



## 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 2015

#### 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 2015 RMB'000	31 Dec 2014 RMB'000	Change %	31 Dec 2015 RMB'000	31 Dec 2014 RMB'000	Change %
Revenue	115,154	176,682	(34.8)	170,372	232,637	(26.8)
Cost of sales	(96,399)	(135,365)	(28.8)	(137,498)	(173,194)	(20.6)
Gross profit	18,755	41,317	(54.6)	32,874	59,443	(44.7)
Gross profit margin	16.3%	23.4%	(7.1) ppt	19.3%	25.6%	(6.3) ppt
<i>Other items of income</i>						
Interest income	32	15	113.3	53	28	89.3
Other income	3,584	798	349.1	4,464	996	348.2
<i>Other items of expenses</i>						
Selling and distribution expenses	(896)	(991)	(9.6)	(1,652)	(1,783)	(7.3)
Administrative expenses	(10,559)	(14,022)	(24.7)	(18,235)	(21,943)	(16.9)
Other operating expenses	(1,143)	(1,962)	(41.7)	(2,511)	(3,780)	(33.6)
Finance cost	(619)	(565)	9.6	(1,171)	(1,053)	11.2
Profit before income tax	9,154	24,590	(62.8)	13,822	31,908	(56.7)
Income tax expense	(1,719)	(2,464)	(30.2)	(3,312)	(4,975)	(33.4)
Profit for the financial period, representing total comprehensive income for the financial period	7,435	22,126	(66.4)	10,510	26,933	(61.0)
<i>Profit attributable to:</i>						
Owners of the Company	7,435	22,126	(66.4)	10,510	26,933	(61.0)
<i>Total comprehensive income attributable to:</i>						
Owners of the Company	7,435	22,126	(66.4)	10,510	26,933	(61.0)

- 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 2015	31 Dec 2014	Change	31 Dec 2015	31 Dec 2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Amortisation of land use rights	135	522	(74.1)	270	1,193	(77.4)
Amortisation of biological assets <sup>(1)</sup>	25,471	63,695	(60.0)	25,471	63,695	(60.0)
Amortisation of prepayments	31,950	15,708	103.4	45,710	18,745	143.9
Depreciation of property, plant and equipment	2,244	1,856	20.9	4,753	4,182	13.7
Depreciation of investment properties	571	-	n/m	571	-	n/m
Gain on disposal of property, plant and equipment	-	-	n/m	-	(2)	n/m
Loss on disposal of land use rights of eucalyptus plantations	-	6,075	n/m	-	6,075	n/m
Exchange (gain)/loss, net	(2,779)	707	n/m	(3,035)	1,270	n/m
Interest income	(32)	(15)	113.3	(53)	(28)	89.3
Interest expenses on bank loan	619	565	9.6	1,171	1,053	11.2
Government grants	(120)	(130)	(7.7)	(335)	(180)	86.1
Rental income	(295)	(167)	76.6	(444)	(315)	41.0
<sup>(1)</sup> The biological assets represent shiitake mushroom synthetic logs held by the Group.						
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.**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at 31 Dec 2015 RMB'000</b>	<b>As at 30 Jun 2015 RMB'000</b>	<b>As at 31 Dec 2015 RMB'000</b>	<b>As at 30 Jun 2015 RMB'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	131,556	179,471	12	7
Biological assets <sup>(1)</sup>	171,585	171,585	-	-
Land use rights	24,286	24,557	-	-
Investment properties	44,844	-	-	-
Investments in subsidiaries	-	-	162,271	117,266
Investment in an associate	39,933	-	-	-
Prepayments	327,645	343,244	-	-
Deferred tax assets	2,005	2,005	-	-
	<b>741,854</b>	<b>720,862</b>	<b>162,283</b>	<b>117,273</b>
<b>Current assets</b>				
Biological assets <sup>(2)</sup>	35,173	6,858	-	-
Inventories	14,036	16,424	-	-
Trade receivables	27,758	16,312	-	-
Other receivables	154,502	151,384	127,673	108,054
Tax recoverables	63	63	-	-
Cash and bank balances	31,956	27,440	14,096	4,501
	<b>263,488</b>	<b>218,481</b>	<b>141,769</b>	<b>112,555</b>
<b>Less:</b>				
<b>Current liabilities</b>				
Bank borrowings	17,000	42,000	-	-
Trade and other payables	23,063	16,203	91	977
Current income tax payable	2,138	3,916	525	525
	<b>42,201</b>	<b>62,119</b>	<b>616</b>	<b>1,502</b>
<b>Net current assets</b>	<b>221,287</b>	<b>156,362</b>	<b>141,153</b>	<b>111,053</b>
<b>Non-current liability</b>				
Deferred tax liability	3,711	3,711	-	-
<b>Net assets</b>	<b>959,430</b>	<b>873,513</b>	<b>303,436</b>	<b>228,326</b>
<b>Capital and reserves</b>				
Share capital	301,346	221,090	301,346	221,090
Share-based payment reserve	2,016	2,016	2,016	2,016
Statutory reserve	67,328	65,338	-	-
Accumulated profits	588,740	585,069	74	5,220
<b>Total equity</b>	<b>959,430</b>	<b>873,513</b>	<b>303,436</b>	<b>228,326</b>

