HY2014 from approximately RMB17.7 million in HY2013. The increase was mainly due to higher sales and profitability during the current financial period.

STATEMENT OF FINANCIAL POSITION

Our non-current assets increased by approximately RMB18.0 million or 4.5%, to RMB414.5 million as at 31 December 2013 from RMB396.5 million as at 30 June 2013. The increase was mainly attributable to additional construction-in-progress for our new processing plants in Economic and Technological Development Zone and our R&D Centre in Houyu Food Industry Zone in Fuzhou City. The increase was partially offset by the amortisation and depreciation of non-current assets.

Our current assets increased by approximately RMB56.4 million or 18.9%, to RMB354.1 million as at 31 December 2013 from RMB297.7 million as at 30 June 2013. The increase was primarily due to (i) net increase of synthetic logs by approximately RMB116.7 million during our edible fungi harvest season. (ii) the inventory was increased by approximately RMB6.7 million to meet expected higher demand during Lunar New Year. (iii) Trade receivables was increased by approximately RMB20.7 million as a result of higher sales from July to December 2013. The increase of current assets was partially offset by the absence of advances to suppliers of synthetic logs. In addition, cash and bank balances also decreased by RMB9.2 million after the issuance of dividend for FY2013.

Our current liabilities increased by approximately RMB34.5 million or 146.2%, to approximately RMB58.1million as at 31 December 2013 from approximately RMB23.6 million as at 30 June 2013. This was mainly due to increased bank borrowings by RMB30.0 million for our working capital purposes and investment in the construction of our R&D Centre, and advance payment received from our customers in our cultivation business segment.

Equity holders' interest increased by approximately RMB39.8 million or 6.0%, to approximately RMB706.7 million as at 31 December 2013 from approximately RMB666.9 million as at 30 June 2013. It was primarily due to the retention of net profit in HY2014 after issuance of dividend for FY2013 amounting to approximately RMB6.5 million.

STATEMENT OF CASH FLOWS

2Q2014

For the three months ended 31 December 2013, we recorded net cash generated from operating activities of approximately RMB1.1 million. This consisted of cash generated from operating activities before changes in working capital of RMB161.6 million, working capital outflow of RMB159.0 million, and net of cash outflow amounting to RMB1.5 million from interest income received and income tax paid.

The net working capital outflow was mainly due to additional payment of synthetic logs of edible fungus for approximately RMB220.3 million and increase in inventories of approximately RMB7.5 million to meet expected higher demand during Lunar New Year. In addition, trade receivables also increased by approximately RMB17.4 million. The cash outflow was partially offset by decrease in other receivables of RMB80.6 million and increase in trade and other payables of RMB5.6 million

Net cash of approximately RMB25.2 million was used in investing activities for the purchase of property, plant and equipment and progressive payment for new plants and R&D Centre.

In 2Q2014, net cash of approximately RMB3.1 million was generated from financing activities. We drew down a loan of RMB10 million from China Everbright Bank for working capital purposes. The cash inflow was partially decreased by interest expenses incurred on bank loan of approximately RMB0.4 million and issuance of dividend for FY2013 of approximately RM6.5 million

HY2014

For the six months ended 31 December 2013, we recorded net cash used in operating activities of approximately RMB5.3 million. This consisted of cash generated from operating activities before changes in working capital of RMB169.3 million, working capital outflow of RMB171.2 million, and net of cash outflow amounting to RMB3.4 million from interest income received and income tax paid.

The net working capital outflow was mainly due to additional payment of synthetic logs of edible fungus for approximately RMB220.3 million and increase in inventories of approximately RMB6.7 million to meet expected higher demand during Lunar New Year. In addition, trade receivables also increased by approximately RMB20.7 million. The cash outflow was partially offset by decrease in other receivables of RMB74.6 million and increase in trade and other payables of RMB1.9 million.

Net cash of approximately RMB26.9 million was used in investing activities for the purchase of property, plant and equipment and progressive payment of new factory.

In HY2014, net cash of approximately RMB23.0 million was generated from financing activities. We drew down a loan of RMB30 million from China Everbright Bank for working capital purposes and investment in the construction of our R&D Centre. The cash inflow was partially decreased by interest expenses incurred on bank loan of approximately RMB0.5 million and issuance of dividend for FY2013 of approximately RM6.5 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect China to maintain a steady growth in 2014 under the national policy of stimulating domestic demand. Rising urbanization and increased disposal income per capita which lead to higher spending power of domestic consumers will provide great growth potential for our food and processed food products.

With rising medical costs and as consumers become more health conscious, we believe the market for our products with health benefits such as Konjac based products, shiitake mushroom, bamboo shoots, etc., will continue to grow.

In April 2013, we have diversified into bamboo plantations, which yielded positive results in 2Q2014 during the harvesting season of bamboo shoots. We will continue to review the opportunities of expanding this business segment.

We have obtained the logging licence to harvest the eucalyptus trees from our eucalyptus plantations to produce sawdust as raw materials for the production of the shiitake mushroom synthetic logs to be used in FY2015. The logging licence will be valid until 21 April 2014, and for an aggregated area of 5,924 mu (1 mu is equivalent to approximately 667 square metres) which will satisfy about 65% of our mushroom synthetic logs used in 5,134 mu of shiitake mushrooms cultivation sites.

Barring unforeseen circumstances, the Management expects the Group to remain profitable in FY2014.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the three months and half-year ended 31 December 2013.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There has been no interested person transactions during the three months and half-year ended 31 December 2013. The Group does not have a general mandate pursuant to Rule 920(1)(a)(ii).

14. NEGATIVE CONFIRMATION PURSUANT TO RULE 705(5)

The Board of Directors of Yamada Green Resources Limited (the "Company"), do hereby confirm that, to the best of its knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the three months and half-year ended 31 December 2013 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chen Qiu hai
Executive Chairman and CEO

13 February 2014