



# CULTIVATING OUR FUNDAMENTALS

A N N U A L   R E P O R T   2 0 1 6







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# CORPORATE PROFILE



Yamada is a major grower, manufacturer and supplier of fresh and processed agricultural products in Fujian Province, the People's Republic of China ("PRC"). Our products consist of two major segments: self-cultivation segment and processed food segment. Yamada's self-cultivated products comprise of moso bamboo trees, bamboo shoots and shiitake mushroom. They are mainly sold as fresh produce to wholesalers of agricultural food products in the domestic markets. Our processed food products include processed mushrooms, processed vegetables, water-boiled bamboo shoots and konjac-based dietary fibre food products. They are sold in major cities in PRC through our well established network and e-commerce platform under our trademarked brands, such as "旺成食品", "研食坊", "第七庄园" and "我享受". They are also exported to overseas markets, mainly Japan, under our customers' brand names.

We also possess upstream resources with sawdust from our eucalyptus plantations which can be utilised for the production of synthetic logs used in the cultivation of shiitake mushrooms. In addition, part of the spring bamboo shoots from our bamboo plantations can be supplied to our processed food business as raw material for our processed bamboo shoots.



## OUR PRODUCTS



### Self-cultivated Moso Bamboo Trees and Bamboo Shoots

We commenced harvesting of moso bamboo trees, winter bamboo shoots and spring bamboo shoots since FY2014. Currently, we own 129,696 mu of bamboo plantations in Fujian Province. The moso bamboo trees and bamboo shoots are sold to wholesalers in the PRC. Part of the spring bamboo shoots are supplied to our processed food business as raw material for our processed bamboo shoots.



### Self-cultivated Shiitake Mushrooms

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



### Processed Food Products

Our processed food products are manufactured from various types of fresh vegetables and semi-processed food products purchased from our suppliers. We also produce konjac-based dietary fibre food products. They are distributed and sold to the PRC consumers mainly through local supermarket chains in major cities and our e-commerce platform, under our own brands. The products are also exported to overseas markets, mainly Japan, under our customers' brand names.



The background of the entire page is a photograph of a dense forest. The top half shows a canopy of green leaves with sunlight filtering through, creating a bright, airy feel. The bottom half shows a path or clearing within the forest, with many thin tree trunks and lush green undergrowth. The overall tone is natural and vibrant.

# ENRICHING

## OUR BRAND OF QUALITY

As we continue to build on our capabilities, we will also constantly pursue new opportunities to develop our business and broaden our product base. Through our high standards and tireless commitment, we remain firm amidst rough economic tides to deliver our established brand of quality to our customers.

# CHAIRMAN'S STATEMENT



CHEN QIUHAI

Executive Chairman and Chief Executive Officer

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my honour to present to you our Annual Report of Yamada Green Resources Limited ("Yamada") for the financial year ended 2016 ("FY2016").

In the midst of global economic uncertainties and the slowdown in the economy in China, the Group's revenue decreased by 34.8% from RMB503.9 million in the financial year ended 2015 ("FY2015") to RMB328.7 million in FY2016.

Sales of shiitake mushrooms was approximately RMB78.1 million in FY2016, which decreased by approximately RMB162.8 million or 67.6% from approximately RMB240.9 million in FY2015. The decrease was mainly due to the scaling back of our shiitake mushroom cultivation farmland from 3,342 mu in FY2015 to 1,184 mu in FY2016. The average selling price of our fresh shiitake mushroom in FY2016 was also lower than last year.

We operated 115,992 mu of bamboo plantations in FY2016 compared to 100,845 mu in the previous year. Revenue from our bamboo business increased by RMB33.8 million or 45.4% to approximately RMB108.2 million in FY2016, from approximately RMB74.4 million in FY2015. We commenced harvesting bamboo trees from another 67,000 mu of bamboo plantations in this financial year.

Sales from the processed food products segment decreased by approximately RMB46.2 million or 24.5%, to approximately RMB142.4 million in FY2016 from approximately RMB188.6 million in FY2015. This was mainly because we reduced the production and sales quantity of processed mushrooms in the domestic market owing to increases in cost of raw material and labour of processed mushrooms without corresponding increases in the average selling price of the processed mushrooms. In addition, production volume of the normal konjac-based food products also decreased following our revised production and sales strategy. We have reallocated part of the production capacity to our new range of konjac-based dietary fibre food products which was launched in the first half of 2016.

With reduced revenue during the year, we registered a decrease in gross profit by approximately RMB59.2 million or 48.4%, to approximately RMB63.2 million in FY2016 from RMB122.4 million in FY2015. Overall gross profit margin decreased from 24.3% in FY2015 to 19.2% in FY2016.

## OUTLOOK AND STRATEGY

Moving forward, we will continue to focus on our fundamental business and enhance operational efficiency. Rising urbanisation and greater emphasis towards



green and healthy foods in China has led to increasing demand for health food products in the Chinese market. To capitalise on this potential growth opportunity, we will continue to develop our healthy processed food product range, particularly dietary fibre food products.

Recognising the importance of sustaining a close working relationship with our customers in the Chinese and Japanese markets, we will step up our efforts to boost our sales and distribution network, and improve our brand positioning to increase our presence in domestic markets.

In line with our efforts to build brand value and expand our customer base, we launched an e-commerce platform in the first half of 2016 to promote sales of our processed food products, particularly our konjac-based dietary fibre food products. The e-commerce platform is an essential marketing strategy for the Group to tap into new growth opportunities online by strengthening its sales and distribution system. It will achieve this through the acceleration and streamlining of selling and delivery processes, as well as increasing product awareness.

#### PROPOSED DIVIDEND

In recognition of our valued shareholders' support, the Board has recommended a first and final tax-exempt dividend of RMB0.008 per ordinary share for FY2016 to be approved at the upcoming Annual General Meeting of the Company.

#### CONCLUSION

In the face of the continuing volatile economic environment in China, our operating environment will remain challenging in FY2017. Looking ahead, we will continue to closely monitor existing operation and business development. I would like to express my sincere appreciation to our directors, management and staff for their noteworthy contributions, as well as our shareholders for their unwavering support. We look forward to continue working with all of you in taking growing new strengths and taking Yamada to greater heights.

#### CHEN QIUHAI

Executive Chairman and Chief Executive Officer.



# 主席致辞

“随着中国增长的城镇化发展以及人们越来越倾向绿色健康食品，中国健康食品的市场需求不断上升。有鉴于此，我们将继续发展健康加工食品，尤其膳食纤维食品以把握这个潜在的业务成长机会。”

## 尊敬的各位股东，

在此，我谨代表山田绿色资源有限公司（以下简称山田）董事会，向各位汇报截止2016年6月30日（“2016财年”）的集团年报。

由于受全球经济的不确定性以及中国经济下行的影响，集团的营业额较2015财年下降34.8%，从2015财年的5亿390万元减少至2016财年的3亿2870万元。

在2016财年，香菇的销售额约7810万元，较2015财年约2亿4090万元减少了1亿6280万元（或降低67.6%）。销售额减少的主要原因是我们削减了香菇种植基地，从2015财年的3,342亩减少至2016财年的1,184亩。此外，2016财年鲜菇平均销售价格也比2015财年低。

相比2015财年我们经营10万845亩毛竹林，我们在2016财年经营11万5992亩毛竹林。在2016财年，毛竹和竹笋业务营业额增加了3380万元（或上升45.4%），从2015年的7440万元增加至2016财年的1亿820万元。我们在2016财年开始从在上个财年新增的6万7000亩毛竹林收成毛竹。

加工食品业务的销售额减少4620万元（或下降24.5%），从2015财年的1亿8860万元减少至2016财年的1亿4240万元。销售额下降主要是因为加工香菇的劳动力和原材料成本不断上升，但平均销售价格却没有相应地提高，因此，我们减少了在国内市场销售的加工香菇的生产量。此外，根据我们目前的生产和销售战略，我们也减少了魔芋普通产品的产量，并且，调整了在2016财年上半年推出的新系列魔芋膳食纤维食品的产能。

随着营业额减少，2016财年的毛利也下降了5920万元（或下降48.4%），从2015财年的1亿2240万元减少至2016财年6320万元。

## 远景和战略

迈入新的财年，我们会继续致力于集团的主营业务，同时也会提高集团的营运效率。随着中国增长的城镇化发展以及人们越来越倾向绿色健康食品，中国健康食品的市场需求不断上升。有鉴于此，我们将继续发展健康加工食品，尤其膳食纤维食品以把握这个潜在的业务成长机会。



意识到与中国和日本客户保持长远的密切合作关系的重要性，我们将更加积极地拓展销售和分销网络以及改进品牌定位，以提高我们的产品在国内市场占有率。

除此之外，我们也致力于打造品牌价值和扩展客户群。在2016财年上半年，我们推出了电商平台以促进加工食品尤其是新的魔芋膳食纤维食品的销售。集团利用电商平台作为开发网络商机，通过加速和简化销售和配送流程来加强销售和分销体系，同时提升产品意识的一个重要的市场战略。

#### 拟派股息

为了回馈和感谢我们尊敬的股东的支持，董事会将在来临的股东大会上提议派发每股免税股息0.8分人民币。

#### 总结

面对持续动荡的中国经济环境，我们在2017财年将继续处于具挑战性的作业环境。展望未来，我们会继续密切地监督现有的企业运作和发展。我在此对我们的董事、管理层以及员工所作出的贡献以及股东的坚定支持表示由衷的感谢。我期待与大家继续一起努力为公司创造新的优势，使山田更上一层楼。

### 陈秋海

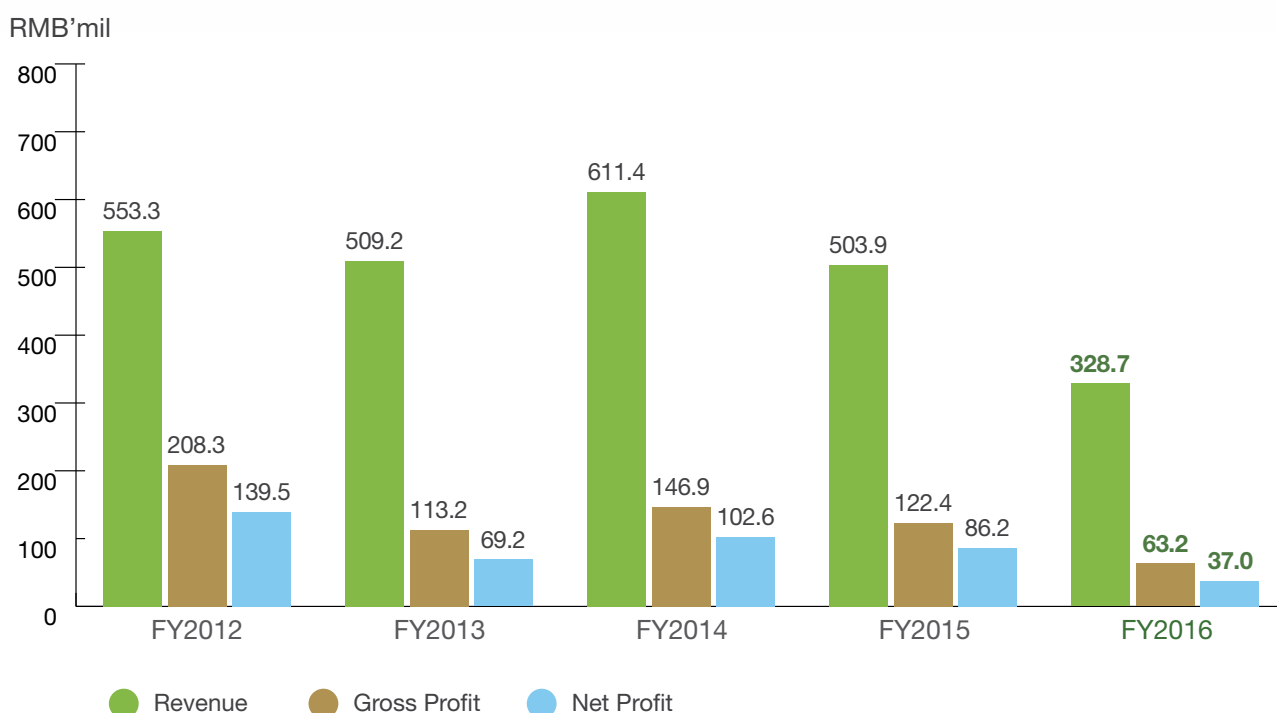
执行主席兼首席执行官



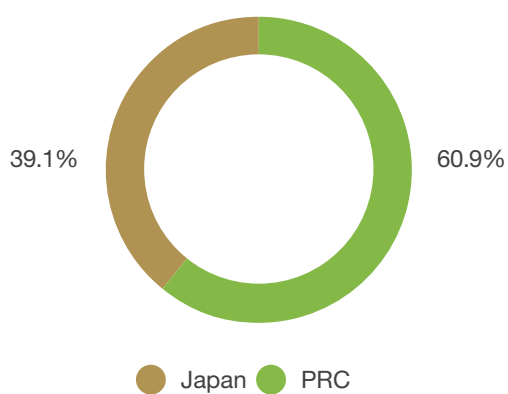
# FINANCIAL HIGHLIGHTS

(RMB'mil)	FY2012	FY2013	FY2014	FY2015	FY2016
Revenue	553.3	509.2	611.4	503.9	<b>328.7</b>
Gross Profit	208.3	113.2	146.9	122.4	<b>63.2</b>
Gross Profit Margin (%)	37.6	22.2	24.0	24.3	<b>19.2</b>
Net Profit	139.5	69.2	102.6	86.2	<b>37.0</b>
Net Profit Margin (%)	25.2	13.6	16.8	17.1	<b>11.3</b>

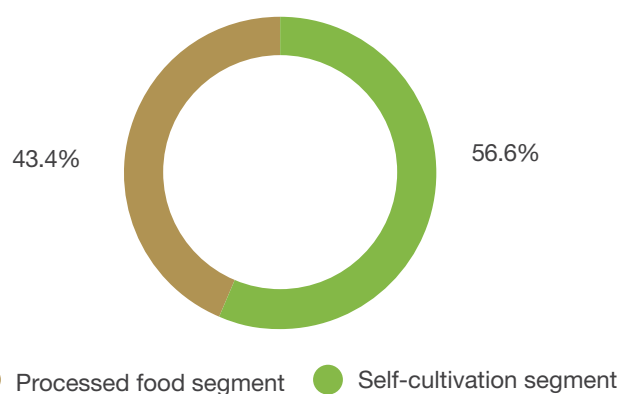
## REVENUE, GROSS PROFIT AND NET PROFIT



## REVENUE BREAKDOWN FOR FY2016



Geographical Segments



Product Segments



# OPERATIONS REVIEW

Yamada is a major grower, manufacturer and supplier of fresh and processed agricultural food products in Fujian Province, PRC. Our products are made up of two major segments: self-cultivation segment and processed food segment. The self-cultivated products comprise of moso bamboo trees, bamboo shoots and shiitake mushrooms. They are mainly sold as fresh produce to wholesalers of agricultural products in the domestic markets.

For the financial year ended 30 June 2016 ("FY2016"), we operated approximately 1,184 mu of shiitake mushroom farmland during the harvesting season compared to 3,342 mu in the financial year ended 30 June 2015 ("FY2015") (1 mu equals approximately 667 square metres). Most of our self-cultivated shiitake mushrooms are sold as fresh produce while the rest are manufactured as dried products for sale.

We operated 31,782 mu of eucalyptus plantations as at 30 June 2016 (30 June 2015: 38,334 mu) which provide sawdust used to produce synthetic logs for the cultivation of our shiitake mushroom.

We have increased our bamboo plantations to 129,696 mu after leasing another 13,704 mu of plantations in January 2016. We expect to commence harvesting bamboo trees and bamboo shoots from these newly acquired plantations in the next financial year. Part of our self-cultivated spring bamboo shoots are supplied to our processed food business as raw materials for our processed bamboo shoots.

Our processed food products include processed mushrooms, processed vegetables, water-boiled bamboo shoots and konjac-based dietary fibre food products. They are sold in major cities in PRC through our well-established network under our trademarked brands, such as "旺成食品", "研食坊" "第七庄园" and "我享受". They are also exported to overseas markets, mainly Japan, under our customers' brand names. We have also expanded our sales and distribution channel through an e-commerce platform which was launched in the first half of 2016 to promote and sell our processed food products, in particular our new range of konjac based dietary fibre food products.

## REVENUE

For FY2016, our revenue decreased by 34.8% or RMB175.2 million to approximately RMB328.7 million, as compared to RMB503.9 million in FY2015.

Sales of our self-cultivated shiitake mushrooms was approximately RMB78.1 million in FY2016, a decrease of approximately RMB162.8 million or 67.6% from approximately RMB240.9 million in FY2015. During FY2016, we harvested approximately 12,970 tonnes of shiitake mushrooms compared to approximately 34,120 tonnes in FY2015. This was primarily attributable to the scaling back of our shiitake mushroom cultivation farmland from 3,342 mu in FY2015 to 1,184 mu in FY2016.

The average selling price of our fresh shiitake mushroom in FY2016 was also lower than last year primarily on account of the slowdown in the economy in China as well as the oversupply of shiitake mushroom in local markets in the second and third quarter of FY2016.

Revenue from our bamboo business increased by RMB33.8 million or 45.4% to approximately RMB108.2 million in FY2016, from approximately RMB74.4 million in FY2015. In FY2016, we operated 115,992 mu of bamboo plantations compared to 100,845 mu in FY2015. We commenced harvesting bamboo trees from 67,000 mu of bamboo plantations in FY2016. We harvested and sold 99,720 tonnes of bamboo trees in FY2016 in contrast to 34,230 tonnes of bamboo trees harvested and sold during FY2015. Furthermore, we harvested and sold 26,630 tonnes of bamboo shoots in FY2016 compared to 23,750 tonnes of bamboo shoots harvested during FY2015.