<sup>(1)</sup>This represents eucalyptus trees, moso bamboo trees and bamboo shoots in the plantations.

<sup>(2)</sup>This represents synthetic logs and mycelia of edible fungi 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 2015		As at 30 Jun 2015	
Secured	Unsecured	Secured	Unsecured
RMB17,000,000	Nil	RMB42,000,000	Nil

**Amount repayable after one year**

As at 31 Dec 2015		As at 30 Jun 2015	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

**Details of any collateral**

The Company's wholly-owned subsidiary, Wangcheng Foods Development Co., Ltd. ("Wangcheng"), has credit facilities (the "Facilities") up to an aggregate principal amount of RMB17 million granted by Postal Savings Bank of China (the "Bank").

Wangcheng has pledged its buildings and land use rights as collateral for the Facilities in favour of the Bank. The Executive Chairman and Chief Executive Officer (the "CEO") of the Company and his wife have jointly and severally provided a personal guarantor for the facility offered by Postal Savings Bank of China.

As at 31 December 2015, Wangcheng has drawn down an aggregate amount of RMB17 million granted by the Bank for general working capital purposes. The loans are repayable within 1 year.

**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.**

	3 Months Ended		Half-Year Ended	
	31 Dec 2015 RMB'000	31 Dec 2014 RMB'000	31 Dec 2015 RMB'000	31 Dec 2014 RMB'000
<b>The Group</b>				
<b>Cash flow from operating activities</b>				
Profit before income tax	9,154	24,590	13,822	31,908
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	2,244	1,856	4,753	4,182
Depreciation of investment properties	571	-	571	-
Amortisation of land use rights	135	522	270	1,193
Amortisation of biological assets <sup>(1)</sup>	25,471	63,695	25,471	63,695
Amortisation of prepayments	31,950	15,708	45,710	18,745
Gain on disposal of property, plant and machinery	-	-	-	(2)
Loss on disposal of land use rights	-	6,075	-	6,075
Interest income	(32)	(15)	(53)	(28)
Interest expenses	619	565	1,171	1,053
Operating profits before working capital changes	70,112	112,996	91,715	126,821
<i>Working capital changes:</i>				
Biological assets <sup>(1)</sup>	(53,786)	(131,603)	(53,786)	(131,603)
Inventories	(173)	(469)	2,390	477
Trade and other receivables	(11,617)	156,443	(46,231)	145,393
Trade and other payables	9,053	11,206	6,860	5,155
Cash used in operations	13,589	148,573	948	146,243
Interest received	32	15	53	28
Income taxes paid	(1,594)	(2,511)	(5,093)	(6,226)
<b>Net cash from/(used in) operating activities</b>	<b>12,027</b>	<b>146,077</b>	<b>(4,092)</b>	<b>140,045</b>
<b>Cash flow used in investing activities</b>				
Proceeds from disposal of property, plant and equipment	-	-	-	14
Purchase of property, plant and equipment	(637)	(16,267)	(2,253)	(25,354)
Prepayments	(7,716)	(149,526)	(11,186)	(149,526)
Investment in an associate	(39,933)	-	(39,933)	-
Refund from prepaid lease	-	16,842	12,744	16,842
<b>Net cash generated (used in) investing activities</b>	<b>(48,286)</b>	<b>(148,951)</b>	<b>(40,628)</b>	<b>(158,024)</b>

