



PROSPECTUS DATED 29 SEPTEMBER 2010
(REGISTERED BY THE MONETARY AUTHORITY OF
SINGAPORE ON 29 SEPTEMBER 2010)

IMPORTANT NOTE

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER.

We have applied to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of all our ordinary shares ("Shares") in the capital of Yamada Green Resources Limited (the "Company") already issued (including the Vendor Shares as defined herein) and the new Shares (the "New Shares"), which are the subject of this Invitation (as defined herein). Such permission will be granted when we have been admitted to the Official List of the SGX-ST. **The dealing in and quotation of our Shares will be in Singapore dollars.**

Acceptance of applications will be conditional upon, among others, permission being granted to deal in and for quotation of all our existing issued Shares (including the Vendor Shares as defined herein) and the New Shares. If permission is not granted for any reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors, the Issue Manager, the Underwriter or the Placement Agent.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our Subsidiaries, our Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority") on 14 September 2010 and 29 September 2010 respectively. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus with the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the Shares (including the Vendor Shares) or the New Shares, as the case may be, being offered for investment.

Investing in our Shares involves risks which are described in Section 5 on "Risk Factors" of this Prospectus. No Shares shall be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

YAMADA GREEN RESOURCES LIMITED 山田綠色資源有限公司*

(Company Registration No.201002962E)
(Incorporated in the Republic of Singapore on 8 February 2010)

** For identification purposes only*

Invitation in respect of 105,000,000 Invitation Shares comprising 74,911,957 New Shares and 30,088,043 Vendor Shares as follows:

- (a) **2,000,000 Offer Shares at S\$0.22 each by way of public offer; and**
- (b) **103,000,000 Placement Shares at S\$0.22 each by way of placement,**

payable in full on application.

Issue Manager, Underwriter and Placement Agent

DMG & Partners
SECURITIES

DMG & PARTNERS SECURITIES PTE LTD
(Company Registration Number: 198701140E)

Primary Sub-Underwriter And Primary Sub-Placement Agent

UOB Kay Hian

UOB KAY HIAN PRIVATE LIMITED
(Company Registration Number: 197000447W)

Applications should be received by 12.00 noon on 6 October 2010 or such other date and time as the Company and the Vendors may, in consultation with the Issue Manager, Underwriter and Placement Agent, decide, subject to any limitation under all applicable laws.

About Yamada

- Major supplier of self-cultivated shiitake mushrooms in Fujian Province, PRC
- Operates one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC (aggregate of 2,614.4 mu)
- Potential upstream resource sustainability through sawdust from our eucalyptus plantations (approx. 20,000 mu) which we intend to utilise in the production of synthetic logs, used as the substrate for the cultivation of shiitake mushrooms
- Manufacturer and supplier of processed food products and convenience food products
- Our processed food products are sold in major cities such as Shanghai, Xiamen, Shenzhen and Guangzhou and exported to overseas markets such as Japan and the US
- Products are manufactured and sold in the PRC under our registered trademarks such as , 研食坊 and 懒人厨房

Our Products

Broadly categorised into



Self-cultivated shiitake mushrooms

- Most of which are harvested and sold as fresh produce, while the remaining undergo further processing before being sold as dried products
- Sold mainly to wholesalers of agricultural food products in PRC, who in turn sell our products to restaurants, supermarkets and retailers
- Cultivation period is from late September to April

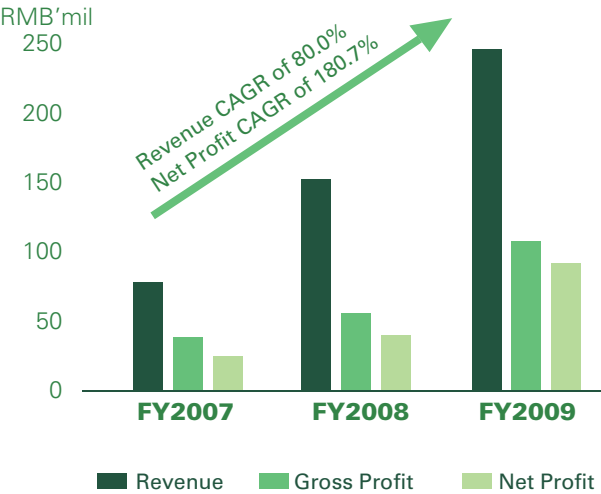


Processed food products

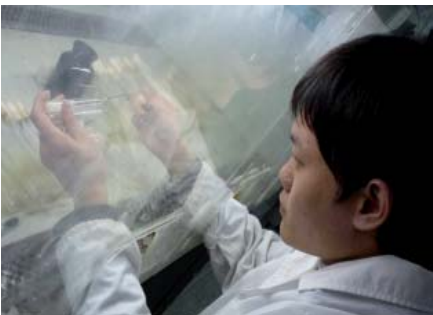
- Manufactured from various types of fresh vegetables and semi-processed food products purchased from our suppliers
- Also produce convenience food products including konjac instant noodles, pre-cooked dishes and instant porridge
- Distributed and sold to
 - (i) PRC consumers mainly through supermarkets under our own brands
 - (ii) overseas markets such as Japan and the US

Financial Highlights

Revenue, Gross Profit and Net Profit charts



(RMB'mil)	FY2007	FY2008	FY2009
Revenue	73.0	135.4	236.2
Gross Profit	21.9	51.7	94.6
Gross Profit Margins (%)	30.1	38.2	40.0
Net Profit	10.4	37.1	81.7
Net Profit Margins (%)	14.2	27.4	34.6



Competitive Strengths

Seasonal-complementary arrangements for the cultivation of our shiitake mushrooms

- Able to lease agricultural land from the individual farmers at favourable rates due to the different growing and harvesting seasons between our self-cultivated shiitake mushrooms and other agricultural products
- Able to minimise labour costs and increase the profitability of self-cultivated shiitake mushrooms

We have established ourselves as a major supplier of self-cultivated shiitake mushrooms in Fujian Province, PRC

- Operate one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC
- Adopted an institutionalised management structure and hence are able to achieve economies of scale and to consistently supply quality self-cultivated shiitake mushrooms to our customers

Eucalyptus plantations give us the potential upstream resource sustainability

- Intend to adopt the use of synthetic logs made from eucalyptus sawdust in future cultivation of shiitake mushrooms to the extent that the output of eucalyptus sawdust harvested from our eucalyptus plantations allows
- Expected to be mature for harvesting from 2012

Experienced management team

- Executive Chairman & CEO, together with most of the Executive Officers, have an average of over 10 years of experience each

Well-established network of Japanese customers with whom we enjoy strong relationships

- Having built close relationships with our Japanese customers, we are able to respond and adapt effectively to their specific requirements, changes in customer preference and market requirements

Industry Overview

Industry Outlook: Shiitake mushrooms

- Growth of the PRC economy led to growing disposable income, which translates into an increased spending power and spurred the demand for higher quality food products, and green and healthy foods
- Often considered to be a fair substitute for meat, with at least a comparable nutritional value to many vegetables and an excellent source of high quality protein
- Cultivation of shiitake mushrooms remains an important agricultural industry in PRC where some 18 million farmers are actively engaged in shiitake mushroom production, fuelled by the growing global demand that has emerged in recent years

Industry Outlook: Konjac-based processed food products

- Excellent carbohydrate substitutes for people with diabetes
- Rapidly expanding due to growing demands
- In Japan, the use of konjac-based products has been deeply rooted in the lives and customs of people for centuries
- In PRC, according to the Konjac Association of Chinese Society for Horticultural Science, the extensive range of konjac-based products has an estimated annual worth of US\$100 million





Business Strategies & Future Plans

- **Expand our shiitake mushroom cultivation bases** by leasing additional plots of agricultural land measuring approx. 2,500 mu located in Fujian Province, PRC, by first quarter of FY2011
- **Expand our eucalyptus plantations** through acquiring additional non-mature eucalyptus plantations and the corresponding forestry land use rights for 10,000 mu (end of FY2010) and 20,000 mu (FY2011)
- **Establish our own distribution and marketing network** to reach out to customers of our self-cultivated shiitake mushrooms in other parts of PRC beyond Fujian Province by establishing a total of 14 distribution outlets and 8 distribution agents in Shanghai, Guangdong, Hubei, Jiangsu, Jiangxi and Zhejiang Provinces by end of FY2011. Also establishing a logistics centre in Zhangping City, Fujian Province by end of FY2011
- **Strengthen processing capabilities of our konjac-based processed food products** through acquiring an additional production line and relevant auxiliary facilities and equipment for the processing of konjac instant noodles by end of FY2010 which will increase konjac instant noodles annual processing capacity by approximately 60%

Prospects

Growing affluence of the PRC population

- Continued modernisation, rise in standards of living, and growth in disposable income of PRC consumers, in tandem with increasing urbanisation, have led to an increase in spending power of PRC consumers
- Increase in consumption of green and healthy foods will provide us with opportunities to leverage on our experience to increase the market demand for our products

Change in the spending patterns of PRC consumers

- PRC consumers are becoming more health conscious and as a result, their demand for healthy foods has increased
- Based on our established track record to respond quickly to the evolving taste of PRC consumers, we will be able to capitalise on this trend to meet their requirements and demands

Increasing preference for convenience food products

- The busy pace of modern urban living coupled with the proliferation of dual-income, nuclear families in PRC led to the increase in demand for convenience food products
- Ability to offer consumers the ease of consumption without the hassle of preparation and yet satisfying food tastes



“Operates one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC”



TABLE OF CONTENTS

	Page
1 CORPORATE INFORMATION	1
2 DEFINITIONS AND EXCHANGE RATES	
2.1 Companies in Our Group	3
2.2 Other Companies, Organisations and Agencies.....	3
2.3 General Definitions	4
2.4 Technical Terms.....	10
2.5 Exchange Rates	11
3 THE INVITATION	
3.1 Listing on the SGX-ST	13
3.2 Details of the Invitation	17
3.3 Use of Proceeds and Listing Expenses	18
3.4 Invitation Statistics	21
3.5 Plan of Distribution	22
3.6 Selling Restrictions	23
3.7 Clearance and Settlement.....	24
3.8 Cautionary Note Regarding Forward-Looking Statements	25
3.9 Indicative Timetable for Listing	26
4 PROSPECTUS SUMMARY	
4.1 Overview of Our Group	27
4.2 Our Products.....	27
4.3 Our Competitive Strengths	28
4.4 Our Financial Performance	28
4.5 Our Business Strategies and Future Plans.....	29
5 RISK FACTORS	30
6 GENERAL INFORMATION ON OUR GROUP	
6.1 History.....	48
6.2 Restructuring Exercise	51
6.3 Group Structure.....	52
6.4 Industry and Business Overview.....	53
6.5 Our Products, Production Process and Production Facilities	56
6.6 Seasonality	70
6.7 Major Suppliers	70
6.8 Major Customers.....	73
6.9 Awards and Accolades	75
6.10 Quality Assurance	77
6.11 Inventory Management	79
6.12 Credit Management.....	80
6.13 Sales and Marketing	82
6.14 Research and Development	83
6.15 Staff Training and Development	84
6.16 Intellectual Property	85

TABLE OF CONTENTS

	Page
6.17 Insurance Coverage	86
6.18 Properties and Fixed Assets.....	87
6.19 Government Regulations	90
6.20 Licences and Permits	91
 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION	
7.1 Operating Results of our Group	92
7.2 Financial Position of our Group.....	93
7.3 Overview	94
7.4 Review of Past Performance.....	106
7.5 Review of Financial Positions	115
7.6 Liquidity and Capital Resources	120
7.7 Capitalisation and Indebtedness.....	122
7.8 Dilution	123
7.9 Capital Expenditure, Divestments and Capital Commitments	124
7.10 Operating Lease Commitments	124
7.11 Foreign Exchange Exposure and Management	125
7.12 Exchange Controls	125
7.13 Changes in Accounting Policies	126
7.14 Dividend Policy	126
7.15 Order Book	127
 8 PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS	
8.1 Prospects	128
8.2 Trend Information	128
8.3 Competition	129
8.4 Competitive Strengths.....	130
8.5 Business Strategies and Future Plans	131
 9 SHAREHOLDERS, DIRECTORS AND MANAGEMENT	
9.1 Share Capital	134
9.2 Shareholding and Ownership Structure	137
9.3 Vendors	139
9.4 Moratorium	139
9.5 Directors	140
9.6 Service Agreement	142
9.7 Board Practices.....	143
9.8 Management	143
9.9 Management and Staff	145
9.10 Material Background Information on Directors and Executive Officers	146
9.11 Compensation of Directors, Executive Officers and Related Employees	149
9.12 Interested Person Transactions.....	150
9.13 Shareholders' Mandate for the Recurrent Connected Person Transactions	155
9.14 Conflict of Interests	159
9.15 Corporate Governance	160

TABLE OF CONTENTS

		Page
10	TAXATION	163
11	ADDITIONAL INFORMATION	
11.1	Material Contracts	166
11.2	Litigation	166
11.3	Management, Underwriting and Placement Arrangements	166
11.4	Interests of Experts	169
11.5	Miscellaneous	169
11.6	Consents	170
11.7	Responsibility Statement by Our Directors and the Vendors	171
11.8	Documents Available for Inspection	171
	ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS....	A-1
	ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS.....	B-1
	ANNEXURE C: SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY	C-1
	ANNEXURE D: DESCRIPTION OF OUR ORDINARY SHARES	D-1
	ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009.....	E-1
	ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010	F-1
	ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION	G-1
	ANNEXURE H: LETTER FROM NRA CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF YAMADA GREEN RESOURCES LIMITED IN RESPECT OF THE SHAREHOLDERS' MANDATE FOR RECURRENT CONNECTED PERSON TRANSACTIONS	H-1

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Chen Qiuhai (陈秋海) Chen Qisheng (陈琪昇) Chang Feng-chang (张峰璋) Soh Beng Keng Sim Yong Chan	<i>(Executive Chairman and CEO)</i> <i>(Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Lead Independent Director)</i> <i>(Independent Director)</i>
COMPANY SECRETARY	:	Wong Chee Meng Lawrence, LL.B. (Hons)	
REGISTERED OFFICE	:	80 Raffles Place #25-01 UOB Plaza Singapore 048624	
COMPANY REGISTRATION NUMBER	:	201002962E	
PRINCIPAL PLACE OF BUSINESS	:	Houyu Food Industry Zone, Jingxi Town, Minhou County, Fuzhou City, Fujian Province PRC 350101 中国福建省福州市闽侯县荆溪镇厚屿食品工业园, 邮编350101	
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) 8 Cross Street #11-00 PWC Building Singapore 048424	
ISSUE MANAGER, UNDERWRITER AND PLACEMENT AGENT	:	DMG & Partners Securities Pte Ltd 20 Raffles Place #22-01 Ocean Towers Singapore 048620	
AUDITORS AND REPORTING ACCOUNTANTS	:	BDO LLP Public Accountants and Certified Public Accountants 19 Keppel Road #02-01 Jit Poh Building Singapore 089058 Partner-in-charge: Lai Keng Wei (a practising member of the Institute of Certified Public Accountants of Singapore)	
LEGAL ADVISERS TO OUR COMPANY AS TO SINGAPORE LAW	:	KhattarWong 80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624	
LEGAL ADVISERS TO OUR COMPANY AS TO PRC LAW	:	King & Wood 1045 Huai Hai Road (M) 28 th Floor Huai Hai Plaza Shanghai PRC 200031	
LEGAL ADVISERS TO THE ISSUE MANAGER, UNDERWRITER AND PLACEMENT AGENT	:	Chancery Law Corporation 20 Cross Street #02-19 Singapore 048422	

CORPORATE INFORMATION

INDEPENDENT FINANCIAL ADVISER : **NRA Capital Pte. Ltd.**
36 Robinson Road
#12-05/06 City House
Singapore 068877

PRINCIPAL BANKERS : **Bank of China, Fujian Branch**
中国银行福建省分行
136 Wusi North Road, BOC Building
Fuzhou, Fujian Province
PRC 350001

China Merchant Bank, Fuzhou Hualin Branch
招商银行福州华林支行
245 Hualin Road, Roman Holiday Garden
Fuzhou, Fujian Province
PRC 350013

Pucheng Agricultural Credit Union
浦城农村信用合作联社
235 Xingpu Road, Pucheng County
Nanping, Fujian Province
PRC 353400

Zhangping Rural Credit Co-operatives, Xi'nan Branch
漳平农村信用合作联社溪南信用社
Nanzhou Road, Xi'nan Town
Zhangping, Fujian Province
PRC 364408

RECEIVING BANKER : **United Overseas Bank Limited**
80 Raffles Place
UOB Plaza
Singapore 048624

VENDORS : **Sanwang International Holdings Limited**
P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola, British Virgin Islands

Great Spot Limited
41 Tampines Street 92
#03-00 ABR Building
Singapore 528881

DEFINITIONS AND EXCHANGE RATES

In this Prospectus, the accompanying Application Forms and in relation to the Electronic Applications, the instructions appearing on the screens of the ATMs of Participating Banks, the IB websites of the relevant Participating Banks, unless the context otherwise requires, the following definitions apply throughout where the context so admits:

2.1 COMPANIES IN OUR GROUP

<i>“Company” or “Yamada”</i>	:	Yamada Green Resources Limited, a company incorporated in Singapore
<i>“Fengwang”</i>	:	Zhangping Fengwang Agricultural Products Co., Ltd., a company incorporated in PRC (漳平市丰旺农产品有限公司)
<i>“Group”</i>	:	Our Company and our subsidiaries, Wangcheng, Yuanwang and Fengwang
<i>“Wangcheng”</i>	:	Fuzhou Wangcheng Foods Development Co., Ltd., a company incorporated in PRC (福州旺成食品开发有限公司)
<i>“Yuanwang”</i>	:	Nanping Yuanwang Foods Co., Ltd., a company incorporated in PRC (南平市元旺食品有限公司)

2.2 OTHER COMPANIES, ORGANISATIONS AND AGENCIES

<i>“Authority”</i>	:	The Monetary Authority of Singapore
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“CIQ”</i>	:	Entry-Exit Inspection and Quarantine Bureau set up by General Administration of Quality Supervision, Inspection and Quarantine of China (国家质量监督检验检疫总局)
<i>“CPF”</i>	:	The Central Provident Fund
<i>“CSRC”</i>	:	China Securities Regulatory Commission (中国证券监督管理委员会)
<i>“Fujimoto”</i>	:	Fujimoto Foods Co., Ltd., a company incorporated in Japan
<i>“Great Spot”</i>	:	Great Spot Limited, a company incorporated in BVI
<i>“IFA”, “NRA Capital” or “Independent Financial Adviser”</i>	:	NRA Capital Pte. Ltd.
<i>“Issue Manager”, “Underwriter”, “Placement Agent”, “Issue Manager, Underwriter and Placement Agent” or “DMG”</i>	:	DMG & Partners Securities Pte Ltd

DEFINITIONS AND EXCHANGE RATES

<i>“MOFCOM”</i>	: Ministry of Commerce of PRC (中华人民共和国商务部)
<i>“NDRC”</i>	: National Development and Reform Commission of PRC (中华人民共和国国家发展和改革委员会)
<i>“NPC”</i>	: National People’s Congress of PRC (中华人民共和国全国人民代表大会)
<i>“SAFE”</i>	: State Administration of Foreign Exchange of PRC (中国人民银行国家外汇管理局)
<i>“SAIC”</i>	: State Administration for Industry and Commerce of PRC (中华人民共和国国家工商行政管理总局)
<i>“Sanwang”</i>	: Sanwang International Holdings Limited, a company incorporated in BVI and wholly-owned by our Executive Chairman and CEO, Chen Qiuhai
<i>“SCCS”</i>	: Securities Clearing & Computer Services (Pte) Ltd
<i>“SGX-ST”</i>	: Singapore Exchange Securities Trading Limited
<i>“Tennen Sozai”</i>	: Tennen Sozai Co., Ltd. (formerly known as Saiki Shitakeichiba Co., Ltd.), a company incorporated in Japan

2.3 GENERAL DEFINITIONS

<i>“3M”</i>	: Financial period ended or, as the case may be, ending 31 March
<i>“Application Forms”</i>	: The official printed application forms to be used for the purpose of the Invitation which form part of this Prospectus
<i>“Application List”</i>	: The list of applications to subscribe for and/or purchase the Invitation Shares
<i>“Articles of Association”</i>	: Articles of association of our Company, as amended, supplemented or modified from time to time
<i>“Associate”</i>	: (A) in relation to an entity, means: <ul style="list-style-type: none">(i) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or(ii) in any other case:<ul style="list-style-type: none">(a) a director or an equivalent person;(b) where the entity is a corporation, a controlling shareholder of the entity;

DEFINITIONS AND EXCHANGE RATES

(c) where the entity is not a corporation, a controlling interest-holder of the entity;

(d) a subsidiary, a subsidiary entity, an associated company, or an associated entity; or

(e) a subsidiary, a subsidiary entity, an associated company, or an associated entity, of the controlling shareholder or controlling interest-holder, as the case may be,

of the entity; and

(B) in relation to an individual, means:

(i) his immediate family;

(ii) a trustee of any trust of which the individual or any member of the individual's immediate family is:

(a) a beneficiary; or

(b) where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or

(iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30.0% of the total votes attached to all voting shares

"ATM" : Automated teller machine

"Audit Committee" : The audit committee of our Company as at the date of this Prospectus

"Board" : The board of Directors of our Company as at the date of this Prospectus

"built-in area" : The area of a property as indicated in its property ownership certificate

"BVI" : British Virgin Islands

"CEO" : Chief Executive Officer

"CFO" : Chief Financial Officer

"Companies Act" : The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time

DEFINITIONS AND EXCHANGE RATES

<i>“Controlling Shareholder”</i>	:	A person who holds directly or indirectly 15.0% or more of all the voting shares in a company or in fact exercises control over a company
<i>“Directors”</i>	:	The directors of our Company as at the date of this Prospectus
<i>“Electronic Applications”</i>	:	Applications for the Offer Shares made through the ATM of Participating Banks, or through IB websites of the relevant Participating Banks, in accordance with the terms and conditions of this Prospectus
<i>“EPS”</i>	:	Earnings per Share
<i>“Executive Directors”</i>	:	The executive Directors of our Company as at the date of this Prospectus, namely, Chen Qiu hai and Chen Qisheng
<i>“Executive Officers”</i>	:	The executive officers of our Group as at the date of this Prospectus
<i>“FIE”</i>	:	Foreign Investment Enterprise under PRC laws
<i>“FY”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“IB”</i>	:	Internet banking
<i>“Independent Directors”</i>	:	The independent Directors of our Company as at the date of this Prospectus, namely Soh Beng Keng and Sim Yong Chan
<i>“Invitation”</i>	:	The invitation of our Company and the Vendors to the public to subscribe for and/or purchase the Invitation Shares, at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Invitation Price”</i>	:	S\$0.22 for each Invitation Share
<i>“Invitation Shares”</i>	:	The 105,000,000 Shares which are the subject of the Invitation, comprising the New Shares and Vendor Shares
<i>“Latest Practicable Date”</i>	:	1 September 2010, being the latest practicable date prior to the lodgement of this Prospectus with the Authority
<i>“Listing Manual”</i>	:	The Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“N.A.”</i>	:	Not applicable
<i>“N.M.”</i>	:	Not meaningful
<i>“NAV”</i>	:	Net asset value

DEFINITIONS AND EXCHANGE RATES

<i>“New Shares”</i>	:	74,911,957 new Shares for which our Company invites applications to subscribe pursuant to the Invitation subject to and on the terms and conditions of this Prospectus
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Prospectus
<i>“Non-Executive Director”</i>	:	The non-executive Director of our Company as at the date of this Prospectus, namely Chang Feng-chang
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer”</i>	:	The Invitation by our Company and the Vendors to the public for subscription and/or purchase of the Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Offer Shares”</i>	:	The 2,000,000 Invitation Shares which are the subject of the Offer
<i>“Participating Banks”</i>	:	DBS Bank Ltd (including POSBank) (<i>“DBS Bank”</i>), Oversea-Chinese Banking Corporation Limited (<i>“OCBC”</i>) and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (<i>“UOB Group”</i>) and <i>“Participating Bank”</i> means any of them
<i>“Period Under Review”</i>	:	The period comprising FY2007, FY2008, FY2009 and 3M2010
<i>“Placement”</i>	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company and the Vendors, at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Placement Shares”</i>	:	The 103,000,000 Invitation Shares which are the subject of the Placement
<i>“PRC”</i>	:	People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
<i>“Prospectus”</i>	:	This Prospectus dated 29 September 2010 issued by our Company in respect of the Invitation
<i>“R&D”</i>	:	Research and development
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Prospectus
<i>“Restructuring Exercise”</i>	:	The restructuring exercise undertaken by our Group as described in Section 6.2 on “Restructuring Exercise” of this Prospectus
<i>“Securities Account”</i>	:	Securities account maintained by a Depositor with CDP and does not include a securities sub-account

DEFINITIONS AND EXCHANGE RATES

<i>“Securities and Futures Act”</i>	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
<i>“Service Agreement”</i>	:	The service agreement entered into between our Company and our Executive Chairman and CEO, Chen Qiu Hai, as described in Section 9.6 on “Service Agreement” of this Prospectus
<i>“SGXNET”</i>	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
<i>“Share Transfer Agreements”</i>	:	Share transfer agreements dated 21 February 2010 entered into between our Company and Sanwang pursuant to which our Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang
<i>“Shareholders”</i>	:	Registered holders of Shares, except where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares
<i>“Shares”</i>	:	Ordinary shares in the capital of our Company
<i>“Substantial Shareholder”</i>	:	A person who has an interest of 5.0% or more of the total votes attached to all the voting shares of the Company
<i>“US”</i>	:	United States of America
<i>“Vendors”</i>	:	Sanwang and Great Spot
<i>“Vendor Shares”</i>	:	The 30,088,043 issued and fully-paid Shares for which the Vendors invite applications to purchase pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus
<i>“Villagers’ Committee”</i>	:	村民委员会, in relation to a village, the committee which is established pursuant to the Organisation Law of the Villagers’ Committees of PRC (中华人民共和国村民委员会组织法) and which customarily (i) handles communal and public welfare affairs of the village, (ii) manages the collectively-owned farm land and other collectively-owned properties, and (iii) undertakes services in respect of production and coordination of related activities within the village
<i>“WFOE”</i>	:	Wholly foreign-owned enterprise under PRC laws

Currencies, Units and other terms of measurement

<i>“JPY”</i>	:	Japanese Yen
<i>“RMB” and “RMB Cents”</i>	:	Chinese Renminbi and cents, respectively
<i>“\$” or “S\$” and “cents”</i>	:	Singapore dollars and cents, respectively

DEFINITIONS AND EXCHANGE RATES

“US\$” or “USD”	:	US dollars
“mu”	:	畝, equivalent to approximately 667 sq m
“sq m”	:	Square metres
“ton” or “tonnes”	:	Metric tonnes
“%” or “per cent”	:	Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

The terms “associated company”, “associated entity”, “controlling interest-holder”, “related corporation”, “related entity”, “subsidiary”, “subsidiary entity”, and “substantial interest-holder” shall have the same meanings ascribed to them respectively in the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

The term “business trust” shall have the same meaning ascribed to it in the Business Trusts Act (Chapter 31A) of Singapore.

The term “entity” includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust.

References in this Prospectus to Annexure or Annexures are references to an annexure or annexures respectively to this Prospectus.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus, the Application Forms and/or Electronic Applications to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined in the Companies Act, Securities and Futures Act or any statutory modification thereof and used in this Prospectus, the Application Forms and/or Electronic Applications shall, where applicable, have the meaning ascribed to it under the Companies Act, Securities and Futures Act (as the case maybe) or any statutory modification thereof.

Any reference in this Prospectus, the Application Forms and/or Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus, the Application Forms and/or the Electronic Applications shall be a reference to Singapore time unless otherwise stated.

Any reference to “we”, “us” and “our” in this Prospectus is a reference to our Company, our Group or any member of our Group as the context requires.

Any discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of Singapore-based investors, may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters.

DEFINITIONS AND EXCHANGE RATES

2.4 TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides a description of some of the technical terms and abbreviations commonly found in our industry. The terms and their assigned meanings may not correspond to standard industry or common meanings, or usage of these terms, as the case may be:

- “contracting operation right”* : 承包经营权, a right stipulated under the PRC Property Law (中华人民共和国物权法) and Law of the PRC on Land Contract in Rural Areas (中华人民共和国农村土地承包法) and other PRC laws and regulations by virtue of which a person is entitled to possess, use and seek benefit of collective-owned or state-owned arable land, forest land, grassland, etc. and engage in planting, forestry, husbandry and other agricultural operations on such land
- “convenience food”* : Commercially prepared food designed for ease of consumption which is usually prepared food stuffs that can be sold as hot, ready-to-eat dishes or as refrigerated or frozen products that require minimal preparation, including instant noodles, fruits and vegetables in preserved states, processed meats, and canned products such as soups and pasta dishes
- “HACCP”* : Hazard Analysis Critical Control Points. HACCP is a systematic preventive approach to food safety, pharmaceutical safety, etc. that addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points (CCP's) can be taken to reduce or eliminate the risk of the hazards being realised. The system is used at all stages of food production and preparation processes
- “konjac”* : Flour and/or jelly created from a plant of the genus *Amorphophallus*, grown for its large starchy corms
- “mycelia”* : The vegetative part of a shiitake mushroom, consisting of a mass of branching, thread-like hyphae
- “Organic JAS”* : Japanese Agricultural Standard of Organic Agricultural Products and Processed Foods. JAS is the industrial standards issued by the Japanese Ministry of Agriculture, Fisheries and Forestry (MAFF) which set out mandatory organic labelling requirements, organic production standards and third-party certification procedures for acceptance of organic products (crop and crop products) into Japan
- “shiitake mushroom”* : *Lentinula edodes*, also known as black forest mushroom, an edible mushroom typically cultivated and consumed in Asian countries

DEFINITIONS AND EXCHANGE RATES

- “substrate”* : The medium within which shiitake mushroom mycelia bore through and grow
- “synthetic log”* : The substrate consisting of ingredients according to synthetic formulations for the growth of shiitake mushrooms

2.5 EXCHANGE RATES

The “Independent Auditors’ Report on the Audited Combined Financial Statements For The Financial Years Ended 31 December 2007, 2008 And 2009” and the “Report on Review of Unaudited Interim Financial Statements For The Three Months Financial Period Ended 31 March 2010” set out in Annexures E and F of this Prospectus respectively are expressed in RMB. The average and closing exchange rates between RMB and S\$, as outlined in the table below, are extracted from published information by Bloomberg L.P.. The average exchange rate for each month during that financial period is the average of the closing exchange rates on the last day of each month during that financial period. These exchange rates have been presented solely for information only and should not be construed as a representation that those RMB amounts could have been, or could be, converted into S\$, at any particular rates, the rates stated below, or at all.

	RMB / S\$ Rate*	
	Average	Closing
FY2007	5.05	5.08
FY2008	4.92	4.77
FY2009	4.71	4.86
3M2010	4.87	4.88

The high and low exchange rates between RMB and S\$ for each of the past six months prior and up to the Latest Practicable Date were as follows:

	RMB / S\$ Rate*	
	High	Low
March 2010	4.90	4.85
April 2010	4.99	4.88
May 2010	4.98	4.84
June 2010	4.94	4.82
July 2010	4.99	4.87
August 2010	5.03	4.96

* Source: Bloomberg L.P.

As at the Latest Practicable Date, the closing exchange rate between RMB and S\$ was RMB5.05 to S\$1.00.

The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RMB amounts actually represent such amounts or could be converted into the S\$ at the rate indicated, or at any other rate, or at all. Fluctuations in the exchange rates between RMB and S\$ will affect the RMB equivalent of S\$ price of our Shares on the SGX-ST and the S\$ equivalent of any cash dividend paid by us in RMB.

DEFINITIONS AND EXCHANGE RATES

The above exchange rates have not been verified by our Company. Our Company has included the above exchange rates in their proper form and context in this Prospectus. Bloomberg L.P. has not consented to the inclusion of the exchange rates quoted under this section and is thereby not liable for the relevant exchange rates under Sections 253 and 254 of the Securities and Futures Act.

THE INVITATION

3.1 LISTING ON THE SGX-ST

We have applied to the SGX-ST for permission to deal in and for quotation of all our Shares already issued (including the Vendor Shares) and the New Shares. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. No Shares shall be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

Acceptance of applications will be conditional upon, among others, permission being granted to deal in and for quotation of all our issued Shares (including the Vendor Shares) and the New Shares. If permission is not granted for any reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors, the Issue Manager, the Underwriter or the Placement Agent.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries or our Shares (including the Vendor Shares) and the New Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares) and the New Shares, as the case may be, being offered or in respect of which an invitation is made, for investment.

We are subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of the Offer, we become aware of:

- (a) a false or misleading statement in this Prospectus;
- (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or
- (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and which would have been required by Section 243 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before the Prospectus was lodged,

and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority.

In the event that a supplementary or replacement prospectus is lodged with the Authority, our Invitation shall be kept open for at least 14 days after the lodgement of such supplementary or replacement prospectus.

THE INVITATION

Where prior to the lodgement of the supplementary or replacement prospectus, applications have been made under this Prospectus to subscribe for and/or purchase of the Invitation Shares and:

- (a) where the Invitation Shares have not been issued and/or sold to the applicants, our Company (on behalf of itself and the Vendors)
 - (i) shall:
 - (aa) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; and
 - (bb) take all reasonable steps to make available within a reasonable period the supplementary prospectus or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus;
 - (ii) shall, within seven days from the date of the lodgement of the supplementary prospectus or replacement prospectus, give the applicants the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or
 - (iii) shall:
 - (aa) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled; and
 - (bb) within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or
- (b) where the Invitation Shares have been issued and/or transferred to the applicants, our Company (on behalf of itself and the Vendors)
 - (i) shall:
 - (aa) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to return, to our Company and/or the Vendors, those Invitation Shares which they do not wish to retain title in; and
 - (bb) take all reasonable steps to make available within a reasonable period the supplementary prospectus or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus;

THE INVITATION

- (ii) shall, within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to return to our Company and/or the Vendors the Invitation Shares which they do not wish to retain title in; or
- (iii) is required by the Securities and Futures Act to treat the issue and/or sale of the Invitation Shares as void and our Company shall within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, pay to the applicants all monies paid by them for the Invitation Shares.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) above to withdraw his application shall, within 14 days from the date of lodgement of the supplementary prospectus or replacement prospectus, notify our Company of this, whereupon our Company shall, within seven days from the receipt of such notification, pay to the applicant all monies paid by the applicant on account of his application for the Invitation Shares.

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) above to return the Invitation Shares issued and/or sold to him shall, within 14 days from the date of lodgement of the supplementary prospectus or replacement prospectus, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Shares to our Company, whereupon our Company (on behalf of itself and the Vendors) shall within seven days from the receipt of such notification and documents, if any, pay to the applicant all monies paid by the applicant for the Invitation Shares, and the issue of the Invitation Shares shall be deemed to be void.

Under the Securities and Futures Act, the Authority may, in certain circumstances issue a stop order to our Company, directing that no or no further Shares to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation where this Prospectus (i) contains a statement or matter, which in the opinion of the Authority is false or misleading, (ii) omits any information that should be included in accordance with the Securities and Futures Act, (iii) does not, in the opinion of the Authority, comply with the requirements of the Securities and Futures Act or (iv) is not, in the opinion of the Authority, in the public interest.

Where the Authority issues a stop order pursuant to Section 242 of the Securities and Futures Act, and:

- (a) in the case where the Invitation Shares have not been issued and/or sold to you, your application of the Invitation Shares shall be deemed to have been withdrawn and cancelled and our Company (on behalf of itself and the Vendors) shall, within 14 days from the date of the stop order, pay to you all monies you have paid on account of your application for the Invitation Shares; or
- (b) in the case where the Invitation Shares have been issued and/or sold to you, the issue of the Invitation Shares is required by the Securities and Futures Act to be deemed to be void and our Company (on behalf of itself and the Vendors) is required, within 14 days from the date of the stop order, to pay to you all monies you have paid for the Invitation Shares; or
- (c) in the case where the Invitation Shares have been transferred to you, the sale of the Invitation Shares shall be deemed to be void and (i) if documents purporting to evidence title have been issued to you, our Company (on behalf of itself and the Vendors) shall, within seven days from the date of the stop order, inform you to return such documents to our Company within 14 days from that date, and within seven days from the date of

THE INVITATION

receipt of such documents (if applicable) or the date of the stop order, whichever is the later, or (ii) if no such documents have been issued to you within seven days from the date of the stop order, return to you at your own risk all monies you have paid on amount of your applications for the Invitation Shares, without interest or any share of revenue or other benefit arising therefrom.

Monies paid in respect of your application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors, the Issue Manager, the Underwriter or the Placement Agent.

This Prospectus has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and there are no other material facts the omission of which would make any statement in this Prospectus misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company, our subsidiaries and our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation, and if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendors, the directors of the Vendors, the Issue Manager, the Underwriter or the Placement Agent. Neither the delivery of this Prospectus and the Application Forms nor any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change, or a development reasonably likely to invoke a change, in the affairs of our Company or our Group or in any statement of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur and are material or are required to be disclosed by law, we will promptly make an announcement of the same to the SGX-ST and the public and, if required, lodge a supplementary or replacement document pursuant to Section 241 of the Securities and Futures Act and, subject to compliance with the Companies Act, take immediate steps to comply with the requirements of Section 241 of the Securities and Futures Act. All applicants should take note of any such announcement and, upon the release of such announcement and/or documents, shall be deemed to have notice of such changes.

Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

This Prospectus does not constitute an offer, invitation or solicitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, invitation or solicitation is unauthorised or unlawful nor does it constitute an offer, invitation or solicitation to any person to whom it is unlawful to make such an offer, invitation or solicitation.

Neither our Company, the Vendors, the directors of the Vendors, the Issue Manager, the Underwriter nor the Placement Agent is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or any other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

THE INVITATION

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, during office hours from:

DMG & Partners Securities Pte Ltd

20 Raffles Place, #22-01

Ocean Towers

Singapore 048620

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website at <http://www.sgx.com> and the Authority's OPERA website at <http://masnet.mas.gov.sg/opera/sdrprosp.nsf>.

The Application List will open at 10.00 a.m. on 6 October 2010 and will remain open until 12.00 noon on the same day or such other period or periods as our Company and the Vendors may, in consultation with the Issue Manager, Underwriter and Placement Agent, decide, subject to any limitation under all applicable laws. Where a supplementary prospectus or replacement prospectus has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary prospectus or replacement prospectus.

Please refer to Annexure A on "Terms and Conditions and Procedures for Applications" of this Prospectus for more information on the details of the procedures for application of the Invitation Shares.

3.2 DETAILS OF THE INVITATION

- Size** : 105,000,000 Invitation Shares comprising 74,911,957 New Shares and 30,088,043 Vendor Shares. The New Shares which form part of the Invitation, upon allotment and issue, will rank *pari passu* in all respects with the existing issued Shares.
- Invitation Price** : S\$0.22 for each Invitation Share.
- The Offer** : The Offer comprises an invitation by our Company and the Vendors to the public in Singapore to subscribe for and/or purchase 2,000,000 Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
- The Placement** : The Placement comprises an offering by our Company and the Vendors of 103,000,000 Placement Shares by way of placement at the Invitation Price, subject to and on the terms of this Prospectus.
- Purpose of our Invitation** : We consider that the listing and quotation of our Shares on the SGX-ST will enhance our public image locally and internationally and enable us to tap the capital markets to fund our business growth. It will also provide members of the public an opportunity to participate in the equity of our Company. The Invitation will also enlarge our capital base for continued expansion of our business.

THE INVITATION

Listing Status : Prior to the Invitation, there has been no public market for our Shares. Application has been made to the SGX-ST for permission to deal in and for the quotation of all our issued Shares and the Invitation Shares on the Official List of the SGX-ST. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. Acceptance of applications for the Invitation Shares will be conditional upon, among other things, permission being granted to deal in and for quotation of all our issued Shares and the Invitation Shares.

Our Shares will, upon their listing and quotation on the SGX-ST, be traded on the SGX-ST under the book-entry (scripless) settlement system of the CDP. Dealing in and quotation of our Shares on the SGX-ST will be in S\$. Our Shares will be traded in board lot size of 1,000 Shares on the SGX-ST.

3.3 USE OF PROCEEDS AND LISTING EXPENSES

The gross proceeds to be raised by our Company and the Vendors are approximately S\$16.5 million and S\$6.6 million respectively. The net proceeds from the issue of the New Shares (after deducting our Company's portion of the estimated listing expenses of approximately S\$2.7 million) is estimated to amount to approximately S\$13.8 million.

Our Directors intend to apply the net proceeds as follows:

- (a) approximately S\$4.6 million to expand our shiitake mushroom cultivation bases;
- (b) approximately S\$5.0 million to expand our eucalyptus plantations;
- (c) approximately S\$2.0 million to establish our own distribution and marketing network;
- (d) approximately S\$1.8 million to strengthen processing capabilities of our konjac-based processed food products; and
- (e) the balance to be used as general working capital purposes for our existing operations as well as to cater to our additional working capital requirements pursuant to our expansion.

Pending the specific deployment of the net proceeds as aforesaid, we may use the funds as working capital or invest in short-term money market instruments as our Directors may, in their absolute discretion, deem fit.

Please refer to Section 8.5 on "Business Strategies and Future Plans" of this Prospectus for more information on (a) to (e) above.

In the opinion of our Directors, no minimum amount must be raised by the Invitation.

THE INVITATION

Invitation Expenses

Save for the underwriting commission, placement commission and brokerage which will be borne by our Company and the Vendors in the proportion in which the number of Invitation Shares offered by each of them bears to the total number of Invitation Shares, all other listing expenses will be borne by our Company.

The estimated amount of expenses payable in connection with the Invitation which are borne by our Company is approximately S\$2.7 million, including the underwriting commission, placement commission, brokerage, management fees, audit and legal fees, consultancy fees, advertising and printing expenses, as well as fees payable to the SGX-ST and the Authority.

The allocation of the net proceeds raised by our Company from the issue of the New Shares for each principal intended use of proceeds, and each principal item of expenses is set out below:

Use of Net Proceeds	Estimated amount ⁽¹⁾ S\$'000	As a percentage of gross proceeds from the issue of the New Shares	Estimated amount for each dollar of the gross proceeds from the issue of the New Shares (S\$)
(a) To expand our shiitake mushroom cultivation bases	4,600	27.9%	0.28
(b) To expand our eucalyptus plantations	5,000	30.3%	0.30
(c) To establish our own distribution and marketing network	2,000	12.1%	0.12
(d) To strengthen processing capabilities of our konjac-based processed food products	1,800	10.9%	0.11
(e) For working capital purposes	400	2.4%	0.02
Expenses			
Listing fees	75	0.5%	0.01
Professional fees	1,458	8.9%	0.09
Underwriting commission, placement commission and brokerage ⁽²⁾	618	3.8%	0.04
Miscellaneous expenses	529	3.2%	0.03
Total	16,480	100.0%	1.00

THE INVITATION

Notes:

- (1) The amounts described above could potentially vary. The timing and the final amounts of disbursements to be made for the foregoing purposes will be determined by our Directors with a view of obtaining the maximum benefit for our Group. However, future developments or events, such as changes in economic or political conditions in the locations where we operate or propose to make investments or changes in or the specific expenditures for our expansion plans, among other factors, may change the use of proceeds from that described above, subject to proper and timely disclosure of such intended changes through the SGXNET. In addition, we may not be able to use the net proceeds to make certain acquisitions and/or investments identified by our Directors that require shareholders and/or regulatory approval if such approval is not forthcoming.
- (2) The Underwriter will receive an underwriting commission of 3.75% of the aggregate Invitation Price of the Offer Shares, payable by our Company and the Vendors in the proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation bears to the total number of Invitation Shares (the "Agreed Proportion"). The Placement Agent will receive an aggregate placement and brokerage commission of 3.75% of the aggregate Invitation Price of the Placement Shares, payable by our Company and the Vendors in the Agreed Proportion. Brokerage on the Offer Shares will be paid by our Company and the Vendors in the Agreed Proportion to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of the accepted Application Forms bearing their respective stamps, and to the Participating Banks in respect of the applications made pursuant to an Electronic Application through their respective ATMs or IB website, at the rate of 0.25% of the Invitation Price for each Offer Share. In addition, DBS Bank levies a brokerage at the rate of 0.5% of the Invitation Price, subject to a minimum brokerage fee of S\$10,000 that will be paid by our Company and the Vendors in the Agreed Proportion. Please refer to Section 11.3 on "Management, Underwriting and Placement Arrangements" of this Prospectus for more information.

In accordance with applicable accounting standards, a portion of the expenses (other than underwriting commission, placement commission and brokerage) incurred in connection with the Invitation will be treated as a one-time charge in our financial statements, which will affect our financial results in FY2010.

We shall announce on the SGXNET as and when the proceeds of the Invitation have been materially disbursed and provide a status report on the use of proceeds in the annual report(s) of our Company.

Net proceeds from the sale of Vendor Shares

The net proceeds attributable to the Vendors from the sale of 30,088,043 Vendor Shares, after deducting the Vendors' share of the estimated expenses in connection with the Invitation of approximately S\$0.2 million, is estimated to be approximately S\$6.4 million.

THE INVITATION

3.4 INVITATION STATISTICS

INVITATION PRICE S\$0.22

ADJUSTED NAV⁽¹⁾

Adjusted NAV per Share based on the audited combined balance sheet of our Group as at 31 December 2009 and adjusted for the conversion of redeemable convertible loan (the "Adjusted NAV"):

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| (a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 331,683,218 Shares | 10.09 cents |
| (b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 406,595,175 Shares | 11.63 cents |

Premium of Invitation Price per Share over the NAV per Share:

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------|
| (a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 331,683,218 Shares | 118.0% |
| (b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 406,595,175 Shares | 89.1% |

EARNINGS PER SHARE⁽²⁾

Historical net EPS of our Group for FY2009 based on the pre-Invitation share capital of 331,683,218 Shares	5.23 cents
------------------------------------------------------------------------------------------------------------	------------

Historical net EPS of our Group for FY2009 had the Service Agreement ⁽³⁾ been in place from the beginning of FY2009 and based on the pre-Invitation share capital of 331,683,218 Shares	5.15 cents
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

PRICE EARNINGS RATIO

Historical price earnings ratio based on the Invitation Price and the historical net EPS of our Group for FY2009	4.21 times
------------------------------------------------------------------------------------------------------------------	------------

Historical price earnings ratio based on the Invitation Price and the historical net EPS of our Group for FY2009 had the Service Agreement ⁽³⁾ been in place from the beginning of FY2009	4.27 times
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

MARKET CAPITALISATION

Market capitalisation based on the Invitation Price and post-Invitation share capital of 406,595,175 Shares	S\$89.45 million
-------------------------------------------------------------------------------------------------------------	------------------

THE INVITATION

NET OPERATING CASH FLOW⁽⁴⁾

Historical net operating cash flow per Share for FY2009 based on our Company's pre-Invitation share capital of 331,683,218 Shares 2.34 cents

Historical net operating cash flow per Share for FY2009 based on our Company's pre-Invitation share capital of 331,683,218 Shares, assuming that the Service Agreement⁽³⁾ had been in place since the beginning of FY2009 2.26 cents

PRICE TO NET OPERATING CASH FLOW RATIO

Invitation Price to historical net operating cash flow per Share for FY2009 9.39 times

Invitation Price to historical net operating cash flow per Share for FY2009, assuming that the Service Agreement⁽³⁾ had been in place since the beginning of FY2009 9.73 times

Notes:

- (1) Adjusted NAV as at 31 December 2009 is computed based on exchange rate of RMB4.86 to S\$1.00, being the closing rate as at 31 December 2009.
- (2) The earnings for FY2009 is computed based on exchange rate of RMB4.71 to S\$1.00, being the average rate for FY2009.
- (3) Had the Service Agreement been in place since 1 January 2009, our profit before income tax and total comprehensive income for FY2009 to shareholders would have been approximately RMB90.5 million and RMB80.4 million respectively.
- (4) Net operating cash flow is defined as net cash generated from operating activities which is derived from net profit after adjustments as set out in Annexure E "Independent Auditors' Report on the Audited Combined Financial Statements For The Financial Years Ended 31 December 2007, 2008 And 2009" and Annexure F "Report on Review of Unaudited Interim Financial Statements For The Three Months Financial Period Ended 31 March 2010" of this Prospectus. Net operating cash flow is calculated based on exchange rate of RMB4.71 to S\$1.00, being the average rate for FY2009.

3.5 PLAN OF DISTRIBUTION

The Invitation Price was arrived at by our Company and the Vendors after consultation with the Issue Manager, Underwriter and Placement Agent, and after taking into consideration, among others, prevailing market conditions and estimated market demand for the Invitation Shares determined through a book-building process. The Invitation Price is the same for all the Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription at the Invitation Price. The terms and conditions and procedures for applications are described in Annexure A on "Terms and Conditions and Procedures for Applications" of this Prospectus.