Sales from the processed food products segment decreased by approximately RMB46.2 million or 24.5%, to approximately RMB142.4 million in FY2016 from approximately RMB188.6 million in FY2015. This was mainly because we reduced the production and sales quantity of the processed mushrooms in the domestic market owing to increases in cost of raw material and labour of processed mushrooms without corresponding increases in the average selling price of the processed mushrooms. Furthermore, production volume of the existing konjac-based dietary fibre food products also decreased following the adjustments in our production and sales strategy in the domestic markets. Part of the production capacity had been reallocated to our new range of konjac-based dietary fibre food products which were launched during the first half of 2016.

# OPERATIONS REVIEW

## GROSS PROFIT

The Group's gross profit decreased by approximately RMB59.2 million or 48.4% to approximately RMB63.2 million in FY2016, from approximately RMB122.4 million in FY2015. The overall gross profit margin decreased to 19.2% in FY2016 compared to 24.3% in FY2015.

The gross profit margin of our cultivation business segment decreased to 8.7% in FY2016 from 20.8% in FY2015. This was mainly attributable to increased costs of cultivation, including labour costs of producing mushroom logs and harvesting shiitake mushrooms, and maintenance costs for bamboo plantations.

The gross profit margin of our processed food products business segment increased to 33.0% in FY2016 from 30.1% in FY2015, mainly due to our revised sales and production strategy. The Group has reduced the production volume of processed food products with low profit margins and reallocated production capacity to produce new konjac-based dietary fibre food products which generated higher profit margin.

## SEGMENT REVENUE

### Product Segments

In FY2016, the revenue from our self-cultivation segment amounted to RMB186.3 million, comprising 56.6% of the Group's total revenue. Revenue from our processed food products segment was RMB142.4 million or 43.4% of the Group's total revenue.

### Geographical Segments

During FY2016, the Group's domestic sale in China amounted to RMB200.2 million, contributing to 60.9% of the Group's revenue. Sales to Japan amounted to RMB128.5 million or 39.1% of the Group's revenue.

### Gain From Changes In Fair Value Of Biological Assets

An independent valuation expert was appointed to assess the fair value of our eucalyptus trees and bamboo plantations at the end of the financial year. A net gain from changes in fair value of biological assets of approximately RMB18.4 million was recognised in FY2016 (FY2015: RMB18.2 million). As at 30 June 2016, there were 31,782 mu (FY2015: 38,334 mu) of eucalyptus tree plantations and 129,696 mu (FY2015: 100,845 mu) of bamboo plantations under valuation. During the financial year, we harvested eucalyptus trees from 1,589 mu of eucalyptus plantations. In addition, there were eucalyptus trees from 4,963 mu of plantations disposed in FY2016.

The loss from changes in fair value of eucalyptus trees was approximately RMB1.9 million. It was mainly attributable to the fact that unfavourable weather conditions during winter affected the timber reserve of the trees.

On the other hand, there was a gain of approximately RMB20.3 million from changes in fair value of moso bamboo trees and bamboo shoots mainly as a result of an expansion of our moso bamboo plantations. The net present value generated from the valuation was based on the best estimates by the valuer in view of the conditions of our bamboo plantations and the market value of the moso bamboo trees and bamboo shoots.

## FINANCIAL POSITION

The Group's non-current assets increased by approximately RMB68.9 million or 9.6% to RMB789.8 million as at 30 June 2016, from RMB720.9 million as at 30 June 2015. The increase was mainly attributable to an investment in a food processing company and additional prepaid lease for the bamboo plantations newly acquired in this financial year. There was also additional construction in progress for our R&D Centre in Houyu Industrial Park. Furthermore, there





was a gain in fair value of biological assets amounting to RMB18.4 million as at the financial year end. The increase in non-current assets was partially offset by the depreciation of Property, Plant and Equipment, and amortisation of long-term prepaid leases for bamboo and eucalyptus plantations. The Group has transferred part of premises which were leased to outsiders, from Property, Plant and Equipment to Investment Properties.

The Group's current assets increased by approximately RMB3.1 million or 1.4% to RMB221.6 million as at 30 June 2016, from RMB218.5 million as at 30 June 2015. The increase was mostly due to increases in trade debtors arising from food processing business and prepaid lease for newly acquired bamboo plantations. There was also an advanced payment made to our associate for purchasing raw materials used for our food processing business. The increase in current assets was partly offset by a decrease in cash and bank balances, and lower inventories as at financial year end.

Non-current liabilities increased by approximately RMB1.9 million to approximately RMB5.6 million as at 30 June 2016. The increase was attributable to a bank loan drawn down from Hong Leong Finance in Singapore during the financial year for the acquisition of an office unit in Singapore. The loan is repayable within 15 years.

Current liabilities decreased by approximately RMB42.3 million or 68.1% to approximately RMB19.8 million as at 30 June 2016, from RMB62.1 million as at 30 June 2015. The decrease was primarily due to repayments of bank borrowings to China Everbright Bank and Postal Savings Bank of China.

Equity holders' interest increased by approximately RMB112.5 million, from RMB873.5 million as at 30 June 2015 to RMB986.0 million as at 30 June 2016. The movement was mainly due to an issuance of new ordinary shares arising from the rights issue which was completed in September 2015, and increases in net profit during the financial year.

## STATEMENT OF CASH FLOWS

For the full year ended 30 June 2016, we recorded net cash generated from operating activities of approximately RMB71.7 million. This consisted of cash generated from operating activities before changes in working capital of approximately RMB145.6 million, working capital outflow of approximately RMB65.0 million, and net of cash outflow amounting to approximately RMB8.9 million from interest income received and income tax paid.

The net working capital outflow arose mainly from utilisation of mushroom synthetic logs with a net amount of approximately RMB55.6 million during the harvesting season. Additionally, there were prepaid maintenance costs incurred for our bamboo plantations.

A net cash of approximately RMB123.8 million was used in investing activities. It was mainly due to an investment in a food processing company of RMB39.9 million, prepayments for lease for newly acquired bamboo plantations, purchase of property, plants and equipment, and prepaid maintenance costs for eucalyptus plantations. In addition, there was an advanced payment made for purchasing raw materials. The net cash outflow was partly offset by a refund of prepaid lease as a result of the termination of leases for 2,158 mu of shiitake mushroom farmland and proceeds from the disposal of eucalyptus trees planted in 4,963 mu of the plantations.

Net cash flow generated from financing activities was RMB36.1 million in FY2016. It was primarily attributable to net proceeds of RMB80.7 million received from the rights issue which was completed in September 2015. Within the financial year, an aggregate amount of bank loans of RMB24.6 million was drawn down for general working capital purposes and acquisition of an office unit. The cash inflow was partly offset by a repayments of bank borrowings, a dividend payout and interest payments for bank borrowings.

# BOARD OF DIRECTORS



**CHEN QIUHAI (陈秋海)**

*Executive Chairman and Chief Executive Officer*

Mr Chen Qiu Hai is our Executive Chairman and Chief Executive Officer (“CEO”), and the founder of our Group. He was appointed as a director of our Company on 8 February 2010. He is responsible for overseeing the overall management, operations and business strategy of our Group. Prior to this, he was a manager at Fujian Tourism Company Ltd from 1988 to 1998, and was responsible for the company’s sales and liaisons. He was the chief representative of a Japanese company named Yamashiro Nosan Co., Ltd. from 1994 to 1998 on a part-time basis, where he was responsible for negotiation, procurement, inspection and coordination with exporters of food products (mainly mushrooms and bamboo shoots) from PRC (Fujian and Shandong Provinces) to Japan. Since the establishment of Fuzhou Wangcheng Foods Development Co., Ltd (“Wangcheng”), he has received recognition for his contributions to Wangcheng, and was awarded the prestigious Outstanding Young Entrepreneur Award by the Communist Youth League Committee of Fujian Province in 2009. He graduated from Chinese People’s Public Security University with a degree in Japanese language in 1988. Mr. Chen is also the director of Wangcheng, Nanping Yuanwang Foods Co., Ltd, Fuzhou Kangzhimei Foods Co. Ltd, and Feng Zhi Qiu International Holding Company Limited.



**LIN WEIBIN (林卫斌)**

*Executive Director*

Mr Lin Weibin is our Executive Director and was appointed on 3 June 2014. He is also the Director of Wangcheng and Yuanwang, Group Head of Production and Sales and Head of Sales Department of Wangcheng. Mr Lin Weibin has joined Wangcheng as an assistant of general manager since January 2014 after more than 10 years of experience in Food and Beverage (“F&B”) industry. He was mainly responsible for assisting general manager in developing and implementing the overall business strategy, overseeing the management and operation of Wangcheng. Prior to joining Wangcheng, he was a vice general manager in Longyan Zhongyuan Hotel Co., Ltd from 2006 to 2013. He was the person-in-charge of procurement and F&B department. He is proficient at Japanese language. From 1994 to 2003, he worked in three different food companies in Japan including Japan Shin-Shin Trading Co.Ltd., Japan Nissho Trading Co. Ltd and Japan Hukutaku Nittyuu Trading Co. Ltd. During the period in the Japanese companies, he was mainly involved in development and implementation of sales and marketing plans, supervision of import and export trading, and product quality management. He graduated from Fujian Normal University in 1988 with a degree in Education. He had been a lecturer in Fujian Normal University for five years after his graduation from the university.



**CHUA SER MIANG (蔡斯敏)**

*Lead Independent Director*

Mr Chua Ser Miang is our Lead Independent Director, and was appointed to our Board on 23 September 2013. He is the Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee. Mr Chua currently runs his own management consultancy firm, Eastwin Capital Pte Ltd, which he set up in 2013 after spending twenty years in both the private and public sectors. Prior to this, Mr Chua was a Director of Corporate Finance at DMG & Partners Securities where he was involved in a wide range of cross border financial advisory and equity market transactions. He was also with Daiwa Securities SMBC Singapore Limited and Asia Growth Capital Advisory previously in similar roles. Mr Chua started his career with the Monetary Authority of Singapore, after graduating from the National University of Singapore with a degree in Business Administration. He is a member of the CFA Institute, USA and the Singapore Institute of Directors. Mr Chua also serves on the board of Deskera Holdings Limited as its Non-Executive Chairman.



**CHANG FENG-CHANG (张峰璋)**

*Independent Director*

Mr Chang Feng-chang was appointed on 17 September 2010 as our Non-Executive Director and has been re-designated as an Independent Director on 21 August 2013. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He is currently the Chief Executive Officer of Kingsley Capital International Pte. Ltd. From 2009 to 2010, he was a senior partner at Grant Thornton Zhonghua CPAs, where he oversaw the international client service, in particular assisting and advising Chinese clients on their global expansion. From 2000 to 2009, he was a partner at BDO Shanghai Zhonghua CPAs. He is also a Supervisory Board Member of Zhongde Waste Technology AG. He has been a member of the Institute of Certified Public Accountants of Taiwan since 2000, and a Certified Tax Agent since 2001. He graduated from The University of Missouri in 1994 with a Master of Science in Accounting.



**GOI KOK NENG (魏国龙)**

*Non-Executive Director*

Mr Goi Kok Neng is our Non-Executive Director and was appointed on 15 May 2013. He is a member of the Audit, Nominating and Remuneration Committees. He was the Deputy Director in charge of overseas sales of Hong Kong-listed Trigiant Group Ltd, a leading manufacturer of mobile telecommunications cables in the PRC. Prior to Trigiant, he was General Manager of Singapore-based Honjji Foods (2005) Pte Ltd from 2005 to 2009 where he was responsible for streamlining the operations. Mr Goi started his career with global frozen foods manufacturer Tee Yih Jia ("TYJ") Group in 1999 in various aspects of the business - namely sales, marketing and operations of TYJ Group's world-famous spring roll pastry and roti paratha. He is also a Non-executive Director of Serial System Ltd, a company listed on the Singapore Stock Exchange, a Director of Mandarin Food Manufacturing Pte Ltd and a Director of Abaglobe (s) Pte. Ltd..



# KEY MANAGEMENT PERSONNEL

**CHEW KIM KUAN (周金环)** was appointed as our Financial Controller on 5 February 2014 and is overall in-charge of the financial matters of our Group. She oversees our Group's financial matters and compliance with post-listing obligations. She first joined our Group in March 2011 as our Investor Relations Manager. Her responsibilities included advising the Management regarding Investor Relations matters and engaging the investment community. In July 2012, she took on an additional portfolio by assisting in our Group's finance matters. Prior to joining our Group, she was an Associate Consultant with BDO LLP and was significantly involved in the audit of PRC-based IPO-aspirants in the agricultural and manufacturing industries. From 2008 to 2009, she was an Audit Senior in Grant Thornton. She is a Chartered Accountant with the Institute of Singapore Chartered Accountant. She graduated with a Bachelor of Science Degree from Oxford Brookes University, U.K., England and an Accounting Professional Qualification from the Association of Chartered Certified Accountant (ACCA), both in 2007.

**CHEN QIUFA (陈秋发)** is our Head of Edible Fungi Cultivation Bases. He is a brother of our Executive Chairman and CEO, Chen Qiuhai. He was appointed as the general manager of Zhangping Fengwang Agricultural Products Co., Ltd. ("Fengwang") since 2008, and is responsible for the overall management of our edible fungi cultivation bases. He also directly heads the cultivation, administration and finance departments at Fengwang. Prior to joining Fengwang, he assisted in the feasibility study for the cultivation of shiitake mushrooms conducted by our Executive Chairman and CEO, Chen Qiuhai, from 2007 to 2008. He was a sole proprietor as a trader of shiitake mushrooms and bamboo shoots based in Beijing, the PRC, from 2003 to 2008. From 1998 to 2003, he was the deputy manager of Wangcheng, and was responsible for procurement of raw materials. He completed his high school education in Caoxi Middle School in 1982.

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

**HUANG TING (黄庭)** is our Deputy Head of Edible Fungi Cultivation Bases. He was appointed as the deputy general manager of Fengwang since 2008, and assists Chen Qiufu in the overall management of our edible fungi cultivation bases. He also directly heads the sales department and supervises the head of the technical department at Fengwang. He joined Wangcheng in 1999, as a supervisor in the production department. From 2005 to 2008, he was appointed as the general manager of Nanping Yuanwang Foods Co., Ltd ("Yuanwang"), where he oversaw the overall management of Yuanwang. He completed his high school education in Longyan No.3 Middle School in 1987.

**LIN NING (林宁)** is our Head of Research and Development. He oversees the Research and Development, and is responsible for research on new products for Wangcheng. He also work closely with our customers for feedback on our existing products and new products. He joined Wangcheng in August 2015 as Head of Research and Development. Prior to Wangcheng, he worked as an application engineer in Fuzhou Zhengwei Food Development Co., Ltd from February 2015 July 2015. From 2010 to 2014, he was the deputy head of Research and Development in Fuzhou Wangcheng Foods Development Co., Ltd. From 2006 to 2009, he was the research engineer for Damin (Zhangzhou) Food Development Co., Ltd. He graduated with a Food Science and Engineering from Ocean University of China in 2001.





# ENHANCING

## OUR FUNDAMENTALS

Looking ahead, we strive to move our business forward in the midst of ever-changing market conditions. With our comprehensive business growth strategy, established brand and diverse range of products, we are well positioned to further cultivate our core strengths and seek out new growth opportunities in the near future.



# GROUP STRUCTURE



\*Fujian Tianwang Foods Co., Ltd has a wholly owned subsidiary named Sanming Sennong Forestry Co., Ltd.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Chen Qiu hai (*Executive Chairman and Chief Executive Officer*)  
Lin Weibin (*Executive Director*)  
Chua Ser Miang (*Lead Independent Director*)  
Chang Feng-chang (*Independent Director*)  
Goi Kok Neng (*Non-Executive Director*)

## AUDIT COMMITTEE

Chua Ser Miang (*Chairman*)  
Chang Feng-chang  
Goi Kok Neng

## NOMINATING COMMITTEE

Chua Ser Miang (*Chairman*)  
Chang Feng-chang  
Goi Kok Neng

## REMUNERATION COMMITTEE

Chang Feng-chang (*Chairman*)  
Chua Ser Miang  
Goi Kok Neng

## REGISTERED OFFICE

Six Battery Road #10-01  
Singapore 049909  
Tel : (65) 6381 6966  
Fax : (65) 6381 6967

## PRINCIPAL PLACE OF BUSINESS

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

## AUDITOR

BDO LLP  
Public Accountants and  
Chartered Accountants  
600 North Bridge Road  
#23-01, Parkview Square  
Singapore 188778

Partner-in-charge: Poh Chin Beng  
(Appointed since the financial year ended 30 June 2015)

## SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.  
9 Raffles Place  
# 29-01, Republic Plaza Tower 1  
Singapore 048619  
Tel: (65) 6381 6888  
Fax: (65) 6381 6899

## COMPANY SECRETARIES

Chew Kok Liang (LLB) (Hons)  
Shirley Tan Sey Liy (ACIS)

## PRINCIPAL BANKERS

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

Postal Savings Bank of China  
Building No.16, B Area of Xincheng Lijing  
No.98 West Road, Tanshishan  
Minhou County, Fuzhou,  
Fujian, China

Pucheng Agricultural Credit Union  
235 Xingpu Road Pucheng County  
Nanping Fujian Province  
PRC 353400

Industrial Bank Co., Ltd., Fuzhou Huanqiu Branch  
Level 1, Huanqiu Plaza  
158 Wusi Road  
Fuzhou Fujian Province  
PRC 350003

Hong Leong Finance Limited  
16 Raffles Quay  
#01-05  
Hong Leong Building  
Singapore 048581





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# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board” or the “Directors”) of Yamada Green Resources Limited (the “Company”, together with its subsidiaries, the “Group”) recognises the importance of sound corporate governance in protecting the interest of the shareholders as well as strengthening investors’ confidence in the management and financial reporting of the Group. The Group is committed to ensuring and maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment, which helps to safeguard the interests of shareholders of the Group. This corporate governance report describes the corporate governance framework and practices of the Group with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”). Unless otherwise stated, these practices were in place throughout the financial year ended 30 June 2016 (“FY2016”).