<b>The Group</b>	<b>3 Months Ended</b>		<b>Half-Year Ended</b>	
	<b>31 Dec</b>	<b>31 Dec</b>	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flow from financing activities</b>				
Issue of ordinary shares <sup>(2)</sup>	-	-	<b>80,256</b>	27,639
Proceeds from bank borrowings	-	5,000	<b>17,000</b>	5,000
Repayments of bank borrowings	<b>(25,000)</b>	(10,000)	<b>(42,000)</b>	(10,000)
Interest paid	<b>(619)</b>	(565)	<b>(1,171)</b>	(1,053)
Dividend payment	<b>(4,849)</b>	(6,410)	<b>(4,849)</b>	(6,410)
<b>Net cash generated (used in)/from financing activities</b>	<b>(30,468)</b>	(11,975)	<b>49,236</b>	15,176
<b>Net (decrease)/increase in cash and bank balances</b>	<b>(66,727)</b>	(14,849)	<b>4,516</b>	(2,803)
<b>Cash and bank balances at beginning of the financial period</b>	<b>98,683</b>	33,637	<b>27,440</b>	21,591
<b>Cash and bank balances at end of the financial period</b>	<b>31,956</b>	18,788	<b>31,956</b>	18,788

<sup>(1)</sup>The biological assets represent synthetic logs of shiitake mushroom held by the Group.

<sup>(2)</sup>This represents right shares allotted and issued on 18 September 2015.

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 Company →				Total equity RMB'000
	Share capital	Share- based payment reserve	Statutory reserve	Accumulated profits	
	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 01.07.2015	221,090	2,016	65,338	585,069	873,513
<b><u>Contributions by and distributions to owners of the Company</u></b>					
Issue of ordinary shares	80,256	-	-	-	80,256
<b>Total contributions by and distributions to owners of the Company</b>	80,256	-	-	-	80,256
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	3,075	3,075
<b>Balance as at 30.09.2015</b>	<b>301,346</b>	<b>2,016</b>	<b>65,338</b>	<b>588,144</b>	<b>956,844</b>
<b><u>Contributions by and distributions to owners of the Company</u></b>					
Transfer to statutory reserve	-	-	1,990	(1,990)	-
Dividend payment	-	-	-	(4,849)	(4,849)
<b>Total contributions by and distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>1,990</b>	<b>(6,839)</b>	<b>(4,849)</b>
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	7,435	7,435
<b>Balance as at 31.12.2015</b>	<b>301,346</b>	<b>2,016</b>	<b>67,328</b>	<b>588,740</b>	<b>959,430</b>

<u>The Group</u>	← Attributable to owners of the Company →				Total equity RMB'000
	Share capital	Share-based payment reserve	Statutory reserve	Accumulated profits	
	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance as at 01.07.2014</b>	190,471	4,995	59,306	511,282	766,054
<b><u>Contributions by and distributions to owners of the Company</u></b>					
Issue of ordinary shares	27,640	-	-	-	27,640
<b>Total contributions by and distributions to owners of the Company</b>	27,640	-	-	-	27,640
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	4,807	4,807
<b>Balance as at 30.09.2014</b>	218,111	4,995	59,306	516,089	798,501
<b><u>Contributions by and distributions to owners of the Company</u></b>					
Dividend payment	-	-	-	(6,410)	(6,410)
Issue of ordinary shares	2,979	-	-	-	2,979
Share-based payment reserve	-	(2,979)	-	-	(2,979)
Transfer to statutory reserve	-	-	2,088	(2,088)	-
<b>Total contributions by and distributions to owners of the Company</b>	2,979	(2,979)	2,088	(8,498)	(6,410)
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	22,126	22,126
<b>Balance as at 31.12.2014</b>	<b>221,090</b>	<b>2,016</b>	<b>61,394</b>	<b>529,717</b>	<b>814,217</b>



<u>The Company</u>	Share capital RMB'000	Share-based payment reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
<b>Balance as at 01.07.2015</b>	221,090	2,016	5,220	228,326
<b><u>Contributions by and distributions to owners of the Company</u></b>				
Issue of ordinary shares	80,256	-	-	80,256
<b>Total contributions by and distributions to owners of the Company</b>	80,256	-	-	80,256
Profit for the financial period, representing total comprehensive income for the financial period	-	-	(698)	(698)
<b>Balance as at 30.09.2015</b>	301,346	2,016	4,522	307,884
<b><u>Contributions by and distributions to owners of the Company</u></b>				
Dividend payment	-	-	(4,849)	(4,849)
<b>Total contributions by and distributions to owners of the Company</b>		-	(4,849)	(4,849)
Profit for the financial period, representing total comprehensive income for the financial period	-	-	401	401
<b>Balance as at 31.12.2015</b>	<b>301,346</b>	<b>2,016</b>	<b>74</b>	<b>303,436</b>