In the event of an under-subscription for Offer Shares as at the close of the Application List, the number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an over-subscription of the Offer Shares as at the close of the Application List and the number of Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Company and the Vendors, after consultation with the Issue Manager, Underwriter and Placement Agent, and approved by the SGX-ST.

THE INVITATION

Pursuant to the terms and conditions contained in the Management and Underwriting, and Placement Agreements as disclosed in Section 11.3 on “Management, Underwriting and Placement Arrangements” of this Prospectus, our Company has appointed the Issue Manager and the Underwriter to manage the Invitation and underwrite the Offer Shares. The Underwriter may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

Placement Shares

Application for the Placement Shares may only be made by way of an Application Form. The terms and conditions and procedures for applications are described in Annexure A on “Terms and Conditions and Procedures for Applications” of this Prospectus.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

Pursuant to the terms and conditions contained in the Placement Agreement as disclosed in Section 11.3 on “Management, Underwriting and Placement Arrangements” of this Prospectus, the Placement Agent agreed to subscribe or procure subscriptions for the Placement Shares. However, the Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers and/or purchasers of Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price to the Placement Agent or its sub-placement agents (subject to Singapore Goods and Services Tax of 7.0%, if applicable).

Subscription for and/or purchase of the Invitation Shares

None of our Directors or Substantial Shareholders intends to subscribe for and/or purchase the Invitation Shares.

Currently, we are not aware of any person who intends to subscribe for and/or purchase more than 5.0% of the Invitation Shares. However, in the process of assessing market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for and/or purchase more than 5.0% of the Invitation Shares. If such person(s) were to make an application for Shares amounting to more than 5.0% of the Invitation Shares and subsequently be allotted and/or allocated such number of Shares, we will make the necessary announcements at an appropriate time. The final allocation of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 210 of the Listing Manual.

Further, no Shares shall be allotted and/or allocated on the basis of this Prospectus later than 6 months after the date of registration of this Prospectus.

3.6 SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for our Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of our Shares

THE INVITATION

and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of our Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by us, the Issue Manager, Underwriter and Placement Agent to inform themselves of, and to observe and comply with, any relevant restrictions.

3.7 CLEARANCE AND SETTLEMENT

Upon listing and quotation on SGX-ST, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of the Shares through SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by CDP, rather than CDP itself, will be treated, under our Articles and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Account with CDP may withdraw the number of our Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument or transfer with CDP. The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer or stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on SGX-ST is payable at the rate of 0.04% of the transaction value subject to a maximum of S\$600.00 per transaction.

The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax at the prevailing rate of 7.0%.

Dealings of our Shares will be carried out in S\$ and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following Market Day.

THE INVITATION

CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

3.8 CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by our Company, our Directors, officers or employees acting on our behalf or on behalf of the Vendors that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would” and “could” or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements are only predictions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other important factors include, among others, the following:

- changes in political, social and economic conditions and the regulatory environment in the places in which we conduct our business;
- our anticipated growth strategies and expected internal growth;
- changes in competitive conditions and our ability to compete under these conditions;
- changes in currency exchange rates;
- changes in the availability and prices of raw materials we need to operate our business;
- changes in our future capital needs and the availability of financing and capital to fund these needs;
- other factors beyond our control; and
- the factors described under Section 5 on “Risk Factors” of this Prospectus.

All forward-looking statements made by or attributable to us or the Vendors, or persons acting on our behalf or on behalf of the Vendors, contained in this Prospectus are expressly qualified in their entirety by such factors. Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. Our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent are not representing or warranting to you that our actual future results, performance or achievements will be as discussed in those statements. Further, our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent disclaim any responsibility to update any of those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future.

THE INVITATION

We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure upon our admission to the Official List of the SGX-ST. In particular, pursuant to Section 241 of the Securities and Futures Act, if after the Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in the Prospectus; (b) an omission from the Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or (c) a new circumstance that has arisen since the Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in the Prospectus, if it had arisen before the Prospectus was lodged and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority.

3.9 INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for the reference of applicants:

Indicative Time and Date	Event
6 October 2010, 12.00 noon	Close of Application List
7 October 2010	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
8 October 2010, 9.00 a.m.	Commence trading on a “ready” basis
13 October 2010	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the closing of the Application List takes place on 6 October 2010, the date of admission of our Company to the Official List of the SGX-ST will be 8 October 2010, the SGX-ST’s shareholding spread requirement will be complied with and the New Shares will be issued and fully paid prior to 8 October 2010.

The above timetable and procedures may be subject to such modifications as the SGX-ST may in its discretion decide, including the commencement date of trading on a “ready” basis.

In the event of an early or extended closure of the Application List or the shortening or extension of the time period during which the Invitation is open, we will publicly announce the same:

- (a) through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (b) in a major Singapore English newspaper such as The Straits Times or The Business Times.

We will provide details of the results of the Invitation through the channels described in (a) and (b) above.

Investors should consult the SGX-ST announcement on the “ready” trading date on the Internet (at the SGX-ST website <http://www.sgx.com>), Teletext or newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.

PROSPECTUS SUMMARY

4.1 OVERVIEW OF OUR GROUP

The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus. Terms defined elsewhere in this Prospectus have the same meanings when used herein. Prospective investors should carefully consider the information presented in this Prospectus, particularly the matters set out in Section 5 on “Risk Factors” of this Prospectus before buying our Shares.

Our Group

Our Company was incorporated in Singapore on 8 February 2010 under the Companies Act as a private limited company, under the name of “Yamada Green Resources Pte. Ltd.”. On 28 September 2010, our Company was converted into a public limited company and our name was changed to “Yamada Green Resources Limited”. Upon completion of the acquisition of the entire equity interest in each of Wangcheng and Yuanwang in March 2010, we became the holding company of our Group. Our business operations in PRC are conducted through our operating subsidiaries, Wangcheng, Yuanwang and Fengwang. Further information on the Restructuring Exercise is set out in Section 6.2 on “Restructuring Exercise” of this Prospectus.

Our Business

We are a major supplier of self-cultivated shiitake mushrooms and operate one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC, which measured an aggregate of 2,614.4 mu as at the Latest Practicable Date. We have potential upstream resource sustainability through the sawdust from our eucalyptus plantations measuring approximately 20,000 mu as at the Latest Practicable Date, which we intend to utilise in the production of synthetic logs, used as the substrate for the cultivation of shiitake mushrooms.

We are also a manufacturer and supplier of processed food products such as mushrooms, and vegetable and convenience food products.

For more information on our business, please refer to Section 6.4 on “Industry and Business Overview” of this Prospectus.

Our Ownership Structure

After the Invitation, our Controlling Shareholder, namely Sanwang, will own approximately 70.12% of our Company’s post-Invitation share capital. Please refer to Section 9.2 on “Shareholding and Ownership Structure” of this Prospectus for more information.

Our Contact Details

Our registered address is 80 Raffles Place, #25-01, UOB Plaza, Singapore 048624 and our principal place of business is at Houyu Food Industry Zone, Jingxi Town, Minhou County, Fuzhou City, Fujian Province, PRC 350101 (中国福建省福州市闽侯县荆溪镇厚屿食品工业园, 邮编350101). Our telephone and fax numbers are +86-591-2262 6262 and +86-591-2262 6269, respectively.

4.2 OUR PRODUCTS

Our products may be broadly categorised into (i) self-cultivated shiitake mushrooms, and (ii) processed food products, including mushrooms, and vegetable and convenience food products (mainly konjac-based).

For more information on our business, please refer to Section 6.4 on “Industry and Business Overview” of this Prospectus.

PROSPECTUS SUMMARY

4.3 OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group's competitive strengths are as follows:

- (a) We have seasonal-complementary arrangements for the cultivation of our shiitake mushrooms;
- (b) We have established ourselves as a major supplier of self-cultivated shiitake mushrooms in Fujian Province, PRC;
- (c) Our eucalyptus plantations give us the potential upstream resource sustainability;
- (d) We have an experienced management team; and
- (e) We have a well-established network of Japanese customers with whom we enjoy strong relationships.

For more information on our competitive strengths, please refer to Section 8.4 on "Competitive Strengths" of this Prospectus.

4.4 OUR FINANCIAL PERFORMANCE

The following tables present a summary of the combined financial highlights of our Group and should be read in conjunction with Section 7 on "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Prospectus, the "Independent Auditors' Report on the Audited Combined Financial Statements For The Financial Years Ended 31 December 2007, 2008 And 2009" and the "Report on Review of Unaudited Interim Financial Statements For The Three Months Financial Period Ended 31 March 2010" set out in Annexures E and F of this Prospectus respectively.

Selected items from the Operating Results of our Group

	← FY2007	Audited FY2008	FY2009 →	← Unaudited	→ 3M2010
RMB '000					
Revenue	72,952	135,419	236,240	76,260	124,809
Gross profit	21,933	51,682	94,610	34,329	61,453
Profit before income tax	12,395	43,787	91,774	31,936	59,237
Total comprehensive income for the financial year/period	10,369	37,131	81,675	28,982	53,681
EPS (RMB cents) ⁽¹⁾	3.13	11.19	24.62	8.74	16.18
Adjusted EPS (RMB cents) ⁽²⁾	2.55	9.13	20.09	7.13	13.20

PROSPECTUS SUMMARY

Selected items from the Combined Financial Positions of our Group

	Audited As at 31 December 2009	Unaudited As at 31 March 2010
RMB '000		
Current assets	114,194	107,591
Non-current assets	54,479	131,238
Total assets	168,673	238,829
Current liabilities	14,431	70,176
Non-current liabilities	4,931	7,756
Total liabilities	19,362	77,932
Shareholders' equity	149,311	160,897
NAV per Share (RMB cents) ⁽³⁾	45.02	48.52

Notes:

- (1) For comparative purposes, EPS is calculated based on our total comprehensive income for the respective financial year/period, and the pre-Invitation share capital of 331,683,218 shares.
- (2) For comparative purposes, adjusted EPS is calculated based on our total comprehensive income for the respective financial year/period, and the post-Invitation share capital of 406,595,175 shares.
- (3) NAV per Share is computed based on the NAV as at the respective year/period, and the pre-Invitation share capital of 331,683,218 shares.

4.5 OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:

- (a) To expand our shiitake mushroom cultivation bases;
- (b) To expand our eucalyptus plantations;
- (c) To establish our own distribution and marketing network; and
- (d) To strengthen processing capabilities of our konjac-based processed food products.

Please refer to Section 8.5 on “Business Strategies and Future Plans” of this Prospectus for more information.

RISK FACTORS

Prospective investors should carefully consider and evaluate each of the following considerations and all other information set forth in this Prospectus before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions, the securities market and ownership of our Shares, including possible future sales of our Shares.

If any of the following considerations and uncertainties develops into actual events, our business, financial conditions, results of operations and prospects could be materially and adversely affected. In such cases, the trading price of our Shares could decline and you may lose all or part of your investment in our Shares. To the best of our Directors' knowledge and belief, all risk factors that are material to investors in making an informed judgement have been set out below.

This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are dependent on our major customers, in particular, those related to our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa

Our customers are mainly wholesalers of agricultural food products in PRC, PRC domestic supermarkets and overseas companies who are engaged in the food products processing and distribution industry. Our major customers, each of whom accounted for more than 5% of our sales, accounted for an aggregate of approximately 86.6%, 65.8%, 50.8% and 52.4% of our Group's sales for FY2007, FY2008, FY2009 and 3M2010, respectively. Please refer to Section 6.8 on "Major Customers" of this Prospectus for more information.

We do not enter into any long-term contract with any of our major customers. Accordingly, there is no assurance that we can continue to secure repeat orders of similar or higher volume and/or value. In the event that any of our major customers reduce or discontinue their purchases, our business and financial performance may be adversely affected if we are unable to secure sufficient additional orders to replace these lost orders.

Of the abovementioned major customers, Chen Liyan (陈丽燕) is the sister of our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa, and Deng Wenfeng (邓文锋), Luo Qiaohua (罗巧花) and Du Deming (杜德明) are related to our Executive Director and Executive Officer. Sales to these related major customers accounted for an aggregate of approximately 0.7%, 27.1%, 27.4% and 32.7% of our Group's sales for FY2007, FY2008, FY2009 and 3M2010, respectively. In the event that any of the above related major customers reduce or discontinue their purchases, our business and financial performance may be adversely affected if we are unable to secure sufficient additional orders to replace these lost orders.

We have in place a Shareholders' Mandate for sales to the above related major customers and also guidelines and review procedures which have been approved by the Audit Committee and reviewed by NRA Capital (appointed as the Independent Financial Adviser) to ensure that the sales to the above related major customers would be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and the minority Shareholders. However, in the event that notwithstanding such guidelines and review

RISK FACTORS

procedures or if such guidelines and review procedures are not complied with and the said sales are transacted on terms more favourable to the said related customers, such sales would be prejudicial to the interests of the Company and the minority Shareholders and our business and financial performance may be adversely affected especially in view that sales to these related major customers accounted for a substantial portion of our Group's sales.

Please refer to Sections 9.12 and 9.13 on "Interested Person Transactions" and "Shareholders' Mandate for the Recurrent Connected Person Transactions", respectively of this Prospectus for more information.

We are susceptible to natural disasters, adverse weather conditions and outbreak of plant-related diseases

Given the nature of our business, the operations of our shiitake mushroom cultivation bases and eucalyptus plantations are susceptible to (i) natural disasters and adverse weather conditions such as droughts, floods and earthquakes, (ii) environmental hazards and (iii) plant-related diseases. The occurrence of any of the above events in or in close proximity to our shiitake mushroom cultivation bases, eucalyptus plantations and/or the facilities of our suppliers from whom we purchase necessary raw materials used in the cultivation of our shiitake mushrooms (such as synthetic logs) could cause reduction in the output of and/or costly delays in harvesting our mushrooms and/or eucalyptus. As a result, our business and financial performance will be adversely affected.

In addition, the supply of fresh vegetables (such as bamboo shoots, radish, carrots and burdock) and semi-processed food products (such as konjac powder, canned bamboo shoots and dried shiitake mushrooms), which are the main raw materials used in the production of our processed food products, are also vulnerable to the occurrence of any of the abovementioned events. If we are not able to obtain sufficient supply of these raw materials upon occurrence of any of the abovementioned events, the production of our processed food products will be disrupted and in turn, our business and financial performance will be adversely affected.

Our financial results may fluctuate due to increases or decreases in the appraised fair value of our biological assets

We reassess the fair value of our biological assets on our eucalyptus plantations at every balance sheet date. Our annual valuations are prepared by independent valuers and the estimations are based on discounted cash flows of the underlying biological assets. In accordance with Singapore Financial Reporting Standards ("SFRS"), we recognise changes to the appraised fair value of our biological assets on our eucalyptus plantations as an increase or decrease (as applicable) in our statement of comprehensive income.

However, there is no cash flow impact arising from any fair value increase or decrease as long as the relevant eucalyptus plantations on which the biological assets are located are held by our Group. Based on our audited combined financial statements and unaudited interim financial statements, we recognised fair value gains of approximately RMB6.4 million and approximately RMB2.2 million for FY2009 and 3M2010, respectively. The increase in the appraised fair value of our biological assets may fluctuate further in the future, and our historical results should not be regarded as an indicator of the future profits of our Group. In addition, the appraised fair value of our biological assets may decrease in the future. Any decrease in the fair value of our biological assets could have a material adverse effect on our profitability, overall financial condition and results of operations.

RISK FACTORS

We are susceptible to shortages and fluctuations in the prices of our raw materials

Our raw materials purchases accounted for approximately 59.4%, 67.1%, 69.8% and 72.3% of our cost of sales for FY2007, FY2008, FY2009 and 3M2010, respectively. The main raw materials for the cultivation of our shiitake mushrooms are synthetic logs purchased from the Villagers' Committees. The main raw materials for the production of our processed food products are fresh vegetables (such as bamboo shoots, radish, carrots and burdock) and semi-processed food products (such as konjac powder, canned bamboo shoots and dried shiitake mushrooms), purchased from individual farmers and food processing companies.

Our business is therefore highly dependent on the constant and sufficient supply of these raw materials and we are also affected by adverse fluctuations in the prices of these raw materials depending on the supply and demand conditions from time to time.

Any major shortages in the supply and/or adverse fluctuations in the prices of these raw materials could reduce the output and/or result in an increase in the production costs of our self-cultivated shiitake mushrooms and/or processed food products. Such reduction in the output and/or increase in the costs (which in the event we are not able to pass on to our customers either partially or wholly) will have an adverse effect on our business and financial performance.

We are dependent on our arrangement with the Villagers' Committees

We work closely with the Villagers' Committees for the operation of our shiitake mushroom cultivation bases.

We entered into lease agreements with the respective Villagers' Committees which represent individual farmers who have the contracting operation right in respect of the agricultural lands where our shiitake mushroom cultivation bases are located. Pursuant to these agreements, we pay rent to these Villagers' Committees who are responsible for forwarding the respective portion of such rent to the relevant individual farmers. We are unable to ensure that such rent has been or will be paid by these Villagers' Committees to the rightful individual farmers who lease the respective plot(s) of farmland to us. As such, we may face proceedings or claims for unpaid rent from the individual farmers affected which may result in our business and financial performance being adversely affected. As at the Latest Practicable Date, we have not received any complaints or dispute from any of the individual farmers relating to the payment of rent. However, there is no assurance that such proceedings and/or claims may not arise in the future. In addition, notwithstanding that we have the right to renew these lease agreements with the Villagers' Committees upon their expiry, there is no assurance that the individual farmers will continue to authorise the respective Villagers' Committees to do so. In such events, if we are unable to secure new lease agreements on commercially viable terms with other individual farmers or Villagers' Committees, we may not be able to satisfy orders from our customers for our self-cultivated shiitake mushrooms, and accordingly, our business and financial performance may be adversely affected.

We also entered into various agreements with the respective Villagers' Committees, pursuant to which, among others, these Villagers' Committees shall procure the individual farmers to provide the following labour services: (i) farming (mainly including daily maintenance, harvesting, sorting, transportation, etc.); (ii) construction of cultivation tentage outer structure; and (iii) installation of shading net. In addition, we engaged the Villagers' Committees to procure individual farmers to provide maintenance services for our eucalyptus plantations.

RISK FACTORS

We do not have direct contractual relationships with the individual farmers and rely on these Villagers' Committees to oversee individual farmers' adherence to our requirements and specifications in respect of the cultivation of shiitake mushrooms and our plantation of eucalyptus. There is no assurance that the individual farmers will comply and provide the requisite labour services. In the event of such non-compliance and we are not able to obtain the alternative labour services at competitive prices or at all, our business and financial performance will be adversely affected.

In addition, we entered into agreements with the respective Villagers' Committees to purchase synthetic logs. Our purchases from these Villagers' Committees accounted for 46.6% and 45.7% of our total purchases for FY2008 and FY2009, respectively. For FY2009, of these Villagers' Committees, four are our major suppliers who each accounted for more than 5% of our total purchases and the aggregate purchases from whom accounted for 37.9% of our total purchases. There is no assurance that these Villagers' Committees will not terminate our agreements prematurely. In the event of any premature termination of our agreements with these Villagers' Committees for whatever reasons, we may not be able to purchase sufficient amount of synthetic logs that satisfy our requirements and specifications at competitive prices and as a result, our business and financial performance will be adversely affected.

Please refer to Section 6.5 on "Our Products, Production Process and Production Facilities" of this Prospectus for more information on our leasing and farming arrangements.

We may not be successful in the cultivation of shiitake mushrooms grown on synthetic logs made from eucalyptus sawdust

Currently, our shiitake mushrooms are grown on synthetic logs which are made from sawdust generated from frutex (杂木) (plants with a woody durable stem and usually smaller than a tree) and purchased from the Villagers' Committees. In order to achieve potential upstream resource sustainability, we intend to adopt the use of synthetic logs made from eucalyptus sawdust in our future cultivation of shiitake mushrooms to the extent that the output of eucalyptus sawdust generated from our eucalyptus plantations allows. We collaborated with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农业大学菌物研究中心) and in 2008, successfully developed a new strain of mycelia which has been certified by Fujian Province Agricultural Products Assessment Committee (福建省农作物品种审定委员会) to be suitable for growth on synthetic logs made from eucalyptus sawdust, with desirable output. We have, since 2008, commenced trial cultivation of shiitake mushrooms using synthetic logs made from eucalyptus sawdust on a small scale which generated an equivalent yield of self-cultivated shiitake mushrooms as compared to the other synthetic logs currently being used. Please refer to Section 6.5 on "Our Products, Production Process and Production Facilities" of this Prospectus for more information on our eucalyptus plantations.

However, due to lack of experience of using synthetic logs made from eucalyptus sawdust on a large scale, we are subject to risks such as instability or uncontrollable mutation of the mycelia strains developed for the eucalyptus sawdust and/or unfavourable climate changes which may affect the quality of the eucalyptus trees and in turn, the quality of the sawdust produced therefrom. Hence, there is no assurance that we will be able to maintain or improve the output of self-cultivated shiitake mushrooms after the implementation of full-scale cultivation using synthetic logs made from eucalyptus sawdust and we may experience unexpected decline in our revenue generated from our self-cultivated shiitake mushrooms. In such events, our business, financial position and operating results may be adversely affected.

RISK FACTORS

We are dependent on the consumer demand for our products

The sales of our products directly correlate to the end customers' demand for our products. Demand for our products depends primarily on demographic factors, consumer preferences and trends, as well as factors relating to discretionary consumer spending, including the general condition of the economy, general level of consumer confidence and seasonal factors such as weather and festivals. Any decrease in consumer demand for our products due to factors including those mentioned above may adversely affect our business and financial performance.

We may be affected by complaints and product liability claims from consumers and/or negative publicity in relation to safety of food products produced in PRC

We may, from time to time, be the subject of complaints from consumers of our products with regard to our product quality which will in turn affect our reputation. Further, our business may be adversely affected by negative publicity resulting from the publication of industry findings, research reports or health concerns in relation to the raw materials, semi-processed or processed food products from PRC. There is no assurance that there will be no complaints or negative publicity in the future. Any such complaints and negative publicity, regardless of their validity, may result in lower demand for our products and hence a decline in the number of orders which we would otherwise receive from our customers. Our business and financial performance may therefore be adversely affected.

Currently, we do not have any product liability insurance in respect of our products. Any complaints on our products which escalate to become lawsuits against us, even where unsuccessful, would require us to divert resources to address these claims. In the event of any successful product liability claims against us in the future, our liabilities in respect of such claims would inevitably affect our financial condition and operating results.

In addition, any of such complaints and negative publicity, regardless of their validity, may affect our reputation and result in lower sales of our products. In such event, our business and financial performance may be adversely affected.

We face risks associated with contamination or deterioration of our products

The contamination or deterioration of our products, whether actual or alleged, deliberate or accidental, could harm our reputation and business. A risk of contamination or deterioration exists during each stage of the cultivation of our shiitake mushrooms and the manufacturing of our processed food products. Any such contamination or deterioration could result in a recall of our products and/or criminal or civil liability and restrict our ability to sell our products. This would consequently have a material adverse effect on our business operations, financial performance, financial position and prospects.

We are subject to risks relating to the economic, political, legal or social environment of the locations to which we export our products

The export sales of our products to overseas markets accounted for approximately 92.2%, 33.2%, 27.7% and 17.9% of our total revenue for FY2007, FY2008, FY2009 and 3M2010, respectively.

Our products are exported to countries including Japan and the US. Our business, earnings, prospects, asset values and the value of our Shares may be materially and adversely affected by developments in these countries relating to various matters including inflation, interest rates, currency fluctuations, government policies (including import restrictions such as anti-dumping or "Green Barrier" policies), exchange control regulations, food industry laws and regulations, social instability and other political, legal, economic or diplomatic developments. "Green Barriers" are erected with the implementation of strict technical standards and quality certification requirements on imported goods on the grounds of the environment and public health issues.

RISK FACTORS

There is the risk that the target market countries may set up import restrictions including trade barriers to prevent or reduce the import of our products. If this risk materialises, our overseas customers may reduce their orders from us. We have no control over such conditions and developments and can provide no assurance that such conditions and developments will not have a material adverse effect on our operations or the price of or market for our Shares.

In addition to the above, a recession in the global economy could have an adverse impact on world trade and hence, the overall demand for our products which will in turn adversely affect our financial performance and results of operations. There is no assurance that the factors which have contributed to the success of our Group over the past years will continue to occur in the future. Our business performance, future plans and operations will inevitably be adversely affected if these conditions deteriorate in the future.

Any disruptions to the supply of water, electricity or fuel or any outbreak of fire, earthquake, tsunami, adverse weather conditions or other calamities may result in major disruptions in our operations and could adversely affect our sales

Our operations are dependent on a stable supply of water, electricity and fuel. Disruptions to the supply of utilities due to restrictions in supply by the relevant authorities may result in disruption to our operations. In addition, our operations may also be affected by the occurrence of calamities such as outbreaks of fire, earthquake, tsunami or similar calamities at our factories and/or cultivation bases, which would result in loss and/or damages to our production equipment, facilities, inventories and/or cultivation bases, or result in suspension of production or delay in our production process and/or cultivation. Any major disruptions to our operations may adversely affect our ability to fulfill our sales orders and adversely affect our profitability. In addition, our suppliers and customers may be affected by the foregoing and in such event, our supplies and sales will be affected respectively.

The outbreak of avian influenza and/or other communicable diseases, if uncontrolled, could affect our financial performance and prospects

The outbreak of avian influenza and/or other communicable diseases, if uncontrolled, can have an adverse effect on business sentiments and environment. In addition, if any of our employees, our customers or our suppliers, is affected by the outbreak of communicable diseases, our operations, our customers' orders and our supply of raw materials may be adversely affected. Accordingly, our sales and profitability will be materially and adversely affected.

We may be unable to source for sufficient labour

We are dependent on workers for the production of our processed food products. Due to the seasonal nature of our products, we require a large number of temporary workers, particularly during the various production periods of our different products. If we are unable to source for sufficient labour to meet our anticipated production schedules, our production activities and results of operations would be adversely affected. Please refer to Section 9.9 on "Management and Staff" of this Prospectus for more information on our staff.

We may face rising labour costs

The labour costs of our Group amounted to approximately RMB4.0 million, RMB9.7 million, RMB18.0 million and RMB9.9 million, which accounted for approximately 7.9%, 11.6%, 12.7% and 15.6% of our total cost of sales for FY2007, FY2008, FY2009 and 3M2010, respectively. The labour costs include salaries of employees and the amount paid to the Villagers' Committees for labour services in respect of (i) farming (mainly including daily maintenance, harvesting, sorting, transportation, etc.); (ii) construction of cultivation tentage outer structure; and (iii) installation of shading net. Our Group has noticed an increase in labour costs in PRC

RISK FACTORS

in the recent years and expects such increase to continue in the near future. To remain competitive, our Group may need to increase the salaries of our employees to retain and attract them, and/or increase the amount payable to the Villagers' Committees for the labour services. The increase in such costs will increase our business operation costs and our financial performance may, in turn, be adversely affected.

We operate in a highly competitive industry

We operate in a highly competitive industry and face competition from both our existing competitors and new entrants to the market.

Some of our competitors may have, in comparison to us, lower costs of operation and greater resources to invest in product development and customer support. We may also face increased competition from new competitors who seek to penetrate markets where we have established a presence. Some of our competitors may have longer operating history, larger customer bases, better products, stronger technical and professional teams and/or stronger financial resources. Please refer to Sections 8.3 on "Competition" of this Prospectus for more information on our major competitors.

Increased competition may result in lower prices, reduced profit margins, loss of market share and/or increased difficulty in market penetration, any of which could materially and adversely affect our operations and/or financial results. There is no assurance that we will be able to remain competitive and we may not compete effectively with existing or new competitors in the future and this may adversely affect our business and financial position.

We may be affected should we fail to comply with the conditions attached to our licences or permits, or in the event any of our licences or approvals are revoked, not renewed or not extended

We have obtained various licences and permits such as the Food Hygiene Licence (食品卫生许可证), the National Industrial Product Production Permit (Food Production Permit) (全国工业产品生产许可证(食品生产许可证)) and the Temporary Pollutant Discharge Permits (排放污染物临时许可证) in order to carry on the business of food production and processing in PRC. We have also obtained Organic JAS and the HACCP certificates, which are necessary for the export of our products to certain countries. Please refer to Section 6.20 on "Licences and Permits" of this Prospectus for more information.

In the event any of the above licences, permits or export certifications is revoked, not renewed or not extended, we may not be able to carry on the business of food production and processing in PRC or to export our processed food products to certain countries and this will adversely affect our business, production and financial performance. In addition, our customers may lose confidence in us and we may face a decline in the number of orders for our products.

We are subject to the credit risk of our customers

We typically grant credit terms of up to 90 days to our customers for processed food products. We are therefore exposed to payment delays and/or defaults by such customers. If our customers experience cash flow difficulties or deterioration in their business performance, they may default on their payments to us. In such event, we may experience payment delays or in more severe cases, we may not be able to collect payment. This may have an adverse impact on our profitability and cash flow. Please refer to Section 6.12 on "Credit Management" of this Prospectus for more information.

RISK FACTORS

We are exposed to foreign exchange risk

Currently, a portion of our revenue is generated from sales to overseas markets, which is mainly denominated in US\$ and JPY. In FY2009, sales denominated in US\$ and JPY accounted for 24.7% and 3.0% of our total revenue, respectively. All of our purchases and the bulk of our overheads are denominated in RMB. To the extent that our revenue, purchases and operating costs are not matched in the same currency and to the extent that there are timing differences between invoicing and the collection of payment, as the case may be, we will be exposed to any adverse fluctuations of RMB and other currencies, and our operating results may be materially or adversely affected.

Presently, we do not have a formal foreign currency hedging policy with respect to our foreign exchange exposure. Hence, we may be adversely affected by foreign exchange fluctuations which may, in turn, affect our profitability.

We may not be able to successfully implement our expansion plans

From FY2007 to FY2009, our revenue has increased at a compounded annual growth rate of 80.0%. We intend to continue to expand our business organically as well as through mergers and acquisitions when suitable opportunities arise. There is no assurance that we may be able to continue to grow or that we may be able to successfully implement our expansion plans. Mergers and acquisitions may also put excessive demands on our management, operating systems, internal control systems, finance, human resource and administrative resources. In the event that we experience any unexpected decline in our revenue growth or if we are unable to effectively manage our business expansion, our business, financial position and operating results may be adversely affected.

In addition, we intend to (i) expand our shiitake mushroom cultivation bases, (ii) expand our eucalyptus plantations, (iii) establish our own distribution and marketing network and (iv) strengthen processing capabilities of our konjac-based processed food products. Please refer to Section 8.5 on “Business Strategies and Future Plans” of this Prospectus for more information. However, we cannot assure you that our profitability will increase significantly or that we will not incur losses after this expenditure due to a potential increase in our operating costs incurred to finance our growth and expansion. This increase in operating costs without a corresponding increase in revenue will have an adverse impact on our financial performance.

We may not be able to obtain sufficient financial resources to support our business developments and/or acquire sufficient and/or additional bank loans or other borrowings

We finance our operations mainly from internally-generated funds and shareholders' funds. There is no assurance that we will be able to obtain sufficient financial resources to support our business development. In the event that we are required to pay back any of our loans or credit facilities before they are due or if we are unable to renew loans or credit facilities when their terms expire or if we are unable to get additional loans or other credit facilities, we may not be able to implement our business and operational strategies and our performance and prospects will in turn be materially affected.

Our insurance coverage may not cover all situations

We have taken up comprehensive property insurance covering our fixed assets and inventory, as well as motor vehicle insurance. However, we cannot assure you that this coverage is sufficient to cover all our Group's potential losses. In the event that the amounts of such claims exceed the insurance coverage of the insurance policies which we have taken up, we may be liable to cover the amounts claimed. If such events were to occur, our business, financial position and performance may be materially and adversely affected. Please refer to Section 6.17 on “Insurance Coverage” of this Prospectus for more information.

RISK FACTORS

We may be exposed to possible infringements of our intellectual property rights and technical know-how

Our processed food products are produced and marketed in PRC under our registered trademarks, such as , 研食坊 and 懒人厨房. We believe that our trademarks are an integral aspect of our Group's strategy on branding and play a key role in increasing brand awareness for our products. In addition we also own patents relating to packaging designs. Please refer to Section 6.16 on "Intellectual Property" of this Prospectus for more information on our intellectual property rights.

We are not aware of any violations or infringements of our intellectual property rights over the Period Under Review and as at the Latest Practicable Date. However, there can be no assurance that our intellectual property rights will not be infringed upon and that measures taken by us to protect our trademarks and patents will be adequate to prevent brand infringement, product imitation and counterfeiting by others. In the event that other parties infringe our intellectual property rights by unlawfully passing off their merchandise under our brand names, we may face great difficulties and costly litigation in order to fully protect our intellectual property rights which may in turn affect our profitability.

In the event that we are unsuccessful in policing the violation of our intellectual property rights, the availability of counterfeit goods in the market may reduce the demand for our products and this would adversely affect our brand reputation and financial performance.

In addition, we have accumulated over the years knowledge and experience in relation to the cultivation of shiitake mushrooms which is part of our proprietary technical know-how. Thus, effective protection of proprietary information and technical know-how in our operations is critical to our business. Such proprietary information is derived mainly from our R&D as well as the collaborations with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心) and Institute of Food Science and Technology, Fujian Agriculture and Forestry University (福建农林大学食品科学技术研究所). Please refer to Section 6.14 on "Research and Development" of this Prospectus for more information.

As our proprietary information and know-how are not patented, we rely on confidentiality restrictions to protect such intellectual property rights. We are thus vulnerable to unauthorised disclosure of such proprietary information to our competitors. There is no assurance that there will be no unauthorised disclosure of our proprietary information. Hence, should any of our proprietary information or technical know-how be leaked to our competitors, our business and financial performance may be adversely affected.

We may be negatively affected by political and economic uncertainties in the world

Terrorist attacks and other acts of violence or war may affect the markets in which we operate and/or where our customers have a presence, and consequently affect our business and financial performance. Such terrorist attacks or armed conflict may result in political and economic instability in such markets and thus affect the demand for our products, our production capacity and our ability to deliver our products to our customers in a timely and cost-effective manner, which could in turn affect our business and financial performance. The consequences of any of these terrorist attacks or armed conflict are unpredictable, and we are not able to foresee these events that could have an adverse effect on our business or any investment in our Company.

RISK FACTORS

We are dependent on our Executive Directors and Executive Officers

Our success to date has been largely due to the collective contribution of the senior management team, comprising our Executive Director, Chen Qisheng, and our Executive Officers, under the leadership of our Executive Chairman and CEO, Chen Qihai, who is also the founder of our Group. They are mainly responsible for formulating and implementing the general business strategies for the development, growth and future expansion of our Group. Our continued success is dependent, to a large extent, on our ability to retain their services. We do not maintain any insurance coverage for possible loss resulting from any loss of key management staff or any other types of key man insurance. As such, the loss of the services of our Executive Directors and/or Executive Officers without timely and suitable replacement or the inability to attract and retain qualified personnel will adversely affect our business, operations and our revenue and profits. Please refer to Sections 9.5, 9.6 and 9.8 on “Directors”, “Service Agreement” and “Management”, respectively, of this Prospectus for more information on our Executive Directors and Executive Officers.

Failure to comply with the food safety related laws and regulations in PRC or other jurisdictions where our products are sold

As we are engaged in the food industry in PRC, we are subject to compliance with PRC food safety laws and regulations. These food safety laws require all companies engaged in the production of food products to obtain manufacturing licences for products that they process. They also set out safety standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as safety requirements for food production and sites, facilities and equipment used for the transportation and sale of food. We are also subject to laws and regulations in other jurisdictions, such as Japan and the US, where our products are sold. Failure to comply with food safety laws in PRC or other jurisdictions where our products are sold may result in fines, suspension of operations, loss of safety licences and, in more serious cases, criminal proceedings against our Group and our management. In the event that PRC or other relevant governments increase the stringency of such laws, or implement new requirements, we may not be able to satisfy such laws or requirements, and we may have to cease sales of our products to certain jurisdictions and/or our production, and/or our distribution costs may increase, which we may not be able to pass these additional costs on to our customers. As a result, our business and financial performance will be adversely affected.

We may have to relocate from two office premises leased by Fengwang

As at the Latest Practicable Date, Fengwang leased two office premises where the lessors do not possess the relevant building ownership certificates nor any other documents evidencing their ownership of the premises or necessary authorisation to lease out the premises. As such, the lessors do not have the legal capacity to lease the premises to Fengwang and we may be required to vacate the premises.

Please refer to Section 6.18 on “Properties and Fixed Assets” of this Prospectus for more information.

King & Wood, the Legal Advisers to our Company as to PRC Law, has advised that we have the right to claim damages from the abovementioned lessors under PRC laws in the event of the abovementioned relocation.

Although we estimate our direct relocation costs to be negligible, which is approximately between RMB3,000 to RMB5,000, any relocation is also likely to involve costs that cannot be quantified or ascertained at present, such as disruption to our business operations during the relocation.

RISK FACTORS

Part of our land parcel located at Houyu Village, Jingxi Town, Fuzhou City, Fujian Province, PRC will be expropriated

As at the Latest Practicable Date, we owned the land use right of, among others, a parcel of land measuring an aggregate of 36,666.7 sq m located at Houyu Village, Jingxi Town, Fuzhou City, Fujian Province, PRC (the “Land”). Please refer to Section 6.18 on “Properties and Fixed Assets” of this Prospectus for more information.

We have, on 15 July 2010, received a preliminary notice issued by Fuzhou Ring Expressway (Minhou Section) Land Expropriation and Demolishment Office (福州绕城高速公路(闽侯段)征地拆迁指挥部) (the “Office”) that a part of the Land (which will measure approximately 12,000 sq m according to our separate communication with the Office) will be expropriated for the construction of the Fuzhou Ring Expressway (福州绕城高速公路) (the “Expropriated Land”). Pursuant to the said notice, the compensation for the Expropriated Land is to be further negotiated and agreed upon between us and the Office. As at the Latest Practicable Date, we were still in the process of negotiating with the Office and the terms of the compensation have yet to be finalised and agreed upon.

As at the Latest Practicable Date, the Expropriated Land was vacant and we did not have any plans to utilise the Expropriated Land subsequent to the Invitation. However, subject to the outcome of our negotiation with the Office on the terms of the compensation, we may be required to impair fully our land use rights pertaining to the Expropriated Land, which has a carrying amount of approximately RMB992,000 as at the end of 3M2010. In addition, the expropriation may also involve costs that cannot be quantified or ascertained at present, such as disruption to our business operations during the expropriation. In such events, our business and financial performance will be adversely affected.

RISKS RELATING TO PRC

All of our production facilities are located within PRC and the majority of our revenue is derived from PRC, as such our operations and business are dependent on the political, economic, regulatory and social conditions of PRC

All of our production facilities are located within PRC and the majority of our revenue is derived from PRC. For FY2007, FY2008, FY2009 and 3M2010, the sales in PRC accounted for 7.8%, 66.8%, 72.3% and 82.1% of our total revenue, respectively. Accordingly, our business and future growth is dependent on the political, economic, regulatory and social conditions of PRC. Any changes in the policies implemented by the PRC government that are detrimental to our business such as those that may result in currency and interest rate fluctuations, capital restrictions, and changes in duties and taxes could materially and adversely affect our operations, financial performance and future growth.

PRC’s legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines as well as judicial interpretations.

Since 1978, the PRC government has been reforming and is expected to continue to reform the rules, laws and regulations governing its economic and political systems. Any changes in the economic and political policy of the PRC government may lead to a change in the rules, laws and regulations or the interpretation of the same, as well as changes in the foreign exchange regulations, taxation and import and export restrictions, which may in turn adversely affect our co-operation and dealings with our business associates. While the current policy of the PRC government seems to be one that promotes economic reform and encourages investments and greater economic de-centralisation, there is no assurance that such a policy will continue to prevail in the future.

RISK FACTORS

We may be liable for payment of outstanding social insurance contributions for our employees and penalties

Under relevant PRC laws and regulations (including those applicable in Fujian Province), our PRC subsidiaries Wangcheng, Yuanwang and Fengwang are required to make contributions towards social insurance plans for the benefit of our PRC employees. These plans include basic pension insurance, unemployment insurance, labour injury insurance, medical insurance, maternity insurance and housing fund.

Our PRC subsidiaries have made contributions towards the social insurance plans in line with the local customary practice and the respective Administration Centres of Medical Insurance, Labour Insurance Administration Centres and the Housing Fund Administration Centres governing each of Wangcheng, Yuanwang and Fengwang have issued letters in April 2010 to respectively confirm that our subsidiaries have performed the contribution obligations required under the social insurance plans for their employees.

Notwithstanding such confirmations, an aggregate sum of approximately RMB2.1 million, RMB2.2 million, RMB2.7 million and RMB0.7 million for FY2007, FY2008, FY2009 and 3M2010, respectively, is outstanding and due from Wangcheng, Yuanwang and Fengwang for the contributions required under the social insurance plans for their employees.

As a result, we may still be required by the relevant PRC authorities to pay in full the abovementioned outstanding social insurance contributions and may be subject to late penalties at a daily rate of 0.2% for the outstanding sums which have not been paid within the timeline prescribed by the relevant PRC authorities. In such event, our business and financial performance may be adversely affected.

Changes to existing tax laws and regulations may adversely impact our profitability

Pursuant to the Notice of the State Council on Implementation of Transitional Enterprise Income Tax Incentives (国务院关于实施企业所得税过渡优惠政策的通知), our subsidiary, Yuanwang, is exempted from the state enterprise income tax, namely, the Enterprise Income Tax (企业所得税), for a period of two years from 1 January 2008 and is subject to the Enterprise Income Tax at a 50.0% reduction for the subsequent 3 years. Thereafter, Yuanwang will be subject to the Enterprise Income Tax at the rate of 25%.

Pursuant to the PRC Enterprise Income Tax Implementing Rules (中华人民共和国企业所得税法实施条例) and the PRC Value Added Tax Interim Rules (增值税暂行条例), our subsidiary, Fengwang is exempted from the Enterprise Income Tax and the value added tax for revenue deriving from the sales of self-cultivated and/or semi-processed (初级加工) agricultural products (as the case may be).

In addition, pursuant to the PRC Value Added Tax Interim Rules (增值税暂行条例), each of our subsidiaries, Wangcheng and Yuanwang enjoys export tax rebate of value added tax on purchases for revenue deriving from export of goods purchased which are deemed as self-manufactured products (视同自产产品的外购货物). The sums of such rebate amounted to RMB7.2 million, RMB4.7 million, RMB7.5 million and RMB3.6 million for FY2007, FY2008, FY2009 and 3M2010, respectively.

Notwithstanding the foregoing, any removal, loss, suspension or reduction of the aforesaid tax benefits will have an adverse impact on our Group's profitability.

RISK FACTORS

In addition, pursuant to the Avoidance of Double Taxation Agreement between Singapore and China (中华人民共和国政府和新加坡共和国政府于避免双重征税和防止偷漏税的协定) dated 11 July 2007, the dividend withholding tax rate shall not exceed 5% of the total dividends declared if the beneficial owner of the dividends is a company that holds at least 25% of the share capital of the company paying the dividend. However, there is no assurance that the PRC government and Singapore government will not further amend the above treaty. In the event that such dividend withholding tax rate increases, it may affect the amount of dividends paid out by Wangcheng and Yuanwang, and therefore our Group's financial performance may be adversely affected.

Furthermore, pursuant to the notice (the "Circular 601") dated 27 October 2009 issued by the PRC State Administration of Taxation (国家税务总局) ("SAT"), tax treaty benefits will be denied to a "conduit company" without substantial business activities, and a beneficial ownership analysis based on the "substance-over-form" principle will be adopted to determine the applicability of tax treaty benefits. As our Company is an investment holding company with no business operations, in the event that our Company is determined, under the Circular 601, not to be the beneficial owner of any dividends from Wangcheng and/or Yuanwang, such dividends would as a result be subject to a withholding tax rate of 10%, instead of 5% under the abovementioned treaty between PRC and Singapore.

On 15 December 2009, SAT released a circular (Guo Shui Han No. 698) (the "Circular 698"), which is retrospectively effective from 1 January 2008, to reinforce the taxation on off-market equity transfers by non-resident enterprises. Under the Circular 698, the PRC tax authorities have the discretion to adjust the taxable capital gains in an equity transfer, if the transfer price is deemed not to be determined on an arm's length basis between related parties. The Circular 698 also requires that, if a party in an equity transfer transaction having a withholding obligation fails or is unable to perform its withholding obligation, the non-PRC resident enterprise in that transaction shall file tax declaration within seven days of the equity transfer. The Circular 698 further provides that, where a non-resident foreign investor indirectly transfers equity interests in a PRC resident enterprise by selling the equity interests in an offshore holding company, and the latter is located in a jurisdiction where the effective tax burden is less than 12.5% or where the offshore income of its residents is not taxable, the foreign investor is required to provide the tax authority in charge of that PRC resident enterprise with the relevant information within 30 days of the transfers. Moreover, in the event a non-resident foreign investor indirectly transfers equity interests in a PRC resident enterprise in the absence of reasonable commercial purposes and uses "abusive" corporate structures to evade tax, the PRC tax authorities have the power to re-examine the equity transfer and deem it as a direct transfer of equity interests in a PRC resident enterprise by denying the existence of the offshore holding company.

Due to the short history of the Circular 698 and the absence of formal implementing rules and regulations, there is uncertainty as to the application of the Circular 698. In the event we are required to comply with the Circular 698, our tax expense may increase and/or we may have to expend valuable resources to satisfy filing and other obligations under the Circular 698. Our business and financial performance may in turn be adversely affected.

Please refer to Annexure B on "Summary of Relevant PRC Laws and Regulations" of this Prospectus for more information on the applicable tax laws and regulations in PRC.

RISK FACTORS

PRC foreign exchange controls may limit our ability to utilise our cash effectively and affect our ability to receive dividends and other payments from our subsidiaries

Our subsidiaries, Wangcheng and Yuanwang, which are FIEs, are subject to PRC rules and regulations on currency conversion. Therefore, the availability of funds to us to pay dividends to our Shareholders depends upon dividends received from Wangcheng and Yuanwang.

In PRC, the conversion of RMB into foreign currencies is regulated. Wangcheng and Yuanwang may be restricted as regards to payment of dividends by PRC laws including but not limited to PRC foreign exchange control regulations. Under PRC laws:

- (a) conversion of RMB into foreign currencies for the use of current amount items, including the distribution of dividends and profits to foreign investors of FIEs is permissible and FIEs are permitted to remit foreign currencies from their foreign currency bank accounts in PRC upon presentation of the following documents: (i) board resolutions which authorise the distribution of profits or dividends, (ii) tax payment certificate and taxation declaration form, (iii) audit report of the current year issued by PRC certified accountants, (iv) capital verification report(s), and (v) certificate of foreign exchange registration, and subject to other requirements being satisfied; and
- (b) conversion of RMB into foreign currencies for capital amount items, such as repatriation of capital, repayment of loans, and for securities investment, is still under control.

In PRC, SAFE regulates the conversion of RMB into foreign currencies. Currently, FIEs (including WFOEs) are required to apply to SAFE for “Foreign Exchange Registration Certificates for FIEs”. With such registration certification (which have to be renewed annually), FIEs are allowed to open foreign currency accounts including the “current account” and “capital account”. Currently, transactions within the scope of the “current account” (for example, remittance of foreign currencies for payment of dividends) can be effected without the approval of SAFE. However, conversion of currency in the “capital account” (for example, for capital items such as direct investments, loans and securities) requires the approval of SAFE.

Each of Wangcheng and Yuanwang has obtained its Certificate of Foreign Exchange Registration (外汇登记证). However, there is no assurance that the PRC regulatory authorities will not impose restrictions on the convertibility of RMB for FIEs. As most of our sales are denominated in RMB, any future restrictions on currency exchanges may limit our ability to utilise funds generated in PRC to fund any potential business activities outside PRC or to distribute dividends to our Shareholders.

In addition, SAFE promulgated SAFE Notice 75 which came into force on 1 November 2005 and supersedes the previous legislative framework.

Pursuant to SAFE Notice 75, if a PRC resident establishes or obtains control of a SPV, he has to obtain either:

- (a) Certificate of Foreign Exchange Registration of Overseas Investments (境外投资外汇登记证) in the case of a legal person; or
- (b) Form of Foreign Exchange Registration for Overseas Investments by Individual Domestic Resident (境内居民个人境外投资外汇登记表) in the case of a natural person,

RISK FACTORS

(both of which, shall be termed the “PRC Resident Certificate”). Further, a PRC resident is required to update his records with SAFE after he contributes assets of or share equity in a PRC enterprise of his into the SPV. For the purposes of SAFE Notice 75, “SPV” refers to a vehicle established to raise funds outside PRC (including raising funds by way of convertible debts) utilising assets of or rights to a PRC enterprise held by PRC residents (whether legal or natural persons).