## BOARD MATTERS

### The Board's Conduct of Affairs

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

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

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

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

### Board Committees

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

# CORPORATE GOVERNANCE REPORT

Matters which are specifically reserved to the Board for decision-making are those involving corporate plans and budgets, material acquisitions and realisation of assets, share issuances, declaration of dividends and other returns to shareholders of the Company. The Management is responsible for day-to-day operations and administration of the Group and the Management are accountable to the Board. Clear directions have been given out to the Management that such reserved matters must be approved by the Board.

In line with the recent changes of the Companies Act, Chapter 50, all references to the Memorandum and Articles of Association will supersede with Constitution and Regulation.

The Board conducts regular Board meetings at least four (4) meetings on a quarterly basis to review the Group's financial results and where necessary, additional Board meetings are held to address significant issues or transactions of the Group. Dates of the Board and Board Committees meetings are normally fixed by the Directors in advance. The Constitution of the Company allow a meeting of Board or Board Committee to be conducted by means of telephone conference or similar communication equipment pursuant to which all Directors participating in a meeting are able to hear each other, without a Director being in physical presence in meeting. Decisions of the Board and Board Committees may also be deliberated and determined through circular resolutions in writing.

The number of meetings held by the Board and Board Committees and attendance of Directors at the meetings for FY2016 is set out as follows:

Name of Directors	Board Meetings		AC Meetings		NC Meetings		RC Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Chen Qiu Hai	4	4	4	4	1	1*	1	1*
Mr Lin Weibin	4	4	4	4	1	1*	1	1*
Mr Chua Ser Miang	4	4	4	4	1	1	1	1
Mr Chang Feng-chang	4	4	4	4	1	1	1	1
Mr Goi Kok Neng <sup>(1)</sup>	4	4	4	4	1	1	1	1*
Professor Tan Cheng Han <sup>(2)</sup>	4	1	4	1	1	-	1	-

\*By Invitation

- (1) Mr. Goi Kok Neng was appointed as the member of the Audit Committee and Remuneration Committee with effect from 1 April 2016.
- (2) Professor Tan Cheng Han had resigned as the Non-Executive Director of the Company with effect from 1 April 2016.

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

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

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



# CORPORATE GOVERNANCE REPORT

News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority (the “ACRA”) which are relevant to the Directors are circulated to the Board. The Company Secretary would inform the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditor updates the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group’s business operation, strategic directions, director’s duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group’s operation facilities and meet the Management so as to gain a better understanding of the Group’s business.

Upon appointment, a new Director will receive appropriate briefings on the Director’s duties, responsibilities, disclosure duties and statutory obligations. Newly appointed Directors will also be briefed by the Management on the business activities of the Group, governance policies, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company’s securities and restrictions on disclosure of price sensitive information. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Group during the Board meetings.

A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

## Board Composition and Guidance

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**Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board’s decision making.***

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The Board comprises of two (2) Executive Directors, one (1) Non-Executive Director and two (2) Independent Directors. Their combined wealth and diversity of experience enable them to contribute efficiently and effectively to the strategic growth and governance of the Group.

Presently, the list of Directors is as follows:

Mr Chen Qiu hai	Executive Chairman and Chief Executive Officer (“CEO”)
Mr Lin Weibin	Executive Director
Mr Chua Ser Miang	Lead Independent Director
Mr Chang Feng-chang	Independent Director
Mr Goi Kok Neng	Non-Executive Director

The profiles of the Directors are set out on pages 12 and 13 of this Annual Report.

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision-making. The Board has examined its size and is of the view that the Board’s size of five (5) Directors, of which two (2) are Independent Directors and one (1) is Non-Executive Director, is appropriate and effective, taking into account the nature and scope of the Group’s operations.

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

The independence of each Director will be reviewed on an annual basis by the NC and the Board pursuant to the definition of independence of the Code, pursuant to which, an independent director is one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors’ independent business judgment with a view to the best interests of the Company. The appointment period of each director should also be taken into consideration in determining his independence pursuant to Guideline 2.4 of the Code.

# CORPORATE GOVERNANCE REPORT

The Board, after taking into consideration the recommendation of the NC, is of the view that the two (2) Independent Directors, namely Mr Chua Ser Miang and Mr Chang Feng-chang are independent pursuant to the definition of independence of the Code and that there is a strong and independent element on the Board which is able to exercise objective judgement on corporate matters independently, in particular, from the Management, and that no individual or small group of individuals dominate the Board's decision-making process.

Further, none of Independent Directors has served on the Board beyond nine years from the date of their first appointment.

## Chairman and Chief Executive Officer

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**Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.***

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

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

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

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

In view of Mr Chen Qiu Hai's concurrent appointment as the Executive Chairman and the CEO, Mr Chua Ser Miang has been appointed as Lead Independent Director of the Company pursuant to Guideline 3.3 of the Code. The Lead Independent Director will lead and co-ordinate the activities of the Independent Directors and serve as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to shareholders who have concerns for which contact through the normal channels of the Chairman, CEO, Executive Directors or Financial Controller have failed to resolve or for which such contact is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

# CORPORATE GOVERNANCE REPORT

## Board Membership

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**Principle 4:** *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board. The NC comprises three (3) Non-Executive Directors and half of the members of the NC, including the Chairman of the NC, are considered independent pursuant to the definition of independence recommended by the Code.*

---

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills to enable the Board to make effective decisions.

The composition of the NC is:

Mr Chua Ser Miang	Chairman
Mr Chang Feng-chang	Member
Mr Goi Kok Neng	Member

The Lead Independent Director, Mr Chua Ser Miang, is the Chairman of the NC.

Since the majority of the members of the NC are independent, the Board is satisfied that sufficient measures have been put in place to ensure that all matters are deliberated independently and objectively by the NC. This includes that the prohibition of business to be transacted by the NC without a quorum of meeting, of which should be formed by at least two (2) members, including at least one (1) independent director. The recommendation by the NC would be submitted for the Board's endorsement before implementation.

The key roles of the NC are:

- make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board;
- review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- identify and nominate candidates for the approval of the Board, determine annually whether or not a Director is independent, to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular for the Chairman and the CEO;
- determine the independence of Directors on an annual basis in accordance with Guideline 2.3 and 2.4 of the Code;
- make recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of seventy (70) years, if any;
- recommend Directors who are retiring by rotation to be put forward for re-election;
- decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations;
- recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards;
- assess the effectiveness of the Board as a whole; and
- decide on how the Board's performance may be evaluated and propose objective performance criteria.



# CORPORATE GOVERNANCE REPORT

Regulation 91 of the Constitution of the Company requires the number nearest to but not less than one-third of the Directors for the time being to retire from office by rotation and subject themselves for re-election by shareholders at the Annual General Meeting ("AGM") of the Company. It is also provided by Regulation 97 of the Constitution of the Company that any Director appointed during the financial year shall hold office only until the next AGM of the Company and shall then be eligible for re-election at the AGM of the Company.

The dates of initial appointment and last re-election of each current Director of the Company are set out below:

Name of Directors	Position held on the Board	Date of first Appointment	Date of last Re-election
Mr Chen Qiu Hai	Executive Chairman and CEO	8 February 2010	29 October 2014
Mr Lin Weibin	Executive Director	3 June 2014	29 October 2014
Mr Chua Ser Miang	Lead Independent Director	23 September 2013	30 October 2013
Mr Chang Feng-chang	Independent Director	17 September 2010	29 October 2014
Mr Goi Kok Neng	Non-Executive Director	15 May 2013	29 October 2015

Although the Non-Executive Directors hold directorships in other listed companies, the Board is of the view that such multiple listed company board representations do not hinder them from carrying out their duties as Directors. The Board believes that putting a maximum limit on the number of listed company board representation which a Director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive. The NC and the Board will review the requirement to determine the maximum number of listed board representations as and when they deemed fit.

The NC is of the view that the Non-Executive Directors have each individually contributed their invaluable experience to the Board and give it a broader perspective on the board affairs of the Group. The NC, after taking into account the multiple board representations and principal commitments disclosed by each Non-Executive Director, is satisfied that each Non-Executive Director has allocated sufficient time and attention to the affairs of the Group and to adequately discharge their duties as Directors of the Company.

The Board, unless circumstance warrants, do not encourage the practice of alternate directors appointed for Directors. During FY2016, none of the Directors has put forward the appointment of any alternate director representing them in the Board.

The Board has accepted the recommendation of the NC's nomination for re-election of the retiring Directors, namely Mr Lin Weibin and Mr Chua Ser Miang, who have given their consent for re-election, at the forthcoming AGM of the Company. To the best knowledge, the Company is not aware of any relationships (including immediate family relationships) between Directors retiring at the forthcoming AGM of the Company, namely Mr Lin Weibin and Mr Chua Ser Miang, and other Director or 10% shareholders of the Company.

## Board Performance

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

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

The NC evaluated the Board's performance as a whole on an annual basis based on performance criteria set out by the Board. The assessment parameters includes an evaluation of the Board size and composition of the Board, the Board's independence, Board processes, Board information, Board accountability and standards of conduct of the Directors. The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group.

# CORPORATE GOVERNANCE REPORT

During FY2016, the NC has conducted the assessment by preparing a performance evaluation questionnaire to be completed by each Director, of which are then collated and the findings are analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The Board, after taking into account of the NC's assessment, is satisfied that the Board operates efficiently in contributing to the overall effectiveness of the Board during FY2016.

No external facilitator has been engaged by the Company for the purpose of evaluation of the Board during FY2016.

The NC is of the view that each individual Director contributes in different areas to the effectiveness of the Board as a whole and the success of the Group, and therefore, it would be more appropriate to assess the performance of the Board as a whole, than assessment on individual basis or on Board Committee basis.

Notwithstanding the foregoing, the performance and contribution of each Director to the Board would be taken into consideration by the NC before putting forward their recommendation for nomination of retiring Directors at the forthcoming AGM of the Company.

The NC has recommended the adoption of the formal annual evaluation form for the individual directors and the Board Committees to further enhance the effectiveness of the Board Committees and individual directors. The Board has accepted the NC's recommendation and the formal annual evaluation form for the individual directors and Board Committees would be adopted with effect from the financial year ended 30 June 2017.

Although the individual directors are not formally evaluated, the factors taken into consideration with regards to the re-nomination of directors for FY2016 are based on their attendance and contributions made at the Board and Board Committees meetings.

## Access to Information

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**Principle 6:** *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

---

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

The appointment and removal of Company Secretary is subject to approval by the Board.

The Management keeps the Board informed of the Group's operations and performance through regular updates and reports as well as through separate meetings and discussions. The Management will present reports and updates on the Group's performance, financial position, prospects and other relevant information for review at the Board and Board Committee meetings.

In addition, all other relevant information on material events and transactions are circulated by electronic mail to the Directors for review and approval. The key management personnel may be invited to attend Board and Board Committee meetings to answer queries and to provide insights into its Group's operations.

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

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

# CORPORATE GOVERNANCE REPORT

## REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

---

The RC comprises two (2) Independent Directors and one (1) Non-Executive Director, the majority of whom, including the Chairman of RC, are considered independent pursuant to the definition of independence of the Code.

The composition of the RC is:

Mr Chang Feng-chang	Chairman
Mr Chua Ser Miang	Member
Mr Goi Kok Neng	Member

The key roles of the RC are:

- review and recommend to the Board the remuneration packages and terms of employment of the Executive Directors and key management personnel;
- review and recommend to the Board the grant of options or share awards pursuant to long-term incentive schemes which may be set up from time to time;
- carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time; and
- ensure that all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share options, share-based incentives and awards, and benefit-in-kind are covered.

As part of its review, the RC shall take into consideration:

- the remuneration packages should be comparable within the industry practices and norms and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual performance;
- the remuneration packages of employee related to Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scope and levels of responsibility; and
- Principle 8 of the Code.

The RC aims to be fair and avoid rewarding poor performance and review the Group's obligation in the event of termination of contract of service for Executive Directors and key management personnel of the Group.

The recommendations of the RC would be submitted to the Board for endorsement. The RC has full authority to engage any external professional to advise on matters relating to remunerations as and when the need arises. No individual Director shall be involved in deciding his or her own remuneration. The Company has not engaged any remuneration consultant in respect of the remuneration matters of the Group during FY2016.

Each member of the RC shall abstain from reviewing and voting any recommendation or any resolutions in respect of his or her own remuneration package or that of employees related to him or her, or any other matters concerning him or her to be deliberated by the RC, except for providing information and documents specifically requested by the RC to assist it in its deliberations.



# CORPORATE GOVERNANCE REPORT

## Level and Mix of Remuneration

**Principle 8:** *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

In setting remuneration packages, the RC takes into consideration prevailing economic situation, pay and employment conditions within the similar industry and in comparable corporations. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of Executive Directors and is designed to align the Directors' interests with those of shareholders and link rewards to corporate and individual performance.

The RC also reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration commensurate with the contribution and responsibilities of the Non-Executive Directors.

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

The Executive Directors do not receive Directors' fees. The remuneration of the Executive Directors and the key management personnel comprises primarily a basic salary component and a variable component which is inclusive of bonuses and other employee benefits. The Service Agreement for the Executive Chairman and the CEO is for a fixed appointment period of three (3) years with effect from 8 October 2010, the date when the Company is admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Service Agreement for the Executive Chairman and the CEO was renewed on 7 October 2016 for another period of three (3) years under the same terms and conditions unless otherwise terminated by either party giving not less than six months' notice in writing to the other.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the Executive Directors in the event of such breach of fiduciary duties.

## Disclosure on Remuneration

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

A breakdown of the remuneration of the Directors and key management personnel (who are not Directors), in percentage terms showing the level and mix, for FY2016 falling within the bands is set out below:

Remuneration Band and Name	Salary	Bonus	Directors' fees	Allowances and other benefits	Total
<b>Directors</b>	%	%	%	%	%
<b>Below S\$250,000</b>					
Mr Chen Qiu Hai	93	–	–	7	100
Mr Lin Weibin	80	–	–	20	100
Mr Chua Ser Miang	–	–	100	–	100
Mr Chang Feng-chang	–	–	100	–	100
Mr Goi Kok Neng	–	–	100	–	100
Professor Tan Cheng Han <sup>(1)</sup>	–	–	100	–	100

# CORPORATE GOVERNANCE REPORT

Remuneration Band and Name	Salary	Bonus	Allowances and other benefits	Total
Key Management Personnel	%	%	%	%
<b>Below S\$250,000</b>				
Ms Chew Kim Kuan	70	19	11	100
Mr Chen Qiufa	79	–	21	100
Mr Lin Ning	78	–	22	100
Mr Huang Ting	79	–	21	100
Mr Liu Liping	78	–	22	100

Note:

(1) Professor Tan Cheng Han had resigned as the Non-Executive Director of the Company with effect from 1 April 2016.

Saved for Mr Chen Qiufa, there is no employee of the Group who is an immediate family member of any Director or the CEO and whose remuneration has exceeded S\$50,000 for FY2016.

For FY2016, the aggregate total remuneration paid to the key management personnel (who are not the Directors or the CEO) of the Company amounted to approximately S\$321,000.

For FY2016, there were no termination, retirement or post-employment benefits granted to the Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service except for post-employment benefits paid to the Directors and key management personnel of RMB249,000.

The Board believes that the full disclosure on remuneration of Directors and key management personnel is not in the best interests of the Group in light of the remuneration confidentiality and the avoidance of poaching of Directors and key management personnel of the Group.

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

The Company has existing share incentives schemes, namely Yamada Green Resources Share Option Scheme and Yamada Green Resources Performance Share Plan (the “Schemes”) as long term incentive schemes for the Directors and employees of the Group, whose services are vital to the Group’s success. Both Schemes will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

Information relating to the Schemes is set out on page 39 of this Annual Report.

## ACCOUNTABILITY AND AUDIT

### Accountability

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

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The Board is accountable to the shareholders for the Group’s operations, financial position and performance. In this respect, the Board endeavours to ensure that the annual audited financial statements and quarterly and full year financial results announcements of the Group present a balanced and clear assessment of the Group’s operations, performance, financial position and prospects. The Board embraces openness and transparency in the conduct of the Group’s affairs, whilst preserving the commercial interests of the Group.

# CORPORATE GOVERNANCE REPORT

The Management provides the Board on a quarterly basis or as and when at the request of Board, financial reports and other information on the Group's operations, performance, financial position and prospects for their effective monitoring and decision-making.

The Directors may seek independent professional advice and receive relevant training wherever applicable so as to maintain continuing standards and vigilance of the Board.

## Risk Management and Internal Controls

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***Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

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

The Management reviews regularly the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. In addition, both the external auditors and the internal auditors of the Group carry out, during the course of their statutory audit, the review of existence adequacy and effectiveness of the Group's material internal controls, including company level, financial, operational, compliance and information technology controls. Material non-compliance and internal control weaknesses are reported to the AC together with their recommendation for improvements of the Group's internal controls. The Management will follow up and implement the recommendations suggested by the external auditors and internal auditors of the Group so as to strengthen the Group's risk management procedures.

The Company's internal auditors had conducted appropriate reviews to ensure that the system of internal controls and risk management maintained by the Group is adequate and effective.

The AC has relied on the internal auditors and external auditors to carry out the assessment of the effectiveness of key internal controls during the financial year. Any material non-compliance or weaknesses in internal controls and risk management system or recommendations from the internal auditors and external auditors to further improve systems of internal controls and risk management system are reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal auditors and external auditors.