<u>The Company</u>	Share capital RMB'000	Share-based payment reserve RMB'000	Accumulated profits/ (losses) RMB'000	Total equity RMB'000
<b>Balance as at 01.07.2014</b>	190,471	4,995	6,625	202,091
<b><u>Contributions by and distributions to owners of the Company</u></b>				
Issue of ordinary shares	27,640	-	-	27,640
<b>Total contributions by and distributions to owners of the Company</b>	27,640	-	-	27,640
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(1,157)	(1,157)
<b>Balance as at 30.09.2014</b>	218,111	4,995	5,468	228,574
<b><u>Contributions by and distributions to owners of the Company</u></b>				
Dividend payment	-	-	(6,410)	(6,410)
Issue of ordinary shares	2,979	-	-	2,979
Share-based payment	-	(2,979)	-	(2,979)
<b>Total contributions by and distributions to owners of the Company</b>	2,979	(2,979)	(6,410)	(6,410)
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(1,571)	(1,571)
<b>Balance as at 31.12.2014</b>	<b>221,090</b>	<b>2,016</b>	<b>(2,513)</b>	<b>220,593</b>

- 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.**

During the financial period, the Company has allotted and issued 270,333,587 new ordinary shares at S\$0.07 each pursuant to a renounceable underwritten rights issue on the basis of one rights share for every two existing ordinary shares held by the shareholders of the Company.

On 21 September 2015, the new ordinary shares have been listed and quoted on the Singapore Exchange Securities Trading Limited and rank pari passu in all respects with the existing shares of the Company. Pursuant to the above mentioned issue and allotment of the rights shares, the number of issued and paid-up shares in the capital of the Company increased from 540,667,175 ordinary shares to 811,000,762 ordinary shares.

On 23 November 2015, every five (5) existing issued ordinary share were consolidated into one (1) ordinary share in the capital of the Company. Accordingly, the number of issued and paid-up shares in the capital of the Company comprises 162,200,151 consolidated shares.

There were no outstanding convertibles or treasury shares held as at 31 December 2015 and 31 December 2014.

- 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 2015	540,667,175
Issue of ordinary shares	<u>270,333,587</u>
Before share consolidation	<u>811,000,762</u>
<b>Consolidated shares as at 31 December 2015</b>	<b><u><u>162,200,151</u></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.**

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 2015 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.**

<u>The Group</u>	<u>3 Months Ended</u>		<u>Half-Year Ended</u>	
	<u>31 Dec</u> <u>2015</u>	<u>31 Dec</u> <u>2014</u>	<u>31 Dec</u> <u>2015</u>	<u>31 Dec</u> <u>2014</u>
Earnings per share (RMB cents)				
- <i>basic</i>	<b>5.65</b>	18.25	<b>7.16</b>	22.21
- <i>diluted</i>	<b>5.65</b>	18.25	<b>7.16</b>	22.21
Weighted average number of ordinary shares ('000) - <i>basic</i>	<b>131,580</b>	121,263	<b>146,890</b>	121,263
Weighted average number of ordinary shares ('000) - <i>diluted</i>	<b>131,580</b>	121,263	<b>146,890</b>	121,263

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.

Comparative basic and diluted earnings per share have been adjusted to reflect the effect of Share Consolidation and rights issue during the current financial period.

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 2015</b>	As at 30 Jun 2015
Net asset value per share (RMB cents)	<b>591.5</b>	161.6
Number of ordinary shares ('000)	<b>162,200</b>	540,667
<b><u>The Company</u></b>	<b>As at 31 Dec 2015</b>	As at 30 Jun 2015
Net asset value per share (RMB cents)	<b>187.1</b>	42.2
Number of ordinary shares ('000)	<b>162,200</b>	540,667

Number of ordinary shares as at 31 December 2015 had taken into account the share consolidation of 5 existing shares into 1 share.

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 2015 ("2Q2016")

	<b>2Q2016</b>		<b>HY2016</b>	
	(RMB'million)	%	(RMB'million)	%
<b>Cultivation Business Segment</b>				
- Shiitake mushroom	31.0	26.9	31.0	18.2
- bamboo trees and bamboo shoots	48.3	42.0	63.8	37.4
<b>Processed Food Products Business Segment</b>	35.8	31.1	75.6	44.4
<b>Total Revenue</b>	115.1	100	170.4	100

#### Revenue

Our revenue decreased by approximately RMB61.6 million or 34.8%, to approximately RMB115.1 million during October to December 2015 ("2Q2016") from approximately RMB176.7 million during the same period in 2014 ("2Q2015").