A SPV can only receive funds in relation to a dividend distribution, profit distribution, liquidation, transfer of shares, or capital reduction etc. after the relevant PRC residents have obtained the PRC Resident Certificates and have updated their records with SAFE. When a material capital event occurs to an SPV, such as, an increase or decrease in its capital; a transfer of shares in the SPV; a merger or division; long-term equity or debt investment; provision of guarantee, the relevant PRC resident will have to attend to the requisite filing or updating procedure with SAFE within 30 days. SAFE Notice 75 also requires the PRC resident to repatriate, within 180 days, dividends or profits that he receives from a SPV and/or income derived from the divestment of his shareholdings in a SPV. Further, the funds raised may be repatriated and used in PRC in accordance with the plan for the use of proceeds stipulated in the prospectus or business plan. The use of such funds for re-investment into PRC, or as shareholders’ (or other) loans have to be in accordance with the relevant PRC laws and regulations. “Re-investment into PRC” means investment activities in PRC by a PRC resident through an SPV.

King & Wood, the Legal Advisers to the Company as to PRC law, has opined that Chen Qihai, our Executive Chairman and CEO, who is a PRC domestic resident holding Shares in our Company, has already complied with the registration requirements under SAFE Notice 75.

The PRC Government may impose further restrictions or requirements on the conversion of RMB by Wangcheng and Yuanwang for repatriation as dividends out of PRC, or our Company’s re-investing into PRC. As the revenue generated by Wangcheng and Yuanwang is denominated mainly in RMB, and as our Company is an investment holding company with no business operations, any future restrictions on currency exchanges may affect our ability to repatriate such revenue for the distribution of dividends to our Shareholders or for funding for our other business activities outside PRC.

Please refer to Section 7.12 on “Exchange Controls” of this Prospectus for more information. Please refer to Section 5 on “Risk Factors – Risk relating to investment in our Shares” of this Prospectus for more information.

We are subject to PRC Food Safety Law (中华人民共和国食品安全法) and PRC Law on Quality and Safety of Agricultural Products (中华人民共和国农产品质量安全法) in PRC

We are subject to PRC Food Safety Law (中华人民共和国食品安全法) and PRC Law on Quality and Safety of Agricultural Products (中华人民共和国农产品质量安全法) in PRC. Any failure by us to comply fully with such laws and regulations will result in us being subject to penalties and fines or being required to pay damages.

As at the Latest Practicable Date, we have obtained various licences and permits required by food hygiene laws and regulations in PRC, such as the National Industrial Product Production Permit (Food Production Permit) (全国工业产品生产许可证(食品生产许可证)) and the Food Hygiene Licence (食品卫生许可证). Such permits and certificates may be renewed upon expiry. Under the licensing requirements, we are subject to regular inspections by the relevant authorities in charge. There is no assurance that we will be able to maintain or obtain these approvals in future. Any failure to maintain or renew governmental licences, permits and approvals could have a material adverse effect on our business, production and operating results.

RISK FACTORS

Failure to fully comply with relevant PRC environmental laws and regulations will result in us being subject to penalties and fines, and/or result in an order being made to cease all our production activities

We are subject to the environmental laws and regulations of PRC. Failure to fully comply with such laws and regulations will result in us being subject to penalties and fines, and/or result in an order being made to cease all our production activities. We are to comply with specified standards in respect to the atmospheric and solid wastes and sewage generated during our production in accordance with the PRC environmental laws and regulations. Please refer to Annexure B on “Summary of Relevant PRC Laws and Regulations” of this Prospectus for more information. Our Group has been granted the necessary certificates by the relevant PRC environmental authorities for discharge of atmospheric and solid wastes and sewage. However, there is no assurance that the PRC government will not raise such standards in the future. Any changes in respect of the PRC environmental laws and regulations may require us to incur additional capital expenditure or costs in order to comply with such regulations. Our profits will be adversely affected if we are unable to pass on such additional costs to our customers. Any failure by us to control the use of, or adequately restrict the discharge of the atmospheric and solid wastes and sewage could also subject us to liabilities in the future.

RISKS RELATING TO INVESTMENT IN OUR SHARES

Our Executive Chairman and CEO, Chen Qihai, who would retain majority control over our Group, may limit your influence over the outcome of matters submitted to Shareholders for approval

Upon completion of the Invitation, our Substantial Shareholder, Sanwang (a company wholly-owned by our Executive Chairman and CEO, Chen Qihai) will own approximately 70.12% of our Company’s post-Invitation issued share capital. As a result, our Executive Chairman and CEO, Chen Qihai, will be able to exercise, through Sanwang significant influence over all matters requiring Shareholders’ approval, including the appointment of our directors and the approval of significant corporate transactions. He will also have veto power with respect to any shareholder action or approval requiring a majority vote except where he is required by the rules of the Listing Manual to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may not be beneficial to our Shareholders.

Commercial, statutory or legal restrictions may limit our ability to obtain dividends or other payments from our PRC subsidiaries

Our Company is an investment holding company and our main source of income is dividends derived from our PRC subsidiaries. The ability of our PRC subsidiaries to pay dividends or distribute other interests to our Company may be limited by the availability of funds and any legal or regulatory restrictions. In such event, our ability to distribute dividends to the Shareholders would be materially affected.

Our subsidiaries, operations and assets are located outside Singapore

Our subsidiaries, operations and assets are located in PRC. Our subsidiaries are therefore subject to the relevant laws in PRC. The Companies Act may provide shareholders with certain rights and protection which may not have corresponding or similar provisions under the laws of PRC. As such, investors in our Shares may or may not be accorded the same level of shareholder rights and protection that would be accorded under the Companies Act. In addition, as at the Latest Practicable Date, save for our CFO, Yang Lin, all our Executive Directors and Executive Officers were non-residents of Singapore and the assets of these persons were mainly located outside Singapore. As such, there may be difficulty for Shareholders to effect service of process in Singapore, or to enforce a judgement obtained in Singapore against any of these persons.

RISK FACTORS

We may require additional funding for our future growth, which may result in the dilution of our Shareholders' equity or restrictions imposed by additional debt fundings

Our capital requirements are dependent on, among others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our production facilities. We may thus need additional capital expenditure for mergers and acquisitions or investments. An issue of Shares or other securities to raise funds will dilute shareholders' equity interests and may, in the case of a rights issue, require additional investments by shareholders.

Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by existing investors. Dilution in Shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. In addition, any additional debt funding would increase our debt equity ratio and may restrict our freedom to operate our business as it may have conditions that:

- (a) limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- (b) increase our vulnerability to general adverse economic and industry conditions;
- (c) require us to dedicate a portion of our cash flow from operations to repayments of our debt, thereby reducing the availability of our cash flow for capital expenditures, working capital and other general corporate purposes; and
- (d) limit our flexibility in planning for, or reacting to, changes in our businesses and our industry.

If we fail in obtaining more funds to meet our requirements for our business or mergers and acquisition or investments, we may be unable to implement our future plans.

Fluctuations in exchange rate may adversely affect the value of the Company's dividends

The dividends for the Company's Shares, if any, will be declared in S\$. We will make the necessary arrangements to convert the dividends in RMB to S\$ for those investors whose Shares are held through CDP. Fluctuations in the exchange rate between the S\$ and RMB will affect, among other things, the S\$ value of the Company's dividends, if any, declared in S\$ and converted from RMB. Please refer to Section 7.14 on "Dividend Policy" of this Prospectus for more information.

Investors in our Shares will face immediate or future substantial dilution in the NAV per Share

The Invitation Price of our Shares is substantially higher than the adjusted NAV per Share of approximately 11.63 cents as at 31 December 2009, after adjusting for the Restructuring Exercise and the net proceeds from the issue of the New Shares, and based on the post-Invitation issued share capital. If we were liquidated based on our NAV immediately following the Invitation, each shareholder subscribing to the Invitation would receive less than the price they paid for their Shares. Please refer to Section 7.8 on "Dilution" of this Prospectus for more information.

RISK FACTORS

There has been no prior market for our Shares

Prior to the Invitation, there has been no public market for our Shares. There can be no assurance that an active trading market for our Shares will develop or, if developed, will be sustained, or that the market price for the Shares will not decline below the Invitation Price. Accordingly, you may be unable to sell your Shares at or above the Invitation Price. The Invitation Price may not be indicative of the market price for our Shares after the completion of this Invitation.

The prices of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in this Invitation

The market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

- (a) variations in our results of operations;
- (b) success or failure of our management team in implementing business and growth strategies;
- (c) gain or loss of an important business relationship;
- (d) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (f) changes in market valuations and share prices of companies with similar business to our Company that may be listed in Singapore;
- (g) additions or departures of key personnel;
- (h) fluctuations in stock market prices and volume; or
- (i) involvement in litigation.

GENERAL INFORMATION ON OUR GROUP

6.1 HISTORY

The history of our Group can be traced back to April 1998 when Wangcheng was established by our Executive Chairman and CEO, Chen Qiuhai as a joint venture with Saiki Shitakeichiba Co., Ltd., the predecessor of Tennen Sozai.

Prior to the establishment of Wangcheng, Chen Qiuhai was involved in the food industry as the chief representative of a Japanese company named Yamashiro-Nosan Co., Ltd. from 1994 to 1998 where he was responsible for the negotiation, procurement, inspection and coordination with exporters of food products (mainly mushrooms and bamboo shoots) from PRC (Fujian and Shandong Provinces) to Japan. As a result, Chen Qiuhai acquired detailed knowledge and technical know-how in the overall management and operation of the business of processing and export of various food products, in particular, mushrooms and bamboo shoots.

Tennen Sozai is a company incorporated in Japan and engaged in the business of food processing and distribution with a wide client base comprising companies such as Itochu Corporation and Ajinomoto Co., Inc..

Pursuant to their joint venture, Tennen Sozai injected the machinery required in Wangcheng's processing operations while Chen Qiuhai injected the necessary working capital and also took charge of the day-to-day processing operations.

Wangcheng, with the initial registered capital of US\$105,000, set up a factory with a built-in area of approximately 300 sq m located at Hongxing Industrial Park, Fuzhou City, Fujian Province, PRC with two production lines. By tapping on the business contacts of Tennen Sozai in Japan, Wangcheng commenced the production of dried shiitake mushrooms for export to Japanese customers in June 1998 and had an annual production capacity of approximately 170 tonnes by the end of 1998.

In January 1999, in anticipation of the increased market demand for bamboo shoots from Tennen Sozai's customers in Japan, Wangcheng decided to expand its product offering to include processed bamboo shoots by acquiring one production line comprising shredding and packaging machinery and equipment.

In the same year, Wangcheng leased a larger factory premises with a built-in area of approximately 6,000 sq m located at Xiushan Village, Xindian Town, Jin'an District Fuzhou City, Fujian Province, PRC and relocated its production facility to the new premises. By the end of 1999, the number of Wangcheng's employees reached approximately 130 and its annual production capacity of dried shiitake mushrooms and processed bamboo shoots increased to approximately 350 tonnes and 2,300 tonnes, respectively.

In 2000, Wangcheng expanded the range of its product offering to strengthen its position and also to meet customers' demand by acquiring four sets of machinery and equipment for the processing of water-boiled vegetable products, including carrots, radish, burdock, etc. These products were mainly sold to Wangcheng's then existing customers such as Tennen Sozai, Fujimoto, Kyosai Co., Ltd. and Kurai Seika Co., Ltd. for further distribution to the Japanese market.

The sales of Wangcheng continued to grow since its inception. To cater to the growing demand for dried shiitake mushrooms and processed bamboo shoots, in 2002, Wangcheng acquired a piece of land measuring approximately 55 mu located at Houyu Food Industry Zone, Jingxi Town, Minhou County, Fuzhou City, Fujian Province, PRC and commenced construction of a new factory with a built-in area of approximately 8,400 sq m. Following completion of the

GENERAL INFORMATION ON OUR GROUP

construction in September 2003, Wangcheng relocated the existing production facilities to the new factory. In the same year, in response to its Japanese customers' demand, Wangcheng commenced production of konjac-based processed food products by acquiring three sets of machinery and equipment housed in the new factory premises.

Due to their seasonal and perishable nature, fresh raw materials such as bamboo shoots, radish, carrots and burdock etc. purchased during their respective harvesting seasons are required to be stored in the cold storage facility for processing throughout the year. To maintain their freshness, certain finished products such as dried mushrooms are also required to be similarly stored in a temperature-controlled location. Together with the construction of the new factory, Wangcheng also constructed a new cold storage facility to cater to the increased storage requirements in line with the growth in its production capacity.

In February 2005, to ensure sufficient supply and consistency in the quality of the raw materials, Wangcheng and Sanwang (a company wholly-owned by our Executive Chairman and CEO, Chen Qiuhai) jointly established Yuanwang, which, in turn, achieved upstream capability through its acquisition of the assets of Nanping Shengfeng Food Co., Ltd. (南平盛丰食品有限公司) for the production of semi-processed bamboo shoots which are the key raw materials required in our production of processed bamboo shoots. Following the acquisition, Yuanwang obtained the processing capability of mushrooms by acquiring an additional two sets of drying machines. Yuanwang was established with a potential for future growth as it is strategically located within the proximity of established cultivation bases of bamboo shoots and mushrooms, and a developed transportation infrastructure. As at the Latest Practicable Date, Yuanwang is involved mainly in the production of semi-processed bamboo shoots.

In order to expand its product offering to include processed vegetable products which require high-temperature sterilisation in their production process, Wangcheng imported high-temperature sterilising machinery from Japan in June 2005.

By the end of 2005, the aggregate annual production capacity of Wangcheng and Yuanwang for dried shiitake mushrooms, processed bamboo shoots and fresh, dried and water-boiled vegetable products increased to approximately 420 tonnes, 3,000 tonnes and 4,000 tonnes, respectively.

In 2007, drawing on its experience in the production of processed vegetable products, Wangcheng commenced the production of convenience food products such as konjac instant noodles, pre-cooked dishes and instant porridge.

Over the years, our Executive Chairman and CEO, Chen Qiuhai observed a growing domestic demand for shiitake mushrooms as a result of the continued growth in PRC individuals' disposable income and consumers' preference for green and healthy foods including shiitake mushrooms. To capitalise on the aforesaid growing market, Chen Qiuhai decided to venture into the cultivation and sale of shiitake mushrooms.

To this end, following a successful feasibility study in 2007 conducted by Chen Qiuhai in his personal capacity, Wangcheng incorporated a wholly-owned subsidiary, Fengwang in October 2008, to undertake the cultivation of shiitake mushrooms. Thereafter, Fengwang commenced immediate operation through the lease of then existing cultivation plots measuring approximately 1,660 mu with an annual production capacity of approximately 16,000 tonnes.

In July 2008, after a series of share transfers commencing from 2006, Sanwang became the sole shareholder of Yuanwang. Similarly, in August 2008, after a series of share transfers commencing from 2001, Sanwang became the sole shareholder of Wangcheng.

GENERAL INFORMATION ON OUR GROUP

Currently, our shiitake mushrooms are grown on synthetic logs made from sawdust generated from frutex (杂木) (plants with a woody durable stem and usually smaller than a tree) which are purchased from the Villagers' Committees. In order to achieve potential upstream resource sustainability, we intend to adopt the use of synthetic logs made from eucalyptus sawdust in our future cultivation of shiitake mushrooms to the extent that the output of eucalyptus sawdust generated from our eucalyptus plantations allows. This will enable us to (i) manage and control the cultivation costs, (ii) ensure a timely and reliable supply of synthetic logs, (iii) ensure the consistency in the quality of our shiitake mushrooms, and (iv) tap on the higher yield of eucalyptus sawdust harvested from the eucalyptus plantations as compared to other types of plantations which generally have longer maturity periods.

We collaborated with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农业大学菌物研究中心) and in 2008, successfully developed a new strain of mycelia which has been certified by Fujian Province Agricultural Products Assessment Committee (福建省农作物品种审定委员会) to be suitable for growing on synthetic logs made from eucalyptus sawdust, with desirable output. In conjunction with the aforesaid and to capitalise on the new strain, in March 2009, we established our eucalyptus plantations through the acquisition of our first non-mature eucalyptus plantations measuring approximately 2,700 mu. We have, since 2008, commenced trial cultivation of shiitake mushrooms using synthetic logs made from eucalyptus sawdust on a small scale which generated an equivalent yield for self-cultivated shiitake mushrooms as compared to the other synthetic logs currently being used.

In 2009, as a result of our collaboration with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心) since 2007, we have successfully developed genetically improved mycelia that are able to adapt to the climate and environmental conditions in Fujian Province, PRC where our shiitake mushroom cultivation bases are located.

Our venture into the cultivation of shiitake mushrooms was a significant step in the expansion of our core business. As at the Latest Practicable Date, with the additional 544 mu and approximately 400 mu (operations to commence in late September 2010) cultivation plots that we leased in August 2009 and January 2010 respectively, our shiitake mushroom cultivation bases measured an aggregate of 2,614.4 mu and had an annual production capacity of shiitake mushrooms of approximately 26,000 tonnes. The sales generated from the sale of shiitake mushrooms accounted for 53.1% and 72.5% of our gross revenue for FY2009 and 3M2010, respectively. We have established ourselves as a major supplier of self-cultivated shiitake mushrooms, and operate one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC.

As at the Latest Practicable Date, with the additional 1,589 mu and approximately 15,700 mu of non-mature eucalyptus plantations that we acquired in September 2009 and January 2010 respectively, we owned eucalyptus plantations which measured an aggregate of approximately 20,000 mu and our eucalyptus plantations are expected to be mature for harvesting from 2012.

In recognition of our Group's achievement and reputation as a major supplier of self-cultivated shiitake mushrooms in Fujian Province, PRC as well as the good standing and reputation of our Executive Chairman and CEO, Chen Qiuhai, Wangcheng was invited by Fujian Province Agricultural Department (福建省农业厅) as one of the founding members when the Fujian Province Edible Fungi Association (福建省食用菌协会) was established in May 2010. Our Executive Chairman and CEO, Chen Qiuhai was appointed as the vice chairman of the association.

GENERAL INFORMATION ON OUR GROUP

6.2 RESTRUCTURING EXERCISE

The Restructuring Exercise, comprising the following steps, was undertaken by our Group in preparation for the listing of our Group on the SGX-ST:

(a) Incorporation of our Company

Our Company was incorporated in Singapore on 8 February 2010 as the holding company of our Group with an issued and paid-up share capital of S\$2.00 comprising 2 ordinary shares, which were transferred to Sanwang on 9 September 2010. The entire share capital of Sanwang is wholly-owned by our Executive Chairman and CEO, Chen Qiu Hai.

(b) Acquisitions of Wangcheng and Yuanwang

On 21 February 2010, our Company, as the purchaser, and Sanwang, as the vendor, entered into the Share Transfer Agreements, pursuant to which our Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang for a consideration of US\$4.03 million and US\$1.0 million, respectively. The above consideration was determined based on the registered and paid-up capital of each of Wangcheng and Yuanwang. The acquisitions were approved by Minhou and Pucheng Foreign Trade and Economic Cooperation Bureau and the consideration of which was satisfied by the allotment and issue of an aggregate of 307,287,505 Shares in the capital of our Company to Sanwang on 9 September 2010.

Following the completion of the above acquisitions, each of Wangcheng (and accordingly Fengwang) and Yuanwang became wholly-owned subsidiaries of our Company.

(c) Transfer of Shares to our CFO, Yang Lin

Pursuant to an employment agreement between our Company and our CFO, Yang Lin, it was provided, among others, that Yang Lin shall be entitled to receive 1,843,725 Shares representing 0.6% of the pre-Invitation share capital of our Company, prior to the conversion of redeemable convertible loan by Great Spot. On 9 September 2010, Sanwang agreed to and transferred these Shares to Yang Lin at nil consideration in satisfaction of the Company's above obligation.

(d) Extension and conversion of redeemable convertible loan by Great Spot

Pursuant to an investment agreement dated 24 June 2010 and varied on 8 September 2010, entered into between our Company, Great Spot and Chen Qiu Hai, Great Spot extended a redeemable convertible loan to our Company for an aggregate principal amount of S\$2.739 million. Great Spot shall be entitled to convert the redeemable convertible loan into such number of fully paid new Shares to be calculated based on (i) the enlarged post-Invitation share capital of the Company, (ii) 2.75 times of the fully diluted earnings per Share, and (iii) the consolidated net profit after tax of the Group for FY2009 of RMB81.675 million.

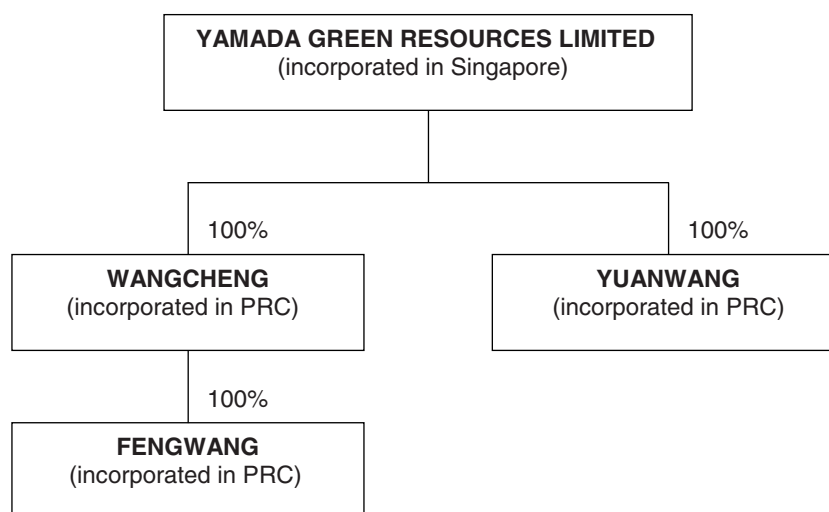
On 24 September 2010, 24,395,711 Shares were allotted and issued to Great Spot by our Company.

King & Wood, the Legal Advisers to our Company as to PRC Law, is of the view that our Group has obtained all governmental approvals from the PRC authorities for our Restructuring Exercise and is not required to obtain any additional approvals from the PRC authorities, including but not limited to the CSRC and the MOFCOM, for the Restructuring Exercise and our proposed listing on the SGX-ST.

GENERAL INFORMATION ON OUR GROUP

6.3 GROUP STRUCTURE

Our Group structure after the completion of the Restructuring Exercise and immediately before the Invitation is as follows:



Our Company currently has three subsidiaries, the details of which are set out below:

Company	Date of Incorporation / Place of Incorporation and Principal Place of Business	Principal Business	Registered Capital / Effective Interest held by our Group
Wangcheng ⁽¹⁾	14 April 1998 PRC	Production and sales of processed food products	US\$4.03 million 100%
Yuanwang ⁽²⁾	3 February 2005 PRC	Production and sales of semi-processed food products	US\$1.0 million 100%
Fengwang ⁽³⁾	7 October 2008 PRC	Cultivation and sales of shiitake mushrooms	RMB1.0 million 100%

Notes:

- (1) Wangcheng's business licence is valid until 30 March 2013.
- (2) Yuanwang's business licence is valid until 2 February 2020.
- (3) Fengwang's business licence is valid until 6 October 2028.

Save for the allotment and issue of ordinary shares in the capital of our Company pursuant to the Restructuring Exercise, there has not been any situation where more than 10.0% of our Company's capital has been paid for with assets other than in cash since its incorporation and before the date of lodgement of this Prospectus.

None of our subsidiaries is listed on any stock exchange. We do not have any associated companies. None of our Directors or Substantial Shareholders has any interest (direct or indirect) in our subsidiaries other than through our Company.

6.4 INDUSTRY AND BUSINESS OVERVIEW

Industry Overview

We believe that the consumption of shiitake mushrooms and konjac-based processed food products is driven primarily by the growth of the PRC economy, and in particular, the growing disposable income in PRC as well as the greater emphasis towards green and healthy foods.

Continuing Growth of PRC Economy and Disposable Income

According to the National Bureau of Statistics of China (“NBS”), the gross domestic product (“GDP”) of PRC grew from approximately US\$1,453.8 billion in 2002 to approximately US\$4,902.8 billion in 2009, representing a compounded annual growth rate (“CAGR”) of approximately 18.9% during that period.⁽¹⁾

Per capita GDP of PRC grew from approximately US\$1,135.4 in 2002 to approximately US\$3,655.4 in 2009, representing a CAGR of approximately 18.2% during that period.⁽¹⁾

Disposable income has been increasing in line with the economic growth. According to NBS, the annual per capita disposable income of urban households in PRC increased from US\$930.6 in 2002 to US\$2,510.9 in 2009, representing a CAGR of 15.2% during that period.⁽¹⁾

Rising disposable income has translated into increased spending power and spurred the demand for higher quality food products, as well as green and healthy foods.

Increasing Popularity of Shiitake Mushrooms and Konjac-based Processed Food Products

- Shiitake Mushrooms

Mushrooms, including shiitake mushrooms, are often considered to be a fair substitute for meat, with at least a comparable nutritional value to many vegetables. They are a good source of vitamins B, C and D, including niacin, riboflavin, thiamine, and folate, and various minerals including potassium, phosphorus, calcium, magnesium, iron and copper. Mushrooms also provide carbohydrates, but are low in fat and fibre, and contain no starch. Furthermore, mushrooms are an excellent source of high quality protein (reportedly between 19 per cent and 35 per cent).⁽²⁾

Studies suggest that the production of Shiitake mushrooms in PRC accelerated exponentially between 1985 and 1995, with an increment of 1,060% by the end of that decade.⁽³⁾ The Ministry of Agriculture of PRC reported an estimated 10% increase in total edible mushrooms output in 2007.⁽⁴⁾ Clearly, the cultivation of shiitake mushrooms remains an important agricultural industry in PRC where some 18 million farmers are actively engaged in shiitake mushroom production, fuelled by the growing global demand that has emerged in recent years.⁽⁵⁾

According to the Department of Agriculture Fujian Province (“DAFP”), in 2007 and 2008, the total output of shiitake mushrooms in Fujian Province is the highest among the four major shiitake mushrooms production provinces in PRC, namely Fujian, Zhejiang, Henan and Hubei Provinces.⁽⁶⁾

According to DAFP, the total volume of fresh shiitake mushrooms sold in PRC increased from approximately 800,080 tonnes in 2007 to approximately 1.15 million tonnes in 2009; and the total volume of fresh shiitake mushrooms sold in Fujian Province increased from approximately 130,000 tonnes in 2007 to 210,000 tonnes in 2009.⁽⁶⁾ According to DAFP, the demand for fresh shiitake mushrooms in PRC from 2010 to 2012 is forecasted to be approximately 1.38 million tonnes, 1.59 million tonnes and 1.82 million tonnes, respectively.⁽⁶⁾

- Konjac-based Processed Food Products

GENERAL INFORMATION ON OUR GROUP

Made from nature soluble fibre and water, konjac-based foods are low in carbohydrate and glycemic levels. They are manufactured into a variety of shapes, pastas and noodles, making excellent carbohydrate substitutes for people with diabetes. It is believed that konjac could cleanse the digestive tract by ridding it of irritating and poisonous substances.⁽⁷⁾

The global industry for konjac-based products is rapidly expanding due to growing demands. In Japan, the use of konjac-based products has been deeply rooted in the lives and customs of people for centuries. In PRC, according to the Konjac Association of Chinese Society for Horticultural Science, the extensive range of konjac-based products has an estimated annual worth of US\$100 million.⁽⁸⁾

Notes:

- (1) The information is derived from the website of National Bureau of Statistics of China which was accessed on 14 June 2010 (<http://www.stats.gov.cn/tjsj/ndsj/2009/indexch.htm>). National Bureau of Statistics of China has not consented to the inclusion of the relevant statement and is therefore not liable for the relevant statement under Section 253 and Section 254 of the Securities and Futures Act. Our Directors are aware that National Bureau of Statistics of China does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While our Company has taken reasonable actions to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.
- (2) Elaine Marshall and N.G. (Tan) Nair, Making Money by Growing Mushrooms, (2009) Food and Agriculture Organization of United Nations. Elaine Marshall, N.G. (Tan) Nair and Food and Agriculture Organization of United Nations have not consented to the inclusion of the relevant statement and are therefore not liable for the relevant statement under Section 253 and Section 254 of the Securities and Futures Act. Our Directors are aware that Elaine Marshall, N.G. (Tan) Nair and Food and Agriculture Organization of United Nations do not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While our Company has taken reasonable actions to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.
- (3) S. T. Chang, Phillip G. Miles and Shu-ting Chang, Mushrooms: Cultivation, Nutritional Value, Medicinal Effect, and Environmental Impact, (2004) Second Edition (Hardcover) CRC Press. S. T. Chang, Phillip G. Miles, Shu-ting Chang and CRC Press have not consented to the inclusion of the relevant statement and are therefore not liable for the relevant statement under Section 253 and Section 254 of the Securities and Futures Act. Our Directors are aware that S. T. Chang, Phillip G. Miles, Shu-ting Chang and CRC Press do not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While our Company has taken reasonable actions to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.
- (4) The information is derived from the website of Ministry of Agriculture of The People's Republic of China which was accessed on 14 June 2010 (http://english.agri.gov.cn/sa/sd/yearbook/200906/t20090625_1184.htm). Ministry of Agriculture of The People's Republic of China has not consented to the inclusion of the relevant statement and is therefore not liable for the relevant statement under Section 253 and Section 254 of the Securities and Futures Act. Our Directors are aware that Ministry of Agriculture of The People's Republic of China does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While our Company has taken reasonable actions to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.
- (5) The information is derived from the website of Entrepreneur Media, Inc which was accessed on 14 June 2010 (http://www.entrepreneur.com/tradejournals/article/159865043_2.html). Entrepreneur Media, Inc has not consented to the inclusion of the relevant statement and is therefore not liable for the relevant statement under Section 253 and Section 254 of the Securities and Futures Act. Our Directors are aware that Entrepreneur Media, Inc does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While our Company has taken reasonable actions to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.

GENERAL INFORMATION ON OUR GROUP

- (6) The information is derived from “Shiitake Mushrooms Industry Current Status and Market Trend Analysis (香菇产业发展现状和市场趋势分析)” issued by the Department of Agriculture Fujian Province on 18 June 2010. The Department of Agriculture Fujian Province has not consented to the inclusion of the relevant statement and is therefore not liable for the relevant statement under Section 253 and Section 254 of the Securities and Futures Act. Our Directors are aware that the Department of Agriculture Fujian Province does not guarantee or assume responsibility that the information on its article is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While our Company has taken reasonable actions to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.
- (7) The information is derived from the website of Cyber Colloids Ltd which was accessed on 14 June 2010 (<http://www.cybercolloids.net/library/konjac/konjac-introduction-health>). Cyber Colloids Ltd has not consented to the inclusion of the relevant statement and is therefore not liable for the relevant statement under Section 253 and Section 254 of the Securities and Futures Act. Our Directors are aware that Cyber Colloids Ltd does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While our Company has taken reasonable actions to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.
- (8) The information is derived from the website of The Konjac Association for Chinese Society for Horticultural Science which was accessed on 14 June 2010 (<http://www.konjac.org/English/ReadNews.asp?rid=449>). The Konjac Association for Chinese Society for Horticultural Science has not consented to the inclusion of the relevant statement and is therefore not liable for the relevant statement under Section 253 and Section 254 of the Securities and Futures Act. Our Directors are aware that The Konjac Association for Chinese Society for Horticultural Science does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While our Company has taken reasonable actions to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.




Business Overview

We are a major supplier of self-cultivated shiitake mushrooms and operate one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC, which measured an aggregate of 2,614.4 mu as at the Latest Practicable Date. We have potential upstream resource sustainability through the sawdust from our eucalyptus plantations measuring an aggregate of approximately 20,000 mu as at the Latest Practicable Date, which we intend to utilise in the production of synthetic logs, used as the substrate for the cultivation of shiitake mushrooms.

We are also a manufacturer and supplier of processed food products such as mushrooms, and vegetable and convenience food products.

Our products may be broadly categorised into (i) self-cultivated shiitake mushrooms (fresh produce and dried products) and (ii) processed food products, including mushrooms, vegetable and convenience food products (mainly konjac-based).

Our self-cultivated shiitake mushrooms are sold mainly to wholesalers of agricultural food products in PRC, who in turn sell our products to restaurants, supermarkets and retailers located mainly in Shanghai, and Fujian, Zhejiang, Jiangsu and Guangdong Provinces, PRC.

Our processed food products are produced and marketed under our registered trademarks such as ,  and  and sold in major cities such as Shanghai, and Xiamen in Fujian Province, PRC, and Shenzhen and Guangzhou in Guangdong Province, PRC. We also export our processed food products to overseas markets, mainly Japan and the US.

GENERAL INFORMATION ON OUR GROUP

Our processed food products are distributed and sold to (i) PRC consumers mainly through supermarkets, and (ii) overseas markets such as Japan and the US, through Tennen Sozai and Fujimoto who are established players in the food products processing and distribution industry in Japan, and JFC International Inc from the US.

6.5 OUR PRODUCTS, PRODUCTION PROCESS AND PRODUCTION FACILITIES

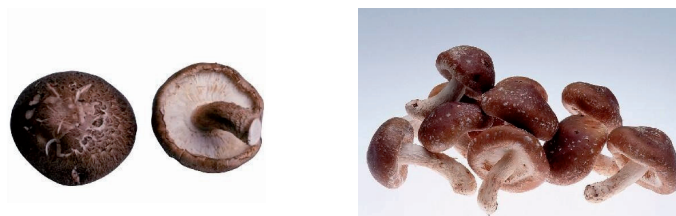
Our Products

Our product offering may be broadly categorised as follows:

- *Self-cultivated shiitake mushrooms*

Most of the shiitake mushrooms grown at and harvested from our cultivation bases are sold as fresh produce. The remaining mushrooms undergo further processing before being sold as dried products.

Samples of our self-cultivated shiitake mushrooms are as follows:



Sales of our self-cultivated shiitake mushrooms constituted 37.3%, 53.1% and 72.5% of our total revenue for FY2008, FY2009 and 3M2010, respectively.

- *Processed food products*

We use various types of fresh vegetables (such as bamboo shoots, carrots, radish and burdock) and semi-processed food products (such as dried shiitake mushrooms, canned bamboo shoots and konjac powder) purchased from our suppliers to manufacture processed vegetable products. We also produce convenience food products including konjac instant noodles, pre-cooked dishes and instant porridge.

Different processing techniques will be employed in accordance with our customers' requirements and specifications in respect of our processed food products.

GENERAL INFORMATION ON OUR GROUP

Samples of our processed food products are as follows:



Dried shiitake mushrooms (julienned)
(菇丝)



Dried shiitake mushrooms (1/4 cut)
(香菇1/4剪)



Dried carrot (strips)
(干制胡萝卜)



Water-boiled konjac
(水煮魔芋)



Konjac noodles (stringed)
(魔芋丝结)



Water-boiled bamboo shoots (sliced)
(笋片)

Sales of processed food products constituted 100.0%, 62.7%, 46.9% and 27.5% of our total revenue for FY2007, FY2008, FY2009 and 3M2010, respectively.

The following table sets out the breakdown of our revenue by business segment for the Period Under Review:

	Revenue by Business Segment							
	FY2007		FY2008		FY2009		3M2010	
	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%
Self-cultivated shiitake mushrooms	—	—	50,520	37.3	125,478	53.1	90,495	72.5
Processed food products	72,952	100.0	84,899	62.7	110,762	46.9	34,314	27.5
Total	72,952	100.0	135,419	100.0	236,240	100.0	124,809	100.0

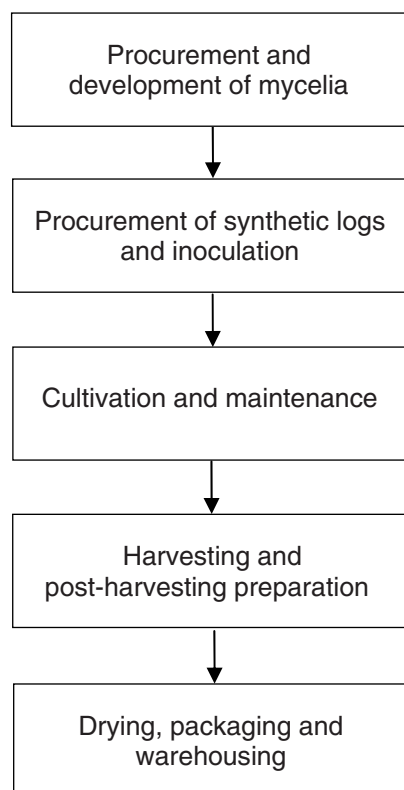
GENERAL INFORMATION ON OUR GROUP

Production Process

- *Self-cultivated mushrooms*

The following chart illustrates the main phases in the production of self-cultivated shiitake mushrooms:

Self-cultivated shiitake mushrooms



- Procurement and development of mycelia

The genetic characteristics of mycelia used in the cultivation of shiitake mushrooms determine, to a large extent, the quality and yield of the mushrooms. We commenced the cultivation of our shiitake mushrooms in late September 2008 by using mycelia purchased from Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心), with whom, we have also entered into a collaboration agreement in December 2007 to jointly develop shiitake mushroom mycelia that are able to adapt to the climate and water conditions in Fujian Province, PRC, where our cultivation bases are located. As a result of such collaboration, in 2009, we have successfully developed genetically improved mycelia which are since used in the cultivation of our shiitake mushrooms.

- Procurement of synthetic logs and inoculation

Synthetic logs are the substrate on which shiitake mushrooms grow. Currently, our shiitake mushrooms are grown on synthetic logs made from sawdust generated from frutex (杂木) (plants with a woody durable stem and usually smaller than a tree) which are purchased from the Villagers' Committees. We have entered into agreements with the respective Villagers' Committees, pursuant to which, among others, these Villagers' Committees shall procure individual farmers to produce synthetic logs in accordance with our quality requirements and specifications. We provide shiitake mushroom mycelia for the individual farmers to inoculate into the synthetic logs for propagation. Our technical staff will provide technical training and guidance to the individual farmers and conduct quality checks on the synthetic logs to be purchased.

GENERAL INFORMATION ON OUR GROUP

In order to achieve potential upstream resource sustainability, we intend to adopt the use of synthetic logs made from eucalyptus sawdust in our future cultivation of shiitake mushrooms to the extent that the output of eucalyptus sawdust harvested from our eucalyptus plantations allows. This will enable us to (i) manage and control the cultivation costs, (ii) ensure a timely and reliable supply of synthetic logs, (iii) ensure the consistency in the quality of our shiitake mushrooms, and (iv) tap on the higher yield of eucalyptus sawdust harvested from the eucalyptus plantations as compared to other types of plantations which generally have longer maturity periods.

In conjunction with the aforesaid, in March 2009, we established our eucalyptus plantations through the acquisition of our first non-mature eucalyptus plantations which measured approximately 2,700 mu. In September 2009 and January 2010, we acquired 1,589 mu and approximately 15,700 mu of non-mature eucalyptus plantations, respectively. As at the Latest Practicable Date, we had eucalyptus plantations which measured an aggregate of approximately 20,000 mu and our eucalyptus plantations are expected to be mature for harvesting from 2012.

- Cultivation and maintenance

Synthetic logs that have passed our quality checks will be sent to the fields for cultivation. As part of the arrangements, we have engaged the Villagers' Committees to procure individual farmers to provide farming services, mainly including daily maintenance, harvesting, sorting and transportation of the shiitake mushrooms. Throughout the growing process of shiitake mushrooms, individual farmers are required to closely control and monitor conditions such as temperature, humidity, ventilation and lighting. In addition, our cultivation bases management and technical employees will also provide necessary technical support to the individual farmers to ensure compliance of our quality and quantity requirements and specifications on the shiitake mushrooms.

- Harvesting and post-harvesting preparation

During harvesting, shiitake mushrooms are manually harvested from the synthetic logs and sorted for sale as fresh produce or for further processing into dried products. Harvested shiitake mushrooms to be sold as fresh produce will be delivered directly to and/or collected by our customers. The remaining will be sold as dried products after undergoing a drying process.

After harvesting, the synthetic logs will be prepared for the growing of subsequent flushes of shiitake mushrooms. Generally, four to five flushes of shiitake mushrooms can be harvested from the same synthetic logs before they are replaced.

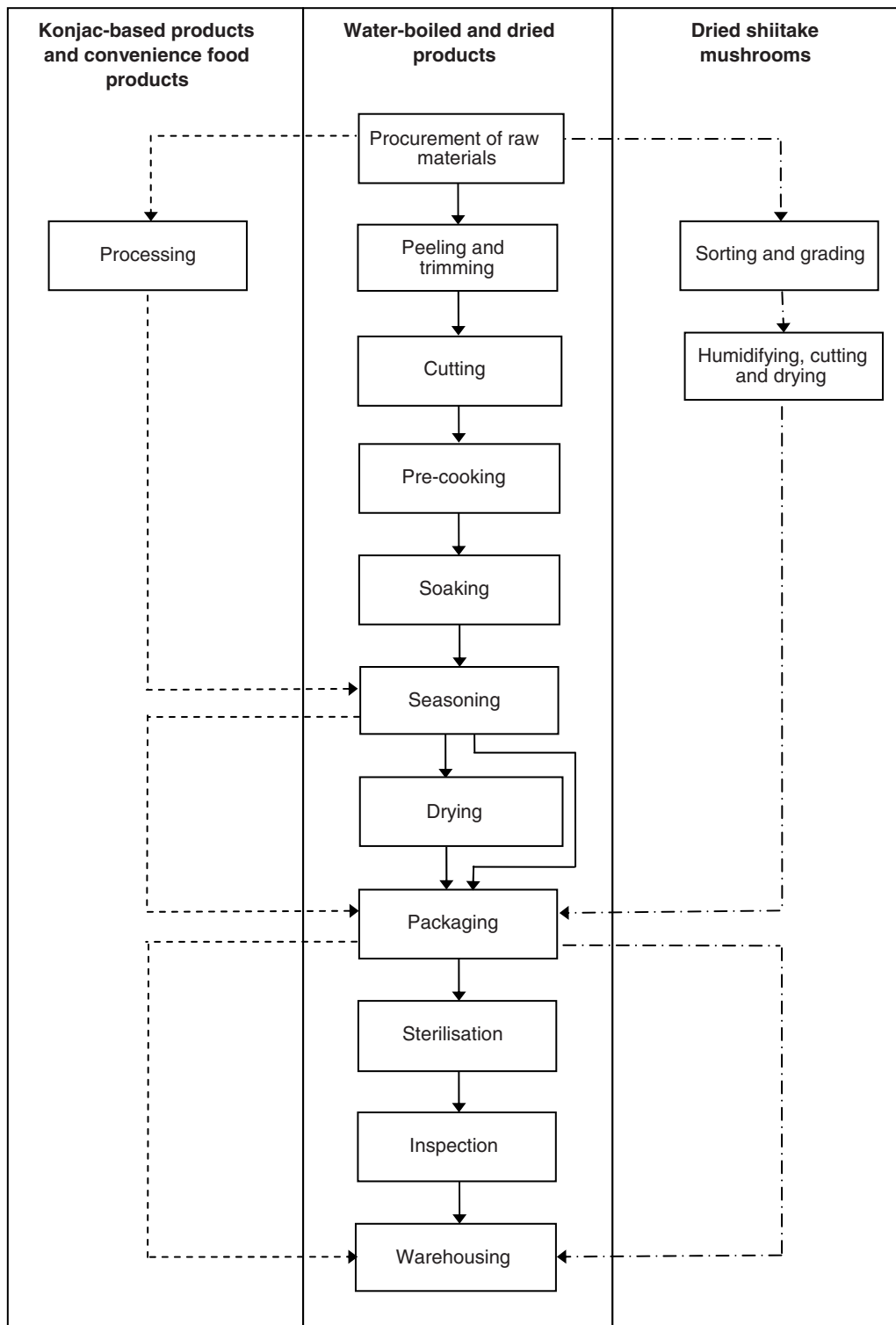
- Drying, packaging and warehousing

Shiitake mushrooms that have undergone sun and thermal drying process will be packed, labelled and stored for subsequent delivery to and/or collection by our customers.

GENERAL INFORMATION ON OUR GROUP

- *Processed food products*

The following chart illustrates the main phases in the production of processed food products:



- > Production process applicable for konjac-based products and convenience food products
- > Production process applicable for water-boiled and dried products
- > Production process applicable for dried shiitake mushrooms

GENERAL INFORMATION ON OUR GROUP

Water-boiled and dried products

- Procurement of raw materials

Upon receiving seasonal or annual indicative orders from our customers, we place corresponding seasonal or annual indicative orders with our suppliers of raw materials, including (i) individual farmers for fresh vegetables such as bamboo shoots, radish, carrots and burdock; and (ii) food processing companies for other raw materials such as semi-processed food products including canned bamboo shoots. Actual quantity and delivery schedule of our purchases will be based on subsequent order confirmation from our customers.

We are involved in the farming process of the fresh vegetables to be purchased. When we place our indicative orders, individual farmers are informed of our requirements as to quantity and quality. We also provide technical support and guidance to individual farmers to ensure compliance with our quantity and quality requirements. Individual farmers are also constantly monitored so that we can keep track of the farming process.

The raw materials purchased will be despatched to our processing plants. Upon their arrival, our quality assurance team will conduct quality checks on samples of the raw materials for compliance with our requirements and also for residual pesticide. To maintain freshness, vegetables purchased will be stored in our cold storage facility.

We have established long standing relationships with most of our suppliers, and we will continually assess existing suppliers and select new suppliers based on factors such as quality of raw materials supplied, timeliness of the delivery and pricing.

- Peeling and trimming

The vegetables are peeled and trimmed in accordance with the desired size and graded. This is an essential part of the quality control process which is further enhanced by another round of sampling checks for defects by our quality control team.

- Cutting

The vegetables are then sent for manual or machine cutting in accordance with the desired shape and size.

- Pre-cooking

Thereafter, the raw materials are pre-cooked by boiling in plain water. Our quality team checks the temperature of the boiling water and also checks samples of the pre-cooked products.

- Soaking

The water-boiled vegetables are then soaked in pH-controlled water to complement the sterilisation process.

- Seasoning

The vegetables are then seasoned according to various flavours and other specification and requirements.

- Drying

Those to be sold as dried vegetable products will undergo a drying process. The other products will be sent for packaging after seasoning.

GENERAL INFORMATION ON OUR GROUP

- Packaging

The vegetables are packed into the respective packaging materials.

- Sterilisation

The packed vegetable products are sterilised either in normal or high temperature sterilising machine, depending on quality requirements and specifications.

- Inspection and warehousing

The sterilised packages are then inspected by our quality assurance team and products that pass the final inspection will be labelled and stored in our warehouse for subsequent distribution to our customers.

Konjac-based products and convenience food products

- Procurement of raw materials

We purchase raw materials such as konjac powder, seaweed powder, fresh vegetables, rice and plaster of paris for the production of convenience food products, such as konjac instant noodles, pre-cooked dishes and instant porridge.

We carefully select the suppliers of raw materials based on factors such as consistency in quality, pricing, reliability, reputation, track record and their ability to meet required delivery schedules.

- Processing

For konjac-based products, the konjac powder will be mixed with water and other necessary ingredients into a paste in accordance with our formulae. Depending on the requirements, the premix will be stringed and then cooked, or cooked then cooled into blocks.

For pre-cooked dishes and instant porridge, the respective raw materials and ingredients will be mixed, thereafter undergoing a cooking process.

- Seasoning

Konjac instant noodles, pre-cooked dishes and instant porridge will be seasoned according to desired flavours using various condiments.

The products will be inspected by our quality assurance team for compliance with our quality specifications and requirements.

- Packaging and warehousing

The finished products will be packed and labelled. A final inspection will be conducted on the packed and labelled products before they are sent for warehousing for subsequent distribution to our customers.

Dried shiitake mushrooms

- Procurement of raw materials

Upon receiving seasonal or annual indicative orders from our customers, we place corresponding seasonal or annual indicative orders mainly with individual farmers from Zhejiang, Henan and Fujian Provinces, PRC, who are our suppliers of dried shiitake mushrooms. Actual quantity and delivery schedule of our purchases will be based on subsequent order confirmation from our customers.

GENERAL INFORMATION ON OUR GROUP

We are involved in every step of the farming process of the shiitake mushrooms to be purchased. When we place our indicative orders, individual farmers are informed of our requirements as to quantity and quality. We also provide technical support and guidance to individual farmers to ensure compliance with our quantity and quality requirements. Individual farmers are also closely monitored so that we can keep track of the farming process.

The harvested shiitake mushrooms will undergo a drying process by the individual farmers before being despatched to our processing plants. Upon their arrival, our quality assurance team will conduct quality checks on the sample. To maintain freshness, dried shiitake mushrooms purchased will be stored in our cold storage facility.

- Sorting and grading

The purchased dried shiitake mushrooms will be sorted and graded manually by our production staff and/or by the sorting machine in accordance with the requirements in respect of their shape and dimension.