The Directors have received and considered representation letters from the CEO and Financial Controller of the Group whom relied upon the representation letters from senior management of the key subsidiaries in relation to the financial information for the financial year.

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

The Board has received assurance from the CEO and the Financial Controller respectively that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances; and the Group's internal control system and risk management system is in place and effective in addressing the material risks identified by the Group in its current business environment including material financial, operational, compliance and information technology risks.

In compliance with Rule 1207(10) of the Listing Manual of the SGX-ST, the Board with the concurrence of the AC, is of the opinion that the Group has a robust and effective internal controls system and risk management system and the said systems are adequate and effective to address financial, operational, compliance and information technology risks maintained by the Group as at 30 June 2016, based on the various management controls in place, the reports from the internal auditors and external auditors, reviews conducted by the Management, the management representation letter from management and the assurance from the CEO and the Financial Controller.



# CORPORATE GOVERNANCE REPORT

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

The Board also notes that all internal control system and risk managements system contain inherent limitations and no system of internal controls or risk management system could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

As the Group continues to grow the business, the Board will continue to review and take appropriate steps to strengthen the Group's overall system of internal controls and risk management.

Information in relation to the risks arising from the Group's financial operations is disclosed in the notes to the accompanying audited financial statements on pages 90 to 93.

## Audit Committee

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***Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.***

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The AC comprises two (2) Independent Directors and one (1) Non-Executive Director, the majority of whom, including the Chairman of AC, are considered independent pursuant to the definition of independence of the Code.

The composition of the AC is:

Mr Chua Ser Miang	Chairman
Mr Chang Feng-chang	Member
Mr Goi Kok Neng	Member

None of the AC members is a former partner or director of the Company's existing auditing firm or auditing corporation within a period of twelve months commencing on the date of his/her ceasing to be partner of the auditing firm or a director of the auditing corporation; and in any case, a person has any financial interest in the auditing firm or auditing corporation.

The AC meets regularly with the Group's external auditors and internal auditors, with or without the presence of the Management, to review accounting, auditing and financial reporting matters of the Group.

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

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

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

- review the financial and operating results and accounting policies;
- review the effectiveness and adequacy of internal accounting and financial control procedures;
- review the audit plans of the internal auditors and external auditors and evaluates their overall effectiveness through regular meetings with each group of internal auditors and external auditors;
- evaluate the adequacy and effectiveness of the risk management system and internal control systems of the Group, including financial, operational, compliance and information technology controls, by reviewing written reports from the internal auditors and external auditors, and the Management's responses and actions to correct any deficiencies;

# CORPORATE GOVERNANCE REPORT

- review the quarterly and annual financial statements and results announcements and the external auditor's report before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements;
- ensure co-ordination between the external auditors and the Management, and review the co-operation given by the Company's officers to the external auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any other matters which the auditors may wish to discuss (without the presence of the Management, where necessary);
- review and discuss with the external auditors and internal auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- review and evaluate the independence and performance of the external auditors and to consider their appointment, remuneration and re-appointment;
- review interested person transactions to ensure that they are on normal commercial terms and will not be prejudicial to the interests of the Company or its minority shareholders; review potential conflicts of interest;
- review the key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, immediately announced via SGXNet;
- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- generally undertake such other functions and duties as may be required by the legislation, regulations or the Listing Manual of the SGX-ST, or by such amendments as may be made thereto from time to time.

The AC has full access to and co-operation of the Management and external auditors and internal auditors. The AC also has the discretion to invite any Director and key management personnel to attend AC meetings. The AC has adequate resources to enable it to discharge its responsibilities properly. The internal auditors and external auditors have unrestricted access to the AC. Both the external auditors and internal auditors report directly to the AC in respect of their findings and recommendations for improvements within the Group.

The AC has targeted to meet with the external auditors and internal auditors, each separately without the presence of the Management, annually. The AC reviews the findings from the external auditors and internal auditors and the assistance given to the external auditors and internal auditors by the Management. During FY2016, the AC has met once with external auditors of the Company, Messrs BDO LLP without the presence of Management.

The AC is kept abreast with changes to accounting standards and issues which have a direct impact on financial statements through attendance at seminar and/or briefings delivered by the Management or external auditors.

The external auditors, during their course of external audit, will evaluate the effectiveness and adequacy of the Group's internal controls and report to the AC, together with their recommendations for improvements on material weakness and non-compliance of the Group's internal controls.

The breakdown of fees paid in total for audit and non-audit fees services for FY2016 is disclosed in the notes to the accompanying audited financial statements on page 63.

# CORPORATE GOVERNANCE REPORT

The AC, having reviewed the scope and value of non-audit services provided by the external auditors, which comprise tax advisory services, is satisfied that the nature and extent of such services will not prejudice and affect the independence and objectivity of the external auditors of the Company, Messrs BDO LLP.

Both the AC and the Board have reviewed the appointment of different auditors for its foreign subsidiaries and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company and the Group. Accordingly the Company has complied with Rules 712 and 716 of the Listing Manual of the SGX-ST.

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on annual basis. Messrs BDO LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with ACRA and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group, the size and complexity of the Group's audit. Accordingly, the AC is satisfied that Rule 712 of the Listing Manual of the SGX-ST is complied with and has recommended to the Board the nomination of Messrs BDO LLP for re-appointment as auditors at the forthcoming AGM of the Company.

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

The AC had reviewed, approved and implemented a Whistle Blowing Policy which provides well-defined and accessible channels in the Group through which employees of the Group may, in confidence, raise concerns about possible improprieties in matter of financial reporting or other matters within the Group. The policy includes arrangements for independent investigation and appropriate follow-up of such matters. Details of the policy and arrangements have been made available to the employees. The AC reported that there was no report received through the whistle-blowing mechanism during FY2016.

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

Each member of the AC shall abstain from reviewing and voting any recommendation or any resolutions in relation to matters concerning him or her to be deliberated by the AC, if any, except for providing information and documents specifically requested by the AC to assist it in its deliberations.

The AC has explicit authority to investigate any matter within its terms of reference. The AC has, within its terms of reference, the authority to obtain independent professional advice at the Company's expense as and when the need arises in furtherance of their duties and responsibilities.

## Internal Audit

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***Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

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The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets.

The AC will approve the appointment, removal, evaluation and compensation of internal auditors. The Company has outsourced its internal audit functions of the Group to Zhonghua Certified Public Accountants LLP, a reputable professional accounting firm in People's Republic of China, to perform the review and the test of controls of the Group's processes and procedures. Zhonghua Certified Public Accountants LLP meets the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors set out in the Code.

The internal auditors reports directly to the AC on internal audit matters and administratively to the CEO of the Group.



# CORPORATE GOVERNANCE REPORT

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

The AC will review the internal auditors' reports and ensure that there are adequate and effective internal controls within the Group. The AC, on an annual basis, will assess adequacy and effectiveness of the internal audit function by examining the scope of the internal audit work, the qualification and independence of internal auditors, the internal auditors' reports and ensure that the internal auditors possessing relevant qualifications and experience to adequately perform its functions.

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

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

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***Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

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The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the Annual Report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings.

In accordance with the Constitution of the Company, a shareholder may appoint not more than two (2) proxies to attend and vote in his or her stead at general meeting. All shareholders are allowed to vote in person or by proxy. Central Provident Fund ("CPF") investors may attend general meetings as observers provided they have registered to do so with CPF Approved Nominees within the time frame specified. The Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchase shares on behalf of the CPF investors.

### Communication with Shareholders

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***Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

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The Company believes that a high standard of disclosure is the key to raise the level of corporate governance and the level of shareholders' confidence towards the Group. The quarterly financial statements, full year financial statements and news releases are published via SGXNet. The major development of the Group's activities is also disseminated via SGXNet.

The Company does not practice selective disclosure. Price-sensitive information is publicly released and financial statements and annual reports or circulars are announced or issued within the mandatory period.

# CORPORATE GOVERNANCE REPORT

The annual reports or circulars will be disseminated to every shareholder of the Company prior to the general meeting. The notice of general meeting is advertised in major newspaper and released via SGXNet.

The essential information of the Group are available on the Company's website at <http://www.yamada-green.com> pursuant to which shareholders could access to, inter alia, corporate announcements, press releases and the latest financial statements disclosed by the Company via SGXNet.

The Company currently does not have any formal fixed dividend policy. The Company may declare final dividend for shareholders' approval in a general meeting but no dividend or distribution shall be declared in excess of the amount recommended by the Directors. The Directors may also from time to time declare a dividend or other distribution. The declaration and payment of dividends will be determined at the sole discretion of the Directors, and will depend upon the Group's operating results, financial conditions, other cash requirements including capital expenditures, the terms of the borrowing arrangements (if any), and other factors deemed relevant by the Directors.

The Board has proposed a first and final dividend of RMB0.008 per ordinary share for FY2016 which will be subject to shareholders' approval at the forthcoming AGM.

## Conduct of Shareholder Meetings

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***Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

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The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Company welcomes the views of the shareholders on matters concerning the Group and encourages shareholders' participation at general meetings.

Each item of special business appeared on the notice of general meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions on each distinctive issue are proposed at general meetings for shareholders' approval.

The Chairman of the AC, NC and RC of the Company are usually available at general meetings to address questions from the shareholders. The external auditors of the Company will also be present to address any relevant queries in relation to the conduct of audit and auditors' report by the shareholders during general meetings.

The Company shall adhere to the requirements of the Code where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015. The detailed voting result of each of the resolutions is announced by the chairman of meeting at the general meeting. The voting result for the total numbers of votes cast for or against each resolution during the poll, will be announced via SGXNet after the market close.

The Company will make available minutes of general meetings to the shareholders of the Company upon their request.

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

# CORPORATE GOVERNANCE REPORT

## DEALINGS IN SECURITIES

The Group has adopted its own Internal Compliance Code on Dealing in Securities by setting out regulations with regard to dealings in the Company's securities by its Directors and officers, that is modelled, with some modifications, pursuant to Rule 1207(19) of the Listing Manual of the SGX-ST. The Group's Internal Compliance Code on Dealing in Securities provides guidance for Directors and officers on their dealings in the Company's securities.

The Group's Internal Compliance Code on dealing in securities prohibits the Directors and officers from dealing in the Company's securities during specific period, pursuant to which, they are advised not to deal in the Company's securities during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one (1) month before the announcement of the Company's full year financial statements and ending on the release date of the announcement of the Company's financial statements on the SGX-ST.

In addition, the Company, Directors and officers are expected to observe insider trading laws at all times including when they are in possession of unpublished price-sensitive information of the Group during the permitted trading period. They are also discouraged from dealing in the Company's shares on short term consideration.

## INTERESTED PERSON TRANSACTIONS

The Company does not have a general mandate from shareholders for interested person transactions. Nevertheless, the Company has established internal control procedures to ensure any transaction entered into with interested persons are properly reviewed and approved by the AC with a view to ensure transactions conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions entered into between the Group and any of its interested persons defined under Chapter 9 of the Listing Manual of the SGX-ST for FY2016.

## MATERIAL CONTRACTS

Save for those material contracts disclosed in the financial statements and on announcements via SGXNet, there were no any other material contracts entered into by the Company or any of its subsidiaries, involving the interests of the CEO, Director or controlling shareholder of the Company during FY2016.

## USE OF NET PROCEEDS

### (i) Use of Net Proceeds from proposed renounceable underwritten Rights Issue of up to 270,333,587 new ordinary shares

The Company has on 8 June 2015 announced the proposed renounceable underwritten Rights Issue of up to 270,333,587 new ordinary shares in the capital of the Company at S\$0.07 per new ordinary share. The said 270,333,587 new ordinary shares were allotted and issued by the Company on 18 September 2015.

The net proceeds arising from the placement of 270,333,587 new ordinary shares is approximately S\$18 million. As at 23 December 2015, the entire net proceeds were fully utilised for the payment of the strategic investment and general working capital purposes, including supporting the Group's organic growth plans and initiatives.



# CORPORATE GOVERNANCE REPORT

## **(ii) Share Placement**

On 8 July 2016, the Company has announced the placement of 14,598,013 new ordinary shares (the “Placement”) in the capital of the Company at S\$0.2928 per new ordinary shares. The said 14,598,013 new ordinary shares were allotted and issued by the Company on 27 July 2016.

The net proceeds arising from the Placement is approximately S\$4.22 million (equivalent to RMB20.92 million). The Company has not utilised any proceeds from the Placement as at this date.

# CORPORATE SOCIAL RESPONSIBILITY

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

## Environmental Policy

We share our customers’ commitment to the protection of our environment and we believe in the importance of caring for our planet and encouraging others to play their part. Being one of the leading companies involving in agricultural business, we recognize our obligation and commitment to create a better living environment for our current and next generation.

## Commitment to Sustainable Development

Our Directors recognise the importance of being a responsible steward of the land we manage. With this objective, the Company has established a CSR policy which includes the review of the following areas of the Group’s activities:

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

## Core Values of the CSR Framework

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

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

## Toward Sustainability Strategies

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

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

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

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

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

We remain continually committed with the CSR, which is being integral to the Group’s overall business strategies and operations, and benefits delivered to the Company and its stakeholders, including employees, business partners, customers, suppliers, shareholders, community members and others.

# DIRECTORS' STATEMENT

The Directors of Yamada Green Resources Limited (the “Company”) present their statement to the members together with the audited financial statements the Company and its subsidiaries (the “Group”) for the financial year ended 30 June 2016 and the statement of financial position of the Company as at 30 June 2016.

## 1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

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

Mr Chen Qiuhai  
Mr Lin Weibin  
Mr Chua Ser Miang  
Mr Chang Feng-chang  
Mr Goi Kok Neng

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

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

## 4. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the “Act”), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as detailed below:

Name of Directors and companies in which interests are held	Shareholdings in which Director is deemed to have an interest		
	Balance as at 1.7.2015	Balance as at 30.6.2016	Balance as at 21.7.2016
<b>Company</b>			
<i>Yamada Green Resources Limited</i>			
		<b>Number of ordinary shares</b>	
Chen Qiuhai	195,936,718 <sup>(1)</sup>	60,271,015 <sup>(1)(3)</sup>	60,701,015 <sup>(1)</sup>
Chang Feng-chang	900,000 <sup>(2)</sup>	270,000 <sup>(2)(3)</sup>	270,000 <sup>(2)</sup>

- (1) Chen Qiuhai is deemed to be interested in the capital of the Company which are held by Sanwang Holdings Limited through its nominee, UOB Kay Hian Pte Ltd.

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

- (2) Chang Feng-chang is deemed to be interested in the capital of the Company held by Kingsley Capital International Pte. Ltd., which is wholly-owned by him.
- (3) On 18 November 2015, the Company completed a share consolidation of every five existing issued ordinary shares of the Company into one ordinary share.

By virtue of Section 7 of the Act, Chen Qiu Hai is deemed to have an interest in all ordinary shares of the Company's related corporations.

## 5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

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

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

## 6. Audit committee

The Audit Committee of the Company, consisting all Non-Executive Directors, is chaired by Mr Chua Ser Miang, Lead Independent Director, and includes Mr Chang Feng-chang, Independent Director and Professor Tan Cheng Han (up to 1 April 2016) and Mr Goi Kok Neng (with effect from 1 April 2016), Non-Executive Director. The Audit Committee has met five times since the previous financial year to the date of this report and has reviewed the following, where relevant, with the Executive Directors and external and internal auditors of the Company:

- (a) the audit plans and results of the external and internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditor's report on those financial statements;
- (d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Group and the Company;
- (e) the co-operation and assistance given by the management to the Company's external and internal auditors;
- (f) the interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders; and
- (g) the re-appointment of the external auditor of the Company.

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

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.



# DIRECTORS' STATEMENT

## 7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

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**Chen Qiuhai**  
Director

29 September 2016

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**Lin Weibin**  
Director

# INDEPENDENT AUDITOR'S REPORT

To the Members of Yamada Green Resources Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of Yamada Green Resources Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 42 to 94, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

## Report on Other Legal and Regulatory Requirements

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

### **BDO LLP**

Public Accountants and  
Chartered Accountants

Singapore  
29 September 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2016

		Group	
	Note	2016 RMB'000	2015 RMB'000
<b>Revenue</b>	4	328,696	503,936
Cost of sales		(265,503)	(381,568)
Gross profit		63,193	122,368
<b>Other items of income</b>			
Interest income from banks		82	59
Other income	5	9,265	7,601
Gain from changes in fair value of biological assets	12	18,376	18,208
<b>Other items of expense</b>			
Selling and distribution expenses		(8,399)	(6,120)
Administrative expenses		(35,754)	(38,327)
Other expenses		(4,645)	(5,787)
Finance cost	6	(1,420)	(2,045)
Share of profit of associates		5,033	–
Profit before income tax	7	45,731	95,957
Income tax expense	9	(8,693)	(9,728)
Profit for the financial year, representing total comprehensive income for the financial year		37,038	86,229
<b>Profit attributable to:</b>			
Owners of the Company		37,038	86,229
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		37,038	86,229
<b>Earnings per share (RMB cents)</b>	10		
- Basic		24.0	69.4*
- Diluted		24.0	69.4*

\* The comparative basic and diluted earnings per share have been restated to reflect the effect of share consolidation and rights issue (Note 26) during the current financial year.

