



## 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 2012

#### 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.**

<u>The Group</u>	3 Months Ended			Half-Year Ended		
	31 Dec 2012 RMB'000	31 Dec 2011 RMB'000	Change %	31 Dec 2012 RMB'000	31 Dec 2011 RMB'000	Change %
Revenue	<b>179,570</b>	218,195	(17.7)	<b>212,587</b>	251,949	(15.6)
Cost of sales	<b>(151,166)</b>	(129,933)	16.3	<b>(174,488)</b>	(152,054)	14.8
Gross profit	<b>28,404</b>	88,262	(67.8)	<b>38,099</b>	99,895	(61.9)
<i>Gross profit margin</i>	<b>15.8%</b>	40.5%	(24.7 ppt)	<b>17.9%</b>	39.6%	(21.7 ppt)
<i>Other items of income</i>						
Interest income	<b>8</b>	67	(88.1)	<b>21</b>	101	(79.2)
Other income	<b>106</b>	33	221.2	<b>217</b>	55	294.5
<i>Other items of expenses</i>						
Selling and distribution expenses	<b>(1,412)</b>	(2,136)	(33.9)	<b>(3,638)</b>	(4,730)	(23.1)
Administrative expenses	<b>(4,608)</b>	(9,051)	(49.1)	<b>(9,097)</b>	(11,921)	(23.7)
Other operating expenses	<b>(3,823)</b>	(1,957)	95.4	<b>(4,807)</b>	(2,125)	126.2
Financial cost	<b>(28)</b>	-	n/m	<b>(28)</b>	-	n/m
Profit before income tax	<b>18,647</b>	75,218	(75.2)	<b>20,767</b>	81,275	(74.4)
Income tax expense	<b>(1,951)</b>	(1,982)	(1.6)	<b>(3,069)</b>	(3,830)	(19.9)
Profit for the financial period	<b>16,696</b>	73,236	(77.2)	<b>17,698</b>	77,445	(77.1)
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	(51)	n/m	-	(571)	n/m
Total comprehensive income for the financial period	<b>16,696</b>	73,185	(77.2)	<b>17,698</b>	76,874	(77.0)
<i>Profit attributable to:</i>						
Owners of the parent	<b>16,696</b>	73,236	(77.2)	<b>17,698</b>	77,445	(77.1)
<i>Total comprehensive income attributable to:</i>						
Owners of the parent	<b>16,696</b>	73,185	(77.2)	<b>17,698</b>	76,874	(77.0)

n/m – not meaningful

- 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 2012 RMB'000	31 Dec 2011 RMB'000	Change %	31 Dec 2012 RMB'000	31 Dec 2011 RMB'000	Change %
Amortisation of land use rights	640	294	117.7	1,251	587	113.1
Amortisation of biological assets	99,753	79,333	25.7	99,753	79,333	25.7
Amortisation of prepayment	4,284	2,964	44.5	6,136	3,916	56.7
Depreciation of property, plant and equipment	2,417	1,293	86.9	3,304	2,282	44.8
Exchange loss, net	963	1,029	(6.4)	120	270	(55.6)
Interest income	(8)	(67)	(88.1)	(21)	(101)	(79.2)
Interest expenses on bank loan	28	-	n/m	28	-	n/m
Government grants	(100)	(24)	316.7	(155)	(24)	545.8
Share-based payment expenses	-	3,516	n/m	-	3,516	n/m