Sales of our self-cultivated shiitake mushrooms was approximately RMB31.0 million in 2Q2016, which decreased by approximately RMB67.9 million or 68.6% from approximately RMB98.9 million in 2Q2015. We produced approximately 5,420 tons of shiitake mushrooms in 2Q2016 compared to approximately 13,800 tons in 2Q2015. This was primarily attributable to the scaling back of our shiitake mushroom cultivation farmland from 3,342 mu in 2Q2015 to 1,184 mu in 2Q2016. The average selling price of our fresh shiitake mushroom decreased to approximately RMB5.8 per kg from approximately RMB7.2 per kg in the same period last year, due to an oversupply of shiitake mushrooms

in the local market during the period, and exacerbated by a slowdown in the economy in China.

The decline in revenue of our shiitake mushroom business was mitigated by increased sales in our bamboo business line, subsequent to the expansion of our moso bamboo plantations from 100,845 mu in 2Q2015 to 115,992 mu in 2Q2016. Revenue from our bamboo business increased by RMB21.5 million or 80.2% to approximately RMB48.3 million in 2Q2016, from approximately RMB26.8 million in 2Q2015. There were approximately 67,590 tons of bamboo trees and 1,820 tons of winter bamboo shoots harvested in 2Q2016, in contrast to approximately 22,870 tons of bamboo trees and 1,679 tons of winter bamboo shoots harvested during 2Q2015.

Sales from the processed food products business segment decreased by approximately RMB15.2 million or 29.8%, to approximately RMB35.8 million in 2Q2016 from approximately RMB51.0 million in 2Q2015. This was mainly due to a decline in domestic sales of processed mushrooms. In addition, with increases in cost of raw materials and labour of processed mushrooms but no corresponding increases in average selling price of processed mushrooms, we reduced the production quantity of our processed mushrooms. Furthermore, production volume of the existing konjac-based dietary fibre food products also decreased on account of the changes in our production and sales strategy in the domestic market.

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

Our gross profit decreased by approximately RMB22.5 million or 54.6%, to approximately RMB18.8 million in 2Q2016 from approximately RMB41.3 million in 2Q2015. The overall gross profit margin decreased to 16.3% in 2Q2016 compared to 23.4% in 2Q2015.

The gross profit margin of our cultivation business segment decreased to 10.1% in 2Q2016 from 21.5% in 2Q2015. This was mainly attributable to increased labour costs in cultivation of shiitake mushroom logs and harvesting of shiitake mushrooms without a corresponding increase in average selling price of the shiitake mushrooms. Furthermore, there was amortization of the prepaid lease and maintenance costs incurred in 2Q2016 for the bamboo plantations newly-leased in June 2015, which we have not commenced harvesting of moso bamboo trees from these plantations in 2Q2016. As a result, the average production costs of the cultivation business segment in 2Q2016 were higher than 2Q2015.

The gross profit margin of our processed food products business segment increased to 30.0% in 2Q2016 from 27.9% in 2Q2015. This was primarily due to changes in product mix.

#### **Other operating income**

Other operating income increased from approximately RMB0.8 million to approximately RMB3.6 million, consisting mainly of interest income, government subsidies, rental income and other miscellaneous income. The government grants obtained in 2Q2016 were mainly used for subsidizing new product innovation. We also received rental income from letting out spare office and plant space in our subsidiary. In addition, there was a net foreign currency exchange gain from the US Dollar denominated sales, as a result of appreciation of the US Dollar against the Renminbi in 2Q2016.

#### **Operating expenses**

Selling and distribution expenses decreased to approximately RMB0.9 million in 2Q2016 from RMB1.0 million in 2Q2015. The expenses primarily comprised of salary of sales and marketing staff, freight charges, custom duties and payments to distributors of processed food products.

Administrative expenses decreased by approximately RMB3.4 million or 24.7% to approximately RMB10.6 million in 2Q2016, from approximately RMB14.0 million in 2Q2015. This was primarily as a result of a loss on disposal of land use rights of eucalyptus plantations in 2Q2015 which was an one-off expenses during that period. Furthermore, there was lower amortisation of land use rights during the period, due to the disposal of land use rights of the eucalyptus plantations in the last year. The decrease was partly offset by increases in amortisation of prepaid lease for the eucalyptus plantations and depreciation of property, plants and equipment, subsequent to completion of new plants construction in our subsidiary.