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

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

		Group		Company	
	Note	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	11	163,206	179,471	9	7
Biological assets	12	176,932	171,585	—	—
Land use rights	13	24,015	24,557	—	—
Intangible assets	14	2,700	—	—	—
Investment properties	15	30,356	—	—	—
Investments in subsidiaries	16	—	—	161,909	117,266
Investments in associates	17	44,966	—	—	—
Prepayments	18	341,012	343,244	—	—
Long term deposit	19	4,626	—	4,626	—
Deferred tax assets	20	2,005	2,005	—	—
<b>Total non-current assets</b>		<b>789,818</b>	<b>720,862</b>	<b>166,544</b>	<b>117,273</b>
<b>Current assets</b>					
Biological assets	12	7,380	6,858	—	—
Inventories	21	15,468	16,424	—	—
Trade and other receivables	22	187,501	167,696	136,421	108,054
Current income tax recoverable		63	63	—	—
Cash and bank balances	23	11,143	27,440	6,292	4,501
<b>Total current assets</b>		<b>221,555</b>	<b>218,481</b>	<b>142,713</b>	<b>112,555</b>
Less:					
<b>Current liabilities</b>					
Trade and other payables	24	14,614	16,203	1,036	977
Bank borrowings	25	1,512	42,000	512	—
Current income tax payable		3,635	3,916	735	525
<b>Total current liabilities</b>		<b>19,761</b>	<b>62,119</b>	<b>2,283</b>	<b>1,502</b>
<b>Net current assets</b>		<b>201,794</b>	<b>156,362</b>	<b>140,430</b>	<b>111,053</b>
<b>Non-current liabilities</b>					
Bank borrowings	25	1,943	—	1,943	—
Deferred tax liabilities	20	3,711	3,711	—	—
		5,654	3,711	1,943	—
<b>Net assets</b>		<b>985,958</b>	<b>873,513</b>	<b>305,031</b>	<b>228,326</b>
<b>Equity</b>					
Share capital	26	301,346	221,090	301,346	221,090
Share-based payment reserve	27	2,016	2,016	2,016	2,016
Statutory reserve	28	71,135	65,338	—	—
Accumulated profits	29	611,461	585,069	1,669	5,220
<b>Total equity attributable to owners of the Company</b>		<b>985,958</b>	<b>873,513</b>	<b>305,031</b>	<b>228,326</b>

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2016

Group	Attributable to owners of the Company				
	Share capital	Share-based payment reserve	Statutory reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1.7.2015	221,090	2,016	65,338	585,069	873,513
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	37,038	37,038
<b>Contributions by and distributions to owners of the Company</b>					
Dividends (Note 30)	–	–	–	(4,849)	(4,849)
Issue of rights shares (Note 26)	84,366	–	–	–	84,366
Share issue expenses (Note 26)	(4,110)	–	–	–	(4,110)
<b>Total contributions by and distributions to owners of the Company</b>	80,256	–	–	(4,849)	75,407
<b>Others</b>					
Transfer to statutory reserve	–	–	5,797	(5,797)	–
Balance as at 30.6.2016	301,346	2,016	71,135	611,461	985,958
Balance as at 1.7.2014	190,471	4,995	59,306	511,282	766,054
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	86,229	86,229
<b>Contributions by and distributions to owners of the Company</b>					
Dividends (Note 30)	–	–	–	(6,410)	(6,410)
Issue of placement shares (Note 26)	27,865	–	–	–	27,865
Share issue expenses (Note 26)	(225)	–	–	–	(225)
Issue of ordinary shares (Note 26)	2,979	(2,979)	–	–	–
<b>Total contributions by and distributions to owners of the Company</b>	30,619	(2,979)	–	(6,410)	21,230
<b>Others</b>					
Transfer to statutory reserve	–	–	6,032	(6,032)	–
Balance as at 30.6.2015	221,090	2,016	65,338	585,069	873,513

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2016

	Group	
	2016 RMB'000	2015 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	45,731	95,957
Adjustments for:		
Amortisation of biological assets	60,644	155,354
Amortisation of land use rights	542	1,601
Amortisation of intangible assets	300	–
Amortisation of prepayments	49,231	37,682
Depreciation of property, plant and equipment	7,285	8,452
Depreciation of investment properties	1,207	–
Interest expense	1,420	2,045
Interest income	(82)	(59)
Gain from changes in fair value of biological assets	(18,376)	(18,208)
Loss on disposal of biological assets	2,706	–
Loss on disposal of land use rights	–	5,948
Loss/(Gain) on disposal of property, plant and equipment	27	(2)
Property, plant and equipment written off	–	4,224
Share of profit of associates	(5,033)	–
Operating cash flows before working capital changes	145,602	292,994
Working capital changes:		
Biological assets	(55,654)	(133,125)
Inventories	956	(2,753)
Trade and other receivables	(8,791)	135,818
Trade and other payables	(1,523)	(5,881)
Cash generated from operations	80,590	287,053
Interest received	82	59
Income taxes paid	(8,974)	(11,634)
Net cash from operating activities	71,698	275,478
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	35	14
Proceeds from termination of lease of mushroom farmlands and eucalyptus plantations	14,502	17,336
Proceeds from disposal of biological assets	4,811	–
Proceeds from disposal of land use rights	–	65,998
Advances to an associate	(20,000)	–
Purchase of property, plant and equipment	(22,645)	(87,791)
Purchase of intangible assets	(3,000)	–
Long term deposit paid	(4,626)	–
Prepayments	(52,984)	(296,588)
Investments in associates	(39,933)	–
Net cash used in investing activities	(123,840)	(301,031)

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2016

	Group	
	2016	2015
	RMB'000	RMB'000
<b>Cash flows from financing activities</b>		
Proceeds from issuance of placement shares	–	27,865
Expenses related to issuance of placement shares	–	(225)
Proceeds from issuance of rights shares	84,366	–
Expenses related to issuance of rights shares	(3,645)	–
Proceeds from bank borrowings	24,614	42,000
Repayment of bank borrowings	(63,000)	(30,000)
Interest paid	(1,420)	(2,045)
Dividends paid	(4,849)	(6,410)
Net cash from financing activities	36,066	31,185
Net change in cash and bank balances	(16,076)	5,632
Cash and bank balances as at the beginning of the financial year	27,440	21,591
Effect of foreign exchange rate changes on cash and cash equivalents	(221)	217
Cash and bank balances as at the end of the financial year (Note 23)	11,143	27,440

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

## 1. General corporate information

Yamada Green Resources Limited (the “Company”) (Registration Number: 201002962E) is a public company limited by shares, incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Company does not have a place of business in Singapore as its principal activity is that of investment holding company. The registered office of the Company is at 6 Battery Road #10-01, Singapore 049909.

The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2016 were authorised for issue by the Board of Directors on 29 September 2016.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation of financial statements

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

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Chinese renminbi (“RMB”) which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand (“RMB’000”) as indicated, unless otherwise stated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.1 Basis of preparation of financial statements (Continued)

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

At the date of authorisation of these financial statements, the Group has not adopted the following relevant FRS and INT FRS that have been issued but not yet effective:

		<b>Effective date (annual periods beginning on or after)</b>
FRS 1 (Amendments)	: Disclosure Initiative	1 January 2016
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and FRS 41 (Amendments)	: Agriculture: Bearer Plants	1 January 2016
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
Improvements to FRSs (November 2014)		1 January 2016

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

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

#### **Amendments to FRS 7 Disclosure Initiative**

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group will adopt these amendments in the financial year beginning on 1 July 2017 and will include the additional disclosures in its financial statements for that financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

#### **FRS 109 Financial Instruments**

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 July 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of making a detailed assessment of the impact of this standard and the Group will be required to reassess the classification and measurement of financial assets and new impairment requirement are expected to result in changes for impairment provision on trade receivables and other receivables.

#### **FRS 115 Revenue from Contracts with Customers**

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

#### **FRS 115 Revenue from Contracts with Customers (Continued)**

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group plans to adopt the standard in the financial year beginning on 1 July 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

#### **FRS 116 Leases**

FRS 116 supersedes FRS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented office premises, which the Group, as lessee, currently accounts for as operating leases. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 July 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by to the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.2 Basis of consolidation (Continued)

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

Investments in subsidiaries in the Company's statement of financial position are carried at cost less any impairment loss that has been recognised in profit or loss.

### 2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

#### Sale of goods

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

#### Interest income

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

#### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

### 2.4 Retirement benefit costs

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.5 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

### 2.6 Employee leave entitlements

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

### 2.7 Operating leases

#### Prepaid leases

The Group leases mushroom farmlands, eucalyptus plantations and bamboo plantations under operating leases and the leases run for a period of 20 years, 10 years and 10 to 15 years respectively. The upfront lump-sum payments made under the leases are amortised to profit or loss on a straight-line method over the term of the leases. The amortisation amount of mushroom farmlands, eucalyptus plantations and bamboo plantations are included in cost of sales, administrative expenses and other expenses line of the consolidated statement of comprehensive income.

#### Other operating leases - Lessor

Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### Other operating leases - Lessee

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

### 2.8 Taxes

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

#### Current income tax

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

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.8 Taxes (Continued)

#### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

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

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

#### Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

### 2.9 Dividends

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.10 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

### 2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the property, plant and equipment before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Depreciation is charged so as to write off the depreciable amount of the assets, other than construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Leasehold buildings	20
Motor vehicles	10
Office equipment	5
Plant & machinery	10
Fixtures & fittings	5 – 10
Farm equipment & fixtures	3 – 5

Construction-in-progress ("CIP") represents property, plant and equipment under construction and is stated at cost less impairment and is not depreciated. Cost comprises all direct costs and relevant professional fees. CIP is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

### 2.12 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at their cost, including transaction costs and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their estimated useful lives of 20 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment as set out in Note 2.11, up to the date of change in use.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

### 2.13 Biological assets

#### Synthetic logs (including mycelia)

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

#### Eucalyptus trees and moso bamboo trees and bamboo shoots in plantations

Eucalyptus trees and moso bamboo trees and bamboo shoots in plantations are classified as biological assets and stated at fair value less costs to sell.

Gains or losses arising on initial recognition of plantations at fair value less costs to sell and from the change in fair value less costs to sell of plantations at the end of each financial year are included in profit or loss in the financial year in which they arise.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.14 Land use rights

Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of land use rights is calculated on a straight-line method to write off the cost of the land use rights over the lease terms of 41.1 to 51.8 years.

### 2.15 Intangible assets

#### E-commerce platform

Acquired e-commerce platform is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the platform for its intended use. Direct expenditure which enhances or extends the performance of e-commerce platform beyond its specifications and which can be reliably measured is added to the original cost of the platform. Costs associated with maintaining e-commerce platform are recognised as an expense as incurred.

E-commerce platform is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 5 years.

### 2.16 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate is initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associate and distributions received are adjusted against the carrying amount of the investment.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate.

Where the Group transacts with an associate, unrealised profits are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

### 2.17 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.17 Impairment of non-financial assets (Continued)

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

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

### 2.18 Inventories

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

### 2.19 Financial instruments

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

#### Effective interest method

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

#### Financial assets

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

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

#### *Loans and receivables*

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables (other than advances to suppliers, value added tax ("VAT") receivables and prepayments) and cash and bank balances.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.19 Financial instruments (Continued)

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

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial liabilities

Financial liabilities are classified as other financial liabilities.

##### Other financial liabilities

##### *Trade and other payables*

Trade and other payables (other than advances from customers) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

##### *Bank borrowings*

Interest-bearing bank loans are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

### 2.20 Cash and bank balances

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

### 2.21 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

### 2.22 Segment reporting

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

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

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

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

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

In the process of applying Group's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

#### Impairment of investments in subsidiaries

The Group and the Company follow the guidance of FRS 36 in determining when an investment in subsidiary is impaired. This determination requires significant judgement. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment in subsidiary, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### Significant influence

Significant influence is presumed to exist (or not exist) when an entity holds 20% or more (or less than 20%) of the voting rights of another entity, unless it can be clearly demonstrated otherwise.

The Group holds 45% interest in Fujian Tianwang Foods Co. Limited ("Tianwang") and its subsidiary, Sanming Sennong Forestry Co. Ltd ("Sennong"). One out of three members on the board of directors of Tianwang is represented by one of the directors of the Company.

Based on this, the Group considers that it has the power to exercise significant influence and has treated its interest in Tianwang and Sennong as associates.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

#### Investment properties

There are some properties which comprise a portion that is held to earn rentals and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group follows the guideline of FRS 40 Investment Property, where the management is of the view that these portions could not be sold separately and that there are insignificant portion held for production or supply of goods or services or for administrative purposes.

Based on the above consideration, the Group has reclassified some owner occupied properties to investment properties.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year, are discussed below.

#### (i) Depreciation of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line method over their estimated useful lives after taking into account their estimated residual values. The management estimates the useful lives of the property, plant and equipment and investment properties to be within 3 to 20 years. The residual value reflects management's estimated amount that the Group would obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. The carrying amounts of the Group's property, plant and equipment and investment properties as at 30 June 2016 were approximately RMB163,206,000 (2015: RMB179,471,000) and RMB30,356,000 (2015: Nil) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the property, plant and equipment and investment properties, therefore, future depreciation charges could be revised.

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

The policy for impairment of receivables of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables (excluding VAT receivables and prepayments) as at 30 June 2016 were approximately RMB129,901,000 (2015: RMB109,011,000) and RMB136,421,000 (2015: RMB107,576,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

#### (iii) Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the year in which such determination is made. The carrying amount of the Group's current income tax payable as at 30 June 2016 was approximately RMB3,635,000 (2015: RMB3,916,000). The carrying amount of the Group's deferred tax assets and current income tax recoverable as at 30 June 2016 was RMB2,005,000 (2015: RMB2,005,000) and RMB63,000 (2015: RMB63,000) respectively.

#### (iv) Withholding tax on undistributed profits

According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations, dividends distributed to the foreign investor by Foreign Invested Enterprises ("FIE") in the PRC, would be subject to withholding tax of 10% (5% for countries including Singapore which have entered into respective bilateral treaties with the PRC). The FIE's profits, arising in the financial year 2008 and beyond, to be distributed to the foreign investors as dividends shall be subject to withholding tax. The management has considered the above tax exposure and has provided for deferred tax liability as at 30 June 2016 based on the assumption that the FIE will, in the foreseeable future, declare dividend payments to the Company and there will be withholding tax on dividends to be distributed out of the accumulated profits. The carrying amount of the Group's deferred tax liability on undistributed profits as at 30 June 2016 was approximately RMB3,711,000 (2015: RMB3,711,000).

#### (v) Biological assets (Eucalyptus trees and moso bamboo trees and bamboo shoots)

Eucalyptus trees and moso bamboo trees and bamboo shoots in plantations included in the Group's biological assets are stated at fair value less costs to sell. The fair value of these biological assets is determined based on the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate. The fair value of the biological assets is determined by an independent valuation firm. Changes in conditions of the biological assets could impact the fair value of the assets.

The carrying amount of the Group's biological assets (eucalyptus trees and moso bamboo trees and bamboo shoots) as at 30 June 2016 was approximately RMB176,932,000 (2015: RMB171,585,000). The independent valuation firm used highly subjective assumptions and estimates to determine the valuation of the biological assets. These assumptions and estimates involve inherent uncertainties and the application of judgements. As a result, if factors change and this independent valuation firm uses different assumptions and estimates, the fair value of the biological assets could be materially different. The valuations are based on information available on initial recognition and at each reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 4. Revenue

	Group	
	2016	2015
	RMB'000	RMB'000
Self-cultivated		
- edible fungi	78,073	240,935
- bamboo trees and bamboo shoots	108,176	74,353
Processed food products	142,447	188,648
	<u>328,696</u>	<u>503,936</u>

## 5. Other income

	Group	
	2016	2015
	RMB'000	RMB'000
Exchange gain, net	4,699	–
Gain on disposal of property, plant and equipment	–	2
Government subsidies	338	2,090
Rental income	1,475	–
Miscellaneous income	2,753	5,509
	<u>9,265</u>	<u>7,601</u>

Government subsidies in previous financial year was related to subsidies for the subsidiary's research and development projects, received from government-related agencies in support of agricultural activities in PRC. There were no unfulfilled conditions or contingencies attached to these grants.

## 6. Finance cost

	Group	
	2016	2015
	RMB'000	RMB'000
Interest expenses on bank loan	<u>1,420</u>	<u>2,045</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 7. Profit before income tax

The above is arrived at after charging:

	Group	
	2016 RMB'000	2015 RMB'000
<u>Cost of sales</u>		
Cost of inventories recognised as an expense	265,503	381,568
<u>Cost of inventories include the following:-</u>		
Amortisation of biological assets	60,644	155,354
Amortisation of prepaid lease of mushroom farmlands	592	1,930
Amortisation of prepaid lease of bamboo plantations	40,143	27,479
Cost on raw material and packaging material	70,986	100,126
Depreciation of property, plant and equipment	2,231	3,765
Operating lease expenses - warehouse	18	19
Maintenance cost – bamboo plantations	31,898	8,394
Outsourced cutting costs – bamboo shoots and bamboo trees	17,802	10,537
<u>Selling and distribution expenses</u>		
Amortisation of prepaid other operating expenses	2,400	2,400
Amortisation of intangible assets	300	–
Carriage outwards	583	617
Freight charges	649	784
<u>Administrative expenses</u>		
Amortisation of prepaid lease of eucalyptus plantations	1,657	853
Amortisation of land use rights	542	1,601
Audit fees		
- auditor of the Company	534	576
- other auditors	479	433
Non-audit fees		
- auditor of the Company	11	7
Depreciation of property, plant and equipment	4,897	4,530
Depreciation of investment properties	1,207	–
Operating lease expenses – office premises	18	92
Research expenses	2,072	3,057
Property, plant and equipment written-off	–	4,224
Loss on disposal of land use rights	–	5,948
Loss on disposal of biological assets	2,706	–
<u>Other expenses</u>		
Amortisation of prepaid maintenance cost – eucalyptus plantations	4,439	5,020
Depreciation of property, plant and equipment	157	157
Foreign exchange loss, net	–	524

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 8. Employee benefits expense

	Group	
	2016	2015
	RMB'000	RMB'000
Salaries and related costs	16,119	17,335
Contributions to defined contribution plans	4,469	4,625
	<u>20,588</u>	<u>21,960</u>

The above is allocated to the following lines of the consolidated statement of comprehensive income:

	Group	
	2016	2015
	RMB'000	RMB'000
Cost of sales	8,020	9,662
Selling and distribution expenses	1,875	2,228
Administrative expenses	10,693	10,070
	<u>20,588</u>	<u>21,960</u>

These expenses include the amounts shown as key management personnel remuneration in Note 32 to the financial statements.