- Humidifying, cutting and drying

The dried shiitake mushrooms will then undergo a humidifying process which will facilitate the subsequent cutting process and minimise wastage.

The humidified dried shiitake mushrooms will be cut into dices, shreds and/or slices by the cutting machines and then placed in a drying machine to substantially remove moisture from the mushrooms so as to achieve longer shelf lives.

- Packaging and warehousing

The finished products will be packed and labelled. A final inspection will be conducted on the packed and labelled products before they are sent for warehousing for subsequent distribution to our customers.

In addition to the aforementioned steps, we conduct quality control checks at various stages of the production process. Please refer to Section 6.10 on “Quality Assurance” of this Prospectus for more information.

Our Shiitake Mushroom Cultivation Bases

We are a major supplier of self-cultivated shiitake mushrooms and operate one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC, which measured an aggregate of 2,614.4 mu as at the Latest Practicable Date.

Site Selection

We consider the location of our cultivation bases to be crucial to the quality and quantity of our self-cultivated shiitake mushrooms. In particular, the cultivation of shiitake mushrooms requires steady and sufficient supply of pollution-free water. Thus, we take into consideration the following main factors when selecting the locations for our shiitake mushroom cultivation bases:

1. an optimal, pollution-free environment that is of a desired distance from village residences;
2. a location that facilitates irrigation, usually a small valley or similar geological structure surrounded by mountains;

GENERAL INFORMATION ON OUR GROUP

3. a steady and sufficient supply of pollution-free water; and
4. connected and open plain fields that facilitate management of the farming activities.

Leasing Arrangements

Upon selection of the intended sites for our cultivation base, we negotiate and enter into lease agreements with the respective Villagers' Committees which represent individual farmers who have the contracting operation rights in respect of the agricultural lands where the intended sites are located. We also verify the individual farmers' certificates evidencing their contracting operation rights before we enter into these lease agreements. The signing of the lease agreements is witnessed by Zhangping City Xi'nán Town Agricultural Contracting Right Management Committee (漳平市溪南镇农业承包合同管理委员会) and Zhangping City Xianghu Town Agricultural Contracting Right Management Committee (漳平市象湖镇农业承包合同管理委员会) and copies of the signed agreements are filed with the same agencies.

The term of these lease agreements is usually for a period of 20 years (from September to April of each year), subject to the remaining tenure of the contracting operation rights attached to the agricultural lands. Upon expiry of the tenure, we have the first right to renew these lease agreements on same terms. Please refer to Section 5 on "Risk Factors – We are dependent on arrangement with the Villagers' Committees" of this Prospectus for more information. We generally make advance payment of a sum of approximately 14 years' rental at the commencement of the lease.

It is provided in the lease agreements that, *inter alia*, the agreements may be terminated under the following circumstances:

1. if both parties agree upon consultation, provided that the termination of the agreements will not put the interest of the state, collective organisations, or third parties in jeopardy;
2. if there is a material change in the legal or regulatory regime under which the agreements were entered into; and
3. in the event of force majeure (natural disasters, or land expropriation by the state or collective organisations, etc.), causing the performance of the agreements to be impossible.

In addition, our Group may unilaterally terminate the agreements in the event of unlawful intervention of our business operations and/or utilisation or occupation of the leased agricultural lands by any Villagers' Committees.

Pursuant to the lease agreements, in the event of any breach (for example, pre-mature termination of the agreements by the Villagers' Committees other than in the event of expropriation), the breaching party shall keep the other party indemnified against losses incurred and pay a penalty equivalent to 5% of the annual rental of the leased agricultural lands.

In the event of land expropriation, our Group is entitled to exchange the leased agricultural lands for other lands measuring the same area as agreed between the parties, or, a refund of the deposit paid in connection with the leased agricultural lands and a compensation calculated at a rate of RMB7,000 per mu.

GENERAL INFORMATION ON OUR GROUP

Details of geographical location of our shiitake mushroom cultivation bases and salient terms of the relevant lease agreements are summarised below:

No	Location	Lessor	Gross Area (mu)	Actual Start Date	Period Paid for	Upfront Rental Payment as at the Latest Practicable Date (RMB '000)	Annual Rental (RMB)
1	Changrong Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Changrong Village, Xi'nan Town, Zhangping City	507	25 September 2008	25 September 2008 to 24 September 2022	3,549	253,500
2	Xialin Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Xialin Village, Xi'nan Town, Zhangping City	351	25 September 2008	25 September 2008 to 24 September 2022	2,457	175,500
3	Xiaotan Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Xiaotan Village, Xi'nan Town, Zhangping City	316	25 September 2008	25 September 2008 to 24 September 2022	2,212	158,000
4	Guankeng Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Guankeng Village, Xi'nan Town, Zhangping City	411	25 September 2008	25 September 2008 to 24 September 2022	2,877	205,500
5	Guankeng Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Guankeng Village Xi'nan Town, Zhangping City	254	25 September 2009	25 September 2009 to 24 September 2023	1,778	127,000
6	Shangban Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Shangban Village, Xi'nan Town, Zhangping City	84.5	25 September 2008	25 September 2008 to 24 September 2022	591.5	42,250
7	Shangban Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Shangban Village, Xi'nan Town, Zhangping City	84	25 September 2009	25 September 2009 to 24 September 2023	588	42,000
8	Langche Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Langche Village, Xi'nan Town, Zhangping City	206	25 September 2009	25 September 2009 to 24 September 2023	1,442	103,000

GENERAL INFORMATION ON OUR GROUP

No	Location	Lessor	Gross Area (mu)	Actual Start Date	Period Paid for	Upfront Rental Payment as at the Latest Practicable Date (RMB '000)	Annual Rental (RMB)
9	Nanbing Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Nanbing Village, Xi'nan Town, Zhangping City	125.5	12 January 2010	12 January 2010 to 15 September 2021	878.5	75,300
10	Yangmei Village, Xianghu Town, Zhangping City, Fujian Province, PRC	Villagers' Committee of Yangmei Village, Xianghu Town, Zhangping City	275.4	12 January 2010	12 January 2010 to 15 September 2021	1,927.8	165,240

Farming Arrangements

The cultivation and harvesting seasons of our self-cultivated shiitake mushrooms usually last from late September to April. During these seasons, we engage the respective Villagers' Committees to procure individual farmers to provide farming services, mainly including daily maintenance, harvesting, sorting and transportation of the shiitake mushrooms.

In addition, during the rest of the year, we also obtain workforce through these Villagers' Committees in respect of (i) processing of synthetic logs used in the cultivation of shiitake mushrooms, (ii) construction of cultivation tentage outer structure and (iii) installation of shading net.

As a result of such seasonal complementary arrangements, we do not have to maintain a large number of full-time employees for farming activities and are therefore able to minimise our labour costs and increase profitability of our self-cultivated shiitake mushrooms.

A summary of the total land area of our shiitake mushroom cultivation bases and the output/sales of our self-cultivated shiitake mushrooms for the Period Under Review is as follows:

	FY2008	FY2009	3M2010
Land area of our shiitake mushroom cultivation bases as at the end of the respective periods (mu)	1,669.5	2,213.5	2,614.4
Output of our self-cultivated shiitake mushrooms (tonnes)	9,061	21,618	13,838
Sales of our self-cultivated shiitake mushrooms (RMB '000)	50,520	125,478	90,495
Sales of our self-cultivated shiitake mushrooms as a percentage of our total revenue (%)	37.3	53.1	72.5

GENERAL INFORMATION ON OUR GROUP

Our Eucalyptus Plantations

Currently, our shiitake mushrooms are grown on synthetic logs made from sawdust generated from frutex (杂木) (plants with a woody durable stem and usually smaller than a tree) which are purchased from the Villagers' Committees. In order to achieve potential upstream resource sustainability, we intend to adopt the use of synthetic logs made from eucalyptus sawdust in our future cultivation of shiitake mushrooms to the extent that the output of eucalyptus sawdust harvested from our eucalyptus plantations allows. This will enable us to (i) manage and control the cultivation costs, (ii) ensure a timely and reliable supply of synthetic logs, (iii) ensure the consistency in the quality of our shiitake mushrooms, and (iv) tap on the higher yield of eucalyptus sawdust harvested from the eucalyptus plantations as compared to other types of plantations which generally have longer maturity periods.

We have collaborated with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心) and successfully developed a new strain of mycelia which has been certified by Institute of Food Science and Technology, Fujian Agriculture and Forestry University (福建农林大学食品科学技术研究所) to be suitable for growing on synthetic logs made from eucalyptus sawdust, with desirable output. In conjunction with the aforesaid and to capitalise on the new strain, we established our eucalyptus plantations to ensure reliable supply of synthetic logs to be used in our future cultivation of shiitake mushrooms. As at the Latest Practicable Date, we had eucalyptus plantations which measured an aggregate of approximately 20,000 mu and our eucalyptus plantations are expected to be mature for harvesting from 2012.

The locations of the plantations are carefully selected taking into consideration suitability of water, soil and environmental conditions for the growth of eucalyptus, as well as their accessibility. The selection and sourcing of such plantations are undertaken by our staff through physical inspections during their site visits.

Upon selection of the plantations, we will negotiate and enter into forest acquisition and forestry land use rights transfer agreements with (i) the individual farmers who have the ownership of the forest and the contracting operation rights to the forestry lands, and (ii) their respective Villagers' Committees. Such acquisitions and transfers will have to be approved by representatives from these Villagers' Committees and the local government, and also registered and filed with the local forestry land bureau.

In addition, we also engaged the respective Villagers' Committees to procure individual farmers to provide maintenance services for our eucalyptus plantations.

Our eucalyptus plantations, the current average age of which is two to three years, are generally expected to reach commercial maturity when in their seventh to eighth year. However, some eucalyptus trees may be harvested by the fifth year, depending on factors such as climate and soil conditions. The production period during which the eucalyptus trees can be harvested is approximately three years from their commercial maturity.

Details of geographical location of our eucalyptus plantations and salient terms of the relevant acquisition and transfer agreements are summarised below:

No	Location	Forest Rights Certificate Issuing Authority	Gross Area (mu)	Tenure
1	Xiahe Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	People's Government of Zhangping City and Forestry Bureau of Zhangping City	1,768	1 April 2009 to 31 March 2034

GENERAL INFORMATION ON OUR GROUP

No	Location	Forest Rights Certificate Issuing Authority	Gross Area (mu)	Tenure
2	Changrong Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	People's Government of Zhangping City and Forestry Bureau of Zhangping City	955	1 April 2009 to 31 March 2034
3	Xi'nan Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	People's Government of Zhangping City and Forestry Bureau of Zhangping City	1,589	1 October 2009 to 30 September 2034
4	Wulao Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	People's Government of Zhangping City and Forestry Bureau of Zhangping City	1,689	11 January 2010 to 18 May 2044
5	Guankeng Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	People's Government of Zhangping City and Forestry Bureau of Zhangping City	2,240	8 January 2010 to 10 November 2054
6	Xiaotan Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	People's Government of Zhangping City and Forestry Bureau of Zhangping City	11,119	7 January 2010 to 1 January 2054
			675	7 January 2010 to 19 February 2054

Environmental Protection Initiatives

We are mindful of the impact that our business operations may have towards the environment surrounding us. We have therefore put in place environmental protection policies and strive to operate in harmony with nature.

Sustainable Plantation Management Policy

We have adopted a sustainable plantation management policy in the maintenance and harvesting of our eucalyptus plantations.

Nearer to the maturity of the first batch of our eucalyptus in 2012, we intend to engage the Villagers' Committees to procure individual farmers to provide services to harvest mature eucalyptus from our plantations, process the harvested eucalyptus into sawdust and manufacture synthetic logs using such sawdust. Meanwhile, we also intend to acquire machinery to establish our own capability to process sawdust and manufacture synthetic logs as a supplement.

Eucalyptus trees of the same species as ours generally require approximately seven to eight years from seeding to harvesting. During harvesting, the trunk of matured eucalyptus trees will be cut down for further processing into sawdust, leaving a short stub including the roots. The roots of eucalyptus trees remain unharmed in the process and the strongest branch nearest to the ground will be preserved and this branch will grow into the second generation of the tree and be ready for harvesting in another seven to eight years' time. Depending on the condition of the trees, a third generation may be possible from the same root. Otherwise, the tree stubs will be left to decompose, while new trees will be planted.

GENERAL INFORMATION ON OUR GROUP

Under our sustainable plantation management policy, management will ensure, through a planned schedule, that harvesting of trees takes place in stages and may be carried out across various plantations such that the requisite time is provided for the subsequent generations of tree to re-grow and mature before the cycle is repeated. This also ensures for a continuous harvesting schedule and hence a sustainable yield of eucalyptus wood. Also, as part of the considerations taken into account when purchasing new eucalyptus plantations, we will ensure that the age of the trees on the target plots compliments those of the existing plots so as to ensure that we are able to harvest them in a scheduled manner. It is also our policy to ensure that new trees are planted on barren plots not more than three months after harvest of the previous batch of trees so as to prevent soil erosion.

Zero Fertiliser

As part of our environmental protection initiatives and for the purposes of ensuring the natural taste of our self-cultivated shiitake mushrooms, we do not use fertilisers in the cultivation of our shiitake mushrooms.

As a testimony of our above efforts, we have received the certificate of “Organic Product” for fresh self-cultivated shiitake mushrooms. Please refer to Section 6.9 on “Awards and Accolades” of this Prospectus for more details.

Natural Irrigation

We select locations such as mildly sloping small valleys or similar geological structures surrounded by mountains to establish our shiitake mushroom cultivation bases which allow us to irrigate our shiitake mushroom cultivation bases using water flowing naturally down the slope from the surrounding mountains. The irrigation system in our cultivation bases is built with furrows located between the rows in the field where the synthetic logs are placed. Irrigation water flows along the furrows down the slope throughout the field. The irrigation system of our cultivation bases is customised to receive the abovementioned water from natural sources for irrigation while minimising the impact towards the natural flow of the water as a result of such irrigation.

Please refer to Section 6.5 on “Our Products, Production Process and Production Facilities – Our Shiitake Mushroom Cultivation Bases” and Section 9.15 on “Corporate Governance – Corporate Social Responsibility” of this Prospectus for more information.

Cultivation Capacity and Utilisation Rates

For FY2008 and FY2009, we have fully utilised our shiitake mushroom cultivation bases. The maximum capacity and output of our self-cultivated shiitake mushrooms are mainly dependent on (i) the total land area of our shiitake mushroom cultivation bases, (ii) the optimal number of synthetic logs that can be placed on each plot of the cultivation bases considering its terrain characteristics, and (iii) the yield from the synthetic logs during each cultivation and harvesting season which is subject to a number of factors including weather and environmental conditions. These factors may vary from year to year. Please refer to Section 6.5 on “Our Products, Production Process and Production Facilities – Our Shiitake Mushroom Cultivation Bases” of this Prospectus for more information on the actual output of our self-cultivated shiitake mushrooms for the Period Under Review.

Processing Facilities

As at the Latest Practicable Date, our processing facilities were located at Wangcheng’s and Yuanwang’s premises in Fuzhou and Nanping Cities, Fujian Province, PRC respectively and occupied a total land area of approximately 57,303 sq m and an aggregate built-in area of approximately 16,529 sq m.

GENERAL INFORMATION ON OUR GROUP

Processing Capacity and Utilisation Rates

We set out below the processing capacity, actual processing volume and utilisation rates of our processing facilities for the Period Under Review:

	FY2007	FY2008	FY2009	3M2010
Processing Capacity⁽¹⁾ (tonnes)	2,191	3,523	4,153	1,113
Actual Processing Volume (tonnes)	1,861	3,351	4,030	1,091
Utilisation Rate	84.9%	95.1%	97.0%	98.0%

Note:

- (1) The computation of our processing capacity for the Period Under Review is based on our production facility for the processed food products operating for eight hours a day and for 300 days a year taking into consideration down-time for equipment adjustments, maintenance and repairs, and festive periods.

During the Period Under Review and from 1 April 2010 to the Latest Practicable Date, we have not experienced any significant disruption in our processing facilities.

Save as disclosed in Section 6.20 on “Licences and Permits” of this Prospectus, we are not aware of any regulatory requirements or environmental issues that may materially affect our Group’s utilisation of any processing facility or equipment.

6.6 SEASONALITY

We carry out cultivation activities of shiitake mushrooms from late September to April, where the climate conditions are suitable for the cultivation of the mushrooms in our shiitake mushroom cultivation bases. As such, the revenue from sales of our self-cultivated shiitake mushrooms will be generated only during such periods.

Due to their seasonality, we purchase various types of vegetables for the production of processed food products in accordance with the respective seasonal availability of the various raw materials. The suppliers of fresh vegetables are located in different geographical regions across PRC, such as Shandong, Hebei and Fujian Provinces, where the harvesting seasons differ. Hence, we are able to obtain continuous supply of fresh vegetables throughout the year. The production of our processed food products are therefore unaffected by seasonality.

For the Period Under Review, the export sales of our processed food products are generally higher in December as a result of the festive season, and lower for the period of May to July, as our export customers tend to reduce their orders during such period. The domestic sales of our processed food products are generally higher during the Chinese New Year period.

6.7 MAJOR SUPPLIERS

Our Group purchases from our suppliers, who are Villagers’ Committees of the locations where our shiitake mushrooms cultivation bases are located, synthetic logs used in the cultivation of shiitake mushrooms. We also entered into agreements with the respective Villagers’ Committees to procure the individual farmers to provide the following labour services for our shiitake mushroom cultivation bases: (i) farming (mainly including daily maintenance, harvesting, sorting, transportation, etc.); (ii) construction of cultivation tentage outer structure; and (iii) installation of shading net. We are also able to engage the assistance of other Villagers’ Committees to procure additional or alternative labour services if the need arises. In addition, we also engaged the Villagers’ Committees to procure individual farmers to provide maintenance services for our eucalyptus plantations.

GENERAL INFORMATION ON OUR GROUP

For the production of processed food products, we purchase main raw materials such as fresh vegetables (such as bamboo shoots, radish, carrots and burdock) and semi-processed food products (such as konjac powder, canned bamboo shoots and dried shiitake mushrooms) from our suppliers who are able to consistently provide quality products at competitive prices within required delivery schedules. Our suppliers are carefully selected by our procurement staff based on criteria such as the quality of materials supplied, the length of their business relationships with us, as well as pricing, reliability, track record and the ability to meet required delivery schedules.

As at the Latest Practicable Date, our Group had a total of more than 170 suppliers, all of whom are located in PRC.

Our Group has not encountered any significant production disruptions due to shortages of raw materials from our suppliers to meet our production requirements. We maintain good relationships with our suppliers and have not experienced any major disputes with any of them during the Period Under Review. We also have not experienced any major difficulties in sourcing for raw materials to meet our production requirements during the Period Under Review.

The following table sets out information on our major suppliers who accounted for 5.0% or more of our Group's total purchases for the Period Under Review:

Supplier	Type of purchases	Percentage of total purchases			
		FY2007	FY2008	FY2009	3M2010
Guankeng Villagers' Committee, Xi'nan Town, Zhangping City, Fujian Province, PRC	Synthetic logs	— ⁽¹⁾	11.5	13.8 ⁽²⁾	— ⁽³⁾
Changrong Villagers' Committee, Xinan Town, Zhangping City, Fujian Province, PRC	Synthetic logs	— ⁽¹⁾	14.3	10.2 ⁽⁴⁾	— ⁽³⁾
Xialin Villagers' Committee, Xinan Town, Zhangping City, Fujian Province, PRC	Synthetic logs	— ⁽¹⁾	9.9	7.3 ⁽⁴⁾	— ⁽³⁾
Xiaotan Villagers' Committee, Xinan Town, Zhangping City, Fujian Province, PRC	Synthetic logs	— ⁽¹⁾	8.5	6.6 ⁽⁴⁾	— ⁽³⁾
Fujian Sanxin Foods Co., Ltd. (福建三信食品有限公司) ⁽⁵⁾	Canned bamboo shoots	0.3	—	—	12.4 ⁽³⁾
Fuzhou Development Zone Qingrong Paper Co., Ltd. (福州开发区青榕纸品有限公司) ⁽⁶⁾	Packaging materials	—	0.4	2.5	5.1 ⁽³⁾

GENERAL INFORMATION ON OUR GROUP

Supplier	Type of purchases	Percentage of total purchases			
		FY2007	FY2008	FY2009	3M2010
Wu Xiaorong (吴孝荣) ⁽⁷⁾	Dried shiitake mushrooms	4.0	1.9	1.7	5.6 ⁽³⁾
Tao Xianggui (陶祥贵) ⁽⁸⁾	Dried shiitake mushrooms	3.9	2.2	1.9	5.1 ⁽³⁾
Liu Peijin (刘培金) ⁽⁸⁾	Dried shiitake mushrooms	4.1	2.4	2.0	5.0 ⁽³⁾

Notes:

- (1) We commenced cultivation of our shiitake mushrooms in late September 2008, and therefore there was no such purchase in FY2007.
- (2) The increase in percentage between FY2008 and FY2009 was due to the expansion of our shiitake mushroom cultivation bases by leasing additional land located in Guankeng Village and accordingly we purchased more synthetic logs from Guankeng Villagers' Committee.
- (3) The growing and harvesting periods of our self-cultivated shiitake mushrooms commence from late September to April. We make the purchases of synthetic logs prior to the commencement of such periods, usually during September to early October of a year, and therefore there was no such purchase in 3M2010. Accordingly, there was a decrease in our Group's total purchases as our purchases of synthetic logs accounted for approximately 46.6% and 45.7% of our total purchases in FY2008 and FY2009 respectively. As a result, our purchases of canned bamboo shoots, packaging materials and dried shiitake mushrooms from the relevant suppliers increased as a percentage of our Group's total purchases.
- (4) The decrease in percentage between FY2008 and FY2009 was due to the increase in our Group's total purchases, which is in line with the increase in revenue.
- (5) We ceased to purchase from this supplier in FY2008 and FY2009 as the price of canned bamboo shoots offered was not as competitive as that of our other suppliers, although we were satisfied with the quality of the products from this supplier. In 3M2010, we resumed our purchases from this supplier as we were able to obtain better pricing from this supplier.
- (6) From FY2008 to FY2009, our purchases from this supplier increased as we were satisfied with the quality of its products and its ability to deliver the products in a timely manner.
- (7) In FY2008, our purchases from this supplier decreased as the price of dried shiitake mushrooms offered was not as competitive as that of our other suppliers, although we were satisfied with the quality of the products from this supplier. In FY2009, we increased our purchases from this supplier as we were able to obtain better pricing from this supplier. However, our purchases from this supplier as a percentage to the Group's total purchases decreased due to the increase in our Group's total purchases, which is in line with increase in revenue.
- (8) From FY2007 to FY2009, our purchases from these suppliers gradually increased in value as we were satisfied with the quality of products provided by them. However, our purchases from these suppliers as a percentage of the total purchases decreased due to the increase in our Group's total purchases, which is in line with increase in revenue.

Save as disclosed above, none of our suppliers accounted for 5.0% or more of our total purchases for the Period Under Review.

We are not dependent on any one of our major suppliers as we are able to source our raw materials from alternative suppliers should the need arises.

GENERAL INFORMATION ON OUR GROUP

To the best of our Directors' knowledge, there is no information or arrangements which would lead to a cessation or termination of our current relationship with any of our major suppliers.

None of our Directors, Substantial Shareholders, Executive Officers or their respective Associates has any interest, direct or indirect, in any of our suppliers. To the best of our Directors' knowledge and belief, there are no arrangements or understanding with any supplier pursuant to which any of our Directors and Executive Officers were appointed.

6.8 MAJOR CUSTOMERS

As at the Latest Practicable Date, we had a customer base of over 70 customers in PRC and overseas.

The customers of our self-cultivated shiitake mushrooms are mainly wholesalers of agricultural food products in Fujian Province, PRC, who in turn sell our products to restaurants, supermarkets and retailers located mainly in Shanghai, and Fujian, Zhejiang, Jiangsu and Guangdong Provinces, PRC.

For processed food products, our customers include PRC domestic supermarkets and overseas customers mainly from Japan and the US who are engaged in the food products processing and distribution industry.

The following table sets out information of our major customers who accounted for 5.0% or more of our Group's total revenue for the Period Under Review:

Customer	Type of sales	Percentage of total revenue			
		FY2007	FY2008	FY2009	3M2010
Tennen Sozai ⁽¹⁾	Processed food products	74.2	28.7	14.6	12.3
Fujimoto ⁽¹⁾	Processed food products	10.3	1.3	1.0	0.6
Fujian Yonghui Group Co., Ltd. (福建永辉集团有限公司) ⁽²⁾	Processed food products	1.4	5.5	3.9	1.7
Deng Wenfeng (邓文锋) ⁽³⁾	Self-cultivated shiitake mushrooms and processed food products	0.5	10.0	8.7	9.4
Luo Qiaohua (罗巧花) ⁽³⁾	Self-cultivated shiitake mushrooms and processed food products	0.2	9.4	8.0	9.8
Zhangzhou Mingcheng Foods Co., Ltd. (漳州明成食品有限公司) ⁽⁴⁾⁽⁵⁾	Self-cultivated shiitake mushrooms	—	4.1	5.5	7.0

GENERAL INFORMATION ON OUR GROUP

Customer	Type of sales	Percentage of total revenue			
		FY2007	FY2008	FY2009	3M2010
Chen Liyan (陈丽燕) ⁽⁴⁾	Self-cultivated shiitake mushrooms and processed food products	N.M.	3.6	5.2	6.5
Lin Xiangquan (林祥全) ⁽⁴⁾	Self-cultivated shiitake mushrooms	—	3.2	3.9	5.1

Notes:

- (1) These customers reduced purchases from us over the periods due mainly to several high-profile food related scandals that occurred in late 2007 and early 2008 (where neither our Group nor our products were involved). Sales to Fujimoto (which comprised a significant amount of high-temperature, high-pressure processed seasoned vegetables) also decreased in 2008 because we ceased the production of high-temperature, high-pressure processed seasoned vegetables in January 2008 in view of the general decrease in confidence amongst Japanese consumers towards Chinese processed food products and the tightened food import controls imposed by Ministry of Health, Labour and Welfare, Japan, which arose due to several Chinese processed food products-related scandals in late 2007 and early 2008 (where neither our Group nor our products were involved). In addition, the decrease in sales to these customers as a percentage of our total revenue in FY2008, FY2009 and 3M2010 was also due to the continuing growth of our total revenue arising mainly from the sales of our self-cultivated shiitake mushrooms over the periods. We do not export our self-cultivated shiitake mushrooms to overseas customers.
- (2) This customer increased purchases from our Group in FY2008 as we commenced the sales of our self-cultivated shiitake mushrooms in FY2008. The sales to this customer in FY2009 and 3M2010 increased although the sales to this customer as a percentage of our total revenue decreased in FY2009 and 3M2010 due to the continuing growth of our total revenue over the periods.
- (3) These customers increased purchases from our Group in FY2008 as we commenced the sales of our self-cultivated shiitake mushrooms in FY2008. The sales to these customers increased in FY2009 although the sales to these customers as a percentage of our total revenue decreased in FY2009 due to the continuing growth of our total revenue over the periods. In 3M2010, these customers continued to increase purchases from our Group.
- (4) These customers increased purchases from our Group in FY2008 as we commenced the sales of our self-cultivated shiitake mushrooms in FY2008. The sales to these customers further increased in FY2009 and 3M2010 as a result of the increased demand for our self-cultivated shiitake mushrooms.
- (5) Zhangzhou Mingcheng Foods Co., Ltd. (漳州明成食品有限公司) is a company incorporated in PRC and controlled by Du Deming (杜德明), a cousin of our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa. Please refer to Section 9.12 on “Interested Person Transactions” of this Prospectus for more information on transactions entered into between our Group and Du Deming (杜德明).

Save as disclosed above, none of our customers accounted for 5.0% or more of our total revenue for the Period Under Review.

Please refer to Section 5 on “Risk Factors - We are dependent on our major customers, in particular, those related to our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa” of this Prospectus for more information.

To the best of our Directors’ knowledge, there is no information or arrangements which would lead to a cessation or termination of our current relationship with any of our major customers.

GENERAL INFORMATION ON OUR GROUP

Save for (i) Deng Wenfeng (邓文锋), the husband of Chen Liyan (陈丽燕), who is the sister of both our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa, (ii) Luo Qiaohua (罗巧花), the wife of our Executive Officer, Chen Qiufa, and (iii) Du Deming (杜德明), a cousin of both our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa, none of our Directors, Substantial Shareholders, Executive Officers or their respective Associates has any interest, direct or indirect, in any of our customers. Please refer to Section 9.12 on “Interested Person Transactions” of this Prospectus for more information. To the best of our Directors’ knowledge and belief, there is no arrangements or understanding with any of our customers pursuant to which any of our Directors and Executive Officers were appointed.

During the Period Under Review, we have not received any major complaints or rejections from our customers with regards to our products.

6.9 AWARDS AND ACCOLADES

As a testimony of the track record of our Group, major awards and accolades received by us in the past through the stewardship of our management team are as listed below:

Year	Award	Awarding Body	Company
2005	Top Ten Industrial Prize Enterprise of Minhou County for 2004 (2004年度闽侯县十大工业功勋企业)	Minhou County Government (闽侯县人民政府)	Wangcheng
2007	Top Ten Exporters of Minhou County for 2006 (2006年度闽侯县十大出口企业)	Minhou County Government (闽侯县人民政府)	Wangcheng
2007	Fujian Province Agricultural Industrialisation Key Dragon Head Enterprise for 2007-2008 (2007 – 2008 年度福建省农牧业产业化龙头企业)	Fujian Province Department of Agriculture (福建省农业厅) Fujian Province Department of Finance (福建省财政厅)	Wangcheng
2007	Fuzhou City Well-known Brand (福州市知名商标)	Fuzhou City Authority for Industry and Commerce (福州市工商行政管理局) Fuzhou City Brand Association (福州市商标协会)	Wangcheng
2008	Agricultural Industrialisation Provincial Key Dragon Head Enterprise for 2008-2009 (2008 – 2009年度农业产业化省级重点龙头企业)	Fujian Province Agricultural Industrialisation Affairs Head Office (福建省农业产业化工作领导小组)	Wangcheng
2009	Fujian Province Well-known Brand (福建省著名商标)	Fujian Province Authority for Industry and Commerce (福建省工商行政管理局)	Wangcheng

GENERAL INFORMATION ON OUR GROUP

Year	Award	Awarding Body	Company
2009	AAA Credit Rating Enterprise (企业信用评价AAA级信用企业)	China Chamber of Commerce for Import and Export of Foodstuffs, Native Produce and Animal By-Products (中国食品土畜进出口商会)	Wangcheng
2009	Fujian Province Branded Agricultural Enterprise Gold Medal (福建省品牌农业企业金奖)	Fujian Province Government (福建省人民政府)	Wangcheng
2010	Key Exporter of Minhou County for 2009 (2009年闽侯县出口大户)	Minhou County Government (闽侯县人民政府)	Wangcheng
2010	Agricultural Industrialisation Outstanding Dragon Head Enterprise for 2009 (2009年度农业产业化优秀龙头企业)	Minhou County Government (闽侯县人民政府)	Wangcheng

The certificates obtained or standards passed by us are as follows:

Date / Validity Period	Certificate / Standard	Issuing / Certification Body	Company
6 June 2008	Organic JAS	BCS Öko-Garantie GmbH	Wangcheng
Valid until September 2011	Bamboo shoot, boiled bamboo shoot (single, twin triplet), boiled bamboo shoot (half cut, fan-shaped cut, random cut, tips cut, ¼ cut), boiled bamboo shoot (strip, small slice, fan-shaped thick slice, canned, dice, entire)		
29 October 2008	HACCP	China Quality Certification Center (中国质量认证中心)	Wangcheng
Valid until 8 April 2011	Production of soft-canned seasoned bamboo shoots, seasoned mushrooms and congee		
21 May 2009	ISO9001:2000	China Quality Certification Center (中国质量认证中心)	Wangcheng
Valid until 20 May 2012	Production of edible fungi, konjac, burdock, dried carrot, soft-canned congee, boiled vegetables (bamboo shoots, straw mushroom, mushroom, carrot, water chestnut)	The International Certification Network (IQNet)	
10 June 2009	ISO22000:2005	China Quality Certification Center (中国质量认证中心)	Wangcheng
Valid until 8 April 2011	Production of dried shiitake and soft-canned congee, soft-canned seasoned bamboo shoots and seasoned mushrooms		

GENERAL INFORMATION ON OUR GROUP

Date / Validity Period	Certificate / Standard	Issuing / Certification Body	Company
22 July 2009	Organic Product	China Organic Food Certification Center	Wangcheng
Valid until 21 July 2011	Fresh shiitake	(北京中绿华夏有机食品认证中心)	
22 July 2009	Organic Product	China Organic Food Certification Center	Wangcheng
Valid until 21 July 2011	Dry shiitake julienne, dry shiitake	(北京中绿华夏有机食品认证中心)	

6.10 QUALITY ASSURANCE

We believe that the quality of our products is the key to our continued growth and success. As such, we place great emphasis on quality assurance.

Our quality assurance team which comprises 12 personnel, is headed by our Executive Director, Chen Qisheng and is responsible for formulating and implementing the quality control policies of our Group. We have set up a quality control programme with a view to establishing, implementing, maintaining and improving our quality management system throughout our entire operational process from R&D, production and sales to after-sales service. As a testimony of our commitment to product quality, our quality control system has been certified to be in compliance with the requirements of ISO9001:2000, ISO22000:2005 and HACCP.

Quality control procedure

We stringently implement our quality assurance procedures, including checks and tests conducted at various stages throughout the production process to ensure that our products satisfy our customers' quality standards and requirements.

Our quality assurance staff also work closely with some of our Japanese customers throughout the production process to understand and implement their quality requirements and specifications (e.g. temperature control during sterilisation) in respect of new products that they ordered from us. Please refer to Section 6.5 on "Our Products, Production Process and Production Facilities" of this Prospectus for more information on our production process.

We have 57 production staff who carry out quality control from the beginning of the production process to the final inspection of our finished products.

- Cultivation of shiitake mushrooms

In order to ensure the quality of our shiitake mushrooms, we have developed genetically improved mycelia by collaborating with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心). Mycelia will be inoculated into the synthetic logs, the substrate on which shiitake mushrooms grow. Pursuant to our processing arrangements with the respective Villagers' Committees, services from individual farmers will be procured to produce synthetic logs in accordance with our quality requirements and specifications. In addition, the services from individual farmers are also procured in respect of (i) farming (mainly including daily maintenance, harvesting, sorting, transportation, etc.), (ii) construction of cultivation tentage outer structure, and (iii) installation of shading net.

GENERAL INFORMATION ON OUR GROUP

As part of our quality assurance policies, we will conduct pre-cultivation briefings to representatives of the individual farmers procured by the respective Villagers' Committees to familiarise them with, among others, key stages in the growing process of our shiitake mushrooms and necessary techniques involved throughout the whole process. Individual farmers are required to closely control and monitor conditions such as temperature, humidity, ventilation and lighting during the growing process of our shiitake mushrooms. Meanwhile, our cultivation technicians will provide technical training and guidance to the individual farmers and conduct regular as well as random quality checks on our cultivation bases.

- **Production of processed food products**

The process for the production of processed food products is carried out in compliance with our quality management system and we have established the following quality assurance procedures:

Incoming

We place strong emphasis on the quality of various types of vegetables and other raw materials in order to ensure the quality of our products. As part of our procurement process, we select our suppliers in accordance with our internal quality assessment system, which takes into consideration factors such as consistency in quality, pricing, reliability, reputation, track record and their ability to meet required delivery schedules.

We conduct inspections and/or random tests on samples of all incoming raw materials to ensure they conform to our specifications and quality standards. If the raw materials do not conform to our requirements, such raw materials are rejected and returned to the respective suppliers.

In-process

We conduct our in-process checks to ensure that each stage of the production process is completed in a timely manner and all defects are identified and corrected at the earliest possible stage so as to minimise the mending process and defects in our products. In-process checks are carried out in accordance with our specifications and quality standards.

We also carry out regular maintenance, inspections and repairs for our machinery and equipment to ensure they are well maintained and in good working condition.

Our production personnel are trained regularly to be familiarised with the quality assurance procedures of the production process as set out in our manual. Such training ensures that our in-process quality assurance procedures are strictly implemented.

Finished products

All finished products are subject to final quality inspection to ensure that they are in good condition and conform to the specifications of our customers and our quality standards before being sent to the warehouse for storage in preparation for delivery to our customers.

During the Period Under Review and from 1 April 2010 to the Latest Practicable Date, we have not received any major complaints or rejections from our customers with regards to our products.

GENERAL INFORMATION ON OUR GROUP

6.11 INVENTORY MANAGEMENT

Our inventories comprise raw materials (mainly fresh vegetables (such as bamboo shoots, radish, carrots and burdock) and semi-processed food products (such as konjac powder, canned bamboo shoots and dried shiitake mushrooms)), work-in-progress, finished products and other packaging materials.

For self-cultivated shiitake mushrooms sold as fresh produce, the raw materials comprise synthetic logs with mycelia inoculated which are classified as biological assets and do not form part of our inventory. As these shiitake mushrooms are usually sold within 48 hours after harvesting, our inventory level of shiitake mushrooms sold as fresh produce is minimal.

For self-cultivated shiitake mushrooms sold as dried products, harvested shiitake mushrooms are classified as raw materials. As the drying process will be carried out within 48 hours after harvesting in order to ensure freshness, our inventory levels for these raw materials are minimal.

For processed food products, we generally maintain a regular stock of raw materials such as fresh vegetables and semi-processed foods, which is able to support approximately seven days and six months of production, respectively.

We manage our physical inventory on a “first-in first-out” basis where the cost of inventory was calculated using the weighted average method. Raw materials that arrive first in our warehouse will be used first for our production. We conduct monthly physical stock-take of our inventories so as to ensure that there are sufficient raw materials to support our production.

Our inventory turnover days (self-cultivated shiitake mushrooms and processed food products) for the Period Under Review are as follows:

	FY2007	FY2008	FY2009	3M2010
Inventory turnover days⁽¹⁾	92	44	17	11

Note:

- (1) The inventory turnover days for FY2007, FY2008 and FY2009 is calculated based on the average of the opening and closing inventories balance (self-cultivated shiitake mushrooms and processed food products) of the relevant financial year divided by the corresponding cost of sales and multiplied by 365 days. The inventory turnover days for 3M2010 is computed based on the average of the opening and closing inventories balance (self-cultivated shiitake mushrooms and processed food products) of the relevant financial period divided by the corresponding cost of sales and multiplied by 90 days.

Our inventory turnover days (self-cultivated shiitake mushrooms and processed food products) decreased during the Period Under Review as (i) we commenced cultivation of shiitake mushrooms in late September 2008, (ii) the cost of sales for our self-cultivated shiitake mushrooms accounted for 30.1%, 47.3% and 64.4% of our total cost of sales for FY2008, FY2009 and 3M2010, respectively, which is in line with the increase in revenue derived from sales of our self-cultivated shiitake mushrooms as a percentage of our total revenue over the periods as a result of the increase in orders for our self-cultivated shiitake mushrooms, and (iii) the inventory level of our self-cultivated shiitake mushrooms is minimal.

GENERAL INFORMATION ON OUR GROUP

The inventory turnover days (processed food products) for the Period Under Review are as follows:

	FY2007	FY2008	FY2009	3M2010
Inventory turnover days⁽¹⁾	92	63	32	32

Note:

- (1) The inventory turnover days for FY2007, FY2008 and FY2009 is calculated based on the average of the opening and closing inventories balance (processed food products) of the relevant financial year divided by the corresponding cost of sales and multiplied by 365 days. The inventory turnover days for 3M2010 is computed based on the average of the opening and closing inventories balance (processed food products) of the relevant financial period divided by the corresponding cost of sales and multiplied by 90 days.

The inventory turnover days (processed food products) decreased during the Period Under Review as (i) since FY2008 we intentionally kept our inventory levels for our raw materials and finished goods low as we aimed to improve production efficiency by commencing production upon the receipt of orders from our customers, and (ii) the cost of sales for our processed food products increased over the periods which is in line with the increase in our revenue derived mainly from the sales of konjac instant noodles commencing from August 2007 as a result of the increase in orders for our konjac instant noodles.

We have not encountered any material damage, loss or obsolescence of our inventory. During the Period Under Review, we have not made any allowance for inventory write-off or obsolescence.

6.12 CREDIT MANAGEMENT

Trade Receivables

We have adopted a stringent and prudent credit policy to avoid excessive accumulation of trade receivables which may become bad debts.

Each of our customers for self-cultivated shiitake mushrooms maintains a standing account with us from which we deduct full payment before delivery. We will require our customers to top up when the balance of their standing amount is insufficient to satisfy the subsequent orders.

Payment for our export sales of processed food products is generally against sight of letter of credit or by way of telegraphic transfers. We generally extend credit terms of up to 90 days to our overseas customers who make payment via telegraphic transfers. For our domestic sales, we generally extend credit terms of up to 90 days.

The credit terms extended to each new customer are reviewed and assessed by our sales department and finance department, respectively, and subject to the approval of our Executive Officer (Head of Administration and Procurement), Liu Liping for amounts not more than RMB1,000,000. For amounts exceeding RMB1,000,000, approval of our Executive Chairman and CEO, Chen Qiuhai is required. In deciding the credit terms to be extended to our customers, we typically take into consideration factors such as financial capability, payment record, volume and frequency of past purchases. Our finance department is also responsible for monitoring the credit records of our existing customers.

Our finance and sales departments are both responsible for monitoring the collection of payments. Our finance department is responsible for regularly monitoring the payment status of our customers. Our sales staff will also communicate with the customers on a regular basis to remind them of the payment due dates. If any amount remains outstanding beyond the

GENERAL INFORMATION ON OUR GROUP

credit terms, the relevant sales personnel will contact the customer to find out the reason for such delay in payment. If the credit limit has been reached by the customer, we will not make any further deliveries to the customer until such overdue amount has been fully paid, unless otherwise approved by our Executive Chairman and CEO, Chen Qiu Hai for exceptional cases after taking into account factors including such customer's explanation for the delay, the amount overdue, the period outstanding and our relationship with such customer.

We do not have any general provision policies for trade receivables. However we make specific provisions based on collectability of the outstanding debts. Specific provisions for doubtful debts may be made when (i) we fail to successfully collect the overdue debts despite using our best efforts and follow-ups with customers on overdue payments, (ii) we are of the view that some of our customers are unable to meet their financial obligations, or (iii) we consider the overdue amounts to be non-recoverable.

The amount of bad debts write-off and trade receivables turnover days (self-cultivated shiitake mushrooms and processed food products) during the Period Under Review are as follows:

	FY2007	FY2008	FY2009	3M2010
Bad debts write-off (RMB '000)	–	–	13.9 ⁽¹⁾	–
Trade receivables turnover days^{(2) (3)}	26	17	15	10

Notes:

- (1) The write-off for bad debts of approximately RMB13,900 is insignificant as compared to our gross trade receivables of approximately RMB11.7 million as at the end of FY2009.
- (2) The decrease in trade receivables turnover days decreased from FY2007 onwards was due to the increase in sales from our self-cultivated shiitake mushrooms, which commenced in FY2008. The sales of our self-cultivated shiitake mushrooms generally requires our customers to pay in advance. Therefore, trade receivables arising from the sales of our self-cultivated shiitake mushrooms were minimal.
- (3) The trade receivables turnover days for FY2007, FY2008 and FY2009 is calculated based on the average of the corresponding opening and closing trade receivables balance of the relevant financial year divided by the corresponding revenue and multiplied by 365 days. The trade receivables turnover days for 3M2010 was calculated based on the simple average of the opening and closing trade receivables balance of the relevant financial period divided by the corresponding revenue and multiplied by 90 days.

The amount of bad debts write-off and trade receivables turnover days (processed food products) during the Period Under Review are as follows:

	FY2007	FY2008	FY2009	3M2010
Bad debts write-off (RMB '000)	–	–	13.9 ⁽¹⁾	–
Trade receivables turnover days⁽²⁾	26	27	31	37 ⁽³⁾

Notes:

- (1) The write-off for bad debts of approximately RMB13,900 is insignificant as compared to our gross trade receivables of approximately RMB11.7 million as at the end of FY2009.
- (2) The trade receivables turnover days for FY2007, FY2008 and FY2009 is calculated based on the average of the opening and closing trade receivables balance of the relevant financial year divided by the corresponding revenue and multiplied by 365 days. The trade receivables turnover days for 3M2010 is calculated based on the average of the opening and closing trade receivables balance of the relevant financial period divided by the corresponding revenue and multiplied by 90 days.
- (3) The trade receivables turnover days increased in 3M2010 due mainly to certain sales made during the period, for which the payment is due and payable only after 3M2010.

GENERAL INFORMATION ON OUR GROUP

Trade Payables

We are required to make advance payment to our suppliers for all the material costs of the synthetic logs, representing approximately 70% to 80% of our purchases of synthetic logs for the cultivation of shiitake mushrooms. The balance will be paid within 120 days of delivery.

Payment for raw materials such as dried shiitake mushrooms and fresh vegetables purchased from individual farmers is generally made on a cash-upon-delivery basis, mainly in the form of bank remittance. Suppliers of other raw materials generally grant us credit terms of 30 to 90 days. Payment terms granted by our suppliers vary from supplier to supplier and are also dependent on, among others, our relationship with the supplier and the size of the transaction.

The trade payables turnover days (self-cultivated shiitake mushrooms and processed food products) during the Period Under Review are as follows:

	FY2007	FY2008	FY2009	3M2010
Trade payables turnover days ⁽¹⁾	13	5	1	2

Note:

- (1) The trade payables turnover days for FY2007, FY2008 and FY2009 is calculated based on the average of the opening and closing trade payables balance of the relevant financial year divided by the corresponding cost of sales and multiplied by 365 days. The trade payables turnover days for 3M2010 is calculated based on the average of the opening and closing trade payables balance of the relevant financial period divided by the corresponding cost of sales then multiplied by 90 days.

The decreasing trend of our trade payables turnover in days was due mainly to our ability to make payments to our suppliers before the expiry of the granted credit terms in order to obtain better pricing for our purchases.

The trade payables turnover days (processed food products) during the Period Under Review are as follows:

	FY2007	FY2008	FY2009	3M2010
Trade payables turnover days ⁽¹⁾	13	7	2	5 ⁽²⁾

Notes:

- (1) The trade payables turnover days for FY2007, FY2008 and FY2009 is calculated based on the average of the opening and closing trade payables balance of the relevant financial year divided by the corresponding cost of sales and multiplied by 365 days. The trade payables turnover days for 3M2010 is calculated based on the average of the opening and closing trade payables balance of the relevant financial period divided by the corresponding cost of sales and multiplied by 90 days.
- (2) The trade payables turnover days increased in 3M2010 due mainly to certain purchases of raw materials made during the period, for which the payment is due and payable only after 3M2010.

6.13 SALES AND MARKETING

Our sales and marketing department is headed by our Executive Director, Chen Qisheng. As at the Latest Practicable Date, our sales and marketing department comprised 25 employees based in Fuzhou and Zhangping Cities, Fujian Province, PRC.

The responsibilities of our sales and marketing team include sourcing for new customers, maintaining and strengthening customer relationships, keeping up with the domestic and international market trends and monitoring our competitors' products and pricing.

GENERAL INFORMATION ON OUR GROUP

We visit and meet with our key customers regularly to maintain close relationships with these customers. Through such interaction, we are able to obtain customers' feedback on the quality of our products and understand their demands based on latest trends and development in food industry. This allows us to better understand and service our customers.

We participate in major trade fairs, exhibitions and conferences held in PRC, Japan and Germany to enhance market awareness of our products. Some of the trade fairs that we participated in are as follows:

Year	Name of Event	Organiser
2007	Anuga 2007 / Cologne, Germany	Koelnmesse GmbH
2009	FOODEX Japan 2009 / Makuhari Messe, Japan	Japan Management Association / Japan Hotel Association / Japan Ryokan Association / Japan Tourist Hotel Association / Japan Restaurant Association / Japan Tourism Facilities Association
2009	Sino-Japanese Food Trade Promotion and Quality and Safety Exchange Conference, Beijing, PRC (中日食品贸易促进与质量安全交流会)	China Chamber of Commerce For Import and Export of Foodstuffs, Native Produce & Animal By-products (中国食品土畜进出口商会)

In order to ensure that our sales and marketing team discharges its duties effectively, each member of the team undergoes regular training on our products and production processes. Please refer to Section 6.15 on "Staff Training and Development" of this Prospectus for more information.

6.14 RESEARCH AND DEVELOPMENT

Our Directors believe that constant innovation in developing new and improved products and production techniques is vital to our continuing success and to meet the changing needs of the market. Our R&D department is headed by our Executive Officer, Fang Shuzhen, and as at the Latest Practicable Date, we had a total of five R&D personnel.