n/m – not meaningful

**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 2012	As at 30 Jun 2012	As at 31 Dec 2012	As at 30 Jun 2012
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	46,789	35,217	5	7
Biological assets <sup>(1)</sup>	188,922	188,922	-	-
Land use rights	95,831	80,225	-	-
Investments in subsidiaries	-	-	92,121	92,121
Prepayments	44,105	52,173	-	-
	<b>375,647</b>	356,537	<b>92,126</b>	92,128
<b>Current assets</b>				
Biological assets <sup>(2)</sup>	134,793	100	-	-
Inventories	9,040	15,136	-	-
Trade and other receivables	69,050	185,880	47,312	47,335
Cash and bank balances	12,509	14,280	171	2,869
	<b>225,392</b>	215,396	<b>47,483</b>	50,204
<b>Less:</b>				
<b>Current liabilities</b>				
Trade and other payables	31,110	19,675	104	1,094
Current income tax payable	2,357	2,384	-	-
	<b>33,467</b>	22,059	<b>104</b>	1,094
<b>Net current assets</b>	<b>191,925</b>	193,337	<b>47,379</b>	49,110
<b>Non-current liability</b>				
Deferred tax liability	(3,582)	(3,582)	-	-
<b>Net assets</b>	<b>563,990</b>	546,292	<b>139,505</b>	141,238
<b>Capital and reserves</b>				
Share capital	139,005	138,692	139,005	138,692
Share-based payment reserve	2,016	6,632	2,016	6,632
Statutory reserve	50,191	47,988	-	-
Foreign currency translation reserve	-	(1,143)	-	(2,876)
Accumulated profits/(losses)	372,778	354,123	(1,516)	(1,210)
<b>Total equity</b>	<b>563,990</b>	546,292	<b>139,505</b>	141,238

<sup>(1)</sup>This represents eucalyptus trees in plantation forest.

<sup>(2)</sup>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 2012		As at 30 Jun 2012	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

**Amount repayable after one year**

As at 31 Dec 2012		As at 30 Jun 2012	
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 RMB20 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.

Wangcheng had drawn down RMB10 million for working capital purposes from 13 December 2012 to 27 December 2012 and the same had been fully repaid as at 31 December 2012.

**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.**

<b>The Group</b>	<b>3 Months Ended</b>		<b>Half-Year Ended</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flow from operating activities</b>				
Profit before income tax	18,647	75,218	20,767	81,275
Adjustments for:				
Depreciation	2,417	1,293	3,304	2,282
Amortisation of biological assets <sup>(1)</sup>	99,753	79,333	99,753	79,333
Amortisation of land use rights	640	294	1,251	587
Amortisation of prepayments	4,284	2,964	6,136	3,916
Gain on disposal of property, plant and equipment	-	-	(56)	-
Interest income	(8)	(67)	(21)	(101)
Interest expenses	28	-	28	-
Share-bases payment expenses	-	3,516	-	3,516
Operating profits before working capital changes	125,761	162,551	131,162	170,808
Biological assets <sup>(1)</sup>	(234,446)	(186,922)	(234,446)	(186,922)
Inventories	4,524	(2)	6,096	3,682
Trade and other receivables	100,606	7,397	101,905	3,835
Trade and other payables	16,287	20,977	11,435	24,675
Cash generated from operations	12,732	4,001	16,152	16,078
Interest received	8	67	21	101
Income taxes paid	(1,119)	(2,321)	(3,096)	(3,672)
<b>Net cash generated from operating activities</b>	<b>11,621</b>	<b>1,747</b>	<b>13,077</b>	<b>12,507</b>
<b>Cash flow used in investing activities</b>				
Proceeds from disposal of property, plant and equipment	-	-	56	-
Purchase of property, plant and equipment	(6,426)	(11,509)	(14,876)	(11,914)
Prepayments	-	-	-	(7,000)
Currency translation difference on investing activities	-	1,632	-	9,629
<b>Net cash used in investing activities</b>	<b>(6,426)</b>	<b>(9,877)</b>	<b>(14,820)</b>	<b>(9,285)</b>
<b>Cash flow from financing activities</b>				
Proceeds from bank loan	10,000	-	10,000	-
Repayment of bank loan	(10,000)	-	(10,000)	-
Interest paid	(28)	-	(28)	-
Currency translation difference on financing activities	-	(1,702)	-	(9,175)
<b>Net cash used in financing activities</b>	<b>(28)</b>	<b>(1,702)</b>	<b>(28)</b>	<b>(9,175)</b>

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<b><u>The Group</u></b>	<b>3 Months Ended</b>		<b>Half-Year Ended</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Net (decrease)/increase in cash and bank balances</b>	<b>5,167</b>	<b>(9,832)</b>	<b>(1,771)</b>	<b>(5,953)</b>
<b>Cash and bank balances at beginning of the financial period</b>	<b>7,342</b>	<b>37,291</b>	<b>14,280</b>	<b>34,454</b>
Effect of foreign exchange rate changes in cash and bank balances	-	18	-	(1,024)
<b>Cash and bank balances at end of the financial period</b>	<b>12,509</b>	<b>27,477</b>	<b>12,509</b>	<b>27,477</b>