## 9. Income tax expense

	Group	
	2016	2015
	RMB'000	RMB'000
Current income tax		
- current financial year	8,759	11,763
- over provision in prior financial years	(66)	(1,948)
	<u>8,693</u>	<u>9,815</u>
Deferred tax		
- over provision in prior financial years	—	(87)
Total income tax expense recognised in profit or loss	<u>8,693</u>	<u>9,728</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 9. Income tax expense (Continued)

### Reconciliation of effective tax rate

The income tax expense varied from the amount of income tax expense determined by applying the PRC income tax rate of 25% (2015: 25%) to profit before income tax as a result of the following differences:

	Group	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	45,731	95,957
Income tax calculated at the applicable tax rate in PRC where the Group's taxable income is mainly derived	11,433	23,989
Tax effect of share of results of associates	(1,258)	–
Tax effect of expenses not deductible for tax purposes	38,382	82,483
Tax effect of income not subject to tax	(39,832)	(94,850)
Foreign withholding tax	210	525
Over provision in prior financial years	(66)	(2,035)
Effect of different tax rate	(121)	(442)
Others	(55)	58
	8,693	9,728

### Applicable tax rate

The subsidiaries are subject to the Enterprise Income Tax Law of the PRC adopted by the National People's Congress and came into force on 1 January 2008 ("EIT Law").

- (a) Fuzhou Wangcheng Foods Development Co., Ltd. ("Wangcheng")

In accordance with the EIT Law, the income tax rate applicable to Wangcheng is 25%.

- (b) Nanping Yuanwang Foods Co., Ltd. ("Yuanwang")

In accordance with the EIT Law, the income tax rate applicable to Yuanwang is 25%.

- (c) Zhangping Fengwang Agricultural Products Co., Ltd. ("Fengwang")

Fengwang, according to the approval issued by Zhangping State Tax Bureau dated 9 March 2012, has obtained full tax exemption for income tax from Fujian tax authority for income derived from cultivation, preliminary processing of agricultural products up to 6 October 2028.

- (d) Zhangping Senwang Forestry Management Co., Ltd. ("Senwang")

Senwang, according to the approval issued by Zhangping State Tax Bureau dated 12 April 2012, has obtained full tax exemption for income tax from Fujian tax authority for income derived from cultivation of agricultural products up to 31 May 2031.

- (e) Fuzhou Kangzhimei Foods Co., Ltd. ("Kangzhimei")

In accordance with the EIT Law, the income tax rate applicable to Kangzhimei is 25%.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 9. Income tax expense (Continued)

### Applicable tax rate (Continued)

#### (f) Nanping Lijiashan Forestry Co., Ltd. ("Lijiashan")

Lijiashan, according to the approval issued by Pucheng State Tax Bureau dated 9 January 2015, has obtained full tax exemption for income tax from Pucheng tax authority for income derived from cultivation of agricultural products up to 31 December 2015. The full tax exemption has been renewed to 31 December 2016.

#### (g) Sanming Shansheng Forestry Co., Ltd. ("Shansheng")

Shansheng, according to the approval issued by Jiangle State Tax Bureau dated 25 November 2014, has obtained full tax exemption for income tax from Jiangle tax authority for income derived from cultivation of agricultural products up to 21 July 2034.

## 10. Earnings per share

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

	Group	
	2016 RMB'000	2015 RMB'000
Profit for the financial year attributable to owners of the Company	37,038	86,229
	Group	
	2016	2015
Weighted average number of ordinary shares for calculation of diluted earnings per share	154,545,075	124,234,281*
Earnings per share (RMB cents)		
- Basic	24.0	69.4*
- Diluted	24.0	69.4*

\* The comparative basic and diluted earnings per share of RMB0.161 and RMB0.161 respectively have been restated to reflect the effect of share consolidation and rights issue (Note 26) during the current financial year.

Basic earnings per share was computed based on the weighted average number of ordinary shares in issue of 154,545,075 (2015: 124,234,281). The weighted average number of ordinary shares represents the number of ordinary shares as at the beginning of the financial year, adjusted for new ordinary shares issued during the financial year, multiplied by a time-weighted factor.

Diluted earnings per share was computed based on the weighted average number of ordinary shares, adjusted for the effects of all potential dilutive ordinary shares granted by the Group. In the current and previous financial year, diluted earnings per share are the same as basic earnings per share as the Group does not have any dilutive potential ordinary shares and issuance of ordinary shares for less than the average market price of the ordinary shares.

Comparative basis and diluted earnings per share have been adjusted to reflect the effect of share consolidation and rights issue during the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 11. Property, plant and equipment

	Leasehold Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Plant & machinery RMB'000	Fixtures & fittings RMB'000	Farm equipment & fixtures RMB'000	Construction- in-progress RMB'000	Total RMB'000
<b>Group</b>								
<b>Cost</b>								
Balance as at 1.7.2015	123,515	1,822	1,157	20,891	107	3,679	56,440	207,611
Additions	-	1,520	251	560	12	1,082	19,220	22,645
Disposal/Written off	-	(242)	-	(92)	-	-	-	(334)
Transfer to investment properties (Note 15)	(33,904)	-	-	-	-	-	-	(33,904)
Reclassification	11,638	-	-	-	-	-	(11,638)	-
Balance as at 30.6.2016	101,249	3,100	1,408	21,359	119	4,761	64,022	196,018
<b>Accumulated depreciation</b>								
Balance as at 1.7.2015	10,882	1,682	809	13,558	34	1,175	-	28,140
Depreciation for the financial year	4,444	168	169	1,264	10	1,230	-	7,285
Disposal/Written off	-	(230)	-	(42)	-	-	-	(272)
Transfer to investment properties (Note 15)	(2,341)	-	-	-	-	-	-	(2,341)
Balance as at 30.6.2016	12,985	1,620	978	14,780	44	2,405	-	32,812
<b>Carrying amount</b>								
Balance as at 30.6.2016	88,264	1,480	430	6,579	75	2,356	64,022	163,206

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Group Cost	Leasehold Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Plant & machinery RMB'000	Fixtures & fittings RMB'000	Farm equipment & fixtures RMB'000	Construction- in-progress RMB'000	Total RMB'000
Balance as at 1.7.2014	60,093	2,062	1,130	19,886	90	14,366	40,315	137,942
Additions	205	–	27	1,005	17	7,195	79,342	87,791
Disposal/Written off	–	(240)	–	–	–	(17,882)	–	(18,122)
Reclassification	63,217	–	–	–	–	–	(63,217)	–
Balance as at 30.6.2015	123,515	1,822	1,157	20,891	107	3,679	56,440	207,611
<b>Accumulated depreciation</b>								
Balance as at 1.7.2014	7,778	1,839	678	11,989	27	11,263	–	33,574
Depreciation for the financial year	3,104	71	131	1,569	7	3,570	–	8,452
Disposal/Written off	–	(228)	–	–	–	(13,658)	–	(13,886)
Balance as at 30.6.2015	10,882	1,682	809	13,558	34	1,175	–	28,140
<b>Carrying amount</b>								
Balance as at 30.6.2015	112,633	140	348	7,333	73	2,504	56,440	179,471

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

	Office equipment RMB'000
<b>Company</b>	
<b>Cost</b>	
Balance as at 1.7.2015	15
Addition	8
Balance as at 30.6.2016	23
<b>Accumulated depreciation</b>	
Balance as at 1.7.2015	8
Depreciation for the financial year	6
Balance as at 30.6.2016	14
<b>Carrying amount</b>	
Balance as at 30.6.2016	9
<b>Cost</b>	
Balance as at 1.7.2014 and 30.6.2015	15
<b>Accumulated depreciation</b>	
Balance as at 1.7.2014	5
Depreciation for the financial year	3
Balance as at 30.6.2015	8
<b>Carrying amount</b>	
Balance as at 30.6.2015	7

As at the end of the financial year, the Group's leasehold buildings amounted to RMB63,855,000 (2015: RMB102,567,000) were pledged for bank borrowings as set out in Note 25.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 12. Biological assets

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

	Group	
	2016 RMB'000	2015 RMB'000
<b>Current</b>		
<b>Synthetic logs</b>		
<b>Cost</b>		
Balance as at the beginning of the financial year	6,858	23,750
Additions	61,166	138,462
Utilisation	(60,644)	(155,354)
Balance as at the end of the financial year	7,380	6,858
<b>Accumulated amortisation</b>		
Balance as at the beginning of the financial year	–	–
Amortisation for the financial year	60,644	155,354
Utilisation	(60,644)	(155,354)
Balance as at the end of the financial year	–	–
<b>Carrying amount</b>		
Balance as at the end of the financial year	7,380	6,858
<b>Non-current</b>		
<u>Eucalyptus trees in plantations</u>		
<b>Fair value</b>		
Balance as at the beginning of the financial year	64,124	120,876
Utilisation	(5,512)	(5,337)
Disposal	(7,517)	–
Loss from changes in fair value	(1,900)	(51,415)
Balance as at the end of the financial year	49,195	64,124
<u>Moso bamboo trees and bamboo shoots in plantations</u>		
<b>Fair value</b>		
Balance as at the beginning of the financial year	107,461	37,838
Gain from changes in fair value	20,276	69,623
Balance as at the end of the financial year	127,737	107,461
<b>Carrying amount</b>		
Balance as at the end of the financial year	176,932	171,585

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 12. Biological assets (Continued)

Quantity and sales of edible fungi, bamboo trees, bamboo shoots and eucalyptus trees harvested and sold to external customers during the financial year were as follows:

	2016	2015
Quantity of edible fungi (in tonnes)	12,770	33,890
Sales of edible fungi (RMB'000)	78,073	240,935
Quantity of bamboo trees and bamboo shoots (in tonnes)	124,147	55,770
Sales of bamboo trees and bamboo shoots (RMB'000)	108,176	74,353

### Recurring fair value measurement of the biological assets

Mature eucalyptus trees produce sawdust, which are used to produce synthetic logs. The fair value of the Group's biological assets as at 30 June 2016 and 2015 have been determined on the basis of valuations carried out at the respective year end dates by independent valuers having an appropriate recognised professional qualification and recent experience in the biological assets being valued. The fair value was determined based on income approach by using the present value of expected net cash flows from the eucalyptus trees and moso bamboo trees and bamboo shoots discounted at a current market-determined pre-tax rate. In estimating the fair value of the biological assets, the valuation conforms to International Valuation Standards and is based on the biological assets' highest and best use which is in line with current use, except for the production of synthetic logs from the sawdust of the eucalyptus trees. The synthetic logs are used for the cultivation of edible fungi which is one of the major business segments of the Group. There has been no change to the valuation technique during the financial year.

Details of the Group's biological assets and information about the fair value hierarchy at the end of the financial year are as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Group</b>				
<b>As at 30 June 2016</b>				
Eucalyptus trees	–	–	49,195	49,195
Moso bamboo trees and bamboo shoots	–	–	127,737	127,737
	–	–	176,932	176,932
<b>As at 30 June 2015</b>				
Eucalyptus trees	–	–	64,124	64,124
Moso bamboo trees and bamboo shoots	–	–	107,461	107,461
	–	–	171,585	171,585

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used, where Level 3 consists of asset or liability with unobservable inputs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 12. Biological assets (Continued)

### Moso bamboo trees and bamboo shoots in plantations

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of moso bamboo trees and bamboo shoots in plantations, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below:

Valuation techniques used	Significant unobservable inputs	Range of not easily observed input factors	Inter-relationship between key unobservable inputs and fair value
Income approach	Estimated average number of moso bamboo	115-220 pieces/mu	The higher the average numbers of moso bamboo per mu, the higher the fair value.
	Estimated percentage of moso bamboo with qualified diameter at breast height ("DBH")	98%	The higher the estimated percentage of moso bamboo with qualified DBH, the higher the fair value.
	Estimated average weight of bamboo with 11cm DBH	30kg/piece	The higher the estimated average weight of bamboo with 11cm DBH, the higher the fair value.
	Estimated growth rate in cutting outsourcing cost	1%	The higher the growth rate in bamboo shoots cutting outsourcing cost, the lower the fair value.
	Estimated average annual merchantable volume for spring bamboo shoots (kg/mu)	199.01kg/mu to 200.65kg/mu	The higher the estimated average annual merchantable volume for spring bamboo shoots, the higher the fair value.
	Estimated average annual merchantable volume for winter bamboo shoots (kg/mu)	29.47kg/mu to 29.79kg/mu	The higher the estimated average annual merchantable volume for winter bamboo shoots, the higher the fair value.
	Estimated moso bamboo tree cutting outsourcing cost	RMB100/mu	The higher the moso bamboo tree cutting outsourcing cost, the lower the fair value.
	Estimated spring bamboo shoot cutting outsourcing cost	RMB48-49/mu	The higher the spring bamboo shoot cutting outsourcing cost, the lower the fair value.
	Estimated winter bamboo shoot cutting outsourcing cost	RMB40-47/mu	The higher the winter bamboo shoot cutting outsourcing cost, the lower the fair value.
Discounted cash flow calculation	Growth rate in bamboo shoots unit price	1%	The higher the growth rate in bamboo shoots unit price, the higher the fair value.
	Discount rate	13.97%	The higher the discount rate, the lower the fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 12. Biological assets (Continued)

### Eucalyptus trees

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of eucalyptus trees, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Valuation techniques used	Significant unobservable inputs	Range of not easily observed input factors	Inter-relationship between key unobservable inputs and fair value
Income approach	Cultivation cost on eucalyptus trees per mu	RMB100-150/mu	The higher the cultivation cost on eucalyptus trees, the lower the fair value.
	Transportation cost on eucalyptus trees	RMB80/100km/m <sup>3</sup>	The higher the transportation cost on eucalyptus trees, the lower the fair value
	Cutting cost on eucalyptus plantation	RMB100/m <sup>3</sup>	The higher the cutting cost on eucalyptus plantation, the lower the fair value.
	Estimated growth rate in cutting and transportation cost	3%	The higher the growth rate in cutting and transportation cost, the lower the fair value.
	Expected eucalyptus reserve (m <sup>3</sup> /mu)	7.1m <sup>3</sup> to 17.3m <sup>3</sup>	The higher the expected eucalyptus reserve, the higher the fair value.
	Estimated volume ratio for timber/log	71%	The higher the expected eucalyptus volume ratio, the higher the fair value.
	Estimated volume ratio for fuelwood	20%	The higher the estimated volume ratio for fuelwood, the lower the fair value.
Discounted cash flow calculation	Growth rate in eucalyptus timber unit price	1%	The higher the growth rate in eucalyptus timber unit price, the higher the fair value.
	Discount rate	14.97%	The higher the discount rate, the lower the fair value.

The eucalyptus trees and moso bamboo trees and bamboo shoots in plantations have not been insured against risks of fire, diseases and other possible risks.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 13. Land use rights

	Group	
	2016 RMB'000	2015 RMB'000
<b>Cost</b>		
Balance as at the beginning of the financial year	26,796	107,076
Disposals	–	(80,280)
Balance as at the end of the financial year	26,796	26,796
<b>Accumulated amortisation</b>		
Balance as at the beginning of the financial year	2,239	8,972
Amortisation for the financial year	542	1,601
Disposals	–	(8,334)
Balance as at the end of the financial year	2,781	2,239
<b>Carrying amount</b>		
Balance as at the end of the financial year	24,015	24,557

The Group has land use rights over the plots of state-owned land in PRC where the Group's PRC operations reside. The land use rights are not transferable and have remaining tenure ranging from 29.6 to 48.8 years (2015: 30.6 to 49.8 years).

As at the end of the financial year, the Group's land use rights amounted to RMB16,949,000 (2015: RMB18,967,000) were pledged for bank borrowings as set out in Note 25.

## 14. Intangible assets

	Group	
	2016 RMB'000	2015 RMB'000
<b><u>E-commerce platform</u></b>		
<b>Cost</b>		
Balance as at the beginning of the financial year	–	–
Additions	3,000	–
Balance as at the end of the financial year	3,000	–
<b>Accumulated amortization</b>		
Balance as at the beginning of the financial year	–	–
Amortisation for the financial year	300	–
Balance as at the end of the financial year	300	–
<b>Carrying amount</b>		
Balance as at the end of the financial year	2,700	–
Remaining useful life	4.5 years	N/A



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 15. Investment properties

	Group	
	2016 RMB'000	2015 RMB'000
<b>Cost</b>		
Balance as at 1.7.2015	–	–
Transfer from Property, plant and equipment	31,563	–
Balance as at 30.6.2016	31,563	–
<b>Accumulated depreciation</b>		
Balance as at 1.7.2015	–	–
Depreciation for the financial year	1,207	–
Balance as at 30.6.2016	1,207	–
<b>Carrying amount</b>		
Balance as at 30.6.2016	30,356	–
<b>Fair value</b>		
Balance as at 30.6.2016	37,557	–

The following amounts are recognised in profit or loss:

	2016 RMB'000
Rental income from investment properties	1,059
Direct operating expenses (including repairs and maintenance) arising from rental generating investment properties	(284)

These investment properties with carrying amounts of RMB20,554,000 are mortgaged to secure bank borrowings (Note 25).

The fair value of the investment properties disclosed in the financial statements are based on valuations carried out by management, who has experience in the location and category of the properties being valued. The valuations were arrived at by reference to market evidence of transacted prices per square meter in the open market for comparable properties with adjustments made to unobservable inputs such as location, size, amenities and lease terms etc. The valuations are based on the assets' highest and best use, which is in line with their actual use.