In view of the nature of our business, our R&D activities are mainly focused on the following:

- developing and expanding our product range to meet our customers' demands; and
- improving our cultivation and processing techniques to increase cultivation and production efficiency and reduce cultivation and production costs.

We work closely with our customers to gather information on market trends and demand, as well as to understand the specific needs of our customers in order to improve on our existing products and to develop new product offerings. Through such interactions, we have successfully developed products such as less acidic processed bamboo shoots, new flavoured pre-cooked dishes and konjac jelly drinks.

In late 2005, we entered into a collaboration agreement with Institute of Food Science and Technology, Fujian Agriculture and Forestry University (福建农林大学食品科学技术研究所) pursuant to which we have set up a collaboration laboratory for the R&D of processed food products. As at the Latest Practicable Date, arising from such collaboration, we have successfully developed new products including konjac instant noodles with different flavours, pre-cooked dishes and instant porridge.

GENERAL INFORMATION ON OUR GROUP

We have also entered into a collaboration agreement with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心) in December 2007 to jointly develop shiitake mushroom mycelia that are able to adapt to the climate and environmental conditions in Fujian Province, PRC where our shiitake mushroom cultivation bases are located. As a result of such collaboration, we have in 2009 successfully developed genetically improved mycelia as a result of such collaboration which are used in the cultivation of our shiitake mushrooms.

Through the same collaboration with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心), we also successfully developed a new strain of mycelia in 2008 which has been certified by Fujian Province Agricultural Products Assessment Committee (福建省农作物品种审定委员会) to be suitable for growth on synthetic logs made from eucalyptus sawdust, with desirable output. We have, since 2008, commenced trial cultivation of shiitake mushrooms using synthetic logs made from eucalyptus sawdust on a small scale which generated an equivalent yield of self-cultivated shiitake mushrooms as compared to the other synthetic logs currently being used.

Our R&D expenses amounted to approximately RMB27,000, RMB0.5 million, RMB1.3 million and RMB1.5 million for FY2007, FY2008, FY2009 and 3M2010, respectively. The expenses are mainly related to collaboration fees, cost of equipment and raw materials as well as salaries for our R&D staff. These expenses are not significant as a proportion of our revenue and we do not expect any further significant increase of our R&D expenses during the remaining period of FY2010.

6.15 STAFF TRAINING AND DEVELOPMENT

Our employees are required to undergo internal training relevant to their positions. Our production and administration departments are in charge of staff training and formulating the content of our training programmes. Our staff training comprises internal and external training. Internal training includes orientation training for new staff (both full-time and temporary workers), on-the-job training and internal training courses. External training includes professional training workshops and seminars conducted by external speakers from training institutions.







Such internal and external staff training enables our staff to strengthen their job skills, cultivate team spirit and improve production efficiency and capacity.

As most of our staff training is conducted internally, our expenses on staff training during the Period Under Review were insignificant as a proportion of our revenue.

GENERAL INFORMATION ON OUR GROUP

6.16 INTELLECTUAL PROPERTY


As at the Latest Practicable Date, we owned the following trademarks registered in PRC:

Trademark	Class	Registration Number	Status	Validity Period
 (right to the word “食品” waived)	29 ⁽¹⁾	1753214	Registered	21 April 2002 to 20 April 2012
	29 ⁽²⁾	5559504	Registered	28 May 2009 to 27 May 2019
	30 ⁽³⁾	5559503	Registered	28 June 2009 to 27 June 2019
	29 ⁽⁴⁾	6857503	Registered	28 March 2010 to 27 March 2020
	30 ⁽⁵⁾	6851055	Registered	7 May 2010 to 6 May 2020
 (The word “食品” is outside the scope of trademark exclusive right)	29 ⁽⁶⁾	1694712	Registered	7 January 2002 to 6 January 2012

Notes:

- (1) The applicable products in this class are freshwater bamboo shoots (processed), pickled vegetables, cooked vegetables, dehydrated vegetables, frozen instant foods, dried potherb mustard and bamboo shoots, pickles, agaric, dried edible fungi, and edible protein.
- (2) The applicable products in this class are meat, canned vegetables, sarcocarp, cooked vegetables, vegetable soup stock, egg, fish (dead), jelly, fine nuts and edible fungi.
- (3) The applicable products in this class are food containing amylum, edible wheat gluten, tea, sweets, food for breakfast made of minced grains, instant rice, rice, flour products, extruded sliced fruits, sliced vegetables and seasonings.
- (4) The applicable products in this class are pickled vegetables, cooked vegetables, dehydrated vegetables, frozen instant food, dried edible fungi, edible protein, meat, dried fish, frozen fruit, pickles.
- (5) The applicable products in this class are food containing amylum, edible wheat gluten, tea, sweets, snacks mainly consisted of grains, snacks mainly consisted of rice, instant rice, grain products, flour products, seasonings.
- (6) The applicable products in this class are pickled vegetable, cooked vegetable, freshwater bamboo shoot (processed), dehydrated vegetable, frozen instant food, dried potherb mustard and bamboo shoot, pickles, agaric, dried edible fungi, edible protein.

As at the Latest Practicable Date, we have applied for registration of the following trademark in PRC:

Trademark	Class	Application Number	Status	Application Acceptance Date
	29	8539888	Application accepted	10 August 2010
	31	8539907	Application accepted	10 August 2010

GENERAL INFORMATION ON OUR GROUP

As at the Latest Practicable Date, we owned the following patents, which were transferred to us by our Executive Chairman and CEO, Chen Qiu Hai at nil consideration:

Patent Name	Patent Type	Registration Number	Validity Period
Packaging bag (Wangcheng sweet porridge series)	Design	ZL200630026579.5	17 August 2010 to 13 September 2016
Packaging bag (Wangcheng chicken porridge series)	Design	ZL200630026580.8	17 August 2010 to 13 September 2016
Packaging bag (Wangcheng vegetable porridge series)	Design	ZL200730141647.7	17 August 2010 to 13 September 2016
Packaging bag (Wangcheng seafood porridge series)	Design	ZL200730141646.2	17 August 2010 to 13 September 2016
Food packaging box (Ling Yi Mian mixed seafood series)	Design	ZL200830156355.5	17 August 2010 to 13 September 2016
Food packaging box (Ling Yi Mian spicy beef series)	Design	ZL200830156356.X	17 August 2010 to 13 September 2016

Please refer to Section 9.12 on “Interested Person Transactions” of this Prospectus for more information.

As at the Latest Practicable Date and save as disclosed above, our business or profitability was not materially dependent on any patent, licence or new manufacturing process.

6.17 INSURANCE COVERAGE

We maintain the following insurance policy:

Subsidiary	Insurance	Annual Premium (RMB)	Maximum Coverage (RMB)	Term
Wangcheng	Comprehensive Property Insurance	446	811,006	3 March 2010 to 2 March 2011

All our subsidiaries have in place social insurance for our employees, the premiums of which are borne by both our Group and the employees in compliance with the relevant PRC laws and regulations. Please refer to Section 5 on “Risk factors – We may be liable for payment of outstanding social insurance contributions for our employees and penalties” for more information. We also maintain insurance for our motor vehicles.

We currently do not have any product liability insurance in respect of our products or any third party insurance coverage as it is not a requirement in PRC and not an industry practice to do so. There has not been any third party claims or claims against us for product defects during the Period Under Review.

Our Directors believe, having considered the risk levels and the costs of procuring insurance for certain risks associated with our business, that the coverage from the above insurance policies is adequate for the purpose of our business. Please refer to Section 5 on “Risk Factors – Our insurance coverage may not cover all situations” of this Prospectus for more information. We periodically review the insurance coverage of our Group and will consider taking up additional insurance, if necessary.

GENERAL INFORMATION ON OUR GROUP

6.18 PROPERTIES AND FIXED ASSETS

Land Use Rights

As at the Latest Practicable Date, the following land use rights to the following parcels of land located in Fujian Province, PRC, were owned by us:

Certificate Reference No.	Location	Use	Expiry Date of Tenure	Land Area (sq m)	Encumbrance
Hou Guo Yong (2002) Zi No. 157322 (侯国用(2002)字第157322号)	Houyu Village, Jingxi Town, Fuzhou City, Fujian Province, PRC	Industrial	23 June 2052	36,666.7	Nil
Pu Guo Yong (2005) No. 10249 (浦国用(2005)第10249号)	No.2 Shengfeng Road, Liantang Town, Pucheng County, Fujian Province, PRC	Industrial	26 January 2046	20,636.68	Nil

Forestry Land Use Rights

As at the Latest Practicable Date, the following forestry land use rights to the following parcels of land located in Fujian Province, PRC, were owned by us:

Certificate Reference No.	Location	Expiry Date of Tenure	Land Area (mu)	Encumbrance
Zhang Lin Zheng Zi (2007) No. 0716003	Xiahe Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	31 March 2034	1,768	Nil
Zhang Lin Zheng Zi (2007) No. 0716008	Xi'nan Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	30 September 2034	1,589	Nil
Zhang Lin Zheng Zi (2008) No. 08170006	Changrong Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	31 March 2034	955	Nil
Zhang Lin Zheng Zi (2007) No. 08100003	Wulao Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	18 May 2044	1,689	Nil
Zhang Lin Zheng Zi (2004) No. 08020007	Guankeng Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	10 November 2054	2,240	Nil
Zhang Lin Zheng Zi (2004) No. 08120008	Xiaotan Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	1 January 2054	11,119	Nil
		19 February 2054	675	Nil

GENERAL INFORMATION ON OUR GROUP

Building

As at the Latest Practicable Date, the following property ownership rights to the following buildings located in Fujian Province, PRC, were owned by us:

Land Use Rights Certificate Reference No.	Certificate Reference No.	Location	Use	Built-in Area (sq m)	Encumbrance
Hou Guo Yong (2002) Zi No. 157322 (侯国用(2002)字第157322号)	Hou Fang Quan Zheng H Zi No. 0400523 (侯房权证H字第0400523号)	Houyu Food Industry Zone, Minhou Village, Jingxi Town, Fuzhou City, Fujian Province, PRC	Factory	8416.48	Nil
			Dormitory	2296.74	Nil
Pu Guo Yong (2005) No. 10249 (浦国用(2005)第10249号)	Pu Fang Quan Zheng H Zi No. 20050382 (浦房权证字第20050382号)	No.2 Shengfeng Road, Liantang Town, Pucheng County, Fujian Province, PRC	Factory	1,746.16	Nil
	Pu Fang Quan Zheng H Zi No. 20050383 (浦房权证字第20050383号)			191.2	Nil
	Pu Fang Quan Zheng H Zi No. 20050384 (浦房权证字第20050384号)			316.52	Nil
	Pu Fang Quan Zheng H Zi No. 20050385 (浦房权证字第20050385号)			74.65	Nil
	Pu Fang Quan Zheng H Zi No. 20050386 (浦房权证字第20050386号)			288.22	Nil
	Pu Fang Quan Zheng H Zi No. 20050387 (浦房权证字第20050387号)			97.36	Nil
	Pu Fang Quan Zheng H Zi No. 20050388 (浦房权证字第20050388号)			844.29	Nil
	Pu Fang Quan Zheng H Zi No. 20050389 (浦房权证字第20050389号)			2,257.18	Nil

GENERAL INFORMATION ON OUR GROUP

Leases

As at the Latest Practicable Date, the following properties were leased by us:

Lesssor	Location	Tenure	Land Area	Floor Area	Use
Wu Zhenqin (吴贞钦)	Third Floor of a building opposite a government building, Zhangping City, Fujian Province, PRC	1 January 2009 to 31 December 2010	— ⁽¹⁾	— ⁽¹⁾	Office
Wu Guanfu (吴观福)	No. 100, East Nanzhou Rd, Xi'nan Town, Zhangping City, Fujian Province, PRC	1 January 2009 to 31 December 2010	— ⁽¹⁾	— ⁽¹⁾	Office

Note:

(1) Information on the land area and floor area of the leases are not provided for in the lease agreements.

Please refer to Section 5 on “Risk Factor – We may have to relocate from our office premises leased by Fengwang” of this Prospectus for more information.

As at the Latest Practicable Date, the following agricultural lands located in Fujian Province, PRC were leased by us:

Lessor	Location	Tenure	Leased Area (mu)
Villagers' Committee of Changrong Village, Xi'nan Town, Zhangping City	Changrong Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	25 September 2008 to 24 September 2028	507
Villagers' Committee of Xialin Village, Xi'nan Town, Zhangping City	Xialin Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	25 September 2008 to 24 September 2028	351
Villagers' Committee of Xiaotan Village, Xi'nan Town, Zhangping City	Xiaotan Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	25 September 2008 to 24 September 2028	316
Villagers' Committee of Guankeng Village, Xi'nan town, Zhangping City	Guankeng Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	25 September 2008 to 24 September 2028	411
Villagers' Committee of Guankeng Village, Xi'nan Town, Zhangping City	Guankeng Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	25 September 2009 to 24 September 2029	254
Villagers' Committee of Shangban, Xi'nan Town, Zhangping City	Shangban Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	25 September 2008 to 24 September 2028	84.5
Villagers' Committee of Shangban, Xi'nan Town, Zhangping City	Shangban Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	25 September 2009 to 24 September 2029	84

GENERAL INFORMATION ON OUR GROUP

Lessor	Location	Tenure	Leased Area (mu)
Villagers' Committee of Langche, Xi'nan Town, Zhangping City	Langche Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	25 September 2009 to 24 September 2029	206
Villagers' Committee of Nanbing Village, Xi'nan Town, Zhangping City	Nanbing Village, Xi'nan Town, Zhangping City, Fujian Province, PRC	12 January 2010 to 11 January 2028	125.5
Villagers' Committee of Yangmei Village, Xianghu Town, Zhangping City	Yangmei Village, Xianghu Town, Zhangping City, Fujian Province, PRC	12 January 2010 to 11 January 2028	275.4

As at 31 December 2009, our fixed assets comprised mainly buildings, plant and machinery, farm equipment and fixtures, motor vehicles, office equipment and fixture fittings, with an aggregate carrying amount of RMB18.5 million.

Please refer to Sections 6.5 and 8.5 on “Our Products, Production Process and Production Facilities” and “Business Strategies and Future Plans”, respectively, of this Prospectus for more information on our production facilities.

To the best of our Directors' knowledge, save as disclosed under Section 6.20 on “Licences and Permits” of this Prospectus, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties and fixed assets, all of which are located in PRC.

6.19 GOVERNMENT REGULATIONS

We have identified main laws and regulations that affect our operations and the relevant government bodies. For details on the applicable PRC laws and regulations, please refer to Annexure B on “Summary of Relevant PRC Laws and Regulations” of this Prospectus.

To date, and to the best of our Directors' knowledge, our Group has complied with all laws and regulations relating to environmental protection, health and safety standards which are relevant to our Group.

GENERAL INFORMATION ON OUR GROUP

6.20 LICENCES AND PERMITS

The following is a description of the material licences and permits, other than those pertaining to general business registration requirements, issued to our Group in order for us to carry out our operations:

Licence / Permit	Issuing Authority	Period of Validity	Company
Food Hygiene Licence (食品卫生许可证)	Health Bureau of Fuzhou City	14 November 2007 to 13 November 2011	Wangcheng
Food Hygiene Licence (食品卫生许可证)	Health Bureau of Pucheng County	4 April 2007 to 3 April 2011	Yuanwang
Food Hygiene Licence (食品卫生许可证)	Health Bureau of Zhangping City	27 September 2008 to 26 September 2012	Fengwang
National Industrial Product Production Permit (Food Production Permit) (全国工业产品生产许可证(食品生产许可证))	General Administration of Quality Supervision, Inspection and Quarantine of PRC	13 October 2009 to 23 July 2012	Wangcheng
National Industrial Product Production Permit (Food Production Permit) (全国工业产品生产许可证(食品生产许可证))	Fujian Administration of Quality and Technical Supervision	1 June 2010 to 31 May 2013	Wangcheng
Temporary Pollutant Discharge Permit (排放污染物临时许可证)	Environmental Protection Bureau of Minhou County	5 February 2010 to 4 February 2011	Wangcheng
Temporary Pollutant Discharge Permit (排放污染物临时许可证)	Environmental Protection Bureau of Pucheng County	7 June 2010 to 7 June 2011	Yuanwang

As at the Latest Practicable Date, none of our licences and permits has been suspended or revoked. Our Directors are not aware of any facts or circumstances which would cause the suspension or revocation or affect the renewal of the said licences and/or permits.

To the best of our Directors' knowledge, we have all the requisite licences, permits, approvals and certifications from all the relevant authorities which are required for the conduct of our business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following discussion of our financial position and results of operations should be read in conjunction with the full text of this Prospectus, including the "Independent Auditors' Report on the Audited Combined Financial Statements For The Financial Years Ended 31 December 2007, 2008 And 2009" and the "Report on Review of Unaudited Interim Financial Statements For The Three Months Financial Period Ended 31 March 2010" as set out in Annexures E and F, respectively of this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in these forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in "Risk Factors".

7.1 OPERATING RESULTS OF OUR GROUP⁽¹⁾

	AUDITED			UNAUDITED	
	FY2007 RMB'000	FY2008 RMB'000	FY2009 RMB'000	3M2009 RMB'000	3M2010 RMB'000
Revenue	72,952	135,419	236,240	76,260	124,809
Cost of sales	(51,019)	(83,737)	(141,630)	(41,931)	(63,356)
Gross profit	21,933	51,682	94,610	34,329	61,453
Other operating income	492	1,341	498	171	1,093
Gain from changes in fair value of biological assets	—	—	6,443	—	2,249
Selling and distribution expenses	(2,910)	(2,105)	(1,690)	(441)	(541)
Administrative expenses	(6,515)	(6,926)	(7,929)	(2,060)	(3,439)
Other operating expenses	(605)	(205)	(158)	(63)	(1,578)
Profit before income tax ⁽²⁾	12,395	43,787	91,774	31,936	59,237
Income tax expense	(2,026)	(6,656)	(10,099)	(2,954)	(5,556)
Total comprehensive income for the financial year/period ⁽²⁾	10,369	37,131	81,675	28,982	53,681
EPS (RMB cents) ⁽³⁾	3.13	11.19	24.62	8.74	16.18
Adjusted EPS (RMB cents) ⁽⁴⁾	2.55	9.13	20.09	7.13	13.20

Notes:

- (1) The combined operating results of our Group have been prepared on the basis that our Group has been in existence prior to the Restructuring Exercise since 1 January 2007.
- (2) Had the Service Agreement been in place since 1 January 2009, our profit before income tax and total comprehensive income for the financial year 2009 would have been approximately RMB90.5 million and approximately RMB80.4 million respectively.
- (3) For comparative purposes, EPS is calculated based on our total comprehensive income for the respective financial year/period, and the pre-Invitation share capital of 331,683,218 shares.
- (4) For comparative purposes, adjusted EPS is calculated based on our total comprehensive income for the respective financial year/period, and the post-Invitation share capital of 406,595,175 shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.2 FINANCIAL POSITIONS OF OUR GROUP⁽¹⁾

	AUDITED			UNAUDITED
	FY2007 RMB'000	FY2008 RMB'000	FY2009 RMB'000	3M2010 RMB'000
Non-current assets				
Property, plant and equipment	18,609	20,257	18,513	17,728
Biological assets ⁽²⁾	–	–	14,340	65,030
Land use rights	4,498	4,391	7,235	32,628
Prepaid lease	–	11,687	14,391	15,852
	23,107	36,335	54,479	131,238
Current assets				
Biological assets ⁽³⁾	–	23,852	34,706	3,155
Inventories	13,686	6,593	6,582	9,228
Trade and other receivables	16,268	30,073	67,857	92,994
Cash and bank balances	3,570	6,063	5,049	2,214
	33,524	66,581	114,194	107,591
Less:				
Current liabilities				
Trade and other payables	3,690	9,460	11,323	66,959
Income tax payable	588	2,227	3,108	3,217
	4,278	11,687	14,431	70,176
Net current assets	29,246	54,894	99,763	37,415
Less:				
Non-current liability				
Deferred tax liability	450	2,195	4,931	7,756
Net assets	51,903	89,034	149,311	160,897
Capital and reserves				
Share capital	42,095	42,095	42,095	–
Merger reserve	–	–	–	107,216
Statutory reserve	1,261	5,226	13,530	–
Retained earnings	8,547	41,713	93,686	53,681
	51,903	89,034	149,311	160,897
NAV per Share (RMB cents) ⁽⁴⁾	15.65	26.84	45.02	48.52

Notes:

- (1) The combined financial position of our Group has been prepared on the basis that our Group has been in existence prior to the Restructuring Exercise since 1 January 2007.
- (2) This refers to our eucalyptus trees.
- (3) This refers to our shiitake mushroom synthetic logs.
- (4) NAV per Share is computed based on the NAV for the respective financial year/period, and pre-Invitation share capital of 331,683,218 shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.3 OVERVIEW

We are a major supplier of self-cultivated shiitake mushrooms and operate one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC, which measured an aggregate of approximately 2,614.4 mu as at the Latest Practicable Date. We also have potential upstream resource sustainability through the sawdust from our eucalyptus plantations measuring an aggregate of approximately 20,000 mu as at the Latest Practicable Date, which we intend to utilise in the production of synthetic logs, used as the substrate for the cultivation of shiitake mushrooms. We are also a manufacturer and supplier of processed food products such as mushrooms, vegetable and convenience food products. Please refer to Section 6.5 on "Our Products, Production Process and Production Facilities" of this Prospectus for more information on our production and cultivation capabilities.

7.3.1 Revenue

Our revenue is derived from the sale of self-cultivated shiitake mushrooms and processed food products. Sales from processed food products include dried shiitake mushrooms, water-boiled bamboo shoots, convenience food products and other water-boiled and/or dried vegetable products. Our processed food products are sold to food processing companies, supermarkets, wholesalers and restaurants in the PRC market as well as overseas markets such as Japan and the US, whilst our self-cultivated shiitake mushrooms are sold to wholesalers and food processing companies locally in the PRC market, in cities in Fujian Province and Shanghai. Through the wholesalers of self-cultivated shiitake mushrooms, our self-cultivated shiitake mushrooms are sold to other cities in Guangdong, Zhejiang and Jiangsu Provinces across PRC.

Revenue is recognised upon passage of title to the customer which coincides with the delivery and acceptance. We generally do not allow sales returns by our customers unless there are product quality-related issues. For the Period Under Review, we did not experience any material sales returns by our customers arising from product quality matters.

Revenue by product segment

	AUDITED						UNAUDITED			
	FY2007		FY2008		FY2009		3M2009		3M2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Self-cultivated shiitake mushrooms	–	–	50,520	37.3	125,478	53.1	53,937	70.7	90,495	72.5
Processed food products	72,952	100.0	84,899	62.7	110,762	46.9	22,323	29.3	34,314	27.5
Total Revenue	72,952	100.0	135,419	100.0	236,240	100.0	76,260	100.0	124,809	100.0

During the Period under Review, our total revenue increased by approximately RMB163.2 million or 223.6%, from RMB73.0 million in FY2007 to RMB236.2 million in FY2009. Revenue generated in 3M2010 was RMB124.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Revenue from our self-cultivated shiitake mushrooms increased by approximately RMB75.0 million or 148.5%, from RMB50.5 million in FY2008 to RMB125.5 million in FY2009 mainly due to having only three months of self-cultivated shiitake mushrooms harvesting and sales from late September 2008 to end December 2008, as compared to seven months of self-cultivated shiitake mushrooms harvesting and sales from January 2009 to April 2009, and late September 2009 to end December 2009 as well as the increase in shiitake mushroom cultivation bases from approximately 1,660 mu in FY2008 to approximately 2,200 mu since late September 2009.

Revenue from our processed food products increased by approximately RMB37.8 million or 51.8%, from RMB73.0 million in FY2007 to RMB110.8 million in FY2009 mainly due to (i) the growth in sales volume and average unit selling price of konjac instant noodles in the PRC market as a result of our continuing efforts in sales promotion, and (ii) an increase in sales volume and average unit selling price of water-boiled bamboo shoots products in our main export market, Japan. Such increase was a rebound following the decrease in sales volume of water-boiled bamboo shoots products to Japan in FY2008 as a result of several high-profile Chinese processed food products-related scandals in late 2007 and early 2008 (where neither our Group nor our products were involved), and the unfolding global financial crisis in 2008. The increase of sales volume in FY2009 was due to restored confidence from our Japanese customers and general recovery of the global economy.

Revenue by geographical markets

	AUDITED						UNAUDITED			
	FY2007		FY2008		FY2009		3M2009		3M2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PRC Market	5,668	7.8	90,441	66.8	170,735	72.3	63,853	83.7	102,407	82.1
Overseas markets*	67,284	92.2	44,978	33.2	65,505	27.7	12,407	16.3	22,402	17.9
Total	72,952	100.0	135,419	100.0	236,240	100.0	76,260	100.0	124,809	100.0

*Overseas markets include Japan and the US.

We generate our revenue from the PRC market and overseas markets including Japan and the US. Our revenue generated from overseas markets, mainly Japan, consists of entirely processed food products sales and accounted for approximately 92.2%, 53.0%, 59.1% and 65.3% of our total revenue from processed food products for FY2007, FY2008, FY2009 and 3M2010, respectively. Our self-cultivated shiitake mushrooms are sold entirely to wholesalers and food processing companies in the PRC market.

In relation to our PRC market, in late September 2008, we started the production and sales of self-cultivated shiitake mushrooms. Revenue from the PRC market increased by approximately RMB165.0 million or 2894.7%, from RMB5.7 million in FY2007 to RMB170.7 million in FY2009, mainly due to sales of self-cultivated shiitake mushrooms to the PRC market from FY2008 onwards.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

In relation to our overseas markets, as a result of the global financial crisis in 2008 and several Chinese processed food products-related scandals in 2008 (where neither our Group nor our products were involved), our FY2008 exports and sales to overseas markets, mainly Japan, decreased by approximately RMB22.3 million or 33.1%, from RMB67.3 million in FY2007 to RMB45.0 million in FY2008. The revenue generated from overseas markets rebounded in FY2009, by approximately RMB20.5 million or 45.6%, from RMB45.0 million in FY2008 to RMB65.5 million in FY2009 mainly due to the increase in sales of water-boiled bamboo shoots products and other water-boiled vegetables arising from the general recovery of the global economy and restored confidence in Chinese processed food products from Japanese consumers.

Factors that can affect our results of operations include the following:

(a) Product Pricing

The prices of our products are determined by factors such as general economic conditions, socio-political environment, industry competitiveness, demand and supply of our products, availability of raw materials and our price competitiveness as compared to our competitors. As a result, any change in these factors may directly and/or indirectly affect our revenue and profitability.

(b) Supply and price of raw materials

Our production volume is largely dependent on the supply of raw materials which we source from individual farmers and food processing companies from various geographical regions across PRC. Due to their seasonal nature, our raw materials such as bamboo shoots, radish, carrot and burdock are only cultivated and harvested during certain periods of the year in different geographical regions across PRC. We have taken measures to mitigate against the seasonality of raw material supply and market price fluctuations by sourcing our raw materials (other than self-cultivated shiitake mushrooms) from various geographical regions across PRC, such as Henan, Zhejiang, Jiangsu, Shandong, Hebei and Fujian provinces, where the harvesting seasons differ. Nonetheless, should there be any shortage of such raw materials during the respective harvesting periods for any reasons beyond our control, such as unforeseen climate conditions or natural disasters, our business operations and revenue will be adversely affected. In our negotiation with customers before the respective harvesting seasons of raw materials, we will take into consideration, *inter alia*, the general market pricing of our raw materials and correspondingly adjust the selling prices of our processed food products.

On the other hand, in relation to the cultivation of our self-cultivated shiitake mushrooms, our raw materials comprise mainly synthetic logs and mycelia. The sawdust is a key raw material used in the production of synthetic logs, which we source from individual farmers through our arrangements with the various Villagers' Committees. Should there be any shortage of sawdust for any reasons beyond our control, such as unforeseen climate conditions or natural disasters that affect the supply of sawdust, the prices of synthetic logs may increase thus adversely affecting our business operations and revenue from sales of self-cultivated shiitake mushrooms.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

There is no assurance that we will be able to pass on any increase in prices of our raw materials to our customers. Hence, any increase in our raw material costs that we are unable to pass on to our customers or any decrease in sales due to decreased demand as a result of increased market prices, may adversely affect our revenue and profitability.

In March 2009, we established the plantations of eucalyptus to ensure reliable supply of synthetic logs to be used in our future cultivation of shiitake mushrooms. Our eucalyptus plantations are expected to be mature for harvesting from 2012.

We have, since 2008, commenced trial cultivation of shiitake mushrooms using synthetic logs made from eucalyptus sawdust on a small scale which generated an equivalent yield of self-cultivated shiitake mushrooms as compared to the other synthetic logs currently being used. However, if we are unable to maintain or improve the yield of self-cultivated shiitake mushrooms after the implementation of full-scale cultivation using synthetic logs made from eucalyptus sawdust, we may experience unexpected decline in our revenue generated from our cultivation of shiitake mushrooms and in such event, our business, financial position and operating results may be adversely affected. Please refer to Section 5 on "Risk Factors – We may not be successful in the cultivation of shiitake mushrooms grown on synthetic logs made from eucalyptus sawdust" of this Prospectus for more information.

(c) Changes in product mix and sales volume

Our revenue and profitability are dependent upon the sales volume of self-cultivated shiitake mushrooms which accounted for more than 50% of our total revenue in FY2009, with the remaining revenue generated by sales of processed food products. Demand for our products depends primarily on general consumer preferences and dietary habits. As our products have varying unit selling prices and gross profit margins, changes in our product mix and sales volume may affect our revenue and profitability.

(d) Ability to increase our production capacity

Our ability to increase our sales volume is directly dependent on our existing production capacity and our ability to increase our production capacity to meet increased demand for our products. If we are unable to increase our production capacity through the acquisition of additional land and plant and equipment, our revenue growth may be affected.

(e) Ability to develop new range of products

We constantly develop new and innovative products to meet our customers' demands. If we are unable to anticipate the latest trends and/or changing patterns in general consumer preferences, the demand for our products may decline and our revenue will be adversely affected.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

(f) Competition in our products and geographical markets

The self-cultivated shiitake mushrooms and processed food products industries are highly competitive in PRC and globally. There are currently many mushroom cultivating and food processing companies in PRC and we expect new entrants to enter into these industries. Our revenue, and subsequently our profit margins and financial performance, are largely dependent on our ability to maintain and increase our market share and enhance our competitiveness by delivering to customers consistently high quality products in a price-competitive manner. Our ability to control our selling prices may be affected if competition intensifies and our competitors or new market entrants adopt aggressive pricing.

7.3.2 Cost of Sales

Our cost of sales accounted for approximately 69.9%, 61.8%, 60.0% and 50.8% of our revenue in FY2007, FY2008, FY2009 and 3M2010, respectively.

Cost of sales by product segment

	AUDITED						UNAUDITED			
	FY2007		FY2008		FY2009		3M2009		3M2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Self-cultivated shiitake mushrooms	–	–	25,216	30.1	67,025	47.3	26,795	63.9	40,828	64.4
Processed food products	51,019	100.0	58,521	69.9	74,605	52.7	15,136	36.1	22,528	35.6
Total cost of sales	51,019	100.0	83,737	100.0	141,630	100.0	41,931	100.0	63,356	100.0

In line with the increase in revenue from FY2007 to FY2009, total cost of sales increased by approximately RMB90.6 million or 177.6%, from RMB51.0 million in FY2007 to RMB141.6 million in FY2009.

Cost of sales for self-cultivated shiitake mushrooms increased by approximately RMB41.8 million or 165.9%, from RMB25.2 million in FY2008 to RMB67.0 million in FY2009. This increase is generally in line with the increase in revenue derived from sales of self-cultivated shiitake mushrooms over the same period.

Cost of sales for processed food products increased by approximately RMB23.6 million or 46.3%, from RMB51.0 million in FY2007 to RMB74.6 million in FY2009. This increase is generally in line with the increase in revenue of 51.8% derived from sales of processed food products over the same period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Breakdown of cost of sales of self-cultivated shiitake mushrooms

We started the production and sales of self-cultivated shiitake mushrooms in late September 2008. Our cost of sales of self-cultivated shiitake mushroom comprises mainly direct materials, direct labour and cultivation overheads. A breakdown of the main components for each of FY2007, FY2008, FY2009 and 3M2010 is as follows:

	AUDITED						UNAUDITED			
	FY2007		FY2008		FY2009		3M2009		3M2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Direct materials	N.A	N.A	19,515	77.4	52,331	78.1	20,842	77.8	31,561	77.3
Direct labour	N.A	N.A	4,984	19.8	12,476	18.6	5,194	19.4	8,307	20.3
Cultivation overheads	N.A	N.A	717	2.8	2,218	3.3	759	2.8	960	2.4
Total cost of sales of self-cultivated shiitake mushrooms	N.A	N.A	25,216	100.0	67,025	100.0	26,795	100.0	40,828	100.0

Direct materials

Direct materials for our self-cultivated shiitake mushrooms comprise mainly synthetic logs and mycelia. Direct materials accounted for approximately 77.4%, 78.1% and 77.3% of our cost of sales of self-cultivated shiitake mushrooms in FY2008, FY2009 and 3M2010, respectively. Please refer to Section 6.5 on "Our Products, Production Process and Production Facilities" of this Prospectus for more details on the raw materials used in the cultivation of shiitake mushrooms.

Direct labour

Direct labour cost of self-cultivated shiitake mushrooms includes salaries of our cultivation technicians, payment of farming services to the Villagers' Committees, and other staff-related costs for cultivation purposes. Our direct labour cost is dependent on the number of cultivation technicians employed, the prevailing local labour cost level and labour market conditions. Direct labour cost of self-cultivated shiitake mushrooms accounted for approximately 19.8%, 18.6% and 20.3% of our cost of sales of self-cultivated shiitake mushrooms in FY2008, FY2009 and 3M2010, respectively. We adopted an output and quality-oriented system for calculating the payment of farming services to the Villagers' Committees as an incentive to improve efficiency and productivity. The increase in direct labour, in particular payment of farming services to the Villagers' Committees, was in line with the increase in our cultivation activities, mainly due to having only three months of self-cultivated shiitake mushroom harvesting and sales from late September 2008 to end December 2008, as compared to seven months of self-cultivated shiitake mushroom harvesting and sales from January 2009 to April 2009, and late September 2009 to end December 2009, as well as the increasing trend of local labour cost levels.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Cultivation overheads

Cultivation overheads include mainly depreciation charges on farm equipment and fixtures, amortisation charges on land use rights, utility charges, consumables and other cultivation related costs. Depreciation charges on farm equipment and fixtures and amortisation charges on land use rights form the bulk of our cultivation overheads, accounting for approximately 2.5%, 2.9% and 2.1% of our cost of sales of self-cultivated shiitake mushrooms in FY2008, FY2009 and 3M2010, respectively.

Breakdown of cost of sales of processed food products

Our cost of sales of processed food products comprises mainly direct materials, direct labour and factory overheads. A breakdown of the main components for each of FY2007, FY2008, FY2009 and 3M2010 is as follows:

	AUDITED						UNAUDITED			
	FY2007		FY2008		FY2009		3M2009		3M2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Direct materials	41,787	81.9	49,096	83.9	65,005	87.1	12,817	84.7	19,579	86.9
Direct labour	3,463	6.8	4,159	7.1	5,144	6.9	1,346	8.9	1,463	6.5
Factory overheads	5,769	11.3	5,266	9.0	4,456	6.0	973	6.4	1,486	6.6
Total cost of sales of processed food products	51,019	100.0	58,521	100.0	74,605	100.0	15,136	100.0	22,528	100.0

Direct materials

Direct materials comprise mainly raw materials such as fresh vegetables (such as bamboo shoots, radish, carrots and burdock) and semi-processed food products (such as konjac powder, canned bamboo shoots and dried shiitake mushrooms), foods additives, condiments and packaging materials. The cost of direct materials also includes the purchases of finished goods for resale to our customers. Our direct materials accounted for approximately 81.9%, 83.9%, 87.1% and 86.9% of our total cost of sales of processed food products in FY2007, FY2008, FY2009 and 3M2010, respectively. The increase in cost of direct materials from FY2007 to FY2009 was in line with the increase in revenue from processed food products over the same period. We purchase our raw materials from individual farmers and food processing companies in PRC. The prices of these raw materials will be determined in accordance with the prevailing market prices during the harvesting seasons of raw materials.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Direct labour

Direct labour costs include salaries and other related costs of production personnel. Our direct labour costs are dependent on the number of production workers employed, the production volume, the industry wage levels and labour conditions. Our direct labour costs accounted for approximately 6.8%, 7.1%, 6.9% and 6.5% of our total cost of sales of processed food products in FY2007, FY2008, FY2009 and 3M2010, respectively. The increase in direct labour costs was in line with the increase in our revenue from processed food products over the same period and increasing trend of wage levels.

Factory overheads

Factory overheads comprise the depreciation of property, plant and equipment, utility charges, maintenance cost, and other factory related costs. Our factory overheads accounted for approximately 11.3%, 9.0%, 6.0% and 6.6% of our total cost of sales of processed food products in FY2007, FY2008, FY2009 and 3M2010, respectively. The decrease in our factory overheads from FY2007 to FY2008 was mainly attributable to a decrease in utility charges and factory related costs as a result of our improved efficiency and streamlined production process.

Factors that can affect our cost of sales include the following:

(a) Availability and cost of direct materials

We purchase our mycelia from Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心) and other raw materials such as synthetic logs, fresh vegetables (such as bamboo shoots, radish, carrots and burdock), and semi-processed food products (such as konjac powder, canned bamboo shoots and dried shiitake mushrooms) from individual farmers and food processing companies in PRC. The prices of the raw materials are primarily dependent on market demand and supply conditions.

Sawdust is a key raw material used in the production of synthetic logs. In March 2009, we established the plantations of eucalyptus to ensure reliable supply of synthetic logs to be used in our future cultivation of shiitake mushrooms. Our eucalyptus plantations are expected to be mature for harvesting from 2012. We intend to adopt the use of synthetic logs made from eucalyptus sawdust in our future cultivation of shiitake mushrooms to the extent that the output of eucalyptus sawdust harvested from our eucalyptus plantations allows, in order to (i) manage and control the cultivation costs, (ii) ensure a timely and reliable supply of synthetic logs, (iii) ensure the consistency in the quality of our shiitake mushrooms, and (iv) tap on the higher yield of eucalyptus sawdust harvested from the eucalyptus plantations as compared to other types of plantations which generally have longer maturity periods.

(b) Ability to control our labour costs

Our direct labour cost is dependent on the payment of farming services to the Villagers' Committees, number of employees required for our cultivation and production process, level of skills of our production personnel, and the labour supply in the market. Fluctuations in the costs of hiring workforce in our industry may in turn be affected by changes in government policies or shortage in labour supply.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

(c) Ability to manage and control factory overheads

We have taken various measures, such as scheduling our production during off-peak periods with lower electricity rates, and combining orders to avoid stoppages and unnecessary wastage from repeated machine start-ups.

(d) Depreciation and amortisation

Our depreciation charges are affected by our expansion of production facilities and cultivation facilities. The amortisation charge on prepaid lease, namely the advance payments made to the Villagers' Committees for our shiitake mushroom cultivation bases, is affected by the land rent and lease period.

7.3.3 Gross profit margin

A breakdown of our gross profit and gross profit margin by product segment is set out below:

	AUDITED						UNAUDITED			
	FY2007		FY2008		FY2009		3M2009		3M2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Self-cultivated shiitake mushrooms	—	—	25,304	49.0	58,453	61.8	27,142	79.1	49,667	80.8
Processed food products	21,933	100.0	26,378	51.0	36,157	38.2	7,187	20.9	11,786	19.2
Total gross profit	21,933	100.0	51,682	100.0	94,610	100.0	34,329	100.0	61,453	100.0

	AUDITED			UNAUDITED	
	FY2007 %	FY2008 %	FY2009 %	3M2009 %	3M2010 %
Self-cultivated shiitake mushrooms	—	50.1	46.6	50.3	54.9
Processed food products	30.1	31.1	32.6	32.2	34.3
Overall gross profit margin	30.1	38.2	40.0	45.0	49.2

Our gross profit margin is affected by the selling prices of our products, relative cost of sales and sales mix. Our overall gross profit margin increased from 30.1% in FY 2007 to 40.0% in FY2009. Between 3M2009 and 3M2010, our gross profit margin increased from 45.0% in 3M2009 to 49.2% in 3M2010.

The increasing trend of our overall gross profit margin between FY2007 and FY2009 was mainly attributable to the change in sales mix, with the introduction and sale of our self-cultivated shiitake mushrooms in late September 2008, which has a higher gross profit margin than processed food products. The gross profit margin of our self-cultivated shiitake mushrooms decreased from 50.1% in FY2008 to 46.6% in FY2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The decrease was mainly due to an increase in average unit cost of sales not in tandem with average unit selling price. The gross profit margin of our processed food products increased marginally from 30.1% in FY2007 to 31.1% in FY2008 and further increased to 32.6% in FY2009 as a result of greater cost efficiencies in our operations.

7.3.4 Gain from changes in fair value of biological assets

Sawdust is a key raw material used in the production of synthetic logs. In order to acquire potential upstream resource sustainability in terms of controlling the cultivation cost and ensuring reliable supply of synthetic logs used as the substrate in the cultivation of shiitake mushrooms, in March 2009, we established the plantations of eucalyptus through the acquisition of our first non-mature eucalyptus plantation measuring approximately 2,700 mu. In September 2009 and January 2010, we further acquired 1,589 mu and approximately 15,700 mu of non-mature eucalyptus plantations respectively. As at the Latest Practicable Date, we own non-mature eucalyptus plantations measuring an aggregate of approximately 20,000 mu. Our eucalyptus plantations are expected to be mature for harvesting from 2012.

Under Financial Reporting Standard ("FRS") No. 1 (66)(a), an entity shall classify an asset as current when it expects to realise the assets, or intends to sell or consume it, in its normal operating cycle (generally within one year from the balance sheet date) and noncurrent assets if assets are expected to be realised beyond one year.

In the case of Fengwang, synthetic logs are consumed within seven months from date of acquisition. Hence, they are classified as current assets in the combined balance sheet of the Company. Whereas eucalyptus plantations are classified as non-current assets – biological assets, which are not expected to be realised or consumed within one operating cycle.

In line with the requirements of the Singapore Financial Reporting Standards ("FRS"), we have applied FRS No. 41 – Agriculture on our eucalyptus trees in the eucalyptus plantations and synthetic logs for shiitake mushroom cultivation at the cultivation bases.

Eucalyptus trees under cultivation are measured at fair value less estimated point-of-sales costs on initial recognition and at each balance sheet date. The fair value is determined based on either present value of expected net cash flows from the eucalyptus trees discounted at a current market determined pre-tax rate or the market price, with reference to the growing conditions, cost incurred and expected yield of the eucalyptus trees.

The fair value of our eucalyptus trees at each balance sheet date is obtained through an independent expert valuer. During the Period under Review, the gain from changes in fair value of our eucalyptus trees in our plantations was approximately RMB6.4 million and RMB2.2 million which represented approximately 2.7% and 1.8% of our total revenue for FY2009 and 3M2010 respectively.

Prior to the maturity of our eucalyptus trees in our plantations, we purchase all our synthetic logs from various Villagers' Committees. Our synthetic logs for shiitake mushrooms cultivation have a much shorter lifespan than our eucalyptus trees and will usually last approximately seven months. Our synthetic logs are stated at cost less accumulated depreciation and any accumulated impairment losses.

Non-cash gains due to changes in fair value of biological assets are recorded as gain from changes in fair value of biological assets, while the sales of our self-cultivated shiitake mushrooms which utilised our biological assets, namely synthetic logs are recorded as revenue in our statements of comprehensive income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.3.5 Other operating income

Other operating income relates mainly to (i) government grants and subsidies, (ii) interest income on bank deposits, and (iii) others, such as compensation from insurance coverage and profit from the sale of scraps.

Government grants and subsidies relate to incentive awards and subsidies for our research and development projects, received from government-related agencies in support of agricultural activities in the PRC. There are no unfulfilled conditions or contingencies attached to these grants. Our other operating income represented approximately 0.7%, 1.0%, 0.2% and 0.9% of our revenue in FY2007, FY2008, FY2009 and 3M2010, respectively.

7.3.6 Selling and distribution expenses

Selling and distribution expenses accounted for approximately 4.0%, 1.6%, 0.7% and 0.4% of our total revenue in FY2007, FY2008, FY2009 and 3M2010, respectively.

Selling and distribution expenses comprise mainly transportation costs, employee benefit costs (including salaries and allowances for sales and marketing personnel) and other miscellaneous expenses incurred in carrying out our sales and marketing activities, such as entertainment and travelling expenses. Such expenses are mainly affected by the prevailing sea freight rates, the number of sales and marketing staff employed, the sales volume achieved, as well as the level of the marketing efforts undertaken by us. The decrease in selling and distribution expenses as a percentage of our total revenue from 4.0% in FY2007 to 0.7% in FY2009 was mainly due to the change in product mix arising from the commencement of sales of self-cultivated shiitake mushrooms in late September 2008, which typically do not incur significant selling and distribution expenses as most of our customers of self-cultivated shiitake mushrooms make their own transportation arrangements for the collection of mushrooms.

7.3.7 Administrative expenses

Administrative expenses accounted for approximately 8.9%, 5.1%, 3.4% and 2.8% of our total revenue in FY2007, FY2008, FY2009 and 3M2010, respectively. Administrative expenses comprise mainly employee benefit costs (including salaries and salary-related costs) of our management, product development and administrative personnel, entertainment and travelling expenses, and depreciation of office equipment and motor vehicles for administrative uses. The decrease in our administrative expenses as a percentage of our total revenue from 8.9% in FY2007 to 3.4% in FY2009 was due to the increase in our total revenue being proportionately higher than the increase in administrative expenses over the same period.

7.3.8 Other operating expenses

Other operating expenses accounted for approximately 0.8%, 0.2%, 0.1% and 1.3% of our total revenue in FY2007, FY2008, FY2009 and 3M2010, respectively. Other operating expenses comprise mainly net foreign exchange loss, loss on disposal of property, plant and equipment and others such as maintenance cost of our eucalyptus trees in plantation bases. The increase in other operating expenses in 3M2010 was mainly due to the maintenance cost of eucalyptus trees in our plantations incurred during this period, which was absent in prior financial years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.3.9 Income tax expense

Our PRC Subsidiaries are subject to the Enterprise Income Tax Law of the PRC (中华人民共和国企业所得税法) adopted by the National People's Congress and came into force on 1 January 2008 ("EIT Law").

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法) which expired on 1 January 2008 ("FIE EIT Law"), Wangcheng, as a FIE, was entitled to full exemption of EIT for the initial two years and a 50% reduction in EIT for the next three years (两免三减半), commencing from the first profitable year (after deducting losses carried forward) pursuant to the FIE EIT Law. In addition to the aforesaid tax benefits granted by the FIE EIT Law, as Wangcheng was certified as an export-oriented enterprise, which its revenue from the export business exceeds 70% of the total revenue of the year, it enjoyed a preferential EIT rate of 12% from 2004 until 2007. Pursuant to the EIT Law, the EIT rate applicable to all resident enterprises (including all FIEs and domestic companies) in the PRC shall be 25%. As a result, Wangcheng no longer enjoys any further EIT incentives available under the FIE EIT Law from 2008.

Yuanwang, as a FIE, was also entitled to full exemption of EIT for the initial two years and a 50% reduction in EIT for the next three years (两免三减半), commencing from the first profitable year (after deducting losses carried forward) pursuant to the FIE EIT Law. The two years' tax exemption period for Yuanwang had expired on 31 December 2009. Yuanwang is subject to a reduced EIT rate of 12.5% for the following three calendar years ending on 31 December 2012.

Pursuant to the PRC Enterprise Income Tax Implementing Rules (中华人民共和国企业所得税法实施条例) and the PRC Value Added Tax Interim Rules (增值税暂行条例), Fengwang is exempted from the EIT and the value added tax for revenue deriving from the sales of its self-cultivated and/or semi-processed (初级加工) agricultural products. Accordingly Fengwang, has obtained the approval from Zhangping State Tax Bureau dated 27 October 2007, for full tax exemption for EIT from Fujian tax authority for income derived from sales of self-cultivated and/or semi-processed (初级加工) agricultural products from 7 October 2008 to 31 December 2011. The full tax exemption period is subject to further renewal upon application by Fengwang before its expiry.

Our Group's overall effective tax rates for FY2007, FY2008, FY2009 and 3M2010 were 16.3%, 15.2%, 11.0% and 9.4%, respectively.

7.3.10 Inflation

We do not consider the impact of inflation on our financial performance for FY2007, FY2008, FY2009 and 3M2010 to be significant.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.4 REVIEW OF PAST PERFORMANCE

7.4.1 FY2007 vs FY2008

Revenue

Our revenue increased by approximately RMB62.4 million or 85.5%, from RMB73.0 million in FY2007 to RMB135.4 million in FY2008.