Other operating expenses decreased by approximately RMB0.9 million or 41.7%, to approximately RMB1.1 million in 2Q2016 from approximately RMB2.0 million in 2Q2015. It mainly arose from a decrease in foreign currency exchange loss in 2Q2016 as we benefited from appreciation of the US Dollar against the Renminbi.

#### **Finance cost**

Finance cost were approximately RMB0.6 million in 2Q2016, remaining nearly unchanged from the same period in the last financial year.

#### **Income tax expenses**

Income tax expense decreased to approximately RMB1.8 million in 2Q2016 from approximately RMB2.5 million in 2Q2015. Our cultivation business segment is exempt from the Enterprise Income Tax and the value-added tax. Our subsidiaries, Wangcheng and Yuanwang, are subject to Enterprise Income Tax at the rate of 25%. Our effective tax rate is 18.8% in 2Q2016 compared with 10.0% in 2Q2015.

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

The resulting comprehensive income for the three months under review decreased by approximately RMB14.7 million or 66.4%, to approximately RMB7.4 million in 2Q2016 from approximately RMB22.1 million in 2Q2015.

#### **Review of performance for the half-year ended 31 December 2015 (“HY2016”)**

##### **Revenue**

Our revenue decreased by approximately RMB62.2 million or 26.8%, to approximately RMB170.4 million in HY2016 from RMB232.6 million during July to December 2014 (“HY2015”).

Sales of our self-cultivated shiitake mushrooms was approximately RMB31.0 million in HY2016, which decreased by approximately RMB67.9 million or 68.6% from approximately RMB98.9 million in HY2015. We produced approximately 5,420 tons of shiitake mushrooms in HY2016 compared to approximately 13,800 tons harvested in HY2015. This was primarily attributable to the scaling back of our shiitake mushroom cultivation farmland from 3,342 mu in HY2015 to 1,184 mu in HY2016. The average selling price of our fresh shiitake mushroom decreased to approximately RMB5.8 per kg from approximately RMB7.2 per kg in the same period last year, due to an oversupply of shiitake mushroom in the local market during the period, and exacerbated by a slowdown in the economy in China.

The decline in revenue of our shiitake mushroom business was mitigated by increased sales in our bamboo business subsequent to the expansion of our moso bamboo plantations from 100,845 mu in HY2015 to 115,992 mu in HY2016. Revenue from our bamboo business increased by RMB31.3 million or 96.3% to approximately RMB63.8 million, from approximately RMB32.5 million in HY2015. There were approximately 99,720 tons of bamboo trees and 1,820 tons of winter bamboo shoots harvested in HY2016, in

contrast to approximately 34,230 tons of bamboo trees and 1,679 tons of winter bamboo shoots harvested during HY2015.

Sales from the processed food products business segment decreased by approximately RMB25.6 million or 25.3%, to approximately RMB75.6 million in HY2016 from approximately RMB101.2 million in HY2015. This was mainly due to a decline in domestic sales of processed mushrooms. In addition, with increases in cost of raw materials and labour of processed mushrooms but no corresponding increases in average selling price of processed mushrooms, we reduced the production quantity of our processed mushrooms. Furthermore, production volume of the existing konjac-based dietary fibre food products also decreased on account of the changes in our production and sales strategy in the domestic market.

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

Our gross profit decreased by approximately RMB26.5 million or 44.7%, to approximately RMB32.9 million in HY2015 from RMB59.4 million in HY2014. The overall gross profit margin decreased from 25.6% in HY2015 to 19.3% in HY2016.

The gross profit margin of our cultivation business segment decreased to 12.0% in HY2016 from 22.1% in HY2015. This was mainly attributable to increased labour costs in cultivation of shiitake mushroom logs and harvesting of shiitake mushrooms without a corresponding increases in average selling price of the shiitake mushrooms. Furthermore, there was amortization of the prepaid lease and maintenance costs incurred in HY2016 for the bamboo plantations newly-leased in June 2015, which we have not commenced harvesting of moso bamboo trees from these plantations in HY2016. As a result, the average production costs of the cultivation business segment in HY2016 were higher than HY2015.