<sup>(1)</sup> 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 →					Total equity RMB'000
	Share capital RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated profits RMB'000	
<b>Balance as at 01.07.2011</b>	135,176	2,077	31,385	1,372	231,249	401,259
Profit for the financial period	-	-	-	-	4,209	4,209
<i>Other comprehensive income for the financial period</i>						
Foreign currency translation reserve	-	-	-	(520)	-	(520)
<i>Total comprehensive income for the financial period</i>	-	-	-	(520)	4,209	3,689
<b>Balance as at 30.09.2011</b>	135,176	2,077	31,385	852	235,458	404,948
Share-based payment reserve	-	3,516	-	-	-	3,516
Profit for the financial period	-	-	-	-	73,236	73,236
Transfer to statutory reserve	-	-	14,671	-	(14,671)	-
<i>Other comprehensive income for the financial period</i>						
Foreign currency translation reserve	-	-	-	(51)	-	(51)
<i>Total comprehensive income for the financial period</i>	-	-	14,671	(51)	58,565	73,185
<b>Balance as at 31.12.2011</b>	135,176	5,593	46,056	801	294,023	481,649

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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
<b>Balance as at 01.07.2012</b>	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>	(4,242)	(61)	-	1,143	1,002	1,002
<b>Balance as at 30.09.2012</b>	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>	4,555	(4,555)	2,203	-	14,493	16,696
<b>Balance as at 31.12.2012</b>	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
<b>Balance as at 01.07.2011</b>	135,176	2,077	4,018	765	142,036
Profit for the financial period	-	-	-	2,724	2,724
<i>Other comprehensive income for the financial period</i>					
Foreign currency translation reserve	-	-	(8,516)	-	(8,516)
<i>Total comprehensive income for the financial period</i>	-	-	(8,516)	2,724	(5,792)
<b>Balance as at 30.09.2011</b>	135,176	2,077	(4,498)	3,489	136,244
Share-based payment reserve	-	3,516	-	-	3,516
Loss for the financial period	-	-	-	(4,062)	(4,062)
<i>Other comprehensive income for the financial period</i>					
Foreign currency translation reserve	-	-	(1,683)	-	(1,683)
<i>Total comprehensive income for the financial period</i>	-	-	(1,683)	(4,062)	(5,745)
<b>Balance as at 31.12.2011</b>	<u>135,176</u>	<u>5,593</u>	<u>(6,181)</u>	<u>(573)</u>	<u>134,105</u>

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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
<b>Balance as at 01.07.2012</b>	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)
<b>Balance as at 30.09.2012</b>	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)
<b>Balance as at 31.12.2012</b>	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 2012, selected eligible employees of the Group and Director of the Company had been awarded 5,330,000 ordinary shares pursuant to Yamada Green Resources Performance Share Plan (the "Plan") on 31 December 2012. 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 2013. 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 410,935,175 ordinary shares to 416,265,175 ordinary shares.

There were no outstanding convertibles or treasury shares held as at 31 December 2012 and 31 December 2011.

- 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 2012	410,935,175
Grant of performance share awards	<u>5,330,000</u>
<b>As at 31 December 2012</b>	<b><u>416,265,175</u></b>

- 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.**

Save as disclosed in paragraph 5 below, 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 2012 except for the valuation of biological assets, fair value of share-based payment reserves 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.**

The presentation currency of the financial statements is Renminbi ("RMB") as the Group's operations are based in the People's Republic of China. At the beginning of the financial year from 1 July 2012, the Company has changed its functional currency from Singapore Dollars ("SGD") to RMB. There was a re-assessment of the primary economic factors as a result of a change in circumstances. The Company has adopted this change prospectively.

**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 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<b><u>The Group</u></b>				
Earnings per share (RMB cents)				
- <i>basic</i>	<b>4.1</b>	18.0	<b>4.3</b>	19.0
Number of ordinary shares ('000)	<b>410,935</b>	406,595	<b>410,935</b>	406,595

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.