The increase in revenue was mainly attributable to (i) the sales from our self-cultivated shiitake mushrooms of approximately RMB50.5 million, which we commenced in late September 2008, (ii) the increase in sales from dried shiitake mushrooms of approximately RMB11.5 million from RMB23.4 million in FY2007 to RMB34.9 million in FY2008 mainly due to increased export to the Japanese market, as well as (iii) the increase in sales from convenience food products, mainly konjac instant noodles, of approximately RMB15.9 million or 548.3%, from RMB2.9 million in FY2007 to RMB18.8 million in FY2008. The increase in sales from convenience food products was mainly due to (i) the fact that we only commenced our konjac instant noodles production and sales in August 2007 as compared to the full year's production and sales in FY2008, and (ii) the increase in average unit selling price and sales volume of konjac instant noodles due to market demand as a result of effective promotional efforts.

These increases were offset by the decrease in the sales of processed food products, excluding dried shiitake mushrooms, of approximately RMB15.4 million or 33.0%, from RMB46.7 million in FY2007 to RMB31.3 million in FY2008, of which there was a RMB5.4 million decrease in the sales of high-temperature, high-pressure processed seasoned vegetables which are sold and exported only to Japan. We ceased the production of these high-temperature, high-pressure processed seasoned vegetables in January 2008, in view of the general decrease in confidence amongst Japanese consumers towards Chinese processed food products and the tightened food import controls imposed by Ministry of Health, Labour and Welfare, Japan, which arose due to several high-profile Chinese processed food products-related scandals in late 2007 and early 2008 (where neither our Group nor our products were involved). Similarly, the decrease in sales of our other processed food products such as water-boiled bamboo shoots, burdock, radish and carrots was mainly due to the decrease in export sales as result of the several high-profile Chinese processed food products-related scandals in late 2007 and early 2008 (where neither our Group nor our products were involved), and the unfolding global financial crisis in 2008, which affected the demand from our main export market, Japan.

Cost of sales

Our cost of sales increased by approximately RMB32.7 million, or 64.1%, from RMB51.0 million in FY2007 to RMB83.7 million in FY2008, in line with the increase in our revenue.

Our cost of sales of self-cultivated shiitake mushrooms was RMB25.2 million in FY2008 which comprises mainly direct raw materials, direct labour cost and cultivation overheads.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our cost of sales of processed food products increased by approximately RMB7.5 million or 14.7%, from RMB51.0 million in FY2007 to RMB58.5 million in FY2008, in line with the increase in our revenue generated from sale of processed food products. The increase in cost of sales was mostly attributable to the increase in the cost of raw materials of approximately RMB7.3 million or 17.5%, from RMB41.8 million in FY2007 to RMB49.1 million in FY2008. We adopted an output and quality-oriented system for calculating the wages of our production workers as an incentive to improve efficiency and productivity. Direct labour cost increased by approximately RMB0.7 million or 20.0%, from RMB3.5 million in FY2007 to RMB4.2 million in FY2008 due to the increase in the production of processed food products, and an increase in average wages. Factory overheads decreased significantly by approximately RMB0.5 million or 8.6%, from RMB5.8 million in FY2007 to RMB5.3 million in FY2008 due to (i) decrease in utility charges as a result of our improved efficiency and streamlined production process, (ii) decrease in the purchase of consumables as a result of the longer useful lives of stainless steel consumables purchased in FY2007, and (iii) decrease in indirect labour cost as a result of a reduction in the headcount of factory supervisors and production co-ordinators, due to the streamlining and rationalisation of our production operations.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB29.8 million or 136.1%, from RMB21.9 million in FY2007 to RMB51.7 million in FY2008. The increase in our gross profit was due to our revenue increase (net of increase in cost of sales) as mentioned above. Our overall gross profit margin improved from 30.1% in FY2007 to 38.2% in FY2008. This was mainly due to the increase in revenue contribution from self-cultivated shiitake mushrooms, which command higher gross profit margins as compared to processed food products. Self-cultivated shiitake mushrooms revenue as a proportion of total revenue was 37.3% in FY2008 and gross profit margin of our self-cultivated shiitake mushrooms was 50.1% in FY2008.

The gross profit margin for our processed food products increased marginally from 30.1% in FY2007 to 31.1% in FY2008. The increase was mainly due to greater cost efficiencies in our operation despite a slight decrease in our average selling price as a result of the impact of global financial crisis.

Other operating income

Other operating income increased by approximately RMB0.8 million or 160.0%, from RMB0.5 million in FY2007 to RMB1.3 million in FY2008. This was mainly due to the increase in government grants such as incentive awards and subsidies for our research and development projects, received by Wangcheng from government-related agencies in support of agricultural activities in PRC.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB0.8 million or 27.6%, from RMB2.9 million in FY2007 to RMB2.1 million in FY2008. This was mainly due to a decrease of RMB0.8 million in transportation costs which was largely in line with our decrease in export sales in FY2008, and the change in product mix arising from the commencement of sales of self-cultivated shiitake mushrooms in late September 2008, which typically do not incur significant selling and distribution expenses as most of our customers of self-cultivated shiitake mushrooms make their own transportation arrangements for the collection of mushrooms.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Administrative expenses

Administrative expenses increased by approximately RMB0.4 million or 6.2%, from RMB6.5 million in FY2007 to RMB6.9 million in FY2008. This was mainly attributable to the increase of RMB0.5 million in research and development cost, arising from our research and development collaboration with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心) to jointly develop shiitake mushroom mycelia, and RMB0.3 million in property tax payment which was under-provided for in FY2007. The increase was partially offset by a decrease of RMB0.2 million in staff salaries as a result of lower staff headcount arising from the rationalisation of administrative operations, and an absence of the RMB0.3 million club membership fee in FY2008 which was a one-off payment in FY2007.

Other operating expenses

Other operating expenses decreased by approximately RMB0.4 million or 66.7%, from RMB0.6 million in FY2007 to RMB0.2 million in FY2008. This was mainly attributable to a decrease in net exchange loss.

Profit before income tax

Profit before income tax increased by approximately RMB31.4 million or 253.2%, from RMB12.4 million in FY2007 to RMB43.8 million in FY2008. The increase was mainly due to an increase in gross profit and other operating income as well as a decrease in selling and distribution expenses.

Income tax expense

Our income tax expense increased by approximately RMB4.7 million or 235.0%, from RMB2.0 million in FY2007 to RMB6.7 million in FY2008. The increase was mainly due to the corresponding increase in profit before income tax and withholding tax on undistributed earnings of our subsidiaries. Our effective tax rates were 16.3% and 15.2% in FY2007 and FY2008, respectively. The decrease in the effective tax rates in FY2008 was mainly due to the inclusion of non-taxable profit before income tax from our self-cultivated shiitake mushrooms generated from Fengwang, which was absent in FY2007.

7.4.2 FY2008 vs FY2009

Revenue

Our revenue increased by approximately RMB100.8 million or 74.4%, from approximately RMB135.4 million in FY2008 to approximately RMB236.2 million in FY2009.

The increase in revenue was mainly attributable to the increase in sales from our self-cultivated shiitake mushrooms by approximately RMB75.0 million or 148.5%, from RMB50.5 million in FY2008 to RMB125.5 million in FY2009. Our sales of self-cultivated shiitake mushrooms commenced only in late September 2008 with only three months of mushroom harvesting from late September 2008 to end December 2008, as compared to seven months of shiitake mushroom harvesting from January 2009 to April 2009 and late September 2009 to end December 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The sales of processed food products increased by approximately RMB25.9 million or 30.5%, from RMB84.9 million in FY2008 to RMB110.8 million in FY2009. The increase in our revenue from processed food products was mainly due to increased export sales of water-boiled bamboo shoot products of approximately RMB24.5 million or 170.1%, resulting from the gradual economic recovery of our major export destination, Japan, as well as the regained confidence towards Chinese processed food products amongst Japanese consumers. In addition, the increase in our revenue from processed food products was also due to the increase in revenue from our convenience food products, konjac instant noodles, which increased by approximately RMB11.0 million or 58.5% arising from our increased promotional efforts in PRC. The increase was partially offset by a decrease in revenue from dried shiitake mushroom of approximately RMB10.4 million or 29.9%, mainly due to the decrease in demand for dried shiitake mushroom from our Japanese customers, as a result of changes in Japanese consumer preference towards our other processed food products such as water-boiled bamboo shoots.

Cost of sales

Our cost of sales increased by approximately RMB57.9 million or 69.2%, from approximately RMB83.7 million in FY2008 to approximately RMB141.6 million in FY2009, which was generally in line with the increase in our revenue over the same period.

Our cost of sales of self-cultivated shiitake mushrooms increased by approximately RMB41.8 million or 165.9%, from approximately RMB25.2 million in FY2008 to approximately RMB67.0 million in FY2009, in line with the increase in revenue generated from sales of our self-cultivated shiitake mushrooms. The increase in cost of sales of self-cultivated shiitake mushrooms was mostly attributable to the increase in the cost of raw materials of approximately RMB32.8 million or 168.2%, from approximately RMB19.5 million in FY2008 to approximately RMB52.3 million in FY2009. We adopted an output and quality-oriented system for calculating the payment of farming services to the Villagers' Committees as an incentive to improve efficiency and productivity. Direct labour cost increased by approximately RMB7.5 million or 150.0%, from approximately RMB5.0 million in FY2008 to approximately RMB12.5 million in FY2009 due to the increase in the cultivation and sales of our shiitake mushrooms, and an increase in average wages for farming services. Cultivation overheads increased by approximately RMB1.5 million or 214.3% from RMB0.7 million in FY2008 to RMB2.2 million in FY2009, mainly due to the increase in depreciation charges on farm equipment and fixtures, and operating lease payment as we expanded our shiitake mushroom cultivation facilities and shiitake mushroom cultivation bases respectively.

Our cost of sales of processed food products increased by RMB16.1 million or 27.5%, from RMB58.5 million in FY2008 to RMB74.6 million in FY2009. The increase in cost of sales of our processed food products was mainly attributable to the increase in the cost of raw materials of approximately RMB15.9 million or 32.4%, from approximately RMB49.1 million in FY2008 to approximately RMB65.0 million in FY2009. We adopted an output and quality-oriented system for calculating the wages to our production workers as an incentive to improve efficiency and productivity. Direct labour cost increased by approximately RMB0.9 million or 21.4%, from approximately RMB4.2 million in FY2008 to approximately RMB5.1 million in FY2009 mainly due to the increase in the production of processed food products. Factory overhead decreased by

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

approximately RMB0.8 million or 15.1%, from approximately RMB5.3 million in FY2008 to approximately RMB4.5 million in FY2009 mainly due to the (i) decrease in utility charges as a result of our improved efficiency and streamlined production process, (ii) decrease in the purchase of consumables as a result of the longer useful lives of stainless steel consumables purchased in FY2007, and (iii) decrease in indirect labour cost as a result of a reduction in the headcount of factory supervisors and production co-ordinators, due to the streamlining and rationalisation of our production operations.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB42.9 million or 83.0%, from RMB51.7 million in FY2008 to RMB94.6 million in FY2009. This increase in our gross profit was mainly due to our revenue increase (net of increase in cost of sales) as mentioned above. Our overall gross profit margin improved from 38.2% in FY2008 to 40.0% in FY2009. This was mainly due to the increase in revenue contributed from self-cultivated shiitake mushrooms, which generally command higher gross profit margins as compared to processed food products. Revenue contributed from self-cultivated shiitake mushrooms as a proportion of our total revenue increased from 37.3% in FY2008 to 53.1% in FY2009 as our sales of self-cultivated shiitake mushroom commenced only in late September 2008 with only three months of mushroom harvesting from late September 2008 to end December 2008, as compared to seven months of shiitake mushroom harvesting from January 2009 to April 2009 and late September 2009 to end December 2009.

The gross profit margin for our processed food products increased from 31.1% in FY2008 to 32.6% in FY2009. The increase was mainly due to (i) increase in export sales of our water-boiled bamboo shoots products to Japan as a result of changing Japanese consumers' preference, which in turn resulted in an increase in our average selling price whereas our cost of raw materials did not increase in tandem, (ii) increase in the average selling price of our convenience food products, mainly konjac instant noodles, due to strong demand in PRC market resulted from the recovery of global financial crisis in 2008, and (iii) the increase in their respective proportion as a percentage of our processed food products in FY2009 as compared to FY2008.

Gain from changes in fair value of biological assets

The fair value of our eucalyptus trees at each balance sheet date is obtained through an independent expert valuer. Our gain from changes in fair value of biological assets was approximately RMB6.4 million in FY2009. This was mainly attributable to the increase in demand for eucalyptus wood, and consequently the price of eucalyptus trees, due to the general improvement of the economic conditions in late 2009 as compared to early 2009 when we first purchased our eucalyptus plantations, as well as the increase in plantation density of our eucalyptus trees plantations.

Other operating income

Other operating income decreased by approximately 61.5% or RMB0.8 million, from RMB1.3 million in FY2008 to RMB0.5 million in FY2009. This was mainly due to the decrease in government grants such as subsidies on research and development, as we carried out fewer research and development projects in FY2009 as compared to FY2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB0.4 million or 19.0%, from approximately RMB2.1 million in FY2008 to approximately RMB1.7 million in FY2009. This was mainly due to a decrease of approximately RMB0.3 million in transportation costs attributable to the lower sea freight rates resulting from the sluggish performance of the ocean freight shipping industry. In addition, the salaries of the sales and marketing department decreased by RMB0.1 million, as a result of a reduction in the headcount of sales and marketing employees, due to the streamlining and rationalisation of our sales and distribution operations.

Administrative expenses

Administrative expenses increased by approximately RMB1.0 million or 14.5 %, from RMB6.9 million in FY2008 to RMB7.9 million in FY2009. This was mainly attributable to the increase of RMB0.8 million in research and development cost arising from our research and development collaboration with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心) to jointly develop shiitake mushroom mycelia, and RMB0.4 million in depreciation charges on our cultivation facilities, mainly farm equipment and fixtures, which are used in the cultivation of our shiitake mushrooms from May 2009 to September 2009, during which there were no cultivation activities and the corresponding depreciation charges were recorded under administrative expenses. The increase was partially offset by a decrease of RMB0.2 million in other expenses, mainly entertainment and travelling expenses.

Other operating expenses

Other operating expenses, which comprise mainly net exchange loss, remained relatively stable at approximately RMB0.2 million in FY2008 and FY2009.

Profit before income tax

Profit before income tax increased by approximately RMB48.0 million or 109.6%, from approximately RMB43.8 million in FY2008 to approximately RMB91.8 million in FY2009. The increase was mainly due to an increase in gross profit, and gain from changes in fair value of biological assets.

Income tax expense

Our income tax expense increased by approximately RMB3.4 million or 50.7%, from approximately RMB6.7 million in FY2008 to approximately RMB10.1 million in FY2009. The increase was mainly due to the corresponding increase in profit before income tax and withholding tax on undistributed earnings of our subsidiaries. The effective tax rate was 15.2% and 11.0% in FY2008 and FY2009, respectively. The decrease in the effective tax rates was mainly due to an increase in profit before income tax generated from Fengwang which currently enjoys full tax exemption for EIT from the Fujian tax authority for income derived from the sales of self-cultivated and/or semi-processed (初级加工) agricultural products.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.4.3 3M2009 vs 3M2010

Revenue

Our revenue increased by approximately RMB48.5 million or 63.6%, from approximately RMB76.3 million in 3M2009 to approximately RMB124.8 million in 3M2010.

The increase in revenue was mainly attributable to the increase in sales from our self-cultivated shiitake mushrooms by approximately RMB36.6 million or 67.9%, from RMB53.9 million in 3M2009 to RMB90.5 million in 3M2010. This increase was mainly due to the fact that (i) we operated an aggregate of approximately 2,213 mu of self-cultivated shiitake mushrooms farm lands in 3M2010 as compared to an aggregate of approximately 1,660 mu in 3M2009, and (ii) the average unit selling price of fresh produce of our self-cultivated shiitake mushrooms increased by approximately RMB0.70 or 11.9%, from RMB5.90 in 3M2009 to RMB6.60 in 3M2010.

The sales of processed food products increased by approximately RMB12.0 million or 53.8%, from RMB22.3 million in 3M2009 to RMB34.3 million in 3M2010. The increase in our revenue from processed food products was mainly due to increased export sales of dried shiitake mushrooms of approximately RMB3.9 million or 187.0%, increased export sales of water-boiled bamboo shoots products of approximately RMB2.3 million or 26.6% and increased in export sales of other dried/water-boiled vegetable products of approximately RMB3.9 million or 219.3%, resulting from the gradual economic recovery of our major export destination, Japan. Equipped with our newly acquired foreign object detection X-ray machine, quality of our dried shiitake mushrooms and dried vegetables has improved significantly, and boosted confidence towards our processed foods products amongst our Japanese customers, which in turn, resulted in the increase in our export sales. In addition, the increase in our revenue from processed food products was also due to the increase in revenue from sales of konjac instant noodles under our convenience food products category, which increased by approximately RMB1.6 million or 27.8% and increase in revenue from other processed food products of approximately RMB0.4 million or 9.2%, arising from rising demands in PRC market.

Cost of sales

Our overall cost of sales increased by approximately RMB21.5 million or 51.3%, from approximately RMB41.9 million in 3M2009 to approximately RMB63.4 million in 3M2010, which was generally in line with the increase in our revenue over the same period.

Our cost of sales of self-cultivated shiitake mushrooms increased by approximately RMB14.0 million or 52.2%, from approximately RMB26.8 million in 3M2009 to approximately RMB40.8 million in 3M2010, in line with the increase in revenue generated from sales of our self-cultivated shiitake mushrooms. The increase in cost of sales of self-cultivated shiitake mushrooms was mostly attributable to the increase in the cost of raw materials of approximately RMB10.8 million or 51.9%, from approximately RMB20.8 million in 3M2009 to approximately RMB31.6 million in 3M2010. We adopted an output and quality-oriented system for calculating the payment of farming services to the Villagers' Committees as an incentive to improve efficiency and productivity. Direct labour cost increased by approximately RMB3.1 million or 59.6%, from approximately RMB5.2 million in 3M2009 to approximately

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

RMB8.3 million in 3M2010 due to the increase in the cultivation and sales of our shiitake mushrooms, and an increase in average wages for farming services. Cultivation overheads increased by approximately RMB0.2 million or 25.0% from RMB0.8 million in 3M2009 to RMB1.0 million in 3M2010, mainly due to the increase in depreciation charges on farm equipment and fixtures, and operating lease payment as we expanded our shiitake mushroom cultivation facilities and shiitake mushroom cultivation bases respectively.

Our cost of sales of processed food products increased by RMB7.4 million or 49.0%, from RMB15.1 million in 3M2009 to RMB22.5 million in 3M2010. The increase in cost of sales of our processed food products was mainly attributable to the increase in the cost of raw materials of approximately RMB6.8 million or 53.1%, from approximately RMB12.8 million in 3M2009 to approximately RMB19.6 million in 3M2010. We adopted an output and quality-oriented system for calculating the wages to our production workers as an incentive to improve efficiency and productivity. Direct labour cost increased by approximately RMB0.2 million or 15.4%, from approximately RMB1.3 million in 3M2009 to approximately RMB1.5 million in 3M2010 mainly due to the increase in the production of processed food products. Factory overhead increased by approximately RMB0.5 million or 50.0%, from approximately RMB1.0 million in 3M2009 to approximately RMB1.5 million in 3M2010 mainly due to the increase in utility charges and the increase in the purchase of consumables in line with the increased production.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB27.2 million or 79.3%, from RMB34.3 million in 3M2009 to RMB61.5 million in 3M2010. This increase in our gross profit was mainly due to our revenue increase (net of increase in cost of sales) as mentioned above. Our overall gross profit margin improved from 45.0% in 3M2009 to 49.2% in 3M2010. This was mainly due to the increase in revenue contributed from self-cultivated shiitake mushrooms, which generally commands higher gross profit margin as compared to processed food products. Revenue contributed from self-cultivated shiitake mushrooms as a proportion of our total revenue increased from 70.7% in 3M2009 to 72.5% in 3M2010 as our we operated approximately 2,213 mu of shiitake mushroom bases for 3M2010 as compared to approximately 1,660 mu for 3M2009.

The gross profit margin for our processed food products increased from 32.2% in 3M2009 to 34.3% in 3M2010. The increase was mainly due to the increase in average selling price of our various processed food products whereas our cost of raw materials did not increase in tandem.

Gain from changes in fair value of biological assets

The fair value of our eucalyptus trees at each balance sheet date is obtained through an independent expert valuer. Our gain from changes in fair value of biological assets was approximately RMB2.2 million in 3M2010. This was mainly attributable to the increase in plantation density of our eucalyptus trees plantations as the trees matured.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Other operating income

Other operating income increased by approximately 450.0% or RMB0.9 million, from RMB0.2 million in 3M2009 to RMB1.1 million in 3M2010. This was mainly due to the increase in government grants and subsidies such as subsidy from award received by Wangcheng as Agricultural Industrialisation Outstanding Dragon Head Enterprise for 2009 (2009年度农业产业化优秀龙头企业) in 3M2010, which was absent in 3M2009.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB0.1 million or 25.0%, from approximately RMB0.4 million in 3M2009 to approximately RMB0.5 million in 3M2010. This was mainly due to the increase in freight charges and transportation costs in line with the increase of sales.

Administrative expenses

Administrative expenses increased by approximately RMB1.3 million or 61.9%, from RMB2.1 million in 3M2009 to RMB3.4 million in 3M2010. This was mainly attributable to (i) an increase of RMB0.8 million in research and development cost arising from our research and development collaboration with Fujian Agricultural and Forestry University (Mycological Research Centre) (福建农林大学菌物研究中心) to jointly develop shiitake mushroom mycelia, (ii) an increase of RMB0.2 million in amortisation of land use rights as a result of our acquisition of eucalyptus trees plantations in 3M2010, which was absent in 3M2009, and (iii) an increase of RMB0.1 million of salaries and related cost as a result of increased headcount.

Other operating expenses

Other operating expenses increased by approximately RMB1.5 million or 1500.0%, from RMB0.1 million in 3M2009 to RMB1.6 million in 3M2010 as a result of maintenance cost of eucalyptus trees in our plantation bases incurred in 3M2010, which was absent in 3M2009. We first acquired eucalyptus trees plantation bases in September 2009.

Profit before income tax

Profit before income tax increased by approximately RMB27.3 million or 85.6%, from approximately RMB31.9 million in 3M2009 to approximately RMB59.2 million in 3M2010. The increase was mainly due to an increase in gross profit, as well as gain from changes in fair value of biological assets as supported by the independent expert valuer. The increase was partially offset by the maintenance cost of eucalyptus trees in our plantation bases.

Income tax expense

Our income tax expense increased by approximately RMB2.6 million or 86.7%, from approximately RMB3.0 million in 3M2009 to approximately RMB5.6 million in 3M2010. The increase was mainly due to the corresponding increase in profit before income tax and withholding tax on undistributed earnings of our subsidiaries. The effective tax rate was 9.2% and 9.4% in 3M2009 and 3M2010, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.5 REVIEW OF FINANCIAL POSITIONS

7.5.1 Non-Current Assets

Our non-current assets comprise mainly property, plant and equipment, biological assets, land use rights and prepaid lease.

As at 31 December 2009, our non-current assets amounted to approximately RMB54.5 million and accounted for approximately 32.3% of our total assets. Our property, plant and equipment consist of buildings, plant and machinery, farm equipment and fixtures, motor vehicles, office equipment, and fixture and fittings. Property, plant and equipment accounted for approximately RMB18.5 million or 34.0% of our non-current assets as at 31 December 2009. Our biological assets which comprise eucalyptus plantations, accounted for approximately RMB14.3 million or 26.2% of our non-current assets as at 31 December 2009, our prepaid lease accounted for RMB14.4 million or 26.4% of our non-current assets as at 31 December 2009, and our land use rights accounted for approximately RMB7.3 million or 13.4% of our non-current assets as at 31 December 2009.

As at 31 March 2010, our non-current assets amounted to approximately RMB131.2 million and accounted for approximately 54.9% of our total assets. Our property, plant and equipment consists of buildings, plant and machinery, farm equipment and fixtures, motor vehicles, office equipment, and fixture and fittings. Property, plant and equipment accounted for approximately RMB17.7 million or 13.5% of our non-current assets as at 31 March 2010. Our biological assets which comprise of eucalyptus plantations, accounted for approximately RMB65.0 million or 49.5% of our non-current assets as at 31 March 2010, our prepaid lease accounted for RMB15.9 million or 12.1% of our non-current assets as at 31 March 2010, and our land use rights accounted for approximately RMB32.6 million or 24.9% of our non-current assets as at 31 March 2010.

As at 31 December 2008 vs 31 December 2007

Our non-current assets increased by approximately RMB13.2 million or 57.1%, from RMB23.1 million as at 31 December 2007 to RMB36.3 million as at 31 December 2008. The increase was mainly due to commencement of our cultivation of shiitake mushrooms, resulting in (i) an increase in our prepaid lease by RMB11.7 million, arising from the advance payment made to Villagers' Committees for the rental of our five plots of shiitake mushroom cultivation bases (approximately 1,660 mu), and (ii) an increase in the book value of our property, plant and equipment by approximately RMB1.6 million, which was mainly due to the addition of shiitake mushroom cultivation-related farm equipment and fixtures. The increase was partially offset by a decrease in our land use rights as a result of amortisation for FY2008.

As at 31 December 2009 vs 31 December 2008

Our non-current assets increased by or approximately RMB18.2 million or 50.1%, from RMB36.3 million as at 31 December 2008 to RMB54.5 million as at 31 December 2009. The increase was mainly due to (i) the acquisition of biological assets; the approximately 4,300 mu eucalyptus trees in our plantations, which were valued at fair value of RMB14.3 million as at 31 December 2009 by an independent valuer, (ii) an increase in land use rights of RMB2.9 million as a result of acquisition of three eucalyptus plantations (approximately 4,300 mu), and (iii) an increase in prepaid lease

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

of approximately RMB2.7 million, arising from the advance payment made to Villagers' Committees for the rental of additional three plots of shiitake mushroom cultivation bases (approximately 544 mu). The increase was partially offset by a decrease in the book value of our property, plant and equipment of approximately RMB1.7 million mainly due to depreciation charges for FY2009.

As at 31 March 2010 vs 31 December 2009

Our non-current assets increased by approximately RMB76.7 million or 140.7%, from RMB54.5 million as at 31 December 2009 to RMB131.2 million as at 31 March 2010. The increase was mainly due to (i) an increase in fair value of biological assets of approximately RMB50.7 million as a result of our acquisition of additional approximately 15,700 mu of eucalyptus plantations, (ii) an increase in land use rights of RMB25.4 million as a result of acquisition of the above-mentioned acquisition of eucalyptus plantations, and (iii) an increase in prepaid lease of approximately RMB1.4 million, arising from the advance payment made to Villagers' Committees for the rental of additional two plots of shiitake mushroom cultivation bases (approximately 400 mu). The increase was partially offset by a decrease in the book value of our property, plant and equipment of approximately RMB0.8 million mainly due to depreciation charges for 3M2010.

7.5.2 Current Assets

Current assets comprise inventories, biological assets, trade and other receivables, and cash and bank balances. Current assets amounted to approximately RMB114.2 million and approximately RMB107.6 million as at 31 December 2009 and 31 March 2010 respectively, representing approximately 67.7% and 45.1% of our total assets as at the respective dates.

As at 31 December 2009, our trade receivables amounted to approximately RMB11.7 million or 10.2% of our total current assets while our other receivables, which comprise advances to suppliers, prepaid lease and prepayments, amounted to approximately RMB56.1 million or 49.2% of our total current assets. Our inventories, which comprised raw materials, work-in-progress, finished goods and packing materials, amounted to approximately RMB6.6 million or 5.8% of our total current assets. Our biological assets, which comprised the synthetic logs for shiitake mushroom cultivation, amounted to approximately RMB34.7 million or 30.4% of our total current assets. Our cash and bank balances, which comprised cash in hand and at bank, amounted to approximately RMB5.0 million, or 4.4% of our total current assets.

As at 31 March 2010, our trade receivables amounted to approximately RMB16.8 million or 15.6% of our total current assets while our other receivables, which comprise advances to suppliers, prepaid lease and prepayments, amounted to approximately RMB76.2 million or 70.8% of our total current assets. Our inventories, which comprised raw materials, work-in-progress, finished goods and packing materials, amounted to approximately RMB9.2 million or 8.6% of our total current assets. Our biological assets, which comprised the synthetic logs for shiitake mushroom cultivation, amounted to approximately RMB3.2 million or 3.0% of our total current assets. Our cash and bank balances, which comprised cash in hand and at bank, amounted to approximately RMB2.2 million, or 2.0% of our total current assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

As at 31 December 2008 vs 31 December 2007

Our current assets increased by approximately RMB33.1 million or 98.8%, from approximately RMB33.5 million as at 31 December 2007 to approximately RMB66.6 million as at 31 December 2008. The increase was mainly due to (i) the increase in our biological assets of approximately RMB23.9 million due to the commencement of our cultivation of shiitake mushrooms, (ii) an increase in our trade and other receivables by approximately RMB13.8 million mainly due to advances to suppliers for the advance payment of material costs of synthetic logs, and (iii) an increase in our cash and bank balances of approximately RMB2.5 million. This increase was partially offset by a decrease in our inventories of approximately RMB7.1 million due to lower raw materials holdings arising from the anticipated decrease in demand of our products due to the unfolding global economic crisis in FY2008.

As at 31 December 2009 vs 31 December 2008

Our current assets increased by approximately RMB47.6 million or 71.5%, from approximately RMB66.6 million as at 31 December 2008 to approximately RMB114.2 million as at 31 December 2009. The increase was mainly due to (i) the increase in our biological assets of approximately RMB10.8 million due to the expansion of our cultivation of shiitake mushrooms, and (ii) an increase in our trade and other receivables by approximately RMB37.8 million, mainly due to advances to suppliers for the advance payment of material costs of synthetic logs, partially offset by the absence of loan due from shareholders in FY2009. The increase was partially offset by a decrease in cash and bank balances of approximately RMB1.0 million.

As at 31 March 2010 vs 31 December 2009

Our current assets decreased by RMB6.6 million or 5.8%, from RMB114.2 million as at 31 December 2009 to RMB107.6 million as at 31 March 2010. The decrease was mainly due to the decrease in our biological assets of approximately RMB31.5 million due to the utilisation of synthetic logs towards the end of harvesting season of 2010 for our cultivation of shiitake mushrooms, and a decrease in cash and bank balances of approximately RMB2.8 million. This decrease was partially offset by (i) an increase in our inventories by approximately RMB2.6 million, and (ii) an increase in our trade and other receivables by approximately RMB25.1 million, mainly due to additional advances to suppliers for the advance payment of material costs of synthetic logs.

7.5.3 Non-current Liability

Our non-current liability is deferred tax liability which represents withholding tax that would be payable on certain undistributed earnings of our PRC subsidiaries. Deferred tax liabilities stood at RMB0.5 million, RMB2.2 million, RMB4.9 million and RMB7.8 million as at 31 December 2007, 31 December 2008, 31 December 2009 and 31 March 2010 respectively.

7.5.4 Current Liabilities

Our current liabilities comprise trade and other payables and income tax payables. Current liabilities amounted to approximately RMB14.4 million and RMB70.2 million as at 31 December 2009 and 31 March 2010, respectively, representing approximately 74.5% and 90.0% of our total liabilities as at the respective dates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Trade and other payables comprise trade payables, other payables, advances from customers, amount due to a director and accrued expenses. As at 31 December 2009, trade and other payables amounted to approximately RMB11.3 million and accounted for approximately 78.5% of current liabilities, and comprised trade payables of RMB0.3 million, other payables of RMB5.8 million, advances from customers of RMB2.9 million, amount due to a director of RMB1.5 million, and accrued expenses of RMB0.8 million. Other payables comprise social insurances and value added tax, while advances from customers relate mainly to prepayments made by customers for the purchases of our self-cultivated shiitake mushrooms.

As at 31 March 2010, trade and other payables amounted to approximately RMB67.0 million and accounted for approximately 95.4% of current liabilities, and comprised trade payables of RMB2.3 million, other payables of RMB14.8 million, advances from customers of RMB2.3 million, amount due to a director of RMB1.5 million, amount due to a related party of RMB45.3 million (comprising a sum of RMB42.1 million pertaining to the acquisition of Wangcheng and Yuanwang by the Company and the balance of RMB3.2 million being non-trade advances granted to our Company and our subsidiary, Wangcheng, by our Executive Chairman and CEO, Chen Qiuhai, through Sanwang, for payment of expenses in connection with the Invitation. Please refer to Section 9.12.2 on "Advances from Chen Qiuhai to our Group" of this Prospectus for more information on the non-trade advances granted by Chen Qiuhai) and accrued expenses of RMB0.8 million. Other payables comprise social insurances and value added tax, while advances from customers relate mainly to prepayments made by customers for the purchases of our self-cultivated shiitake mushrooms.

Current tax payable stood at RMB0.6 million, RMB2.2 million, RMB3.1 million and RMB3.2 million as at 31 December 2007, 31 December 2008, 31 December 2009 and 31 March 2010, respectively, accounting for 14.0%, 18.8%, 21.5% and 4.6% of current liabilities as at the respective dates.

As at 31 December 2008 vs 31 December 2007

Our current liabilities increased by approximately RMB7.4 million or 172.1%, from approximately RMB4.3 million as at 31 December 2007 to approximately RMB11.7 million as at 31 December 2008. The increase was attributable to an increase in (i) other payables of approximately RMB2.7 million, (ii) advances from customers of approximately RMB4.1 million, (iii) income tax payable of approximately RMB1.6 million, and (iv) accrued expenses of approximately RMB0.2 million. The increase was partially offset by a decrease in trade payables of approximately RMB1.2 million.

As at 31 December 2009 vs 31 December 2008

Our current liabilities increased by approximately RMB2.7 million or 23.1%, from approximately RMB11.7 million as at 31 December 2008 to approximately RMB14.4 million as at 31 December 2009. The increase was attributable to an increase in (i) amount due to a director of approximately RMB1.5 million, (ii) other payables of approximately RMB1.8 million, and (iii) income tax payable of approximately RMB0.9 million. The increase was partially offset by decreases in advances from customers of approximately RMB1.2 million, trade payables of approximately RMB0.2 million, and accrued expenses of approximately RMB0.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

As at 31 March 2010 vs 31 December 2009

Our current liabilities increased by approximately RMB55.8 million or 387.5%, from approximately RMB14.4 million as at 31 December 2009 to approximately RMB70.2 million as at 31 March 2010. The increase was attributable to an increase in (i) other payables comprise of social insurance and value added tax of approximately RMB9.0 million, (ii) amount due to a related party of approximately RMB45.3 million (comprising a sum of RMB42.1 million pertaining to the acquisition of Wangcheng and Yuanwang by the Company and the balance of RMB3.2 million being non-trade advances granted to our Company and our subsidiary, Wangcheng, by our Executive Chairman and CEO, Chen Qiuhai, through Sanwang, for payment of expenses in connection with the Invitation. Please refer to Section 9.12.2 on "Advances from Chen Qiuhai to our Group" of this Prospectus for more information on the non-trade advances granted by Chen Qiuhai), (iii) trade payables of approximately RMB2.0 million, and (iv) income tax payable of approximately RMB0.1 million. The increase was partially offset by decreases in advances from customers of approximately RMB0.6 million.

7.5.5 Capital and Reserves

Capital and reserves comprise registered capital, retained earnings and statutory reserves. These amounted to approximately RMB51.9 million, RMB89.0 million, RMB149.3 million and RMB160.9 million as at 31 December 2007, 31 December 2008, 31 December 2009 and 31 March 2010, respectively.

As at 31 December 2008 vs 31 December 2007

Our capital and reserves increased by approximately RMB37.1 million or 71.5%, from RMB51.9 million as at 31 December 2007 to RMB89.0 million as at 31 December 2008, mainly due to the retention of net profit in FY2008.

As at 31 December 2009 vs 31 December 2008

Our capital and reserves increased by approximately RMB60.3 million or 67.8%, from RMB89.0 million as at 31 December 2008 to RMB149.3 million as at 31 December 2009, mainly due to the retention of net profit in FY2009 partially offset by dividends payment of approximately RMB21.4 million.

As at 31 March 2010 vs 31 December 2009

Our capital and reserves increased by approximately RMB11.6 million or 7.8% from RMB149.3 million as at 31 December 2009 to RMB160.9 million as at 31 March 2010 mainly due to the retention of net profit of RMB53.7 million in 3M2010, partially offset by the effects arising from the Restructuring Exercise amounting to RMB42.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.6 LIQUIDITY AND CAPITAL RESOURCES

Our operations are funded by a combination of internal and external sources of funds. Our internal sources comprise mainly cash generated from sales made to our customers while our external sources comprise mainly capital contribution from Shareholders. As at the Latest Practicable Date, we have no bank borrowings.

We set out below a net cash flow summary of our Group for the Period under Review:-

(RMB'000)	AUDITED			UNAUDITED	
	FY2007	FY2008	FY2009	3M2009	3M2010
Net cash generated (used in)/ generated from operating activities	(200)	18,218	36,588	2,312	72,915
Net cash used in investing activities	(1,616)	(15,729)	(16,212)	(3)	(75,750)
Net cash used in financing activity	–	–	(21,398)	–	–
Net (decrease)/increase in cash and bank balances	(1,816)	2,489	(1,022)	2,309	(2,835)
Cash and bank balances at the beginning of the year/period	5,388	3,570	6,063	6,063	5,049
Effect of foreign exchange rate changes in cash and bank balances	(2)	4	8	–	–
Cash and bank balances at the end of the year/period	3,570	6,063	5,049	8,372	2,214

FY2007

In FY2007, net cash used in operating activities amounted to approximately RMB0.2 million. We generated net cash of approximately RMB14.9 million from operating profit before working capital changes. Net cash used in working capital amounted to approximately RMB13.5 million. This was mainly due to an increase in trade and other receivables of approximately RMB8.7 million, an increase in inventories of approximately RMB1.7 million, and a decrease in trade and other payables of approximately RMB3.1 million. Our operating cash flows from operations was reduced by income taxes paid of approximately RMB1.6 million.

We used net cash of approximately RMB1.6 million for investing activities. This amount was mainly used for the purchase of plant and machinery at Wangcheng.

We had no financing activities in FY2007.

FY2008

In FY2008, net cash generated from operating activities amounted to approximately RMB18.2 million. We generated net cash of approximately RMB65.7 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately RMB44.2 million. This was mainly due to the purchase of biological assets, namely the synthetic logs for shiitake mushroom cultivation, of approximately RMB43.3 million, and an increase in trade and other receivables of approximately RMB13.8 million, in line with the general increase in sales. This was partially offset by a decrease in inventories of approximately RMB7.1 million, and an increase in trade and other payables of approximately RMB5.8 million. Our operating cash flows from operations was reduced by income taxes paid of approximately RMB3.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

We used net cash of approximately RMB15.7 million for investing activities, mainly for prepaid lease for our five plots of shiitake mushroom cultivation bases of approximately RMB11.7 million (approximately 1,660 mu), and the purchase property, plant and equipment of approximately RMB4.0 million. We had no financing activities in FY2008.

FY2009

In FY2009, net cash generated from operating activities amounted to approximately RMB36.6 million. We generated net cash of approximately RMB141.0 million from operating profit before working capital changes. Net cash used in working capital amounted to approximately RMB97.9 million. This was mainly due to the increase in biological assets, namely the synthetic logs for shiitake mushroom cultivation, of approximately RMB63.1 million, and an increase in trade and other receivables of approximately RMB36.7 million, in line with the general increase in sales. This was partially offset by an increase in trade and other payables of approximately RMB1.9 million. Our operating cash flow from operations was reduced by income taxes paid of approximately RMB6.5 million.

We used net cash of approximately RMB16.2 million for investing activities, mainly for the purchase of biological assets, namely the eucalyptus trees in the plantations, of approximately RMB7.9 million, purchase of land use rights of approximately RMB3.0 million as a result of the acquisition of three eucalyptus plantations (approximately 4,300 mu), deposits paid for operating lease for our additional three plots of shiitake mushroom cultivation bases of approximately RMB3.8 million (approximately 544 mu), and the purchase of property, plant and equipment of approximately RMB1.5 million.

We used net cash of approximately RMB21.4 million for financing activities. This amount was used for the payment of dividends which were declared on FY2008's profits.

3M2010

In 3M2010, net cash generated from operating activities amounted to approximately RMB72.9 million. We generated net cash of approximately RMB89.4 million from operating profit before working capital changes. Net cash from working capital amounted to approximately RMB13.9 million. This was mainly due to an increase in inventories of approximately RMB2.6 million and an increase in trade and other receivables of approximately RMB24.8 million, in line with the increase in our sales. The increase was partially offset by a cash outflow in trade and other payables of approximately RMB13.5 million. Our operating cash flows from operations was reduced by income taxes paid of approximately RMB2.6 million.

We used net cash of approximately RMB75.7 million for investing activities, mainly for the purchase of biological assets, namely the eucalyptus trees in the plantations, of approximately RMB48.4 million, purchase of land use rights of approximately RMB25.6 million as a result of the acquisition of additional three eucalyptus plantations (approximately 15,700 mu) and deposits paid for operating lease for additional two plots of shiitake mushroom cultivation bases of approximately RMB1.7 million (approximately 400 mu).

We had no financing activities in 3M2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.7 CAPITALISATION AND INDEBTEDNESS

The following table shows the cash and bank balances as well as capitalisation and indebtedness of our Group:

- (a) as at 31 July 2010, based on our unaudited management accounts, as adjusted for the Restructuring Exercise; and
- (b) as at 31 July 2010, adjusted to give effect to the proceeds from the issuance of the New Shares pursuant to the Invitation and the intended application of the net proceeds, after deducting our share of the estimated expenses related to the Invitation.

You should read this table in conjunction with the "Independent Auditors' Report on the Audited Combined Financial Statements For The Financial Years Ended 31 December 2007, 2008 And 2009" as set out in Annexure E and the "Report on Review of Unaudited Interim Financial Statements For The Three Months Financial Period Ended 31 March 2010" as set out in Annexure F of this Prospectus respectively.

(RMB'000)	As at 31 July 2010, adjusted for Restructuring Exercise	As adjusted for the net proceeds from the allotment and issue of New Shares
Cash and bank balances	15,522	85,215
Indebtedness		
Short-term	—	—
Long-term	—	—
Total indebtedness	—	—
Total shareholders' equity	228,477	298,170
Total capitalisation and indebtedness	228,477	298,170

The figures set out in the above table are calculated based on the exchange rate of RMB5.05 : S\$1 as at the Latest Practicable Date.

For the Period Under Review and from 1 April 2010 to 31 July 2010, we have no borrowings.

As at the Latest Practicable Date, based on the unaudited management accounts of our Group, there were no material changes in our capitalisation and indebtedness as disclosed above, save for changes in our retained earnings arising from our day to day operations in the ordinary course of our business.

Based on the above and to the best of their knowledge, our Directors are of the opinion that we have adequate working capital for our present requirements after taking into account our shareholders' funds and internal cash resources as at the Latest Practicable Date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.8 DILUTION

Dilution is the amount by which the Invitation Price to be paid by the applicants for our Invitation Shares in the Invitation exceeds our NAV per Share after the Invitation. Our audited NAV per Share as at 31 December 2009, based on the audited combined financial statement for FY2009 after adjusting for the Restructuring Exercise and before adjusting for the net proceeds from the issue of the New Shares and based on the pre-Invitation issued share capital of 331,683,218 Shares was 10.09 cents.

Save as disclosed in Sections 6.2 and 6.18 on "Restructuring Exercise" and "Properties and Fixed Assets" of this Prospectus, there was no other disposal or acquisition for the period from 31 March 2010 up to the Latest Practicable Date.

Based on the issue of 74,911,957 New Shares at the Invitation Price pursuant to the Invitation and after deducting the estimated issue expenses, the audited NAV of our Group as at 31 December 2009 would have been 11.63 cents per Share based on the post-Invitation issued share capital of 406,595,175 Shares. This represents an immediate increase in NAV of 1.54 cents per Share to our existing Shareholders and an immediate dilution in NAV of 10.37 cents per Share to our new investors. The following table illustrates such dilution on a per Share basis:

	Per Share (cents)
Invitation Price per Share	22.00
NAV per Share as at 31 December 2009 as adjusted for the Restructuring Exercise ⁽¹⁾	10.09
Increase in NAV per Share contributed by new investors	1.54
Adjusted NAV per Share after the Invitation	11.63
Dilution in adjusted NAV per Share to new investors	10.37
Dilution in adjusted NAV per Share to new investors as a percentage of Invitation Price ⁽²⁾	47.1%

Notes:

(1) Based on the exchange rate of RMB4.86 : S\$1 as at 31 December 2009.

(2) Comprising 74,911,957 New Shares and 30,088,043 Vendor Shares.

The following table summarises the total number of Shares issued by us, the total cost and the average cost per Share held by our existing Shareholders and the New Investors:

	Number of Shares	Total Cost (S\$'000)	Average cost per Share (cents)
Existing Shareholders			
Sanwang	305,433,782	8,336	2.73
Yang Lin ⁽¹⁾	1,843,725	—	—
Great Spot	24,395,711	2,739	11.23
New Shareholders			
Public Shareholders	74,911,957	16,480	22.00

Note:

(1) Pursuant to an employment agreement between our Company and our CFO, Yang Lin, it was provided, among others, that Yang Lin shall be entitled to receive 1,843,725 Shares representing 0.6% of the pre-Invitation share capital of our Company, prior to the subscription and conversion of redeemable convertible loan by Great Spot. In accordance with applicable accounting standards, this will be treated as a one-time charge in our financial results in FY2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.9 CAPITAL EXPENDITURE, DIVESTMENTS AND CAPITAL COMMITMENTS

The majority of our capital expenditure comprised additions of land use rights, biological assets, namely the eucalyptus trees in the plantations, and property, plant and equipment. Our capital expenditure and divestments for the Period under Review, and from 1 April 2010 up to the Latest Practicable Date were as follows:

(RMB'000)	AUDITED			UNAUDITED	1 April 2010 to the Latest Practicable Date
	FY2007	FY2008	FY2009	3M2010	Date
Capital Expenditure ⁽¹⁾					
Land use rights	–	–	3,018	25,598	–
Biological assets	–	–	7,897	48,441	–
Farm equipment and fixtures	–	3,426	1,118	–	–
Plant and machinery	1,894	532	337	–	549
Office equipment	30	84	32	11	19
Fixture and fittings	–	–	5	–	–
Capital Divestment ⁽¹⁾					
Plant and machinery	–	–	235	–	–

Note:

- (1) These relate to the cost of land use rights, cost of biological assets, and cost of property, plant and equipment, acquired or disposed during the respective financial years/periods.

The above capital expenditures were financed by internally generated funds.

Capital Commitments

As at the Latest Practicable Date, we have commitments for undertaking to purchase assets amounting to RMB9.2 million mainly related to purchase of eucalyptus trees in the plantations.

7.10 OPERATING LEASE COMMITMENTS

As at the Latest Practicable Date, we have the following outstanding operating lease commitments:-

	As at Latest Practicable Date (RMB'000)
Minimum operating lease payments by Fengwang in respect of operating lease commitments of shiitake mushroom cultivation bases, office, warehouse and dormitory:	
- Within one year	–
- After one year but before five years	–
- After five years	5,982

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.11 FOREIGN EXCHANGE EXPOSURE AND MANAGEMENT

Our reporting currency is RMB and our operations are primarily carried out in PRC. Our export sales are mainly denominated in US\$ and JPY while our PRC market sales are denominated in RMB. Other than the operations of our Company, our purchases and expenses of our PRC subsidiaries are denominated in RMB.

To the extent that our revenue, purchases and net expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, we will be exposed to adverse fluctuations of US\$ and JPY against RMB, which would adversely affect earnings.

The proportion of our revenue denominated in US\$, JPY and RMB for the Period under Review was as follows:

(%)	AUDITED			UNAUDITED	
	FY2007	FY2008	FY2009	3M2009	3M2010
Percentage of revenue denominated in					
US\$	86.8	31.4	24.7	15.3	15.4
JPY	5.4	1.8	3.0	1.0	2.5
RMB	7.8	66.8	72.3	83.7	82.1
	100.0	100.0	100.0	100.0	100.0

Our net foreign exchange losses (gains) for the Period under Review were as follows:

	AUDITED			UNAUDITED	
	FY2007	FY2008	FY2009	3M2009	3M2010
Foreign exchange losses (gains) -net (RMB'000)	602	161	100	63	(77)
As a percentage of revenue (%)	0.8	0.1	0.04	0.08	(0.06)
As a percentage of profit before income tax (%)	4.9	0.4	0.1	0.2	(0.01)

The foreign exchange losses related mainly to currency exposure in trading transactions denominated in US\$ and JPY.