The gross profit margin of our processed food product business segment decreased to 28.5% in HY2016 from 30.0% in HY2015, as a result of higher costs of raw materials and labour.

### **Other operating income**

Other operating income increased from approximately RMB1.0 million in HY2015 to approximately RMB4.5 million in HY2016, consisting mainly of interest income, government subsidies, rental income and other miscellaneous income. The government grants obtained in HY2016 were mainly used for subsidizing the construction and improvement of the infrastructure in our subsidiary, and also new product innovation. We also received rental income from letting out spare office and plant space in our subsidiary. In addition, there was a net foreign currency exchange gain from the US Dollar denominated sales, as a result of appreciation of the US Dollar against the Renminbi in HY2016.

### **Operating expenses**

Selling and distribution expenses decreased to approximately RMB1.6 million in HY2016 from RMB1.8 million in HY2015. The expenses primarily comprised of salary of sales and marketing staff, freight charges, custom duties and payments to distributors of processed food products.

Administrative expenses decreased by approximately RMB3.7 million or 16.9% to approximately RMB18.2 million in HY2016, from approximately RMB21.9 million in HY2015. This was mainly as a result of a loss on disposal of land use rights of eucalyptus plantations in HY2015 which was an one-off expenses during that period. Furthermore, there was lower amortisation of land use rights during the period due to the disposal of land use rights of the eucalyptus plantations in the last year. The decrease was partly offset by increases in amortisation of prepaid lease for the eucalyptus plantations and



depreciation of property, plants and equipment, subsequent to completion of new plants construction in our subsidiary.

Other operating expenses decreased by approximately RMB1.3 million or 33.6%, to approximately RMB2.5 million in HY2016 from approximately RMB3.8 million in HY2015. It primarily arose from a decrease in foreign currency exchange loss in HY2016 as we benefited from appreciation of the US Dollar against the Renminbi.

#### **Finance cost**

Finance cost rose to approximately RMB1.2 million from approximately RMB1.0 million in HY2015. It was mainly due to higher bank borrowings held from July until November 2015 compared to the same period in the last financial year.

#### **Income tax expenses**

Income tax expense decreased to approximately RMB3.3 million compared to RMB5.0 million in HY2015. Our cultivation business segment is exempt from the Enterprise Income Tax and the value-added tax. Our subsidiaries, Wangcheng and Yuanwang, are subject to Enterprise Income Tax at the rate of 25%. Our effective tax rate is 24.0% in HY2016 as compared with 15.6% in HY2015.

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

The resulting comprehensive income for the six months under review decreased by approximately RMB16.4 million or 61.0%, to approximately RMB10.5 million in HY2016 from approximately RMB26.9 million in HY2015.

#### **STATEMENT OF FINANCIAL POSITION**

Non-current assets increased by approximately RMB21.0 million or 2.9% to RMB741.9 million as at 31 December 2015, from RMB720.9 million as at 30 June 2015. The increase was mainly attributed to the cost of investment in a food processing company amounted to RMB39.9 million, and partially offset by the amortisations of long term prepaid leases of bamboo and eucalyptus plantations and the respective prepaid maintenance costs. The Group has transferred part of premises from Property, Plant and Equipment to Investment Properties as these premises were leased out to third parties.

Current assets increased by approximately RMB45.0 million or 20.6% to RMB263.5 million as at 31 December 2015, from RMB218.5 million as at 30 June 2015. The increase was mostly due to increases in Trade and other Receivables of RMB14.6 million and a net increase in biological assets (mushroom logs) of RMB28.3 million. It was partly offset by a decrease in inventories of RMB 2.4 million. The increase in Trade and other receivables mainly including debtors arising from the bamboo business, prepaid maintenance costs for bamboo and eucalyptus plantations, and advances made to the suppliers of raw materials, including mushroom logs to be used in the financial year 2017 ("FY2017"). Nevertheless, the increase in the cash and bank balances of RMB4.5 million has also contributed to the net increase in current assets.

Current liabilities decreased by approximately RMB19.9 million or 32.1% to approximately RMB42.2 million as at 31 December 2015, from RMB62.1 million as at 30 June 2015. The decrease was mainly due to repayments of bank borrowings. It was partially net off with an increase in Trade and Other Payables of RMB6.9 million, due to the advances received from the regular overseas customers from the processed food business.

Our capital and reserves increased by approximately RMB85.9 million or 9.8%, from RMB873.5 million as at 30 June 2015 to RMB959.4 million as at 31 December 2015. The

movement was mainly due to the issuance of new ordinary shares arising from the rights issue which was completed in September 2015, and retention of net profits.