As at 30 June 2016, the fair value of the Group's investment properties are classified within Level 3 of the fair value hierarchy. Details of valuation methodology used in the fair value measurement as at 30 June 2016 were as follows:

	Existing use	Unexpired term	Fair value RMB'000	Valuation methodology
<b>Description and location</b>				
No.1 Plant in Houyu Food Industry Zone of Minhou County, Fuzhou City, PRC	For rent	Leasehold up to 23.06.2052	15,460	Direct comparison method
No.6 Plant in Economic and Technological Development Zone of Minhou County, Fuzhou City, PRC	For rent	Leasehold up to 29.07.2062	22,097	Direct comparison method
			37,557	

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 16. Investments in subsidiaries

	Company	
	2016	2015
	RMB'000	RMB'000
Unquoted investment, at cost	161,909	117,266

On 2 December 2015, Fuzhou Wangcheng Foods Development Co., Ltd, a 100% owned subsidiary of the Company issued additional ordinary shares of RMB44,643,000 (equivalent to US\$7 million).

Cash and bank balances of RMB4,851,000 (FY2015: RMB22,939,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation/ principal place of business)	Principal activities	Cost of investment by the Company		Effective equity interest	
		2016	2015	2016	2015
		RMB'000	RMB'000	%	%
<u>Held by the Company:</u>					
Fuzhou Wangcheng Foods Development Co., Ltd (“Wangcheng”) <sup>(1)(2)</sup> (PRC)	Production and sales of processed food products	147,696	103,053	100	100
Nanping Yuanwang Foods Co., Ltd (“Yuanwang”) <sup>(1)(4)</sup> (PRC)	Production and sales of semi-processed food products	14,213	14,213	100	100
<u>Held by Wangcheng:</u>					
Zhangping Fengwang Agricultural Products Co., Ltd <sup>(1)(3)</sup> (PRC)	Cultivation and sales of edible fungi	–	–	100	100
Zhangping Senwang Forestry Co., Ltd <sup>(1)(3)</sup> (PRC)	Forestry management	–	–	100	100
Fuzhou Kangzhimei Foods Co., Ltd. <sup>(5)</sup> (PRC)	Sales of processed food products	–	–	100	100
Feng Zhi Qiu International Holdings Company Limited (Hong Kong Special Administrative Region) <sup>(5)</sup> (PRC)	Sales of processed food products	–	–	100	100
<u>Held by Yuanwang:</u>					
Nanping Lijiashan Forestry Co., Ltd (“Lijiashan”) <sup>(1)(4)</sup> (PRC)	Forestry management, cultivation and sales of edible fungi and vegetables	–	–	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 16. Investments in subsidiaries (Continued)

Name of subsidiaries (Country of incorporation/ principal place of business)	Principal activities	Cost of investment by the Company		Effective equity interest	
		2016	2015	2016	2015
		RMB'000	RMB'000	%	%
<u>Held by Lijiashan:</u>					
Sanming Shansheng Forestry Co., Ltd <sup>(1)(2)</sup> (PRC)	Forestry management, cultivation and sales of edible fungi and vegetables	—	—	100	100
		161,909	117,266		

- (1) Audited for consolidation purpose by BDO China Shu Lun Pan CPA LLP, a member firm of BDO International Limited.
- (2) The statutory financial statements for the financial year ended 31 December 2015 prepared in accordance with the generally accepted accounting principles in the PRC, were audited by 福建华成会计师事务所有限公司 (Fujian Huacheng Certified Public Accountants Co., Ltd) for tax filing and annual registration.
- (3) The statutory financial statements for the financial year ended 31 December 2015 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 厦门楚瀚会计师事务所有限公司 (Xiamen Truehand Certified Public Accountants Limited) for tax filling and annual registration.
- (4) The statutory financial statements for the financial year ended 31 December 2015 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 福建和益有限责任会计师事务所有限公司 (Fujian He Yi Certified Public Accountants Limited) for tax filling and annual registration.
- (5) These subsidiaries were not considered as significant subsidiaries under Rule 718 of the Listing Manual.

## 17. Investments in associates

	Group	
	2016 RMB'000	2015 RMB'000
Equity shares, at cost	39,933	–
Share of post-acquisition profit, net dividend received	5,033	–
	44,966	–

The details of the associates are as follows:

Name of associates (Country of incorporation/ principal place of business)	Principal activities	Effective equity interest held by the Group		
		2016	2015	
		%	%	
<u>Held by the Wangcheng:</u>				
Fujian Tianwang Foods Co., Ltd (“Tianwang”) <sup>(1)</sup> (PRC)	Production of canned food (fruits and vegetable)	45	–	
<u>Held by Tianwang:</u>				
Sanming Sennong Forestry Co., Ltd (“Sennong”) <sup>(1)</sup> (PRC)	Self-cultivation of bamboo trees and bamboo shoots	45	–	

- (1) Audited by 福建华成会计师事务所有限公司 (Fujian Huacheng Certified Public Accountants Co., Ltd).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 17. Investments in associates (Continued)

On 22 December 2015, Wangcheng acquired 45% of the equity interest of Tianwang and its 100% owned subsidiary, Sennong with a paid up capital of RMB7,466,000 and RMB1 million respectively.

As at 30 June 2016, the carrying amount of the Group's investment in associates was RMB44,966,000 (2015: Nil). The above associates are accounted for using the equity method in these consolidated financial statements.

### Summarised financial information (immaterial associates)

	Tianwang RMB'000	Sennong RMB'000
Revenue	55,106	2,239
Profit for the financial period, representing total comprehensive income for the financial period	10,637	548
Group's share of total comprehensive income for the financial period	4,786	247

For the purpose of applying the equity method of accounting, the audited financial statements of Tianwang and Sennong for the period ended 30 June 2016 have been used.

## 18. Prepayments

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Prepaid lease of mushroom farmlands, eucalyptus plantations, and bamboo plantations	386,405	385,289	–	–
Prepaid maintenance cost	10,006	12,510	–	–
Prepaid other operating expenses	1,674	3,483	–	478
Less: current portion (Note 22)	(57,073)	(58,038)	–	(478)
Non-current portion	341,012	343,244	–	–

Prepaid lease represents amounts paid by the Group for advance lease of mushroom farmlands, eucalyptus plantations and bamboo plantations for remaining period of 7 to 8 (2015: 8 to 9) years, 8 to 9 (2015: 9 to 10) years and 7 to 10 (2015: 8 to 10) years respectively. The Group's prepaid lease of mushroom farmlands, eucalyptus plantations and bamboo plantations have gross land area measuring approximately 1,184 mu (2015: 1,184 mu), 31,782 mu (2015: 38,334 mu) and 129,696 mu (2015: 115,992 mu) respectively.

Prepaid maintenance cost represents amounts paid by the Group for advance maintenance cost of eucalyptus plantations and bamboo plantations for a period of 1 (2015: 1) year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 19. Long term deposit

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Balance as at beginning and end of the financial year	4,626	–	4,626	–

On 18 March 2016, the Company entered into a Sales and Purchase Agreement to acquire a new office unit at GSH Plaza, which is located in Singapore. The Company has made the payment for the purchase price by instalments according to the payment schedule stipulated in the Sales and Purchase agreement. As at the financial year end, the refurbishment of GSH Plaza is expected to be completed by 2017.

## 20. Deferred tax assets/(liabilities)

### Deferred tax liabilities

	Group	
	2016 RMB'000	2015 RMB'000
Balance as at beginning and end of the financial year	3,711	3,711

Deferred tax liability recognised as at 30 June 2016 and 30 June 2015 were related to the aggregate amount of temporary differences associated with undistributed earnings of certain subsidiaries for which is estimated by the management to be distributed in the future.

As at 30 June 2016, the deferred tax liabilities on the withholding and other taxation that would be payable on the unremitted earnings of certain subsidiaries in the PRC amounting to RMB621,813,000 (2015: RMB604,133,000) have not been recognised as the Group is in a position to control the dividend policies of these subsidiaries and it is probable that these earnings will not be distributed in the foreseeable future.

### Deferred tax assets

	Group	
	2016 RMB'000	2015 RMB'000
Balance as at the beginning of the financial year	2,005	1,918
Credited to profit or loss (Note 9)	–	87
Balance as at the end of the financial year	2,005	2,005

Deferred tax assets represents accrued expenses of the subsidiaries.

## 21. Inventories

	Group	
	2016 RMB'000	2015 RMB'000
Raw materials	4,610	8,447
Finished goods	10,387	7,702
Packing materials	471	275
	15,468	16,424

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 22. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	26,370	16,312	–	–
Other receivables				
- third parties	18,038	38,919	67	17
- a subsidiary	–	–	136,354	107,559
- an associate	20,000	–	–	–
- VAT receivables	527	647	–	–
Advances to suppliers	65,493	53,780	–	–
Current portion of prepayments (Note 18)	57,073	58,038	–	478
Total trade and other receivables	187,501	167,696	136,421	108,054
Add: Cash and bank balances	11,143	27,440	6,292	4,501
Less: Advances to suppliers	(65,493)	(53,780)	–	–
Less: VAT receivables	(527)	(647)	–	–
Less: Prepayments	(57,073)	(58,038)	–	(478)
Total loans and receivables	75,551	82,671	142,713	112,077

Trade receivables are non-interest bearing and generally on 30 to 90 (2015: 30 to 90) days' credit term.

The non-trade amount due from a subsidiary and an associate are unsecured, non-interest bearing and repayable on demand.

Advances to suppliers relate to advance payments to villages' committees for the purchase of synthetic logs and advance payments for the purchase of raw materials for processed food.

Current portion of prepayments represent the amounts paid by the Group for advance lease of mushroom farmlands, eucalyptus plantations and bamboo plantations and the advance maintenance cost of eucalyptus plantations and bamboo plantations. These amounts will be amortised over the next 12 months.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	39,085	45,054	136,354	107,559
Japanese yen	1,513	745	–	–
Singapore dollar	67	17	67	17
United States dollar	23,743	9,415	–	–
	64,408	55,231	136,421	107,576



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 23. Cash and bank balances

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	4,334	22,881	49	49
Hong Kong dollar	85	81	–	–
Singapore dollar	6,236	4,111	6,236	4,111
United States dollar	488	367	7	341
	<u>11,143</u>	<u>27,440</u>	<u>6,292</u>	<u>4,501</u>

## 24. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	2,517	2,591	–	–
Other payables	8,860	10,457	–	–
Advances from customers	200	100	–	–
Accrued expenses	<u>3,037</u>	<u>3,055</u>	<u>1,036</u>	<u>977</u>
Total trade and other payables	14,614	16,203	1,036	977
Less: Advances from customers	(200)	(100)	–	–
Add: Bank borrowings (Note 25)	<u>3,455</u>	<u>42,000</u>	<u>2,455</u>	<u>–</u>
Total other financial liabilities at amortised cost	<u>17,869</u>	<u>58,103</u>	<u>3,491</u>	<u>977</u>

Trade payables are non-interest bearing and are normally settled between 30 to 90 (2015: 30 to 90) days.

Other payables comprise mainly outstanding payment to the contractors and social insurances.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	13,378	15,126	–	–
Singapore dollar	<u>1,036</u>	<u>977</u>	<u>1,036</u>	<u>977</u>
	<u>14,414</u>	<u>16,103</u>	<u>1,036</u>	<u>977</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 25. Bank borrowings

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Secured bank loans</b>				
Bank loans	3,455	42,000	2,455	–
Less: Due within 12 months	(1,512)	(42,000)	(512)	–
Amount due after 12 months	1,943	–	1,943	–

The Group's bank loans of RMB1,000,000 are secured by:

- (i) legal charges on the Group's leasehold buildings (Note 11), land use rights (Note 13) and investment properties (Note 15);
- (ii) personal guarantee from the Chief Executive Officer of the Group.

The Group's bank loan of RMB2,455,000 are secured by legal charges on an office unit in GSH Plaza (Note 19).

The average effective borrowing rates range from 2.3% to 7.1% (2015: 7.1% to 7.8%) per annum and have maturity dates between 31 March 2017 and 20 March 2031 (2015: 25 November 2015 and 28 June 2016).

Bank borrowings are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	1,000	42,000	–	–
Singapore dollar	2,455	–	2,455	–
	3,455	42,000	2,455	–

## 26. Share capital

	Group and Company		Group and Company	
	2016	2015	2016	2015
	Number of ordinary shares ('000)		RMB'000	RMB'000
<u>Issued and fully-paid</u>				
Beginning of the financial year	540,667	502,202	221,090	190,471
Issuance of ordinary shares under rights issue, net of transaction cost	270,334	–	80,256	–
Issuance of ordinary shares under placement shares, net of transaction cost	–	35,000	–	27,640
Issuance of ordinary shares under the Yamada Green Resources Performance Share Plan	–	3,465	–	2,979
Share consolidation	(648,801)	–	–	–
End of the financial year	162,200	540,667	301,346	221,090

The issued and paid up capital of S\$62,466,567 (2015: S\$44,465,080) is equivalent to approximately RMB301,346,000 (2015: RMB221,090,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 26. Share capital (Continued)

The Company has one class of ordinary shares which carry no right to fixed income.

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

During the previous financial year, the Company issued 35,000,000 ordinary shares under placement share for a consideration of RMB27,865,000 (equivalent to S\$5,664,750), less transaction costs of RMB225,000 (equivalent to S\$45,689).

During the previous financial year, the Company issued 3,465,000 ordinary shares at RMB0.86 per share under the Yamada Green Resources Performance Share Plan as satisfaction of the performance shares vested on 30 June 2014 for a consideration of RMB2,979,000 (equivalent to S\$599,445).

On 18 September 2015, the Company issued 270,333,587 ordinary shares under rights issue for a consideration of RMB84,366,000 (equivalent to S\$18,923,369), less transaction costs of RMB4,110,000 (equivalent to S\$921,882).

On 18 November 2015, the Company has completed a share consolidation to consolidate every five ordinary shares in the capital of the Company held by shareholders into one ordinary share, so as to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital as at 30 June 2016 comprises 162,200,151 consolidated shares after disregarding any fractions of consolidated shares arising from the share consolidation exercise.

## 27. Share-based payment reserve

This share-based payment reserve comprises of the ordinary shares transferred by Sanwang International Holdings Limited ("Sanwang"), former ultimate holding company, to a key management personnel in accordance to the employment agreement with the Company.

## 28. Statutory reserve

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

	Group	
	2016 RMB'000	2015 RMB'000
Balance as at the beginning of the financial year	65,338	59,306
Transferred from accumulated profits	5,797	6,032
Balance as at the end of the financial year	<u>71,135</u>	<u>65,338</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 29. Accumulated profits

Movements of accumulated profits of the Company are as follows:

	Company	
	2016	2015
	RMB'000	RMB'000
Balance at beginning of financial year	5,220	6,625
Total comprehensive income for the financial year	1,298	5,005
Dividends (Note 30)	(4,849)	(6,410)
Balance at end of financial year	1,669	5,220

## 30. Dividends

	Group and Company	
	2016	2015
	RMB'000	RMB'000
First and final tax-exempt dividend of RMB0.006 (2015: RMB0.012) per ordinary share in respect of the financial year ended 30 June 2015 (2015: 30 June 2014)	4,849	6,410

The first and final tax-exempt dividend of RMB0.006 per ordinary share paid out during the financial year ended 30 June 2016 was based on the number of issued and paid up share capital of the Company before share consolidation exercised on 18 November 2015.

The Board of Directors of the Company recommends a first and final tax-exempt dividend of approximately RMB0.008 per ordinary share amounting to RMB1,298,000 based on 162,200,151 ordinary shares to be paid in respect of the financial year ended 30 June 2016. Pursuant to the announcement dated 8 July 2016 on the results of the share placement (see Note 37 to the financial statements for details), all 14,598,013 placement shares were allotted and issued by the Company on 27 July 2016. These placement shares rank pari passu in all respects with the then existing shares for any dividends, rights, allotments or other distributions which fall on or after the date of issues of right shares. As a result of this share placement, the final tax-exempt dividend will be approximately RMB1,414,000 based on 176,798,164 ordinary shares.

This final dividend has not been recognised as a liability as at the end of the financial year as it is subject to approval at the Annual General Meeting of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 31. Commitments

### 31.1 Capital commitments

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

	Group	
	2016	2015
	RMB'000	RMB'000
Acquisition of property, plant and equipment	7,721	11,385
Purchase of synthetic logs	12,120	11,400

### 31.2 Operating lease commitments

As at the end of the financial year, commitments in respect of unpaid non-cancellable operating leases are as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Not later than one year	30,703	21,276
Later than one year and not later than five years	–	4
Later than five years	23,332	23,332
	54,035	44,612

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

- The operating lease commitment of mushroom farmlands, eucalyptus plantations and bamboo plantations exclude the advance lease prepaid as disclosed in Note 18 to the financial statements.

## 32. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions during the financial year between the Group entities and Company and related parties:

	Group	
	2016	2015
	RMB'000	RMB'000
<b>With an associate</b>		
Advance to an associate	20,000	–
	Company	
	2016	2015
	RMB'000	RMB'000
<b>With a subsidiary</b>		
Advances to a subsidiary	–	15,002
Dividend income from a subsidiary	4,200	10,500
Settlement of disbursement on behalf of a subsidiary	–	1,019

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 32. Significant related party transactions (Continued)

### Key management personnel remuneration

The remuneration of Directors and other key management personnel of the Group and of the Company during the financial year were as follows:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Directors' fee	800	841	800	841
Short-term benefits	2,359	2,073	921	833
Post-employment benefits	249	189	76	52
Share-based payment expenses	–	–	–	–
	<u>3,408</u>	<u>3,103</u>	<u>1,797</u>	<u>1,726</u>
<b>Analysed into:</b>				
Directors of the Company	1,554	1,598	1,079	1,124
Directors of the subsidiaries	273	254	–	–
Other key management personnel	1,581	1,251	718	602
	<u>3,408</u>	<u>3,103</u>	<u>1,797</u>	<u>1,726</u>

## 33. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker.

A segment is a distinguishable component of the Group that is engaged with either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense.