	3 Months Ended		Half-Year Ended	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<b><u>The Group</u></b>				
Earnings per share (RMB cents)				
- <i>diluted</i>	<b>3.9</b>	17.0	<b>4.1</b>	17.9
Number of ordinary shares ('000)	<b>431,595</b>	431,595	<b>431,595</b>	431,595

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 2012, 9,670,000 ordinary shares of the above 25,000,000 ordinary shares was issued and vested.

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.**

<b><u>The Group</u></b>	<b>As at 31 Dec 2012</b>	As at 30 Jun 2012
Net asset value per share (RMB cents)	<b>135.5</b>	132.9
Number of ordinary shares ('000)	<b>416,265</b>	410,935
<b><u>The Company</u></b>	<b>As at 31 Dec 2012</b>	As at 30 Jun 2012
Net asset value per share (RMB cents)	<b>33.5</b>	34.4
Number of ordinary shares ('000)	<b>416,265</b>	410,935

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 2012 ("2Q2013")**

###### **Revenue**

Our revenue decreased by approximately RMB38.6 million, from approximately RMB218.2 million during October to December 2011 ("2Q2012") to approximately RMB179.6 million in 2Q2013, a fall of approximately 17.7%.

The decrease was mainly due to lower sales of self-cultivated shiitake mushrooms of approximately RMB35.9 million, from approximately RMB168.1 million in 2Q2012 to RMB132.2 million in 2Q2013. We currently operate approximately 5,134 mu of shiitake mushrooms cultivation bases. We produced and sold approximately 25,000 tonnes of self-cultivated shiitake mushrooms in 2Q2012 as compared to approximately 20,500 tonnes in 2Q2013. The lower yield in 2Q2013 was mainly the result of unfavorable weather conditions at the cultivation sites during the period. The unusually cold winter season also affected adversely the quality of shiitake mushrooms. The average unit selling price of self-cultivated fresh shiitake mushrooms was approximately 4% to 5% lower compared to the same period in the last financial year.

Sales generated from fresh black fungus in 2Q2013 were approximately RMB6.8 million as compared to RMB6.4 million in 2Q2012. We currently operate approximately 86 mu of black fungus cultivation bases.

Sales of processed food products were lower by approximately RMB3.1 million, from approximately RMB43.7 million in 2Q2012 to RMB40.6 million in 2Q2013. It was mainly due to lower export sales to Japan.

### **Gross profit and gross profit margin**

Our gross profit decreased by approximately RMB59.9 million or 67.8%, from approximately RMB88.3 million in 2Q2012 to approximately RMB28.4 million in 2Q2013 as results of lower revenue and profitability.

Our overall gross profit margin declined to 15.8% in 2Q2013 as compared to 40.5% in 2Q2012.

The gross profit margin for our self-cultivation business segment decreased from approximately 42.2% in HY2012 to approximately 11.8% in HY2013 which was mainly due to the rising raw material cost of synthetic logs while the average selling price of edible fungi did not increase.

The gross profit margin for our processed food products business segment decreased from approximately 33.3% in 2Q2012 to approximately 28.8% in 2Q2013 which was mainly due to fluctuation in products 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 RMB0.7 million or 33.9%, from approximately RMB2.1 million in 2Q2012 to approximately RMB1.4 million in 2Q2013. In 2Q2012, we engage a brand consulting firm for branding, repositioning and marketing our konjac-based dietary fibre food products in PRC market. The termination of the consultancy in 2Q2013 resulted in some savings. However, the savings were partially offset by the increase in salaries as a result of higher headcount of sales and marketing staff.

Administrative expenses decreased by approximately RMB4.5 million or 48.8%, from RMB9.1 million in 2Q2012 to RMB4.6 million in 2Q2013. The higher administrative expenses in 2Q2012 resulted from the approximately RMB3.5 million in share-based payment under Yamada Performance Share Plan.

Other operating expenses are mainly maintenance cost of eucalyptus trees in our plantation forest and foreign exchange loss. The increase by approximately RMB1.8 million or 95.4%, from RMB2.0 million in 2Q2012 to RMB3.8 million in 2Q2013 was due to the additional maintenance cost for approximately 20,936 mu of eucalyptus trees which was acquired in January 2012.