## **STATEMENT OF CASH FLOWS**

### **2Q2016**

For the three months ended 31 December 2015, we recorded net cash generated from operating activities of approximately RMB12.0 million. This consisted of cash generated from operating activities before changes in working capital of approximately RMB70.1 million, working capital outflow of approximately RMB56.5 million, and net of cash outflow amounting to approximately RMB1.6 million from interest income received and income tax paid.

The net working capital outflow was mainly due to an additional capitalised value of mushroom logs in 2Q2016, an advanced payment for production of mushroom logs to be utilised in the FY2017 and additional prepayments for maintenance of bamboo plantations. The working capital outflow was partly offset by advances received from the regular overseas customers from the processed food business.

A net cash of approximately RMB48.3 million was used in investing activities. It was mainly due to an investment in a food processing company of RMB39.9 million and a prepayment for maintenance of eucalyptus plantations.

In 2Q2016, a net cash of approximately RMB30.5 million was used in financing activities. It was primarily attributable to a repayment of bank borrowings to China Everbright Bank amounting to RMB 25.0 million, a dividend payout for FY2015 of approximately RMB4.9 million and interest payments for bank loans of approximately RMB0.6 million.

### **HY2016**

For the six months ended 31 December 2015, we recorded net cash used in operating activities of approximately RMB4.1 million. This consisted of cash generated from operating activities before changes in working capital of approximately RMB91.7 million, working capital outflow of approximately RMB90.8 million, and net of cash outflow amounting to approximately RMB5.0 million from interest income received and income tax paid.

The net working capital outflow mainly arose from an additional capitalised value of mushroom logs in HY2016, an increase in trade receivables from our cultivation business segment, additional prepayments for maintenance of bamboo plantations and increased advances to suppliers of raw materials, including mushroom log to be used in the financial year 2017. The working capital outflow was partly offset by advances received from the regular overseas customers from the processed food business.

A net cash of approximately RMB40.6 million was used in investing activities. It was mainly due to an investment in a processed food company of RMB39.9 million, purchase of property, plants and equipment, prepayments for maintenance of eucalyptus plantations and an additional prepaid lease for the bamboo plantations leased in June 2015. The net cash outflow was partly offset by a refund from prepaid lease of approximately RMB12.7 million as a result of the termination of lease for 2,158 mu of shiitake mushroom farmland.

Net cash flow generated from financing activities was RMB49.2 million in HY2016. It was primarily attributable to net proceeds of RMB80.3 million received from the rights issue which was completed in September 2015. The amount was partly offset by a repayment of bank loan, a dividend payout for FY2015 and interest payments for bank borrowings.

**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.**

On the back of an economic slowdown in China and rising raw material and labour costs, our cultivation business segment will continue to face challenges and rising competition in the near term. Nonetheless, we will continue to focus on our core businesses and the gradual shift from cultivation of mushrooms to the cultivation of bamboo.

To this end, we have further expanded our bamboo business by leasing another 13,704 mu\* of bamboo plantations in January 2016. We expect the bamboo business to continue to be one of our main income stream going forward. Typhoons which struck Fujian last year did not significantly impact our moso bamboo plantations, as our bamboo plantations are located in mountainous areas that were relatively unaffected by the harsh weather.

We have also equipped ourselves better through an investment in a food processing company near our moso bamboo plantations. We expect the investment to strengthen our bamboo processing capabilities and to achieve potential cost savings for our processing business segment.

In view of the gaining popularity of e-commerce, we aim to incorporate e-commerce into our business model in order to expand our distribution network. We are in the midst of developing new products for the consumer market to be distributed through e-commerce.

The Management will continue to closely monitor the Group's operations amid the volatile economic environment.

\*1 mu is equivalent to approximately 667 square metres

**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/recommended, a statement to that effect.**

No dividend has been declared or recommended for the three months and half-year ended 31 December 2015.

**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 2015. The Group does not have a general mandate pursuant to Rule 920(1)(a)(ii).

**14. Update of Use of Proceeds of Rights Issue.**

The net proceeds from the rights issue amounting to approximately RMB80.3 million had been fully utilised as at 23 December 2015, as announced on 23 December 2015.

**15. 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 second quarter and half-year ended 31 December 2015 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**Chen Qiu Hai**  
**Executive Chairman and CEO**

5 February 2016