We do not have any formal hedging policy currently. We will monitor our foreign exchange exposure and consider hedging any material foreign exchange exposure should the need arises.

7.12 EXCHANGE CONTROLS

Singapore

There are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

- (b) the remittance of dividends, interest or other payments to non-resident holders of our Company's securities.

PRC

As our operations are largely located in PRC, we are required to comply with PRC foreign exchange restrictions when we transfer funds from our PRC subsidiaries to our Company outside PRC (whether in the form of dividends or not). Please refer to Annexure B of this Prospectus on "Summary of Relevant PRC Laws and Regulations" for a description of the foreign exchange restrictions applicable under PRC law.

As at the Latest Practicable Date, the PRC exchange control measures as described in Annexure B of this Prospectus on "Summary of Relevant PRC Laws and Regulations" did not have any material impact on our operations.

7.13 CHANGES IN ACCOUNTING POLICIES

We had no change in our accounting policies during the Period Under Review. Please refer to the "Independent Auditors' Report on the Audited Combined Financial Statements For The Financial Years Ended 31 December 2007, 2008 And 2009" and the "Report on Review of Unaudited Interim Financial Statements For The Three Months Financial Period Ended 31 March 2010" as set out in Annexures E and F of this Prospectus for details of our accounting policies.

7.14 DIVIDEND POLICY

Our Company currently does not have any formal dividend policy. We may declare annual dividends with the approval of our Shareholders in a general meeting but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Our Directors may also from time to time declare a dividend or other distribution. Any declaration and payment of dividends in the future will be determined at the sole discretion of the Board of Directors, and will depend upon our 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 our Directors.

Subject to the above, our Directors intend to recommend and distribute dividends of not less than 20% of our total comprehensive income for FY2010 and FY2011 (the "Proposed Dividend"). However, investors should note that all the foregoing statements, including the statements on the Proposed Dividend, are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion. Investors should not treat the Proposed Dividends as an indication of our Group's future dividend policy. No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends in any of the periods discussed.

Our Company will declare dividends, if any, and make payment of the dividends in S\$. Information relating to taxes payable on dividends is set out in Section 10 on "Taxation" of this Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

7.15 ORDER BOOK

In general, we do not receive long-term orders from our customers for our self-cultivated shiitake mushrooms and PRC customers for processed food products. We typically receive *ad hoc* or seasonal non-binding indicative orders from these customers who will from time to time place orders with us depending on their needs. In practice, we typically receive most orders during the months from September to November, when these customers make their indicative advance orders for the next season and/or next year in relation to self-cultivated shiitake mushrooms and processed food products respectively.

As at the Latest Practicable Date, we had confirmed orders from our overseas customers for processed food products amounting to approximately RMB9.6 million, which are expected to be fulfilled within the next 6 months. Our confirmed orders from PRC customers for processed food products are negligible.

8.1 PROSPECTS

Our Directors believe that barring any unforeseen circumstances, the prospects of our Group's business are favourable for the following reasons:

Growing affluence of the PRC population

PRC has been experiencing modernisation, strong economic growth and continued improvement in standards of living, particularly in its major cities. The continued modernisation, rise in standards of living, and growth in disposable income of PRC consumers, in tandem with increasing urbanisation in PRC, have led to an increase in spending power of PRC consumers.

Our Directors believe that the increase in the spending power of PRC consumers will lead to an increase in the consumption of green and healthy foods, and our Directors expect this trend to continue and provide us with opportunities to leverage on our experience to increase the market demand for our self-cultivated shiitake mushrooms and konjac-based processed food products.

Changes in the spending patterns of PRC consumers

The growth and urbanisation of PRC coupled with the increasing spending power of PRC consumers has led to a change in their spending patterns. PRC consumers are becoming more health conscious and as a result, their demand for healthy foods has increased.

Our Directors believe that, based on our established track record in responding quickly to the evolving taste of PRC consumers, our Group will be able to capitalise on this trend to meet their requirements and demands.

Increasing preference for convenience food products

The busy pace of modern urban living coupled with the proliferation of dual-income, nuclear families in PRC are among the factors which have led to the increase in demand for convenience food products, which are easier and more convenient to prepare than meals cooked using fresh produce.

Our Directors believe that our range of konjac-based convenience food products and pre-cooked dishes is able to offer consumers the ease of consumption without the hassle of preparation and yet satisfying food tastes. Therefore, our Group will be able to capitalise on this trend to meet consumers' requirements and demands.

8.2 TREND INFORMATION

Based on our Directors' knowledge and experience of the industry, for the current financial year, our Directors have observed the following trends:

- (i) increase in popularity of green and healthy foods such as shiitake mushrooms, which is expected to lead to increased demand for our self-cultivated shiitake mushrooms by our existing and potential customers in PRC;
- (ii) steady increase in our revenue as a result of the increase in demand for our self-cultivated shiitake mushrooms and processed food products;
- (iii) increase in the average selling price of our self-cultivated shiitake mushrooms on the back of increased market demand;

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

- (iv) the average selling price of our processed food products remaining relatively stable;
- (v) increase in our overall cost of sales due mainly to increase in direct materials (in particular, the increase in the cost of the synthetic logs as a result of expected increase in labour costs and cost of sawdust made from frutex (杂木)) and labour costs; and
- (vi) increase in demand for agricultural and forestry lands (in particular, eucalyptus plantations) in Zhangping City, Fujian Province, PRC, which may limit the availability of suitable eucalyptus plantations and/or increase the cost of our expansion plans. Please refer to Section 5 on “Risk Factors - We may not be able to successfully implement our expansion plans” of this Prospectus for more information.

Save as disclosed above and in Sections 5, 7 and 8.1 on “Risk Factors”, “Management’s Discussion and Analysis of Results of Operations and Financial Position” and “Prospects”, respectively of this Prospectus, and barring any unforeseen circumstances, our Directors are not aware of any known recent trends in production, sales and inventories, the costs and selling prices of our products and services or other known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material and adverse effect on our revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Prospectus to be not necessarily indicative of our future operating results or financial condition. Your attention is also drawn to Section 3.8 on “Cautionary Note Regarding Forward-Looking Statements” of this Prospectus.

8.3 COMPETITION

We operate in a competitive environment and face competitions from our existing competitors and new entrants to the market. As our operations are based in PRC, our Directors consider the PRC-based manufacturers as our direct competitors as they may enjoy similar advantages of lower production and labour costs. The barrier to entry in our industry is relatively low as high capital investment is not required. Despite this, our Directors are confident of our competitive strengths, which are set out in Section 8.4 on “Competitive Strengths” of this Prospectus and believe that we are well positioned in the market.

Our Directors believe that the cultivation of shiitake mushrooms in Fujian Province, PRC is a fragmented industry, where the players are mainly individual farmers and/or sole proprietors who operate on a smaller scale in terms of size of cultivation bases and production output. To the best of our Directors’ knowledge, the following companies are our major competitors for processed food products:

Company	Product	Location
Chaoda (Shanghai) Edible Fungi Co., Ltd. (超大(上海)食用菌有限公司)	Processed mushrooms and vegetables	Shanghai
Fuzhou Hongbin Foods Co., Ltd. (福州鸿滨食品有限公司)	Processed mushrooms and vegetables	Fuzhou City, Fujian Province
Fuzhou Lianshan Foods Co., Ltd. (福州连山食品有限公司)	Processed mushrooms and vegetables	Fuzhou City, Fujian Province

8.4 COMPETITIVE STRENGTHS

Our Directors believe that our Group has the following competitive strengths:

We have seasonal-complementary arrangements for the cultivation of our shiitake mushrooms

We have established our shiitake mushroom cultivation bases on the agricultural lands leased from individual farmers represented by their respective Villagers' Committees. These lands are leased from September to April of each year during the tenure, which is the off season for the cultivation of other agricultural products on the same lands. Similarly, during the lease period of each year, we engage the respective Villagers' Committees to procure individual farmers to provide farming services, mainly including daily maintenance, harvesting, sorting and transportation of the shiitake mushrooms.

Taking advantage of the different growing and harvesting seasons between our self-cultivated shiitake mushrooms and other agricultural products which are complementary in nature, we are able to lease the agricultural lands from the individual farmers through the respective Villagers' Committees at favourable rates. In addition, we do not have to maintain a large number of full-time employees for farming activities and therefore are able to minimise our labour costs and increase the profitability of our self-cultivated shiitake mushrooms.

As part of the arrangements, we have also adopted an output and quality-oriented system when calculating the payments for the farming services as an incentive to improve efficiency and productivity.

We have established ourselves as a major supplier of self-cultivated shiitake mushrooms in Fujian Province, PRC

Our Directors believe that the cultivation of shiitake mushrooms in Fujian Province, PRC is a fragmented industry, where the players are mainly individual farmers and/or sole proprietors who operate on a smaller scale in terms of size of cultivation bases and production output.

We are a major supplier of self-cultivated shiitake mushrooms and operate one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC, which measured an aggregate of 2,614.4 mu as at the Latest Practicable Date. As one of the few suppliers of self-cultivated shiitake mushrooms in Fujian Province, PRC who has adopted an institutionalised management structure, we are able to achieve economies of scale and to consistently supply quality self-cultivated shiitake mushrooms to our customers to satisfy their needs and requirements. This has enabled us to win the trust and confidence of our customers and established us as a reputable player in the market.

Our eucalyptus plantations give us the potential upstream resource sustainability

Currently, our self-cultivated shiitake mushrooms are grown on synthetic logs made from sawdust generated from frutex (杂木) (plants with a woody durable stem and usually smaller than a tree) which are purchased from the Villagers' Committees. In order to achieve potential upstream resource sustainability, we intend to adopt the use of synthetic logs made from eucalyptus sawdust in our future cultivation of shiitake mushrooms to the extent that the output of eucalyptus sawdust harvested from our eucalyptus plantations allows. This will enable us to (i) manage and control the cultivation costs, (ii) ensure a timely and reliable supply of synthetic logs, (iii) ensure the consistency in the quality of our shiitake mushrooms, and (iv) tap on the higher yield of eucalyptus sawdust harvested from the eucalyptus plantations as compared to other types of plantations which generally have longer maturity periods.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

As at the Latest Practicable Date, we had eucalyptus plantations which measured an aggregate of approximately 20,000 mu and our eucalyptus plantations are expected to be mature for harvesting from 2012. Upon the maturity of our eucalyptus plantations, we will achieve upstream resource sustainability, which will in turn enable us to ensure consistency in the quality and supply of our synthetic logs, reduce reliance on third party suppliers and better manage the costs of direct materials of synthetic logs.

We have an experienced management team

Our Group is led by an experienced, dedicated and dynamic management team. Our Executive Chairman and CEO, Chen Qiu Hai, has more than 10 years of experience in the food processing industry. In addition, most of our Executive Officers have an average of over 10 years of experience in their respective fields.

We believe that the valuable knowledge, experience and expertise of our management team will add value and contribute significantly to our business operations. Please refer to Sections 9.5 and 9.8 on “Directors” and “Management”, respectively, of this Prospectus for more information.

We have a well-established network of Japanese customers with whom we enjoy strong relationships

We have been a supplier of processed food products for more than 10 years and have established a good track record and reputation by continuously providing high quality products and services to our Japanese customers.

We have a well-established network of Japanese customers, including Tennen Sozai, Fujimoto, Kyosai Co., Ltd. and Kurai Seika Co., Ltd. with whom we enjoy strong relationships. With our close relationships and constant communication with our Japanese customers, we are able to respond and adapt effectively to their specific requirements, changes in customer preference and market requirements. We believe that our strong relationships with our Japanese customers allow us to maintain our competitive edge against our competitors.

8.5 BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:

(1) Expand our shiitake mushroom cultivation bases

We currently operate shiitake mushroom cultivation bases measuring an aggregate of 2,614.4 mu. We intend to expand our shiitake mushroom cultivation bases through the leasing of additional plots of agricultural land measuring an aggregate of approximately 2,500 mu located in Fujian Province, PRC, by the first quarter of FY2011. The tenure of such leases is expected to be for a period of approximately 20 years.

We intend to utilise approximately S\$4.6 million (equivalent to approximately RMB23.4 million) of the net proceeds from the issue of New Shares to fund the abovementioned expansion, mainly comprising advance payment for the leases and construction cost of cultivation tentage.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

(2) **Expand our eucalyptus plantations**

We currently operate eucalyptus plantations measuring an aggregate of approximately 20,000 mu. We intend to expand our eucalyptus plantations through acquiring additional non-mature eucalyptus plantations and the corresponding forestry land use rights measuring approximately 10,000 mu and 20,000 mu during the period from the Latest Practicable Date to the end of FY2010 and in FY2011, respectively. The additional eucalyptus plantations are expected to be mature for harvesting from 2014.

To achieve upstream resource sustainability, the eucalyptus sawdust from our existing and additional plantations to be utilised in the production of synthetic logs will be able to satisfy approximately 1,000 mu, 4,000 mu and 5,000 mu in 2012, 2013 and from 2014 onwards, respectively, of our shiitake mushroom cultivation bases.

The above expansion plan is estimated to cost approximately S\$21.0 million (equivalent to approximately RMB106.1 million), mainly comprising the acquisition cost for the eucalyptus plantations and the corresponding forestry land use rights. We intend to partially fund such expansion by utilising S\$5.0 million (equivalent to approximately RMB25.3 million) of the net proceeds from the issue of New Shares, with the balance of which to be funded by internal resources.

(3) **Establish our own distribution and marketing network**

We intend to establish our own distribution and marketing network to reach out to customers of our self-cultivated shiitake mushrooms in other parts of PRC beyond Fujian Province, PRC.

To this end, we intend to establish eight distribution outlets and appoint three distribution agents in strategic locations in Shanghai and Guangdong, Jiangsu and Zhejiang Provinces, PRC by the end of FY2010. We also intend to establish an additional six distribution outlets and appoint additional five distribution agents in Guangdong, Jiangxi and Hubei Provinces, PRC by the end of FY2011. These locations are well-established food distribution hubs and markets where we do not have any existing customer base. By moving down the supply chain through the establishment of the distribution outlets, our Group would be in a better position to manage and drive our Group's marketing efforts and promote our self-cultivated shiitake mushrooms.

The cost for establishment of the above distribution outlets is approximately RMB15.0 million, comprising mainly approximately RMB13.4 million being security deposit for rental of premises (which is refundable at the end of the tenure) and RMB1.6 million being initial sales and marketing costs. We intend to partially fund such expansion by utilising approximately S\$1.0 million (equivalent to approximately RMB5.1 million) of the net proceeds from the issue of New Shares, with the balance of which to be funded by internal resources.

In view of the expected increase in output of our self-cultivated shiitake mushrooms following the expansion of our shiitake mushroom cultivation bases and the broader geographical regions where our products are sold following the establishment of the distribution outlets, we intend to establish a logistics centre by the end of FY2011, in Zhangping City, Fujian Province, PRC to streamline and improve our inventory and distribution management.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

The cost for establishment of our above logistics centre is approximately RMB11.8 million. We intend to partially fund such expansion by utilising approximately S\$1.0 million (equivalent to approximately RMB5.1 million) of the net proceeds from the issue of the New Shares, with the balance of which to be funded by internal resources.

(4) **Strengthen processing capabilities of our konjac-based processed food products**

In order to meet the anticipated increase in demand for our konjac-based processed food products, we intend to acquire an additional production line and relevant auxiliary facilities and equipment for the processing of konjac instant noodles by the end of FY2010. This will increase our annual processing capacity of konjac instant noodles by approximately 60%.

We intend to utilise approximately S\$1.8 million (equivalent to approximately RMB9.0 million) of the net proceeds from the issue of the New Shares to fund the above purchases.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

9.1 SHARE CAPITAL

Our Company (Registration No.201002962E) was incorporated in Singapore on 8 February 2010 under the Companies Act as a private company limited by shares under the name “Yamada Green Resources Pte. Ltd.”. On 28 September 2010, we converted to a public limited company and changed our name to “Yamada Green Resources Limited”.

At the date of incorporation, the issued and paid-up share capital of our Company was S\$2.00 comprising 2 Shares.

As at the date of this Prospectus, our Company has only one class of shares, being ordinary shares. The rights and privileges of our Shares are stated in the Articles of Association, which is described in Annexure D on “Description of Our Ordinary Shares” of this Prospectus. The Shares owned by our Directors and Substantial Shareholders are not entitled to any different voting rights from the New Shares. There are no founder, management or deferred Shares reserved for issuance for any purpose.

Pursuant to written resolutions in lieu of an extraordinary general meeting dated 24 June 2010, the then sole shareholder of our Company, Chen Qiuhai, approved, among others, the allotment and issue of such number of new Shares to Great Spot upon conversion of the redeemable convertible loan.

Pursuant to written resolutions in lieu of an extraordinary general meeting dated 20 September 2010, the then shareholders of our Company, approved, among others, the following:

- (a) the conversion of our Company into a public limited company and the change of name to “Yamada Green Resources Limited”;
- (b) the adoption of the new Articles of Association of our Company;
- (c) the issue of the New Shares pursuant to the Invitation, such New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with our existing issued and fully paid-up Shares;
- (d) the listing and quotation of all the issued Shares (including the New Shares to be allotted and issued and the Vendor Shares) on the Official List of the Main Board of the SGX-ST;
- (e) that authority be given pursuant to Section 161 of the Companies Act to our Directors to:
 - (i) issue shares whether by way of rights (including renounceable and non-renounceable rights), bonus or otherwise; and/or 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) 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 our Directors may in their absolute discretion deem fit; and
 - (ii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by our Directors while this resolution was in force, provided that:

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

- (aa) (subject to sub-paragraph (bb) below pertaining to *pro-rata* renounceable rights issue) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued pursuant to Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued Shares (excluding treasury Shares) in the capital of our Company (as calculated in accordance with subparagraph (cc) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to Shareholders of our Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 20% of the total number of issued Shares (excluding treasury Shares) in the capital of our Company (as calculated in accordance with sub-paragraph (cc) below);
 - (bb) in relation to *pro-rata* renounceable rights issue, the aggregate number of Shares to be issued pursuant to this resolution does not exceed 100% of the total number of issued Shares (excluding treasury Shares) in the capital of our Company (as calculated in accordance with sub-paragraph (cc) below);
 - (cc) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraphs (aa) and (bb) above, the percentage of issued share capital shall be based on the post Invitation share capital of our Company immediately following the close of the Invitation, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed, and any subsequent bonus issue or consolidation or subdivision of Shares;
 - (dd) in exercising the authority conferred by this resolution, our Company shall comply with the provisions of the Listing Manual of the SGX-ST (including supplemental measures thereto) for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of our Company; and
 - (ee) (unless revoked or varied by our Company in general meeting) the authority⁽¹⁾ conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier; and
- (f) the authorisation of our Directors to issue Shares other than on a *pro-rata* basis at a discount exceeding 10% but not more than 20%, which discount is calculated based on the weighted average price for trades done on the SGX-ST on the full market date on which the agreement relating to such issue of Shares is executed (or if trading is not available for a full market day, on the preceding market day up to the time such agreement is executed).

Note:

- (1) The authorisation of our Directors to issue new Shares up to 100% of our Company's issued share capital (excluding treasury shares) via a *pro-rata* renounceable rights issue is in furtherance of one of the measures introduced by the SGX-ST, in consultation with the Authority, with effect from 20 February 2009 to accelerate and facilitate listed issuers' fund-raising efforts, such measure will be in effect until 31 December 2010.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

Upon the allotment and issue of the New Shares which are the subject of the Invitation, the resultant issued and paid-up capital of our Company will be increased to S\$26.6 million comprising 406,595,175 Shares. Details of the changes in the issued and paid-up share capital of our Company since incorporation and up to immediately after the Invitation are as follows:

	Number of Shares	S\$'000
Issued and paid-up Shares as at 8 February 2010	2	Negligible
Issue of 307,287,505 new Shares pursuant to the Restructuring Exercise but before the conversion of the redeemable convertible loan	307,287,505	6,791 ⁽¹⁾
Issue of new Shares pursuant to the conversion of the redeemable convertible loan	24,395,711	2,739
New Shares to be issued pursuant to the Invitation	74,911,957	15,482 ⁽²⁾
Post-Invitation share capital	406,595,175	26,557

Notes:

- (1) The value of 307,287,505 Shares, S\$6.79 million (equivalent to US\$5.03 million), was determined based on the S\$ equivalent of US\$ at the exchange rate of US\$1 : S\$1.35 as at the Latest Practicable Date.
- (2) Based on the gross proceeds from the issue of the New Shares of S\$16.48 million, after deducting the Invitation expenses of S\$0.998 million which are charged off against share capital.

Save as disclosed under Section 9.2 on “Shareholding and Ownership Structure” of this Prospectus, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly.

There is no known arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

Save as disclosed below and in Section 9.1 on “Share Capital” of this Prospectus, there were no changes in the issued and paid-up share capital of our Company or our subsidiaries, within the three years prior to the Latest Practicable Date.

	Date of Contribution	Amount of Capital Contributed	Purpose of Contribution	Resultant Paid-up Share Capital
Fengwang	27 September 2008	RMB1,000,000	Incorporation	RMB1,000,000

The Shareholders' equity of our Company as at the date of incorporation, after adjustments to reflect the increase in share capital after the Restructuring Exercise and the Invitation are set out below. These statements should be read in conjunction with Annexure E on “Independent Auditors' Report on the Audited Combined Financial Statements For The Financial Years Ended 31 December 2007, 2008 And 2009” of this Prospectus.

S\$'000	As at the date of incorporation	After the Restructuring Exercise	After the Invitation
Total Shareholders' Equity	— ⁽¹⁾	10,970	24,364

Note:

- (1) The amount is less than S\$1,000.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

Memorandum and Articles of Association

- (a) The nature of our Company's business has been stated earlier in this Prospectus. Our Memorandum of Association is available for inspection at our registered office in accordance with the paragraph (a) in Section 11.8 on "Documents Available For Inspection" of this Prospectus.
- (b) A summary of Memorandum and Articles of Association of our Company providing for, among others, transferability of shares, Directors' voting rights, borrowing powers of Directors and dividend rights are set out in Annexure C on "Summary of the Memorandum and Articles of Association of Our Company" of this Prospectus. The Articles of Association of our Company is available for inspection at our registered office in accordance with the paragraph (a) in Section 11.8 on "Documents Available For Inspection" in this Prospectus.

9.2 SHAREHOLDING AND OWNERSHIP STRUCTURE

Our Shareholders and their respective shareholdings in our Company immediately before (as at the Latest Practicable Date) and after the Invitation are set out below:

	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Chen Qiuhai ⁽¹⁾	–	–	305,443,782	92.09	–	–	285,114,023	70.12
Chen Qisheng	–	–	–	–	–	–	–	–
Chang Feng-chang	–	–	–	–	–	–	–	–
Soh Beng Keng	–	–	–	–	–	–	–	–
Sim Yong Chan	–	–	–	–	–	–	–	–
Substantial Shareholder (other than Directors)								
Sanwang ⁽¹⁾	305,443,782	92.09	–	–	285,114,023	70.12	–	–
Other Shareholders (each shareholding less than 5%)								
Yang Lin ⁽²⁾	1,843,725	0.56	–	–	1,843,725	0.45	–	–
Great Spot ⁽³⁾	24,395,711	7.36	–	–	14,637,427	3.60	–	–
Ang Yee Lim ⁽³⁾	–	–	24,395,711	7.36	–	–	14,637,427	3.60
Public	–	–	–	–	105,000,000	25.82	–	–
Total	331,683,218	100.00			406,595,175	100.00		

Notes:

- (1) Sanwang is a company incorporated in BVI and wholly-owned by our Executive Chairman and CEO, Chen Qiuhai. Accordingly, Chen Qiuhai is deemed to be interested in the Shares held by Sanwang by virtue of Section 4 of the Securities and Futures Act.
- (2) Pursuant to an employment agreement between our Company and our CFO, Yang Lin, it was provided, among others, that Yang Lin shall be entitled to receive 1,843,725 Shares representing 0.6% of the pre-Invitation share capital of our Company, prior to the conversion of redeemable convertible loan by Great Spot.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

- (3) Great Spot is an investment holding company incorporated in BVI and is wholly-owned by Ang Yee Lim. He is a businessman in the food and beverage industry and is not related to any of our Directors, Executive Officers or Substantial Shareholders. Accordingly, Ang Yee Lim is deemed to be interested in the Shares held by Great Spot by virtue of Section 4 of the Securities and Futures Act.

As at the date of this Prospectus, there are no trust arrangements among the pre-Invitation shareholders, or with any other third party.

Save as disclosed above and in Sections 9.8, 9.9 and 9.10 on “Management”, “Management and Staff” and “Compensation of Directors, Executive Officers and Related Employees” of this Prospectus, there are no relationships among our Directors and Substantial Shareholder, there are no employees holding 5.0% or more of the post-Invitation share capital of our Company, and none of our employees is related to any Director or Substantial Shareholder of our Company.

There has not been any public take-over by a third party in respect of our Shares or by our Company in respect of the shares of another corporation which has occurred between the beginning of the most recent completed FY and the Latest Practicable Date.

Save as disclosed above and in Section 6.2 on “Restructuring Exercise” of this Prospectus, no shares or debentures were issued or agreed to be issued by our Company for cash or for a consideration other than cash during the last three years preceding the date of lodgement of this Prospectus.

There are no Shares in our Company that are held by or on behalf of our Company or by our subsidiaries.

Save as disclosed below and in Sections 6.2 and 9.1 on “Restructuring Exercise” and “Share Capital”, respectively, of this Prospectus, there has been no significant change in the percentage of ownership of the issued share capital of our Company in the last three years prior to the date of this Prospectus.

Significant changes in percentages of shareholdings

The significant changes in percentage of ownership of Shares in our Company within the last three years prior to the date of this Prospectus are set out as follows:

	As at the date of Incorporate		After the Restructuring Exercise		As at the date of the Prospectus	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Sanwang ⁽¹⁾	2	100.00	305,443,782	92.09	305,443,782	75.12
Great Spot ⁽²⁾	–	–	24,395,711	7.36	24,395,711	6.00
Yang Lin ⁽³⁾	–	–	1,843,725	0.56	1,843,725	0.45

Notes:

- (1) Sanwang is a company incorporated in BVI and wholly-owned by our Executive Chairman and CEO, Chen Qiuhai. Accordingly, Chen Qiuhai is deemed to be interested in the Shares held by Sanwang by virtue of Section 4 of the Securities and Futures Act.
- (2) Great Spot is a company incorporated in BVI and is wholly-owned by Ang Yee Lim. He is not related to any of our Directors, Executive Officers or Substantial Shareholders. Accordingly, Ang Yee Lim is deemed to be interested in the Shares held by Great Spot by virtue of Section 4 of the Securities and Futures Act.
- (3) Pursuant to an employment agreement between our Company and our CFO, Yang Lin, it was provided, among others, that Yang Lin shall be entitled to receive 1,843,725 Shares representing 0.6% of the pre-Invitation share capital of our Company, prior to the conversion of redeemable convertible loan by Great Spot.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

9.3 VENDORS

The names of the Vendors and the number of Shares which they will offer pursuant to the Invitation are set out below:

Name/ Address	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Vendor Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Sanwang ⁽¹⁾	305,443,782	75.12	20,329,759	5.00	285,114,023	70.12
Great Spot ⁽²⁾	24,395,711	6.00	9,758,284	2.40	14,637,427	3.60
TOTAL	329,839,493	81.12	30,088,043	7.40	299,751,450	73.72

Notes:

- (1) Sanwang is a company incorporated in BVI and wholly-owned by our Executive Chairman and CEO, Chen Qiuhai. Accordingly, Chen Qiuhai is deemed to be interested in the Shares held by Sanwang by virtue of Section 4 of the Securities and Futures Act.
- (2) Great Spot is a company incorporated in BVI and is wholly-owned by Ang Yee Lim. He is not related to our Directors, Executive Officers or Substantial Shareholders. Accordingly, Ang Yee Lim is deemed to be interested in the Shares held by Great Spot by virtue of Section 4 of the Securities and Futures Act.

Save in respect of our Executive Chairman and CEO, Chen Qiuhai who is the sole shareholder of Sanwang, none of the Vendors is related to each other and/or to our Directors or Substantial Shareholder.

Save as disclosed above and in the Sections 3.3 and 6.2 on “Use of Proceeds and Listing Expenses” and “Restructuring Exercise”, respectively, of this Prospectus, none of our Directors has a direct or indirect interest in the Vendor Shares, and the Vendors do not have any position, office or other material relationship with our Group within the period of three years before the date of lodgement of this Prospectus.

9.4 MORATORIUM

To demonstrate their commitment to our Group, our existing Shareholder, Sanwang, who owns 285,114,023 Shares representing approximately 70.12% of our Company’s enlarged issued share capital after the Invitation, has undertaken not to sell, realise, transfer or otherwise dispose of any part of its shareholding interests in our Company for a period of six months from the date of listing of our Company on the Official List of the SGX-ST (the “Date of Listing”). In addition our Executive Chairman and CEO, Chen Qiuhai, who owns 100% of the entire issued share capital of Sanwang, has undertaken not to sell, realise, transfer or otherwise dispose of any part of their shareholding interests in Sanwang for a period of six months from the Date of Listing.

To demonstrate their commitment to our Group, our existing Shareholder, Great Spot, who owns 14,637,427 Shares representing approximately 3.60% of our Company’s enlarged issued share capital after the Invitation, has undertaken not to sell, realise, transfer or otherwise dispose of any part of its shareholding interests in our Company for a period of six months from the Date of Listing. In addition, Ang Yee Lim, who owns 100% of the entire issued share capital of Great Spot, has undertaken not to sell, realise, transfer or otherwise dispose of any part of his shareholding interests in Great Spot for a period of six months from the Date of Listing.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

9.5 DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. Our Directors' particulars are listed below:

Name	Age	Address	Designation in our Group
Chen Qiuhai (陈秋海)	43	Unit 201, Block 16, Huanbei Yi Village, Jin-an District, Fuzhou City, Fujian Province, PRC 福建省福州市晋安区环北一村16座201单元	Executive Chairman and CEO
Chen Qisheng (陈琪昇)	34	No. 60 Zhaijiao Road, Huangbang Village, Dongxiao Town, Xinluo District, Longyan City, Fujian Province, PRC 福建省龙岩市新罗区东肖镇黄邦村寨脚路60号	Executive Director
Chang Feng-chang (张峰璋)	42	Room 602, No. 34, Alley 183, Yuanping Road, Shanghai 200436, PRC 上海市原平路183弄34号602室, 邮政编码200436	Non-Executive Director
Soh Beng Keng	56	126 Tai Keng Gardens, Singapore 535407	Lead Independent Director
Sim Yong Chan	64	72 Toh Yi Drive, Singapore 596543	Independent Director

Information on the business and working experience of our Directors is set out below:

Chen Qiuhai (陈秋海) is our Executive Chairman and CEO, and the founder of our Group. He is a brother of our Executive Officer, Chen Qiufa. He was appointed as a director of our Company on 8 February 2010. He is also the director of Wangcheng and Yuanwang. He is responsible for overseeing the overall management, operations and business strategy of our Group. Prior to the setting up of Wangcheng, he was a manager at Fujian Tourism Company Ltd (福建省旅游公司) 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 setting up of Wangcheng, he has received recognition for his contributions to Wangcheng, and was awarded the prestigious Outstanding Young Entrepreneur Award (优秀青年企业家) by the Communist Youth League Committee of Fujian Province (福建省团委) in 2009. In 2010, he was appointed the Vice President of Fujian Province Green Food Association (福建省绿色食品协会) by the Fujian Association for Science and Technology (福建省科学技术协会) and Fujian Province Green Food Association. In the same year, he was also made the Vice Chairman of the Fujian Province Edible Fungi Association (福建省食用菌协会副会长). Chen Qiuhai graduated from Chinese People's Public Security University (中国人民公安大学) with a degree in Japanese language in 1988.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

Chen Qisheng (陈琪昇) is our Executive Director and was appointed on 17 September 2010. He is also the director of Wangcheng and Yuanwang, Group Head of Production and Sales and head of sales department of Wangcheng. Chen Qisheng has over 10 years of experience in the agricultural and forestry related industries. He first joined Wangcheng in 2001 as an assistant manager, overseeing the procurement of raw materials, sales and production processes. From 2003 to 2006, he was the assistant general manager where he oversaw the warehouse and logistics. From 2006 to 2008, he oversaw the procurement of raw materials for Wangcheng. He was made the deputy general manager and head of production of Wangcheng in 2008. Prior to joining Wangcheng, he was a production assistant in Longyan Natural Tea Leaves Co., Ltd (龙岩天然茶叶有限公司) in 2001. From 1999 to 2000, he was a forestry officer at the Xinluo District Baisha Forest Station (新罗区白沙林业站), responsible for the approval and inspection of afforestation. He graduated from Fujian Forestry School (Fujian Agricultural University) (福建林学院(福建农林大学)), PRC in 1999 with a degree in forestry management.

Chang Feng-chang (张峰璋) is our Non-Executive Director and was appointed on 17 September 2010. He is currently a senior partner at Grant Thornton Zhonghua CPAs, where he oversees 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. Chang Feng-chang has been a member of the Institute of Certified Public Accountants of Taiwan since 2000, and a Certified Tax Agent since 2001. He graduated from The University of Missouri in 1994 with a Master of Science in Accounting.

Soh Beng Keng is our Lead Independent Director and was appointed on 17 September 2010. In 1996, he became the director of finance of Heeton Management Pte. Ltd., and subsequently upon listing, he became the executive director of Heeton Holdings Limited. In 2005, he joined Kim Heng Marine & Oilfield Pte. Ltd., a Singapore company involved in marine and oil related industries, and served as their financial controller. In 2006, he joined Miclyn Offshore Pte. Ltd., a Singapore company involved in the business of owning and chartering of ships, and served as their financial controller. Soh Beng Keng was the chief financial officer of China Fashion Holdings Limited, a public listed company in Singapore from March 2007 to April 2009. Soh Beng Keng is the Lead Independent Director of Ziwo Holdings Ltd. and Sino Grandness Food Industry Group Limited. He is also the Independent Director of ISDN Holdings Limited and China Haida Ltd.. He is a full member of the Singapore Institute of Directors and a Fellow Member of the Institute of Certified Public Accountants of Singapore. He obtained his Bachelor of Commerce (Accountancy) from Nanyang University in 1979.

Sim Yong Chan is our Independent Director and was appointed on 17 September 2010. He has 30 years of experience as a lawyer in private practice. He is currently a partner in Arthur Loke & Sim LLP. From 1990 to 2009, he was a sole proprietor in his own law firm, Sim Yong Chan & Co. Sim Yong Chan has been the Independent Director of Sinopipe Holdings Limited since the company's listing on the SGX-ST in 2005 where he is the chairman of the nominating committee and a member of the audit committee and remuneration committee. He is a fellow of the Singapore Institute of Arbitrators and a member of the Singapore Institute of Directors. He obtained his Bachelor of Laws (LL.B) from the University of Singapore in 1972, and his Master of Laws (LL.M) from the National University of Singapore in 1991.

None of our Directors is related by blood or marriage to another Director or our Substantial Shareholder.

The list of present and past directorships that each of our Directors held in the five years preceding the date of this Prospectus can be found in Section 9.10 on "Material Background Information on Directors and Executive Officers" of this Prospectus.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

9.6 SERVICE AGREEMENT

On 3 September 2010, our Company entered into the service agreement (the “Service Agreement”) with our Executive Chairman and CEO, Chen Qiuhai, for an initial period of three years with effect from the date our Company is admitted to the Official List of the SGX-ST. After the said initial period, the Service Agreement will continue for a further term of three years unless otherwise terminated by either party giving not less than six months’ notice in writing to the other. The Service Agreement may be terminated if Chen Qiuhai commits a breach of his Service Agreement, such as being convicted of any offence involving fraud or dishonesty or being adjudicated bankrupt. There are no benefits payable to Chen Qiuhai upon termination of the Service Agreement. The Service Agreement covers the terms of employment, specifically, salary and bonus. Under the Service Agreement, Chen Qiuhai has also agreed not to enter into businesses that will compete with ours.

Under the terms of the Service Agreement, Chen Qiuhai will be paid an annual salary of S\$240,000, payable in 12 equal monthly instalments. Chen Qiuhai shall also be entitled to receive an annual wage supplement of one month’s salary which is payable on or around the 30th day of December in each year and an annual salary increment to be reviewed and submitted by the Remuneration Committee for approval.

In addition, our Company shall pay Chen Qiuhai an incentive bonus based on our Group’s PBT. For this purpose, “PBT” refers to the audited consolidated profit before income tax and before profit sharing (after deducting profit before income tax attributable to non-controlling interests and excluding other comprehensive income) for the relevant financial year.

Under the Service Agreement, the amount of incentive bonus is determined as follows:

PBT	Incentive bonus
Where PBT is not more than RMB80 million	Nil
Where PBT is at least RMB80 million and up to RMB120 million	1.0% of the actual PBT in excess of RMB80 million
Where PBT is at least RMB120 million and up to RMB150 million	RMB400,000 and 2.0% of the actual PBT achieved in excess of RMB120 million
Where PBT is at least RMB150 million	RMB1,000,000 and 2.5% of the actual PBT achieved in excess of RMB150 million

Chen Qiuhai will also enjoy the use of a motorcar of at least 3,500 cc in PRC with the running costs incurred (including all road tax, insurance and maintenance costs) being borne by our Company.

Directors’ fees do not form part of the terms of the Service Agreement as these require the approval of our Shareholders at our Company’s annual general meeting.

All travelling, hotel, entertainment and expenses reasonably incurred by Chen Qiuhai in the reasonable performance of his duties will be borne by our Company.

Had the Service Agreement been in effect from 1 January 2009, the estimated remuneration for Chen Qiuhai would have been approximately RMB1.3 million instead of approximately RMB79,500, and the audited total comprehensive income for FY2009 would have been RMB80.4 million instead of RMB81.7 million.

Save as disclosed above, there is no other existing or proposed service agreement entered into or to be entered into between our Company and our subsidiaries with any of our Directors.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

9.7 BOARD PRACTICES

Save for the Service Agreement of our Executive Chairman and CEO, Chen Qiuhai, none of the Directors of our Company is appointed for any fixed term. Every Director of our Company shall retire from office once every three years and for this purpose, at each annual general meeting. One-third of the Directors of our Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring director of our Company shall be eligible for re-election.

9.8 MANAGEMENT

The day-to-day management of our operations are entrusted to our Executive Directors who are assisted by a team of experienced and qualified Executive Officers. Information regarding our Executive Officers is set out below:

Name	Age	Address	Principal Occupation
Yang Lin	40	31 Jurong West Street 41, #04-39, Singapore 649412	CFO
Chen Qiufa (陈秋发)	46	No. 1, Qilai Village, Caoxi Town, Xinluo District, Lonyan City, Fujian Province, PRC 福建省龙岩市新罗区曹溪镇崎瀨村1号	Head of Shiitake Mushroom Cultivation Bases
Liu Liping (刘立平)	41	Room 9-707, Renju Factory Hostel, Chahui East District, Jin-an District, Fuzhou Province, PRC 福州市晋安区茶会东区刃具厂宿舍9-707室	Head of Administration and Procurement
Huang Ting (黄庭)	41	No. 76, Baitu Street, Dongxiao Town, Xinluo District, Longyan City, Fujian Province, PRC 福建省龙岩市新罗区东肖镇白土街76号	Deputy Head of Shiitake Mushroom Cultivation Bases
Fang Shuzhen (方淑珍)	35	Room 9-101, Jinshan Minxing, No. 198 Jinshan Avenue, Cangshan District, Fuzhou City, Fujian Province, PRC 福建省福州市仓山区金山大道198号金山明星9-101室	Head of Research and Development

Information on the business and working experience of our Executive Officers is set out below:

Yang Lin was appointed as our CFO on 1 January 2010 and is overall in charge of the financial matters of our Group, overseeing our Group's financial reporting and compliance with post-listing obligations. Prior to joining our Company, from September 2008 to May 2009, she was the CFO for Multi Sports Holdings Ltd., a major sports shoe sole manufacturer based in PRC and currently listed on the Main Board of Bursa Malaysia. Her responsibilities then included overseeing the company's project financial matters for their attempt to submit an application for listing on SGX-ST, and she was instrumental in the setting up of appropriate internal controls and credit control procedures for the company. From 2006 to 2008, she was the finance manager of Sin Ghee Huat Corporation Ltd, a company engaged in the trading of stainless steel products and listed on SGX-ST. She was responsible for the company's operations of finance and related matters, including the preparation of all financial information for the listing of the company on SGX-ST. In 2005, she was the group accountant at MAP Technology Holding Limited. From 2004 to 2005, she was an accountant at Sinoying Singapore Pte Ltd, and from 2001 to 2004, she was an auditor at Paul Wan & Co. She was admitted as a Fellow of the Association of Chartered Certified Accountants in 2009, having been admitted as a Member of the Association in 2004. She is also a member of the Institute of Certified Public Accountants of Singapore since 2004. Yang Lin graduated from University of Shanghai for Science & Technology with a Bachelor of Engineering in 1991 and from Nanyang Technological University with a Master of Science (Finance) in 2010.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

The Audit Committee has evaluated Yang Lin's *curriculum vitae*, including her professional qualifications and past working experience. Our Audit Committee also noted Yang Lin's working experience as an accountant and in corporate management, in particular her experience with Multi Sports Holdings Ltd. from September 2008 to May 2009 in its attempt to list on SGX-ST and with Sin Ghee Huat Corporation Ltd. from 2006 to 2008 in its public listing on SGX-ST. In preparation for the listing of our Company on SGX-ST, our Audit Committee has observed and noted Yang Lin's contributions at various occasions, discussions and meetings such as her responses to questions posed to her at various meetings. By the responses provided by Yang Lin to such questions, our Audit Committee has formed the view that she has demonstrated her understanding of the business of, the industry our Group operates in, and familiarity with the finance and accounting functions of our Group. Our Audit Committee further observed that Yang Lin is able to resolve accounting issues and has the technical knowledge required of a CFO. Since joining the Group, Yang Lin has spent a substantial amount of her time in PRC. Based on their dealings and the factors aforesaid, the Audit Committee believes that Yang Lin has the appropriate knowledge, experience, character and integrity to act as the CFO of the Group.

Chen Qiufa (陈秋发) is our Head of Shiitake Mushroom Cultivation Bases. He is a brother of our Executive Chairman and CEO, Chen Qiu Hai. He was appointed as the general manager of Fengwang since 2008, and is responsible for the overall management of our shiitake mushroom cultivation bases. He also directly heads the cultivation, administration and finance departments at Fengwang. Prior to joining Fengwang, he assisted in the feasibility study for the cultivation of shiitake mushrooms conducted by our Executive Chairman and CEO, Chen Qiu Hai, from 2007 to 2008. He was a sole proprietor as a trader of shiitake mushrooms and bamboo shoots based in Beijing, PRC, from 2003 to 2008. From 1998 to 2003, he was the deputy manager of Wangcheng, and was responsible for procurement of raw materials. He completed his high school education in Caoxi Middle School (曹溪中学) 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 our Company. He first joined Wangcheng in 1998, overseeing the logistical operations for transport and warehousing of both raw and finished products. Prior to joining Wangcheng, he was a supervisor at Fujian Lionscore Sport Products Co., Ltd. (福建顺大运动用品有限公司) from 1993 to 1998. From 1990 to 1993, he was a research and development assistant in Fuzhou Pharmaceutical Factory (福州制药厂). He graduated from East China Institute of Chemical Technology (华东化工学院) with a degree in pharmaceutical studies in 1990. He was admitted as an assistant engineer by Fuzhou Personnel Bureau (福州市人事局) in 1992.

Huang Ting (黄庭) is our Deputy Head of Shiitake Mushroom Cultivation Bases. He was appointed as the deputy general manager of Fengwang since 2008, and assists Chen Qiufa in the overall management of our shiitake mushroom cultivation bases. He also directly heads the sales department and supervises the head of the technical department at Fengwang. He first joined Wangcheng in 1999, as a supervisor in the production department. From 2005 to 2008, he was appointed as the general manager of Yuanwang, where he oversaw the overall management of Yuanwang. He completed his high school education in Longyan No.3 Middle School (龙岩三中) in 1987.

Fang Shuzhen (方淑珍) is our Head of Research and Development. She oversees the Research and Development department, and is responsible for research on new products for Wangcheng. She also liaises with our overseas customers for feedback on our existing products and for possible new products. She joined Wangcheng in 2001 as a supervisor of the Research and Development department. Prior to joining Wangcheng, she was a researcher with Fujian Sunner Industrial Co., Ltd (福建圣农实业有限公司). She graduated from Fujian Agricultural University, PRC with a degree in veterinary science in 2000.

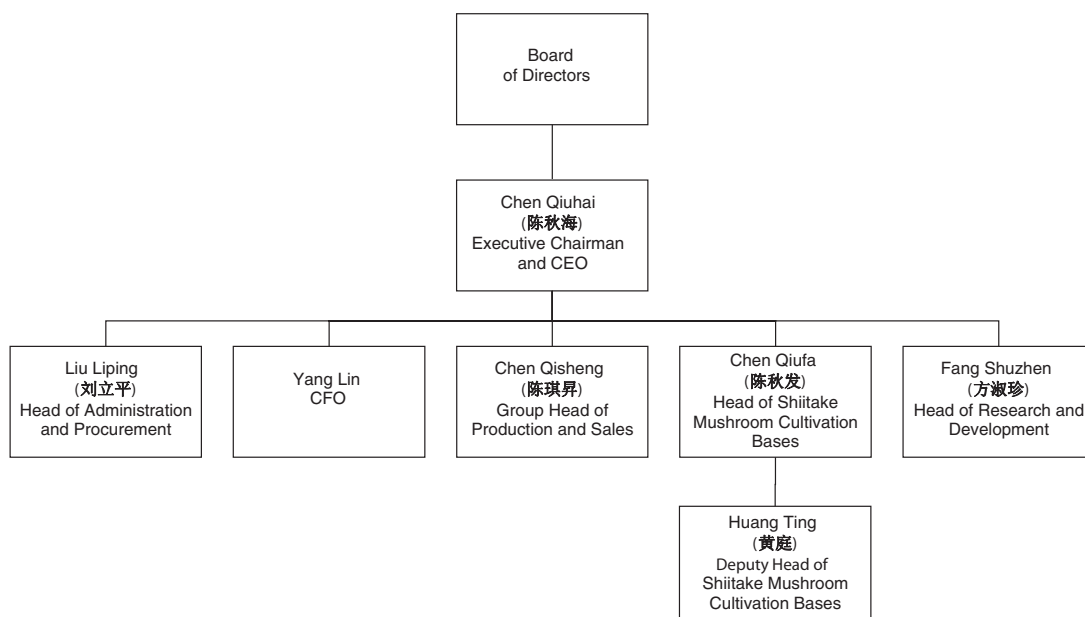
SHAREHOLDERS, DIRECTORS AND MANAGEMENT

The list of present and past directorships that each of our Executive Officers held in the five years preceding the date of this Prospectus can be found in Section 9.10 on “Material Background Information on Directors and Executive Officers” of this Prospectus.

9.9 MANAGEMENT AND STAFF

9.9.1 Management reporting structure

The following chart shows our management reporting structure as at the Latest Practicable Date:



9.9.2 Staff

A breakdown of our staff strength by our corporate division as at the end of the last three financial years is as follows:

Corporate Division	FY2007	FY2008	FY2009
Administration and Finance	62	60	52
Research and Development	4	4	5
Sales and Marketing	17	23	20
Production	327	286	282
Total number of full-time employees	410	373	359

In FY2009, we had an average of approximately 90 temporary workers. The number of temporary employees employed by us for the production function during the Period Under Review experienced significant seasonal fluctuations. During the Period Under Review, there were approximately 100 temporary workers employed by us during the production season (peak period) while the number of temporary employees employed by us for the other functions were insignificant.

The employees of Wangcheng are unionised. The relationship and co-operation between our management and staff has been good and there has not been any incidence of work stoppage or labour dispute which affected our operations during the Period Under Review.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

As at the Latest Practicable Date, save for our Executive Chairman and CEO, Chen Qiuhai who is a brother of our Executive Officer, Chen Qiufa, we did not have any other Directors, Executives Officers or employees who are related by blood or marriage to any of our Substantial Shareholder, Directors or Executive Officers.