### **Income tax expenses**

Income tax expense was approximately RMB2.0 million as profit before income tax from processed food products segment remained relatively stable. Our self-cultivated edible fungi business segment is exempted from the Enterprise Income Tax and the value added tax for revenue derived from the sales of self-cultivated and/or semi-processed agricultural products. Our effective tax rate increased to 10.5% in 2Q2013 from 2.6% in 2Q2012.

### **Total comprehensive income for the period**

The resulting comprehensive income for the quarter under review decreased by approximately RMB56.5 million or 77.2%, from approximately RMB73.2 million in 2Q2012 to approximately RMB16.7 million in 2Q2013.

**Review of performance for the half-year ended 31 December 2012 (“HY2013”)**

**Revenue**

Our revenue decreased by approximately RMB39.3 million, from approximately RMB251.9 million during July to December 2011 (“HY2012”) to approximately RMB212.6 million in HY2013, a fall of approximately 15.6%.

The decrease was mainly due to lower sales of self-cultivated shiitake mushrooms RMB35.9 million, from approximately RMB168.1 million in HY2012 to RMB132.2 million in HY2013. We currently operate approximately 5,134 mu of shiitake mushroom cultivation bases. We produced and sold approximately 25,000 tonnes of self-cultivated shiitake mushrooms in 2Q2012 as compared to approximately 20,500 tonnes in HY2013. The lower yield in HY2013 was mainly the result of unfavorable weather conditions at the cultivation sites during the period. The unusually cold winter season also affected adversely the quality of shiitake mushrooms. The average unit selling price of self-cultivated fresh shiitake mushrooms was approximately 4% to 5% lower compared to the same period in the last financial year.

Sales generated from fresh black fungus in HY2013 were approximately RMB6.8 million as compared to RMB6.4 million in HY2012. We currently operate approximately 86 mu of black fungus cultivation bases.

Sales of processed food products were lower by approximately RMB3.8 million, from approximately RMB77.4 million in HY2012 to RMB73.6 million in HY2013. It mainly resulted from lower export sales to Japan.

**Gross profit and gross profit margin**

Our gross profit decreased by approximately RMB61.8 million or 61.9%, from RMB99.9 million in HY2012 to RMB38.1 million in HY2013 which was in line with the decrease in revenue and lower profitability.

Our overall gross profit margin declined to 17.9% in HY2013 as compared to 39.6% in HY2012.

The gross profit margin for our self-cultivation business segment decreased from approximately 42.2% in HY2012 to approximately 11.8% in HY2013 mainly due to the rising raw material cost of synthetic logs whereas the average selling price of edible fungi did not increase.

The gross profit margin for our processed food products business segment remained at 30.7% as compared to 33.8% in HY2012. The variation was mainly due to fluctuation in products 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 RMB1.1 million or 23.1%, from approximately RMB4.7 million in HY2012 to approximately RMB3.6 million in HY2013. In HY2012, we engage a brand consulting firm for branding, repositioning and marketing our konjac-based dietary fibre food products in PRC market. The termination of the consultancy in HY2013 resulted in some savings. However, the savings were partially offset by the increase in salaries as a result of higher headcount of sales and marketing staff.

Freight and shipping related charges was decreased by approximately RMB0.4 million in view of lower export sales during HY2013.

Administrative expenses decreased by approximately RMB2.8 million or 23.5%, from RMB11.9 million in HY2012 to RMB9.1 million in HY2013. The higher administrative expenses in HY2012 resulted from the approximately RMB3.5 million in share-based payment under Yamada Performance Share Plan.

Other operating expenses are mainly maintenance cost of eucalyptus trees in our plantation forest and foreign exchange loss. The increase by approximately RMB2.7 million or 126.2%, from RMB2.1 million in HY2012 to RMB4.8 million in HY2013 was mainly due to the additional maintenance cost for approximately 20,936 mu of eucalyptus trees which was acquired in January 2012.

#### **Income tax expenses**

Income tax expense decreased from approximately RMB3.8 million in HY2012 to RMB3.1 million in HY2013 in line with lower profit before income tax from processed food products segment. Our self-cultivated edible fungi business segment is exempted from the Enterprise Income Tax and the value added tax for revenue derived from the sales of self-cultivated and/or semi-processed agricultural products. Our effective tax rate increased to 14.8% in HY2013 from 4.7% in HY2012.