There is no change from the prior periods in the measurement methods used to determine reported segment profit or loss.

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

Segment assets consist primarily of property, plant and equipment, biological assets, land use rights, intangible assets, investment properties, investment in associates, long term deposit, deferred tax assets, inventories, receivables, prepayments and cash and bank balances.

Segment liabilities comprise operating liabilities, current income tax payable and deferred tax liabilities.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 33. Segment information (Continued)

### 33.1 Business segments

The Group is organised into the following business segments namely:

#### Self-cultivated edible fungi and moso bamboos

The self-cultivated edible fungi segment comprises the shiitake mushroom cultivated at the Group's cultivation bases.

The self-cultivated moso bamboos comprises the spring bamboo shoots, winter bamboo shoots and bamboo trees.

The eucalyptus trees comprises the excess harvested eucalyptus trees which are not in use as synthetic logs for production of edible fungi.

#### Processed food products

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

#### Corporate

Corporate comprises the Company, which principal activity is that of investment holding company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 33. Segment information (Continued)

### 33.1 Business segments (Continued)

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

	Self-cultivated edible fungi and moso bamboos RMB'000	Processed food products RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
<b>Group</b>					
<b>2016</b>					
<b>Revenue</b>					
Sales to external customers	186,249	142,447	–	–	328,696
Inter-segment revenues	5,235	10,427	–	(15,662)	–
Total revenue	191,484	152,874	–	(15,662)	328,696
<b>Segment results</b>	16,136	47,057	–	–	63,193
Interest income	28	45	9	–	82
Other income	166	7,529	1,570	–	9,265
Selling and distribution expenses	(3,256)	(5,143)	–	–	(8,399)
Administrative expenses	(12,797)	(18,700)	(4,257)	–	(35,754)
Other expenses	(4,439)	(206)	–	–	(4,645)
Gain from changes in fair value of biological assets	18,376	–	–	–	18,376
Finance cost	–	(1,407)	(13)	–	(1,420)
Share of associate company's profit	–	5,033	–	–	5,033
Profit/(loss) before income tax	14,214	34,208	(2,691)	–	45,731
Income tax expense	–	(8,483)	(210)	–	(8,693)
Profit/(loss) for the financial year	14,214	25,725	(2,901)	–	37,038
<b>Other segment items</b>					
Additions to biological assets	61,166	–	–	–	61,166
Capital expenditure					
- property, plant and equipment	1,082	21,555	4,634	–	27,271
- intangible assets	–	3,000	–	–	3,000
Depreciation and amortisation	111,422	7,781	6	–	119,209
<b>Segment assets</b>	636,451	363,928	10,994	–	1,011,373
<b>Segment liabilities</b>	986	20,202	4,227	–	25,415

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 33. Segment information (Continued)

### 33.1 Business segments (Continued)

	Self-cultivated edible fungi and moso bamboos RMB'000	Processed food products RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
<b>Group</b>					
<b>2015</b>					
<b>Revenue</b>					
Sales to external customers	315,288	188,648	–	–	503,936
Inter-segment revenues	5,224	9,644	–	(14,868)	–
Total revenue	320,512	198,292	–	(14,868)	503,936
<b>Segment results</b>	67,227	55,141	–	–	122,368
Interest income	18	35	6	–	59
Other income	–	7,601	–	–	7,601
Selling and distribution expenses	(3,426)	(2,694)	–	–	(6,120)
Administrative expenses	(20,875)	(13,453)	(3,999)	–	(38,327)
Other expenses	(5,020)	(241)	(526)	–	(5,787)
Gain from changes in fair value of biological assets	18,208	–	–	–	18,208
Finance cost	–	(2,045)	–	–	(2,045)
Profit/(loss) before income tax	56,132	44,344	(4,519)	–	95,957
Income tax expense	–	(9,203)	(525)	–	(9,728)
Profit/(loss) for the financial year	56,132	35,141	(5,044)	–	86,229
<b>Other segment items</b>					
Additions to biological assets	138,462	–	–	–	138,462
Capital expenditure - property, plant and equipment	7,208	80,583	–	–	87,791
Depreciation and amortisation	198,276	4,810	3	–	203,089
<b>Segment assets</b>	644,703	289,637	5,003	–	939,343
<b>Segment liabilities</b>	2,012	58,605	5,213	–	65,830

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 33. Segment information (Continued)

### 33.2 Geographical information

The Group's business segments operate in two main geographical areas. Sales revenue is based on the country in which goods are delivered and services are provided. Non-current assets consisting of property, plant and equipment, biological assets, land use rights, intangible assets, investment properties, investment in associates, prepayments and long term deposit are shown by the geographical area in which the assets are located.

	Group	
	2016 RMB'000	2015 RMB'000
<b>Sales to external customers</b>		
China (domicile)	200,247	371,166
Japan	128,449	132,770
	<u>328,696</u>	<u>503,936</u>
<b>Non-current assets</b>		
China (domicile)	783,178	718,850
Singapore	4,635	7
	<u>787,813</u>	<u>718,857</u>

### 33.3 Major customer

The revenue from one customer of the Group's processed food products segment amounted to approximately RMB74,135,000 (2015: RMB71,770,000).

## 34. Financial instruments and financial risks

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

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

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

### 34.1 Credit risks

Credit risks refer to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 34. Financial instruments and financial risks (Continued)

### 34.1 Credit risks (Continued)

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for one (2015: one) trade receivable from third party amounting to approximately 82% (2015: 44%) of total trade receivables as at the end of the financial year.

The Company does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the amount owing from a subsidiary.

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

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Past due for 1 to 90 days	4,819	–

As at 30 June 2016 and 2015, substantially all the bank balances as detailed in Note 23 to the financial statements, are held in major financial institutions which are regulated and located in Singapore and PRC, which the management believes are of high credit quality. The management does not expect any losses arising from non-performance by these counterparties.

### 34.2 Market risks

#### Foreign currency risk

Currency risk arises from transactions denominated in currencies other than the respective functional currency of the Group entities. The currencies that give rise to this risk are primarily Hong Kong dollar, Japanese yen, Singapore dollar and the United States dollar.

The Company and its subsidiaries maintain their respective books and accounts in their functional currency. As a result, the Group is subject to transaction exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses natural hedges between sales receipts and purchases, and operating expenses disbursement.

At the end of the financial year, the carrying amount of monetary assets and liabilities denominated in currencies other than the functional currency of the entities within the Group are as follows:

	Group			
	Monetary assets		Monetary liabilities	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong dollar	85	81	–	–
Japanese yen	1,513	745	–	–
Singapore dollar	6,303	4,128	3,491	977
United States dollar	24,231	9,782	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 34. Financial instruments and financial risks (Continued)

### 34.2 Market risks (Continued)

#### Foreign currency risk (Continued)

#### *Foreign currency sensitivity analysis*

The Group is mainly exposed to United States dollar ("USD").

The following table details the sensitivity of a 5% (2015: 5%) change in the relevant foreign currencies against the functional currency of the entities within the Group. The sensitivity analysis assumes an instantaneous 5% (2015: 5%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact of only monetary items, which are denominated in USD are included in the analysis.

	<b>Group</b>	
	<b>Increase/(decrease)</b>	
	<b>on profit before income tax</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
USD against RMB		
- strengthen	1,212	489
- weaken	<u>(1,212)</u>	<u>(489)</u>

#### Interest rate risk

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

The Group's exposure to changes in interest rates relates primarily to deposits in banks and bank borrowings.

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

#### Price risk

The Group's exposure to price risk arises from changes in bamboo and mushroom prices. The Group does not anticipate that bamboo and mushroom prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in bamboo and mushrooms prices. The Group reviews its outlook of bamboo and mushroom prices regularly in considering the need for active financial risk management.

### 34.3 Liquidity risks

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group actively manages its operating cash flows so as to finance the Group's operations. As part of overall prudent liquidity management, the Group maintains sufficient level of cash to meet working capital requirements.

The following table details the Group's contractual maturity analysis for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments at the earlier of the contractual date and when the Group is expected to pay.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## 34. Financial instruments and financial risks (Continued)

### 34.3 Liquidity risks (Continued)

	Effective interest rate %	Less than 1 year RMB'000
<b>The Group</b>		
<b><u>Financial liabilities</u></b>		
<b>2016</b>		
Trade and other payables (excluding advances from customers)	N/A	14,214
Bank borrowings	2.3% - 7.1%	3,455
		<u>17,669</u>
<b>2015</b>		
Trade and other payables (excluding advances from customers)	N/A	16,103
Bank borrowings	7.1% - 7.8%	43,532
		<u>59,635</u>
<b>The Company</b>		
<b><u>Financial liabilities</u></b>		
<b>2016</b>		
Accrued expenses	N/A	1,036
Bank borrowings	2.3%	2,455
		<u>3,491</u>
<b>2015</b>		
Accrued expenses	N/A	<u>977</u>

The Group's operations are financed mainly through share capital, reserves and accumulated profits.

## 35. Fair values of assets and liabilities

The carrying amount of the financial assets and financial liabilities approximate their respective fair values due to the relative short-term maturity of these financial instruments.

Management estimates that the carrying amounts of the Group's long term borrowings approximate their fair values due to frequent repricing.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

## **36. Capital management policies and objectives**

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

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 26, 27, 28 and 29.

As disclosed in Note 28, the subsidiaries are required by relevant laws and regulations of the PRC to contribute to and maintain a non-distributable PRC statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial year ended 30 June 2016 and 2015.

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

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group manages capital by regularly monitoring its current and expected liquidity requirements. Except as mentioned above, the Group and the Company are not subject to any other externally imposed capital requirements.

The Group's and Company's overall strategy remains unchanged from the previous financial year.

## **37. Events subsequent to the reporting date**

Pursuant to the announcement dated 8 July 2016 on the results of the share placement, all 14,598,013 placement shares at S\$0.2928 per new ordinary share were allotted and issued by the Company on 27 July 2016 with net proceeds of approximately S\$4.22 million (equivalent to RMB20.92 million). As a result of this share placement, the number of issued and paid-up ordinary shares of the Company had increased from 162,200,151 to 176,798,164.

# STATISTICS OF SHAREHOLDINGS

As at 26 September 2016

## SHAREHOLDING INFORMATION

Total Number of Shares	:	176,798,164
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote per ordinary share (excluding treasury shares)
Treasury Shares	:	Nil

## ANALYSIS OF SHAREHOLDINGS

Size Of Shareholdings	Number Of Shareholders	%	Number of Shares	%
1 - 99	5	0.37	200	0.00
100 - 1,000	177	13.04	85,082	0.05
1,001 - 10,000	733	54.02	3,545,520	2.00
10,001 - 1,000,000	431	31.76	20,845,503	11.79
1,000,001 AND ABOVE	11	0.81	152,321,859	86.16
<b>TOTAL</b>	<b>1,357</b>	<b>100.00</b>	<b>176,798,164</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interests	%
1. Sanwang International Holdings Limited <sup>(1)</sup>			60,801,015	34.39
2. Chen Qiuhai <sup>(1)</sup>			60,801,015	34.39
3. Global Yellow Pages Limited	21,626,661	12.23		
4. Hydrex International Pte Ltd	12,600,000	7.13		
5. Goi Seng Hui <sup>(2)</sup>			12,600,000	7.13
6. Envictus International Holdings Limited	18,535,320	10.48		

The percentage of shareholding above is computed based on the total number of issued shares of 176,798,164 excluding treasury shares.

Notes:

- (1) Sanwang International Holdings Limited ("Sanwang") is a company incorporated in British Virgin Island and wholly-owned by Mr Chen Qiuhai. Accordingly Mr Chen Qiuhai is deemed to be interests in 60,801,015 ordinary shares held by Sanwang by virtue of Section 4 of the Securities and Future Act. Sanwang is deemed to be interested in 60,801,015 ordinary shares held under the nominee account, UOB Kay Hian Pte. Ltd.
- (2) Mr Goi Seng Hui is deemed to be interested in 12,600,000 ordinary shares held by Hydrex International Pte Ltd.

# STATISTICS OF SHAREHOLDINGS

As at 26 September 2016

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	66,638,015	37.69
2	GLOBAL YELLOW PAGES LIMITED	21,626,661	12.23
3	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	18,575,320	10.51
4	RHB SECURITIES SINGAPORE PTE. LTD.	14,648,013	8.29
5	HYDREX INTERNATIONAL PTE LTD	12,600,000	7.13
6	OCBC SECURITIES PRIVATE LIMITED	7,474,980	4.23
7	CIMB SECURITIES (SINGAPORE) PTE LTD	3,172,470	1.79
8	CHIA KEE KOON	2,738,600	1.55
9	FORTUNE TECHNOLOGY FUND LTD	2,000,000	1.13
10	CHEW GHIM BOK	1,508,000	0.85
11	PHILLIP SECURITIES PTE LTD	1,339,800	0.76
12	MAYBANK KIM ENG SECURITIES PTE LTD	765,018	0.43
13	DBS NOMINEES (PRIVATE) LIMITED	663,320	0.38
14	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	550,200	0.31
15	LEE SUI HEE	530,600	0.30
16	HONG LEONG FINANCE NOMINEES PTE LTD	513,000	0.29
17	WONG YIN MUI	465,000	0.26
18	LEE WEE KIAT	426,000	0.24
19	CITIBANK NOMINEES SINGAPORE PTE LTD	407,200	0.23
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	336,400	0.19
<b>TOTAL</b>		<b>156,978,597</b>	<b>88.79</b>

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 26 September 2016, 35.61% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Yamada Green Resources Limited (the “Company”) will be held at Six Battery Road #10-01 Singapore 049909 on Thursday, 27 October 2016 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final tax exempt (one-tier) dividend of RMB0.008 per ordinary share for the financial year ended 30 June 2016. (2015: RMB 0.006) **(Resolution 2)**
3. To re-elect the following Directors of the Company who retire pursuant to Regulation 91 of the Constitution of the Company:  
  
Mr. Lin Weibin **(Resolution 3)**  
Mr. Chua Ser Miang **(Resolution 4)**  
  
[See Explanatory Note (i)]
4. To approve the payment of Directors’ fees of S\$135,000 for the financial year ending 30 June 2017, to be paid half yearly in arrears. (2016: S\$180,000) **(Resolution 5)**
5. To re-appoint Messrs BDO LLP, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

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

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the “Share Issue Mandate”)

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

**(Resolution 7)**

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

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant share options under the Yamada Green Resources Share Option Scheme (the “Scheme”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of share options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued and/or issuable pursuant to the Scheme and all shares awarded under the Yamada Green Resources Performance Share Plan shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless varied or revoked by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 8)**



# NOTICE OF ANNUAL GENERAL MEETING

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

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant share awards under the Yamada Green Resources Performance Share Plan (the “Plan”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of share awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Plan and ordinary shares to be issued and/or issuable in respect of all share options granted under the Yamada Green Resources Share Option Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless varied or revoked by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**(Resolution 9)**

By Order of the Board

Chew Kok Liang  
Shirley Tan Sey Liy  
Company Secretaries

Singapore, 12 October 2016

### Explanatory Notes:

- (i) Mr. Chua Ser Miang will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and Nominating Committee and a member of Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
- (ii) Resolution 7, if passed, will empower the Directors of the Company from the date of this Annual General Meeting (“AGM”) until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

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

- (iii) Resolution 8 above, if passed, will authorise and empower the Directors of the Company from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the capital of the Company pursuant to the exercise of share options granted under the Yamada Green Resources Share Option Scheme (“Scheme”) provided that the aggregate number of additional shares to be issued and/or issuable pursuant to the Scheme and all shares awarded under the Yamada Green Resources Performance Share Plan (“Plan”) do not exceed in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iv) Resolution 9 above, if passed, will authorise and empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the capital of the Company pursuant to the vesting of share awards under the Plan provided that the aggregate number of additional shares to be issued pursuant to the Plan and ordinary shares to be issued and/or issuable in respect of all share options granted under the Scheme do not exceed in total (for the entire duration of the Plan) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

1. A Member of the Company (other than a Relevant Intermediary\*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Six Battery Road #10-01 Singapore 049909 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

## PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# YAMADA GREEN RESOURCES LIMITED

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

## ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No)

of \_\_\_\_\_ (Address)

being a member/members of **YAMADA GREEN RESOURCES LIMITED** (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Six Battery Road #10-01 Singapore 049909 on Thursday, 27 October 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'***	No. of votes 'Against'***
<b>Ordinary Business</b>			
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2016		
2	Declaration of a first and final tax-exempted (one-tier) dividend of RMB 0.008 per ordinary share for the financial year ended 30 June 2016		
3	Re-election of Mr. Lin Weibin as a Director		
4	Re-election of Mr. Chua Ser Miang as a Director		
5	Approval of Directors' fees amounting to S\$135,000 for the financial year ending 30 June 2017, to be paid half yearly in arrears		
6	Re-appointment of Messrs BDO LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
<b>Special Business</b>			
7	Authority to allot and issue shares		
8	Authority to issue shares under the Yamada Green Resources Share Option Scheme		
9	Authority to issue shares under the Yamada Green Resources Performance Share Plan		

\*\*\*If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

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

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

\*Delete where inapplicable

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary\*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary\*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investors**”) and/or the Supplementary Retirement Scheme (“**SRS Investors**”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 October 2016.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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**YAMADA GREEN RESOURCES LIMITED**

Company Registration No. 201002962E

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