#### **Total comprehensive income for the period**

The resulting comprehensive income for the six months under review decreased by approximately RMB59.2 million or 77.0%, from approximately RMB76.9 million in HY2012 to approximately RMB17.7 million in HY2013. The decrease was mainly due to lower sales and profitability during the current financial period.

### **STATEMENT OF FINANCIAL POSITION**

Our non-current assets increased by approximately RMB19.1 million or 5.4%, from RMB356.5 million as at 30 June 2012 to RMB375.6 million as at 31 December 2012. The increase was mainly due to payment for constructions in progress and land use rights. The increase was partially offset by the amortisation and depreciation of non-current assets.

Our current assets increased by RMB10.0 million or 4.6%, from RMB215.4 million as at 30 June 2012 to RMB225.4 million as at 31 December 2012. The increase was mainly due to net increase of synthetic logs by approximately RMB20.3 million. This increase was partially offset by the decrease in inventory level of approximately RMB6.1 million and in cash and bank balances of approximately RMB1.8 million.

Our current liabilities increased by approximately RMB11.4 million or 51.6%, from approximately RMB22.1 million as at 30 June 2012 to approximately RMB33.5 million as at 31 December 2011. This was mainly due to the advance payment we received from our customers of self-cultivated shiitake mushrooms.

Our capital and reserves increased by approximately RMB17.7 million or 3.2% from RMB546.3 million as at 30 June 2012 to RMB564.0 million as at 31 December 2012 mainly due to the retention of net profit in HY2013.

### **STATEMENT OF CASH FLOWS**

#### **2Q2013**

For the three months ended 31 December 2012, we recorded net cash generated from operating activities of approximately RMB11.6 million. This comprised cash generated from



operating activities before changes in working capital of RMB125.7 million, working capital outflow of RMB113.0 million, and net of cash outflow amounting to RMB1.1 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 RMB120.1 million and an increase in other receivables of RMB13.7 million. The cash outflow was partially offset by cash inflow from an increase in trade and other payables of RMB16.3 million, results of advance payment we received from our customers; and a decrease in inventory of RMB4.5 million as a result of better warehouse management and from timely fulfilling customers' orders when approaching the Lunar New Year.

Net cash of approximately RMB6.4 million was used in investing activities for the purchase of property, plant and equipment and progressive payment of new factory.

In 2Q2013, we drew down a loan of RMB10 million from China Everbright Bank for working capital purposes in December 2012 and the loan had been repaid in the same month. We incurred interest expenses on bank loan of RMB28,000.

### **HY2013**

For the six months ended 31 December 2012, we recorded net cash generated from operating activities of approximately RMB13.1 million. This comprised cash generated from operating activities before changes in working capital of RMB131.1 million, working capital outflow of RMB115.0 million, and net of cash outflow amounting to RMB3.1 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 RMB120.1 million and an increase in other receivables of RMB12.4 million. The cash outflow was partially offset by cash inflow from an increase in trade and other payables of RMB11.4 million, results of advance payment we received from our customers; and a decrease in inventory of RMB6.1 million as a result of better warehouse management and from timely fulfilling customers' orders when approaching the Lunar New Year.

We used net cash of approximately RMB14.8 million in investing activities. This was mainly for the purchase of property, plant and equipment and progressive payment of new factory.

In HY2013, we drew down a loan of RMB10 million from China Everbright Bank for working capital purposes in December 2012 and the loan had been repaid in the same month. We incurred interest expenses on bank loan of RMB28,000.

**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.**

The Group expects to obtain the logging licence for harvesting of eucalyptus plantations by early this year. Once we obtain the licence, we will commence progressive harvesting of eucalyptus trees to produce sawdust which is the major raw materials for the synthetic logs for our shiitake mushrooms harvest season from FY2014 onwards. We aim at more efficient control of our production costs by enhancing our upstream resource sustainability.

The weather conditions at our cultivation sites have improved since early January this year. It should have a positive impact on the yield of our edible fungi. Besides, we also benefit from rising consumer demand for shiitake mushrooms in the PRC ahead of the Lunar New Year.

The Management will continue to closely monitor the Group's operations amid the intense competition in the food and beverage industry.

**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 2012.

**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 2012. 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 2012 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**Chen Qiuhai**  
**Executive Chairman and CEO**

5 February 2013