9.10 MATERIAL BACKGROUND INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

Information on Directors and Executive Officers

1. The name, address, age and principal occupation and business and working experience of each of our Directors and Executive Officers are set out in Sections 9.5 and 9.8 on “Directors” and “Management” of this Prospectus.
2. The present and past directorships of each of our Directors held in the 5 years preceding the date of this Prospectus, excluding that held in our Company, are set out below:

Name	Present Directorship	Past Directorship
Chen Qiuhai (陈秋海)	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	Wangcheng Yuanwang	Nil
	<u>Other companies</u>	<u>Other companies</u>
	Sanwang	Wanglong Foods Co., Ltd (formerly known as Fujian Wangcheng Foods Group Co., Ltd) Fujian Province Tianwang Food Co., Ltd
Chen Qisheng (陈琪昇)	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	Wangcheng Yuanwang	Nil
	<u>Other companies</u>	<u>Other companies</u>
	Nil	Nil
Chang Feng-chang (张峰璋)	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	Nil	Nil
	<u>Other companies</u>	<u>Other companies</u>
	Nil	Nil
Soh Beng Keng	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	Nil	Nil
	<u>Other companies</u>	<u>Other companies</u>
	ISDN Holdings Limited China Haida Ltd Ziwo Holdings Ltd Sino Grandness Food Industry Group Limited	Shengda (Group) Holdings Ltd

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

Name	Present Directorship	Past Directorship
Sim Yong Chan	<u>Companies within our Group</u> Nil <u>Other companies</u> Sinopipe Holdings Ltd Epiphany Investments Pte. Ltd. Sims Global Pte. Ltd Macondo Investments Pte. Ltd. Kaiser Investments Pte. Ltd. J.B. Poindexter Asia-Pac Pte. Ltd. MIC Group Asia-Pacific Pte. Ltd. Thinstream Technologies Pte. Ltd. Eurtrue Overseas Pte. Ltd.	<u>Companies within our Group</u> Nil <u>Other companies</u> Nil

3. None of our Executive Officers has any present or past directorships over the five years preceding the date of this Prospectus.
4. Save as disclosed in Section 9.2 on “Shareholding and Ownership Structure” in this Prospectus, none of our Directors or Executive Officers has any shareholding interests in our Company or our subsidiaries as at the date of this Prospectus.
5. None of our Directors, Executive Officers or Controlling Shareholders:
 - (a) has at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
 - (b) has at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust on the ground of insolvency;
 - (c) has any unsatisfied judgement against him;
 - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
 - (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

- (f) has at any time during the 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
 - (i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;
 - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust;
 - (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warnings, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.
6. Save as disclosed in Section 9 on “Shareholders, Directors and Management” of this Prospectus, none of our Directors and Executive Officers is related by blood or marriage to one another nor are they related to any of our Substantial Shareholder.
7. None of our Directors and Executive Officers was appointed pursuant to an arrangement or understanding with a Substantial Shareholder, customer or supplier of our Company or other person.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

8. Save as disclosed in Section 6.2 on “Restructuring Exercise” of this Prospectus, no arrangement has been entered into with any Director or Executive Officer that involves the issue of shares or any other securities of our Company.
9. No option to subscribe for shares in, or debentures of, our Company or our subsidiaries has been granted to, or was exercised by, any Director or Executive Officer within the three financial years preceding the date of this Prospectus.
10. Save as disclosed in Section 9.6 on “Service Agreement” of this Prospectus, there are no existing or proposed service contracts between our Directors and Executive Officers and our Company or our subsidiaries.
11. None of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to, our Company or our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or our subsidiaries.
12. None of our Directors or Executive Officers or Substantial Shareholders of our Company has any substantial interest, direct or indirect, in any company carrying on a similar trade as our Company or our subsidiaries.
13. Save as disclosed in Section 9.12 on “Interested Person Transactions” of this Prospectus, none of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company and our subsidiaries, taken as a whole.

9.11 COMPENSATION OF DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES

The compensation paid to each of our Directors and Executive Officers for services rendered to us in all capacities for FY2007, FY2008 and FY2009, and an estimate of compensation payable to such persons for FY2010, in bands of S\$250,000 per annum, are as follows:

	FY2007	FY2008	FY2009	FY2010 (estimated)
Directors				
Chen Qiu hai (陈秋海) ⁽¹⁾	Band I ⁽²⁾	Band I	Band I	Band I ⁽³⁾
Chen Qisheng (陈琪昇)	Band I	Band I	Band I	Band I
Chang Feng-chang (张峰璋)	N.A.	N.A.	N.A.	Band I
Soh Beng Keng	N.A.	N.A.	N.A.	Band I
Sim Yong Chan	N.A.	N.A.	N.A.	Band I
Executive Officers				
Yang Lin	N.A.	N.A.	N.A.	Band I ⁽⁴⁾
Chen Qiufa (陈秋发) ⁽¹⁾	Band I	Band I	Band I	Band I
Liu Liping (刘立平)	Band I	Band I	Band I	Band I
Huang Ting (黄庭)	Band I	Band I	Band I	Band I
Fang Shuzhen (方淑珍)	Band I	Band I	Band I	Band I

Notes:

(1) Our Executive Chairman and CEO, Chen Qiu hai, and our Executive Officer, Chen Qiufa, are brothers.

(2) Band I refers to compensation of between S\$0 and S\$250,000 per annum.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

- (3) The compensation entitled by Chen Qiu Hai does not include compensation that is to be paid pursuant to any bonus or profit-sharing or any other profit linked agreement or arrangement which has not been paid. Please refer to Section 9.6 on “Service Agreement” of this Prospectus for more information.
- (4) The compensation entitled by Yang Lin does not include the Shares transferred to her pursuant to the employment agreement with our Company. Please refer to Section 6.2 on “Restructuring Exercise” of this Prospectus for more information.

Except for the contributions which are mandated by the relevant PRC laws (namely, social security contributions regarding pension, unemployment, medical treatment, maternity and work injury benefits), we have not set aside or accrued any amounts for our employees to provide for pension, retirement or similar benefits.

Compensation of related employees other than Executive Officers

The aggregate remuneration of Yang Wanyu (杨婉瑜), who is the wife of our Executive Chairman and CEO, Chen Qiu Hai, for FY2007, FY2008, FY2009 and 3M2010, which includes salaries, bonuses and benefits-in-kind, was approximately RMB26,000, RMB28,000, RMB29,000 and RMB7,000, respectively. She ceased to be an employee of our Group since 1 April 2010.

Save as disclosed above, none of our employees is related to our Directors and Substantial Shareholder.

The remuneration of employees who are related to our Directors and Substantial Shareholder will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are commensurate with their respective scopes and level of responsibilities. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review.

The remuneration paid to employees who are related to our Directors and Substantial Shareholder will be disclosed in our annual reports in the event that such remuneration exceeds S\$150,000 for that financial year.

9.12 INTERESTED PERSON TRANSACTIONS

Save as disclosed below and in Section 6.2 on “Restructuring Exercise” of this Prospectus, none of our Directors, Controlling Shareholders or their respective Associates was or is interested in any material transaction undertaken by our Group during the Period Under Review, and from 1 April 2010 to the Latest Practicable Date.

Interested / Related Person	Relationship with our Group	Nature of Transaction
Chen Qiurong (陈秋荣) Engaged in the business of supplying poultry	Brother of our Executive Chairman and CEO, Chen Qiu Hai and our Executive Officer, Chen Qiufa	Supply of chicken meat to our Group
Chen Qiu Hai (陈秋海)	Executive Chairman and CEO of our Company	Grant non-trade advances to our Group, grant of the exclusive patent licence and transfer of patents to our Group
Chen Liyan (陈丽燕) Engaged in the wholesale and retail of agricultural and processed food products	Sister of our Executive Chairman and CEO, Chen Qiu Hai and our Executive Officer, Chen Qiufa	Purchase of self-cultivated shiitake mushrooms and processed food products from our Group

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

Interested / Related Person	Relationship with our Group	Nature of Transaction
Deng Wenfeng (邓文锋) Engaged in the wholesale and retail of agricultural and processed food products	Husband of Chen Liyan (陈丽燕), who is the sister of our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa	Purchase of self-cultivated shiitake mushrooms and processed food products from our Group
Luo Qiaohua (罗巧花) Engaged in the wholesale and retail of agricultural and processed food products	Wife of our Executive Officer, Chen Qiufa	Purchase of self-cultivated shiitake mushrooms and processed food products from our Group
Du Deming (杜德明) Engaged in the processing and sales of edible fungi and processed food products	Cousin of our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa	Purchase of self-cultivated shiitake mushrooms from our Group

Past Interested Person Transactions Carried Out by Our Group

9.12.1 Supply of chicken meat by Chen Qiurong (陈秋荣)

During the Period Under Review, our subsidiary, Wangcheng purchased chicken meat for the production of seasoning used in some of our processed food products, from Chen Qiurong (陈秋荣), who is in the business of supplying poultry. Chen Qiurong is a brother of our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa. Details of the transactions are as follows:

	FY2007	FY2008	FY2009	3M2010
Amount of purchases by our Group (RMB '000)	–	770	–	–

The above transactions were conducted on an arm's length basis based on the then prevailing market terms and conditions. Going forward, we do not expect to enter into any transactions of such nature.

9.12.2 Advances from Chen Qiuhai to our Group

In FY2006, our Executive Chairman and CEO, Chen Qiuhai, granted non-trade advances to our subsidiary, Wangcheng, for an aggregate of RMB3.5 million for working capital purposes. The largest outstanding amount of these advances for the Period Under Review is RMB3.5 million. By the end of FY2007, these advances were fully repaid.

In addition, in FY2009, Chen Qiuhai granted trade advances to our subsidiary, Wangcheng, for an aggregate of approximately RMB1.5 million for working capital purposes. These trade advances comprised payments made by Chen Qiuhai on behalf of Wangcheng for the purchases of raw materials in instances of delays in the issuance of invoices from Wangcheng's suppliers. The largest outstanding amount of these advances for the Period Under Review is approximately RMB1.5 million. By 21 June 2010, these advances were fully repaid.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

In FY2009 and FY2010, Chen Qiuhai further granted, through Sanwang, non-trade advances to our Company and our subsidiary, Wangcheng, for an aggregate of approximately RMB3.4 million for payment of expenses in connection with the Invitation. The largest outstanding amount of these advances for the Period Under Review is approximately RMB3.2 million. By 31 August 2010, these advances were fully repaid.

These advances were not made on an arm's length basis as they were interest-free, unsecured and repayable on demand. As at the Latest Practicable Date, the advances were fully repaid and there is no outstanding amount owing by our Group to Chen Qiuhai. Going forward, we do not expect to enter into any transactions of such nature.

9.12.3 Grant of exclusive licence and transfer of patents to our Group

Pursuant to the patent licensing agreements dated 24 May 2010 and 28 May 2010 entered into between our Executive Chairman and CEO, Chen Qiuhai and Wangcheng, among others, Chen Qiuhai has granted to our Group the exclusive licence to use certain patents which are registered in his personal capacity for nil consideration.

Pursuant to transfer agreements dated 3 July 2010 entered into between Chen Qiuhai and Wangcheng, among others, Chen Qiuhai has transferred the abovementioned patents to Wangcheng for nil consideration. The transfer of these patents was completed on 17 August 2010.

Please refer to Section 6.16 on "Intellectual Property" of this Prospectus for more information on these patents.

The above transactions were not conducted on an arm's length basis nor on normal commercial terms.

Present and On-going Interested Person Transactions Carried Out by Our Group

9.12.4 Sales of self-cultivated shiitake mushrooms and processed food products to Chen Liyan (陈丽燕)

For the Period Under Review, Chen Liyan (陈丽燕), the sister of our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa, has been purchasing self-cultivated shiitake mushrooms and processed food products from our subsidiaries, Fengwang and Wangcheng, respectively. Details of the transactions are as follows:

Amount of purchases from our Group (RMB '000)	FY2007	FY2008	FY2009	3M2010
Self-cultivated shiitake mushrooms	–	4,838	12,286	8,157
Processed food products	9	–	–	–
Total	9	4,838	12,286	8,157

The above transactions were conducted on an arm's length basis based on the then prevailing market terms and conditions.

Our Group will continue with above present and on-going transactions subsequent to the Invitation which will be subject to the review by our Audit Committee. We shall comply with the provisions in Chapter 9 of the Listing Manual to ensure that they are transacted at arm's length and on normal commercial terms that will not be prejudicial to the interest of our Group and our minority Shareholders.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

Present and On-going Transactions Carried Out by our Group with Certain Related Persons

For the purposes of full disclosure to investors, we set out below transactions undertaken by our subsidiaries with certain persons who are related to our Executive Directors and/or Executive Officers which are considered material in themselves during the Period Under Review, although none of such persons is considered as an “Interested Person” (as defined in Chapter 9 of the Listing Manual).

9.12.5 Sales of self-cultivated shiitake mushrooms and processed food products to Deng Wenfeng (邓文锋), Luo Qiaohua (罗巧花) and Du Deming (杜德明)

For the Period Under Review, each of (i) Deng Wenfeng (邓文锋), the husband of Chen Liyan (陈丽燕), who is the sister of our Executive Chairman and CEO, Chen Qiuha and our Executive Officer, Chen Qiufa, (ii) Luo Qiaohua (罗巧花), the wife of our Executive Officer, Chen Qiufa, and (iii) Du Deming (杜德明), a cousin of our Executive Chairman and CEO, Chen Qiuha and our Executive Officer, Chen Qiufa, have been purchasing self-cultivated shiitake mushrooms and/or processed food products from our subsidiaries, Fengwang and/or Wangcheng, respectively. Details of the transactions are as follows:

	Amount of purchases from our Group (RMB '000)	FY2007	FY2008	FY2009	3M2010
Deng Wenfeng (邓文锋)	Self-cultivated shiitake mushrooms	–	7,034	16,256	10,665
	Processed food products	349	6,441	4,233	1,091
	Total	349	13,475	20,489	11,756
Luo Qiaohua (罗巧花)	Self-cultivated shiitake mushrooms	–	7,039	15,289	11,252
	Processed food products	181	5,734	3,616	921
	Total	181	12,773	18,905	12,173
Du Deming (杜德明)⁽¹⁾	Self-cultivated shiitake mushrooms	–	5,500	13,071	8,776

Note:

- (1) Du Deming purchased self-cultivated shiitake mushrooms from our Group in his personal capacity and/or via Zhangzhou Mingcheng Foods Co., Ltd. (漳州明成食品有限公司), a company incorporated in PRC and controlled by him.

The transactions were conducted on an arm's length basis based on the then prevailing market terms and conditions.

Our Group will continue with transactions of such nature subsequent to the Invitation which will be subject to the review by our Audit Committee. We shall comply with the provisions in Chapter 9 of the Listing Manual to ensure that they are transacted at arm's length and on normal commercial terms that will not be prejudicial to the interest of our Group and our minority Shareholders.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

9.12.6 Review procedures for future interested person transactions which are not Recurrent Connected Person Transactions (as defined below)

To ensure that the transactions with interested persons are carried out on an arm's length basis and on normal commercial terms which are not prejudicial to the interests of our Group and our minority Shareholders, the following procedures will be implemented by our Group:

- (a) All interested person transactions (which are not Recurrent Connected Person Transactions) shall be conducted in accordance with our usual business practices and policies consistent with the usual margins or prices received by us for the same or substantially similar type of transactions between us and unrelated third parties and the terms are not more favourable to the interested person compared to those extended to or received from unrelated third parties;
- (b) All interested person transactions (which are not Recurrent Connected Person Transactions) above S\$100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction prior to entry;
- (c) In addition, we shall monitor all interested person transactions (which are not Recurrent Connected Person Transactions) entered into by us categorising the transactions as follows:
 - (i) a Category One interested person transaction is one where the value thereof is equal to or in excess of 5.0% of the NTA of our Group; and
 - (ii) a Category Two interested person transaction is one where the value thereof is below 5.0% of the NTA of our Group.

Category One interested person transactions must be approved by our Audit Committee prior to entry. Category Two interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by the Audit Committee.

We will prepare relevant information to assist our Audit Committee in its review.

- (d) We will maintain a register where we will record all our interested person transactions and will document details, including the bases on which the transactions are entered into, the quotations obtained to support such bases, the rationale for the transactions as well as the credit terms and the actual payment period applicable to the transactions, for review by the Audit Committee on a quarterly basis.

Before any agreement or arrangement that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any of the interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

We will also comply with the provisions in Chapter 9 of the Listing Manual in respect of all future interested person transactions, and if required under the Listing Manual, the Companies Act or the Securities and Futures Act, we will seek our Shareholders' approval for such transactions.

9.13 SHAREHOLDERS' MANDATE FOR THE RECURRENT CONNECTED PERSON TRANSACTIONS**9.13.1 General**

We anticipate that our Group would, in the ordinary course of business, continue to enter into transactions with persons (i) Chen Liyan (陈丽燕), the sister of our Executive Chairman and CEO, Chen Qiuhai and our Executive Officer, Chen Qiufa, who is considered an "Interested Person" as defined in Chapter 9 of the Listing Manual, and (ii) Deng Wenfeng (邓文锋), Luo Qiaohua (罗巧花) and Du Deming (杜德明), who are related to our Executive Director and Executive Officer, although none of such persons is considered an "Interested Person" as defined in Chapter 9 of the Listing Manual.

It is likely that such transactions will occur with some degree of frequency and could arise at any time, and from time to time. Such transactions include, but are not limited to, the categories of transactions described below.

Chapter 9 of the Listing Manual applies to transactions entered or to be entered into by an entity at risk with a party that is an interested person of the listed company. Save for transactions which are excluded under Chapter 9 of the Listing Manual, an immediate announcement and (if applicable) shareholders' approval would be required in respect of a transaction with interested persons ("interested person transaction") if the value of that transaction is equal to or exceeds certain financial thresholds.

Pursuant to Rule 920(2) of the Listing Manual, our Company may treat a general mandate as having been obtained from our Shareholders (the "Shareholders' Mandate") for us to enter into certain categories of interested person transactions with the classes of interested person set out below, if the information required by Rule 920(1)(b) is included in this Prospectus. Rule 920(1)(b) of the Listing Manual requires the following information to be disclosed:

- (i) the class of interested persons with which the entity at risk will be transacting;
- (ii) the nature of the transactions contemplated under the mandate;
- (iii) the rationale for, and benefit to, the entity at risk;
- (iv) the methods or procedures for determining transaction prices;
- (v) an independent financial adviser's opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the listed company and its minority shareholders;
- (vi) an opinion from the audit committee if it takes a different view to the independent financial adviser;
- (vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate; and
- (viii) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

The Shareholders' Mandate will be effective until the earlier of the following:

- (a) our first annual general meeting following our admission to the Official List of the SGX-ST; or
- (b) the first anniversary of the date of our admission to the Official List of the SGX-ST.

Thereafter, we will seek the approval of our Shareholders for a renewal of the Shareholders' Mandate at each subsequent annual general meeting of our Company.

In accordance with Rule 920(1)(b)(viii) of the Listing Manual, interested persons will abstain, and have undertaken to ensure that their associates will abstain from voting on resolutions approving interested person transactions involving themselves and the Group. Furthermore, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by shareholders who are unrelated to such interested persons or their associates.

Rule 905 and Rule 906 of the Listing Manual do not apply to any transaction which has a value that is below S\$100,000 with an interested person and therefore transactions below S\$100,000 need not be covered under the Shareholders' Mandate.

9.13.2 Classes of Connected Persons

The Shareholders' Mandate will apply to transactions between our Group and the following persons (the "Connected Persons"):

- (a) Chen Liyan (陈丽燕);
- (b) Deng Wenfeng (邓文锋);
- (c) Luo Qiaohua (罗巧花); and
- (d) Du Deming (杜德明).

Transactions with interested persons that do not fall within the ambit of the Shareholders' Mandate shall be subject to the provisions of Chapter 9 and/or any other applicable provisions of the Listing Manual.

9.13.3 Categories of Recurrent Connected Person Transactions

The transactions with the Connected Persons (the "Recurrent Connected Person Transactions") are in connection with the sales of self-cultivated shiitake mushrooms and processed food products by our Group to these Connected Persons which are recurrent transactions of a revenue nature.

9.13.4 Rationale for and Benefits of the Shareholders' Mandate

In view of the time-sensitive nature of commercial transactions, it would be advantageous to the Company to obtain the Shareholders' Mandate to enter into the Recurrent Connected Person Transactions, provided that all such transactions are carried out on normal commercial terms. The Shareholders' Mandate (if approved and renewed on an annual basis) will eliminate, among others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions with Connected Persons arise. This will reduce substantially the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising its corporate objectives and adversely affecting our business opportunities.

The Recurrent Connected Person Transactions are entered into or, are to be entered into, by our Group in the ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. Our Directors are of the view that the Recurrent Connected Person Transactions during the Period Under Review were carried out on an arm's length basis as the profit margin and the credit terms of the Recurrent Connected Person Transactions were comparable to those of the sales we made to other unrelated customers.

The Directors are of the view that it will be beneficial to our Group to transact or continue to transact with the Connected Persons after the listing of our Company on the SGX-ST. Disclosure will be made where required under the prevailing listing rules, in our Company's annual report and financial results on the aggregate value of Recurrent Connected Person Transactions conducted pursuant to the Shareholders' Mandate during the current financial year, and in the annual reports for the subsequent financial years during which the Shareholders' Mandate is in force.

9.13.5 Guidelines and Review Procedures for Recurrent Connected Person Transactions

The Audit Committee has reviewed and approved the following internal control procedures that will apply to Recurrent Connected Person Transactions. These procedures are implemented with a view to ensure that the Recurrent Connected Person Transactions are undertaken on normal commercial terms and/or on an arm's length basis; that is, the transactions are transacted on terms not more favourable to the Connected Persons than if they were transacted with an unrelated third party, and are not prejudicial to the interests of the Company and the minority Shareholders.

Our Company shall monitor transactions with the Connected Persons entered into by our Group and categorise these transactions as follows:

- (a) any transaction whose value is less than 3% of the latest audited net tangible assets of our Group will be reviewed and approved by a non-interested executive Director. In the event that all the executive Directors have an interest, whether directly or indirectly, in the transaction, it will be reviewed and approved by a Director who is non-executive and not interested in the transaction; and
- (b) any transaction whose value is equal to or exceeds 3% of the latest audited net tangible assets of our Group will be reviewed and approved by at least one member of our Audit Committee.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

For the purpose of the above review, where applicable, when supplying products to a Connected Person, the sale price, and the terms, of at least two successful sales of a similar nature to non-Connected Persons within the last one month will be used for comparison. The sale price for the supply of products shall not be lower than the lowest sale price of such other transaction(s) (of a similar nature) with non-Connected Persons.

In the event that it is not possible for appropriate information (for comparative purposes) to be obtained, a Director (with no interest, direct or indirect, in the Recurrent Connected Person Transaction) will determine whether the price and/or other terms offered by or to the Connected Persons are fair and reasonable, and approve such Recurrent Connected Person Transaction. In so determining, such Director will consider whether the price and/or other terms is in accordance with usual business practices and pricing policies and consistent with the usual margins and/or terms to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken at an arm's length and on normal commercial terms.

The Company will maintain a register of Interested Persons and Connected Persons. This register will be updated regularly and will be sent to the CFO and the Audit Committee of our Group on a monthly and quarterly basis for review, respectively. The purpose of this register is to enable the CFO and the Audit Committee to identify the Connected Persons so as to facilitate the recording of all Recurrent Connected Person Transactions.

The Company will also maintain a register of transactions carried out with Interested Persons and Connected Persons including those pursuant to the Shareholders' Mandate (recording the basis, including the quotations obtained and relevant documents maintained by us to support such basis, on which they were entered into). This register of transactions shall be reviewed by the Audit Committee on a quarterly basis.

In addition, our Group's internal audit plan will incorporate a review of the transactions entered into in the relevant financial year pursuant to the Shareholders' Mandate. The internal auditor, if any, shall be required to review such transactions and report directly to the Audit Committee on them. In the event that the Company does not have any internal auditor, the Company's external auditor will be required to review such transactions and report directly to the Audit Committee. Such internal audit plan is subject to the approval of the Audit Committee and the Board.

In the event that any member of the Audit Committee or the Board (where applicable) is interested in any Recurrent Connected Person Transaction, he/she will abstain from any decision making by the Audit Committee or the Board in respect of that transaction.

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

If during the quarterly reviews, the Audit Committee is of the view that the internal control procedures as stated above are not sufficient to ensure that the Recurrent Connected Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders, the Company will obtain a fresh mandate from Shareholders based on new guidelines and review procedures with Connected Persons. All Recurrent Connected Person Transactions shall be reviewed and approved by at least one member of the Audit Committee prior to entry while a fresh mandate is being sought from Shareholders. In the event that a member of the Audit Committee is interested in any of the Recurrent Connected Person Transactions, that member will abstain from reviewing that particular transaction.

The Audit Committee will also review transactions with interested persons on a quarterly basis with a view to ensuring that the prevailing rules of the SGX-ST (in particular, Chapter 9 of the Listing Manual) are complied with. Our Audit Committee and our Board shall have the overall responsibility for the determination of the review procedures.

9.13.6 Opinion of the Independent Financial Adviser

NRA Capital was appointed as the Independent Financial Adviser pursuant to Rule 920(1)(b)(v) of the Listing Manual, to opine on whether the methods and procedures for undertaking the Recurrent Connected Person Transactions with the Connected Persons, including but not limited to the methods and procedures for determining the transaction prices for the Recurrent Connected Person Transactions as set out above, are sufficient to ensure that our Group's transactions with the Connected Persons will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and its minority Shareholders.

Based on the analysis undertaken and subject to the qualifications and assumptions made as set out in the Letter from the Independent Financial Adviser, NRA Capital is of the opinion that the current review procedures for determining the transaction prices of the Recurrent Connected Person Transactions with Connected Persons under the Shareholders' Mandate as set out above, if adhered to and applied properly at all times, are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and its minority Shareholders. Please refer to Annexure H on "Letter from NRA Capital Pte. Ltd. to the Independent Directors of Yamada Green Resources Limited in respect of the Shareholders' Mandate for Recurrent Connected Person Transactions" of this Prospectus for the full text of the Letter from the Independent Financial Adviser.

9.14 CONFLICT OF INTERESTS

As at the Latest Practicable Date, none of our Directors, Executive Officers, Controlling Shareholders or their respective Associates has any material interest, direct or indirect, in:

- (a) any material transactions to which we were or are to be a party;
- (b) any company carrying on the same business or carrying on a similar trade as us; and
- (c) any enterprise or company that is our customer or supplier of goods or services.

9.15 CORPORATE GOVERNANCE

Corporate Social Responsibility

Our Directors has established a corporate social responsibility policy which will include the review of the following areas of the Group's activities:

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

The Company will provide updates on the status of its implementation of its corporate social responsibility policies in the annual report(s) of our Company.

Please refer to Section 6.5 on "Our Products, Production Process and Production Facilities – Environmental Protection Initiatives" of this Prospectus for more details.

Board Committees

Our Directors recognise the importance of good corporate governance and in offering high standards of accountability to our Shareholders. We have therefore set up the following committees:

Audit Committee

Our Audit Committee consists of our Independent Directors, namely Soh Beng Keng, Sim Yong Chan and Non-Executive Director, Chang Feng-chang (张峰璋). The Chairman of our Audit Committee is Soh Beng Keng who is our Lead Independent Director. Our Audit Committee meets periodically to:

- (a) review our financial and operating results and accounting policies;
- (b) review the audit plans of the external auditors, and where applicable, our internal auditors, the results of their review and evaluation of our system of internal controls system, their letter to management and the management's response;
- (c) ensure co-ordination between the external auditors and our management, and review the co-operation given by our 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 our management, where necessary);
- (d) review and approve interested person transactions, if any;
- (e) review any conflicts of interest, if any;

SHAREHOLDERS, DIRECTORS AND MANAGEMENT

- (f) review our consolidated financial statements and the external auditors' report on those financial statements before submission to our Directors and Shareholders, 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 SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- (g) review the scope and results of the audit performed by our external auditors and its cost effectiveness;
- (h) review and evaluate the independence and performance of the external auditors and to consider their appointment, remuneration and re-appointment;
- (i) review the effectiveness and adequacy of internal accounting and financial control procedures;
- (j) review the adequacy of the business risk management process;
- (k) undertake such other reviews and projects as may be requested by our Board of Directors, and report to our Board of Directors our findings from time to time on matters arising and requiring the attention of the Audit Committee;
- (l) undertake such other functions and duties as may be required by the legislation, regulations or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time; and
- (m) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up.

Before any agreement or arrangement that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any interested person transactions, he/she will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

Apart from the above functions, our Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company's operating results or financial position. Each member of our Audit Committee will abstain from making any recommendation on or voting in respect of matters in which he/she is interested. Upon the listing of our Company, we will engage internal audit professionals to review our Group's internal control procedures under the guidance of the Audit Committee.

Remuneration Committee

Our Remuneration Committee comprises our Independent Directors, Sim Yong Chan, Soh Beng Keng and Non-Executive Director, Chang Feng-chang (张峰璋). The Chairman of our Remuneration Committee is Sim Yong Chan. Our Remuneration Committee will recommend to our Board a remuneration framework for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee will be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind will be considered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from making any recommendation on or voting on any resolutions in respect of his/her own remuneration package.

Nominating Committee

Our Nominating Committee comprises our Independent Directors, Sim Yong Chan, Soh Beng Keng and Non-Executive Director, Chang Feng-chang (张峰璋). The Chairman of our Nominating Committee is Sim Yong Chan. Our Nominating Committee will be responsible for (i) the nomination and re-nomination of our Directors having regard to the Director's contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director. Our Nominating Committee will, subject to the approval of our Board, decide how our Board's performance is to be evaluated and propose objective performance criteria which address how our Board has enhanced long-term Shareholders' value. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution by each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from making any recommendation on or voting on any resolutions in respect of the assessment of his performance or re-nomination as a director.

10. TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of our Shares. Prospective purchasers of our Shares should consult their own tax advisers concerning the tax consequences of their particular situations. This description is based on laws, regulations and interpretations now in effect and available in Singapore and PRC as of the date of this Prospectus. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. It is emphasised that neither our Company, our Directors nor any other persons involved in this Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, holding or disposal of our Shares.

10.1 Singapore

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. The discussion is based on laws, regulations and interpretations now in effect and available as of the date of this Prospectus. These laws and regulations are subject to changes, which may be retrospective to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

The discussion is limited to a general description of certain tax consequences in Singapore with respect to purchase, ownership and disposal of our Shares, and does not purport to be a comprehensive nor exhaustive description of all tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares. Prospective investors should consult their own tax advisers concerning the tax consequences of owning and disposing our Shares. Neither our Company, our Directors, the Vendors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

Income Tax

(i) General

- **Individual taxpayers**

All individuals (resident or non-resident) are subject to income tax on income accruing in or derived from Singapore (subject to certain exceptions). All foreign-sourced income received in Singapore by resident individuals on or after 1 January 2004 will be exempt from income tax. This exemption will however not be applicable if the foreign-sourced income is received through a partnership in Singapore. Non-resident individuals are not subject to income tax on foreign-sourced income.

An individual is regarded as tax resident in Singapore if he is physically present in Singapore or exercises an employment in Singapore (other than as a director of a company) for 183 days or more in a calendar year, or if the individual resides in Singapore.

For Singapore tax resident individuals, their taxable income (after deduction of personal reliefs) will be subject to tax on a progressive tax rate varying from 0% to a maximum rate of 20% with effect from the Year of Assessment 2007.

TAXATION

- ***Corporate taxpayers***

Corporate taxpayers (resident or non-resident), are subject to Singapore income tax on Singapore-sourced income and foreign-sourced income remitted or deemed remitted to Singapore (subject to certain exceptions). Foreign-sourced branch profits, dividends and service income received or deemed received in Singapore by a tax resident company on or after 1 June 2003 may enjoy tax exemption, subject to certain conditions. Such foreign-sourced income will be exempt from income tax, so long as it is earned from a jurisdiction with headline tax rate of at least 15% and is subject to tax of a similar character to income tax in that jurisdiction either by direct assessment or by withholding tax as the case may be.

A special concession has been granted whereby during the one-year period from 22 January 2009 to 21 January 2010, all foreign-sourced income earned or accrued outside Singapore prior to 22 January 2009 can be received in Singapore free from Singapore taxation.

A corporate taxpayer is regarded as tax resident in Singapore if the company's business is controlled and managed in Singapore. The meaning of "control and management" is not defined in the Income Tax Act Cap 134 of Singapore. In practice, the residence of a company is generally taken to be where the directors of the company manage and control its business and hold their board meetings.

The corporate tax rate in Singapore is 17% with effect from the Year of Assessment 2010. In addition, 75% of the first S\$10,000 of a company's chargeable income that is subject to normal tax rate, and 50% of the next S\$290,000 (with effect from Year of Assessment 2008) will be exempt from income tax. This partial exemption will not apply to Singapore dividends received by companies.

- (ii) ***Dividend Distributions***

The previous Imputation System was replaced by a one-tier corporate taxation system ("*One-Tier System*") on 1 January 2003. Under the One-Tier System, the tax paid by a company is a final tax and the after-tax profits of the company can be distributed to shareholders as tax exempt (One-Tier) dividends.

There is no withholding tax on dividends paid to non-Singapore tax resident Shareholders.

Capital gains on disposal of the Shares

Singapore does not impose tax on capital gains. However, gains arising from the disposal of our Shares may be construed to be of an income nature and subject to tax if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade or business in Singapore.

Any profits from the disposal of our Shares are not taxable in Singapore unless the seller is regarded as carrying on a trade or business of dealing in shares in Singapore. In which case, such gains would be taxable as trading profits.

TAXATION

Stamp Duty

There is no stamp duty payable on the subscription of our Shares.

Stamp duty is payable on any conveyance, assignment or transfer on sale of any stock or shares or interest thereof. The purchaser is liable for stamp duty, unless otherwise agreed. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore. The above stamp duty is, however, not applicable to electronic transfers of the shares through CDP.

Estate Duty

With effect from 15 February 2008, no estate duty will be leviable in respect of deaths occurring on or after 15 February 2008.

GST

The sale of the Shares by an investor belonging in Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Where the Shares are sold by the investor to a person belonging outside Singapore, the sale is generally a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course of furtherance of a business may be recovered from the Comptroller of GST. Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the rate of 7.0%. Similar services rendered to an investor belonging outside Singapore would generally be zero-rated, i.e. subject to GST at zero per cent.

PRC

Please refer to Annexure B for "Summary of Relevant PRC Laws and Regulations" for more information on PRC tax laws and regulations.

ADDITIONAL INFORMATION

11.1 MATERIAL CONTRACTS

Our Company and our subsidiaries (as the case may be), are parties to the following contracts, not being contracts entered into in the ordinary course of business, within the two years preceding the date of lodgement of this Prospectus and are or may be material:

- (a) the Share Transfer Agreements dated 21 February 2010 between our Company and Sanwang, details of which are set out in Section 6.2 on “Restructuring Exercise” of this Prospectus;
- (b) the investment agreement dated 24 June 2010 and varied on 8 September 2010 entered into among our Company, Great Spot and Chen Qiuhai;
- (c) the patent licensing agreements dated 25 May 2010 and 28 May 2010 and the transfer agreements dated 3 July 2010 between our Executive Chairman and CEO, Chen Qiuhai and Wangcheng, details of which are set out in Sections 6.16 and 9.12 on “Intellectual Property” and “Interested Person Transactions” of this Prospectus, respectively;
- (d) the Management and Underwriting Agreement dated 29 September 2010 made between our Company, the Vendors and DMG; and
- (e) the Placement Agreement dated 29 September 2010 made between our Company, the Vendors and DMG.

11.2 LITIGATION

To the best of our knowledge and belief, having made all reasonable enquiries, neither our Company nor our subsidiaries is engaged in any litigation or arbitration proceedings either as plaintiff or defendant, including those which are pending or known to be contemplated, which may have or have had in the last 12 months prior to the lodgement of this Prospectus, a material effect on the financial position or profitability of our Company or our subsidiaries.

11.3 MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

- (a) Pursuant to the Management and Underwriting agreement dated 29 September 2010 (the “Management Agreement”), our Company appointed DMG to manage the Invitation. DMG will receive a management fee from our Company for its services rendered in connection with the Invitation. The Underwriter agreed to underwrite the Offer Shares for a commission of 3.75% of the aggregate Invitation Price of the Offer Shares underwritten by the Underwriter but not including any Offer Shares allocated to satisfy excess applications for the Placement Shares, payable by our Company and the Vendors in the proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation to the total number of Invitation Shares (the “Agreed Proportion”). The Underwriter may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

ADDITIONAL INFORMATION

- (b) Pursuant to the Placement Agreement dated 29 September 2010 (the “Placement Agreement”), the Placement Agent agreed to subscribe and or procure subscription for the Placement Shares at the Invitation Price for a placement commission and brokerage of 3.75% of the aggregate Invitation Price for the Placement Shares, payable by our Company and the Vendors in the Agreed Proportion. The Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.
- (c) Brokerage will be paid by our Company and the Vendors in the Agreed Proportion to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted Application Forms bearing their respective stamps, and to the Participating Banks (other than DBS Bank) in respect of successful applications made through an Electronic Application through their respective ATMs or IB website, at the rate of 0.25%, and in the case of DBS Bank, 0.50%, of the Invitation Price for each Offer Share in the proportion in which the number of Offer Shares offered by each of them pursuant to the Offer bears to the total number of Offer Shares. In addition, DBS Bank levies a minimum brokerage fee of S\$10,000 that will be paid by our Company. Subscribers and/or purchasers of Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price to the Placement Agent or its sub-placement agents (subject to Singapore Goods and Services Tax of 7.0%, if applicable).
- (d) Save as aforesaid and under Section 3.5 on “Plan of Distribution” of this Prospectus, no commission, discount or brokerage, has been paid or other special terms granted within the 2 years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing and/or purchasing or agreeing to subscribe and/or purchase or procuring or agreeing to procure subscriptions and/or purchases for any shares in or debentures of our Company.
- (e) The Management Agreement may be terminated by the Issue Manager and the Underwriter respectively at any time on or before the close of the Application List on the occurrence of certain events including, among others:
 - (i) there shall come to the knowledge of the Issue Manager and the Underwriter any breach of the warranties or undertakings in the Management Agreement or the Underwriting Agreement respectively; or
 - (ii) any occurrence of an event after the date of the Management Agreement or the Underwriting Agreement, as the case may be, and prior to the Closing Date, which if it had occurred before the date of the Management Agreement or the Underwriting Agreement as the case may be, would have rendered any of the warranties contained in the Management Agreement or Underwriting Agreement respectively untrue or incorrect in any material respect; which comes to the knowledge of the Issue Manager and the Underwriter as the case may be; or
 - (iii) if there shall have been, since the date of the Management Agreement or the Underwriting Agreement:
 - (aa) any adverse change or any development involving a prospective adverse change, in the condition (financial or otherwise) of our Company or of our Group as a whole; or

ADDITIONAL INFORMATION

- (bb) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation order, notice, policy, rule, guideline or directive of any jurisdiction (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the Securities Industry Council of Singapore, the SGX-ST or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or any other jurisdiction; or
- (cc) any change or any development involving a prospective change or any crisis in local, national or international financial (including the stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls; or
- (dd) any occurrence or any local, national or international outbreak or escalation of hostilities, insurrection, terrorist attacks or armed conflict (whether or not involving financial markets); or
- (ee) any regional or local outbreak of disease that may have an adverse effect on the financial markets; or
- (ff) any occurrence of any nature whatsoever,

which event or events shall in the opinion of the Issue Manager and the Underwriter, as the case may be, (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere; or (2) be likely to prejudice the success of the offer or subscription or sale of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market); or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management Agreement or the Underwriting Agreement as the case may be; or (4) be likely to have an adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or (5) be such that no reasonable Issue Manager and Underwriter would have entered into the Management Agreement or the Underwriting Agreement as the case may be; or (6) make it uncommercial or otherwise contrary to or outside the usual commercial practices of issue managers or underwriters, as the case may be, in Singapore for the Issue Manager, or the Underwriter to observe or perform or be obliged to observe or perform the terms of the Management Agreement or the Underwriting Agreement as the case may be.

- (f) Notwithstanding the above, the Management Agreement and the Underwriting Agreement may be terminated by the Issue Manager and the Underwriter respectively if, among others, at any time,
 - (i) a stop order (whether interim or final) is issued by the Authority in accordance with Section 242 of the Securities and Futures Act; or
 - (ii) our Company fails or neglects to lodge a supplementary prospectus or replacement prospectus if required to do so pursuant to Section 243 of the Securities and Futures Act; or

ADDITIONAL INFORMATION

- (iii) the shares of our Company have not been admitted to the Official List of the SGX-ST on or before 8 October 2010 (or such other date as the Issue Manager, Underwriter and the Placement Agent may agree).
- (g) The Placement Agreement is conditional upon the Management Agreement and the Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management Agreement and the Underwriting Agreement.

Save as disclosed above, we do not have any material relationship with the Issue Manager, Underwriter and Placement Agent.

11.4 INTERESTS OF EXPERTS

No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, preceding the date of this Prospectus, been acquired or disposed of by or leased to our Company or our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or our subsidiaries.

No expert is engaged on a contingent basis by our Company or our subsidiaries, or has a material interest, whether direct or indirect, in our Shares, our subsidiaries or has a material economic interest, whether direct or indirect, in our Company including an interest in the success of the Invitation.

11.5 MISCELLANEOUS

The nature of the business of our Company and subsidiaries are stated in Section 6.4 on “Industry and Business Overview” of this Prospectus. As at the date of this Prospectus, all the corporations which are, by virtue of Section 6 of the Companies Act, deemed to be related to our Company, are set out under Section 6.3 on “Group Structure” of this Prospectus.

The time of opening of the Application List is set out in Section 3.2 on “Details of the Invitation” of this Prospectus.

The amount payable on application is S\$0.22 for each Invitation Share. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years preceding the date of this Prospectus and we have not applied for any other securities exchange to list our Shares apart from our application to the SGX-ST.

Application monies received by our Company in respect of all successful applications (including successfully balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Banker. There is no sharing arrangement between the Receiving Banker and our Company in respect of interest or revenue or any other benefit in respect of the deployment of application monies in the inter-bank monies market, if any. Any refund of the application monies to unsuccessful or partially successful applicants will be made without any interest or share of such revenue or other benefit arising therefrom.

No property has been purchased or acquired or proposed to be purchased or acquired by our Group which is to be paid for, wholly or partly, out of proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of this Prospectus, other than the property contract for the purchase or acquisition whereof was entered into in the ordinary course of business of our Company or our subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.

ADDITIONAL INFORMATION

Save as disclosed under Section 9.12 on “Interested Person Transactions” of this Prospectus, no amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.

Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred since 1 April 2010 to the Latest Practicable Date, which may have a material effect on the financial position and results of our Group.

Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:

- (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
- (b) material commitments for capital expenditures;
- (c) unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations; and
- (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on revenue or operating income.

We currently have no intention of changing our auditors after the listing of our Company on the Main Board of the SGX-ST.

Details, including the names, addresses and professional qualifications (including membership in a professional body) of the auditors of our Company for the Period Under Review are as follows:

Partner-in-charge	Name and address	Professional body	Professional qualification
Lai Keng Wei	BDO LLP Public Accountants and Certified Public Accountants 19 Keppel Road #02-01 Jit Poh Building Singapore 089058	Institute of Certified Accountants of Singapore	CPA

11.6 CONSENTS

The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of their reports as referred to in Annexures E, F and G of this Prospectus, their name, address and professional qualification in the form and context in which they are included in this Prospectus and references thereto in the form and context in which they appear in this Prospectus and to act in such capacities in relation to this Prospectus.

King & Wood, the Legal Advisers to our Company as to PRC Law has given and has not withdrawn its written consent to the issue of this Prospectus including its name and references in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

ADDITIONAL INFORMATION

The Issue Manager, Underwriter and Placement Agent has given and have not withdrawn its written consent to the issue of this Prospectus with the inclusion of its names and references thereto in the form and context in which they respectively appear in this Prospectus and to act in such capacities in relation to this Prospectus.

NRA Capital, the Independent Financial Adviser has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of the “Letter from NRA Capital Pte. Ltd. to the Independent Directors of Yamada Green Resources Limited in respect of the Shareholders’ Mandate for Recurrent Connected Person Transactions” as set out in Annexure H of this Prospectus, its name and references in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

Each of the Placement Agent, the Legal Advisers to our Company as to Singapore Law, the Legal Advisers to the Issue Manager, Underwriter and Placement Agent, the Principal Bankers, the Receiving Banker and the Share Registrar does not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in or omission from, this Prospectus.

None of the experts named in the Prospectus:

- (a) is employed on a contingent basis by our Company or our subsidiaries;
- (b) has a material interest, whether direct or indirect, in our Shares or in the shares of our subsidiaries; or
- (c) has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.

11.7 RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND THE VENDORS

This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no other material facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company and our subsidiaries.

11.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of our Company at 80 Raffles Place, #25-01, UOB Plaza, Singapore 048624, during normal business hours for a period of six months from the date of registration by the Authority of this Prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the material contracts referred to in Section 11.1 on “Material Contracts” of this Prospectus;
- (c) the letters of consent referred to in Section 11.6 on “Consents” of this Prospectus;

ADDITIONAL INFORMATION

- (d) the Service Agreement referred to in Section 9.6 on “Service Agreement” of this Prospectus;
- (e) the Report from the Reporting Accountants on the “Independent Auditors’ Report on the Audited Combined Financial Statements For The Financial Years Ended 31 December 2007, 2008 And 2009” as set out in Annexure E of this Prospectus;
- (f) the Report from the Reporting Accountants in relation to the “Report on Review of Unaudited Interim Financial Statements For The Three Months Financial Period Ended 31 March 2010” as set out in Annexure F of this Prospectus;
- (g) the Report from the Reporting Accountants in relation to the “Compilation Report of the Reporting Accountants on the Unaudited Pro Forma Group Financial Information” as set out in Annexure G of this Prospectus; and
- (h) the “Letter from NRA Capital Pte. Ltd. to the Independent Directors of Yamada Green Resources Limited in respect of the Shareholders’ Mandate for Recurrent Connected Person Transactions” as set out in Annexure H of this Prospectus.

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

You are invited to apply for and subscribe for and/or purchase the Invitation Shares at the Invitation Price for each Offer Share and each Placement Share, subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**
2. Your application for the Offer Shares may be made by way of printed **WHITE** Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks ("ATM Electronic Applications") or through internet banking ("IB") websites of the relevant Participating Banks ("Internet Electronic Applications", which together with ATM Electronic Applications, shall be referred to as "Electronic Applications").

Your application for the Placement Shares may only be made by way of printed **BLUE** Placement Shares Application Forms.

YOU MAY NOT USE CENTRAL PROVIDENT FUND ("CPF") FUNDS TO APPLY FOR THE INVITATION SHARES.

3. **You are allowed to submit only one application in your own name for the Offer Shares or the Placement Shares.**

If you submit an application for the Offer Shares by way of an Offer Shares Application Form, you **MAY NOT** submit another application for the Offer Shares by way of an Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected (except in the case of applications by approved nominees companies, where each application is made on behalf of a different beneficiary).

If you submit an application for the Offer Shares by way of Internet Electronic Application, you **MAY NOT** submit another application for the Offer Shares by way of an Internet Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected.

If you, being other than an approved nominee company, have submitted an application for the Offer Shares in your own name, you should not submit any other application for the Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company and the Vendors.

You are allowed to submit only one application in your own name for the Placement Shares. Separate applications by you for the Placement Shares are deemed to be multiple applications and our Company and the Vendors have the discretion whether to accept or reject such multiple applications.

If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company and the Vendors.

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

If you have made an application for the Placement Shares, you should not make any application for Offer Shares either by way of an Application Form or by way of an Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and our Company and the Vendors shall have the discretion to either (i) reject both of such separate application or (ii) accept any one (but not the other) out of such separate applications.

Conversely, if you have made an application for the Offer Shares either by way of an Application Form or by way of an Electronic Application, you may not make any application for the Placement Shares. Such separate applications shall be deemed to be multiple applications and our Company and the Vendors shall have the discretion to either (i) reject both of such separate application or (ii) accept any one (but not the other) out of such separate applications.

Joint applications shall be rejected. Multiple applications for the Invitation Shares may be rejected at the discretion of our Company and the Vendors. If you submit or procure submissions of multiple share applications for the Offer Shares, the Placement Shares or both the Offer Shares and the Placement Shares, you may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the Securities and Futures Act (Chapter 289) of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at the discretion of our Company and the Vendors.

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the name of the deceased person at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
6. **WE WILL ONLY ACCEPT NOMINEE APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.

8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondences from CDP will be sent to your address last registered with CDP.**
9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. Our Company and the Vendors further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
10. Our Company and the Vendors reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendors will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you, if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company or the Vendors. You irrevocably authorise CDP to complete and sign on your behalf, as transferee or renounee, any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event that our Company lodges a supplementary or replacement prospectus ("Relevant Document") pursuant to the SFA or any applicable legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued or transferred, we and the Vendors will (as required by law), and subject to the SFA, at our and the Vendors' sole and absolute discretion either:

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (i) within two days (excluding any Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to withdraw your application and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document;
- (ii) within seven days of the lodgement of the Relevant Document, give you a copy of the Relevant Document and provide you with an option to withdraw your application; or
- (iii) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within seven days from the lodgement of the Relevant Document.

Where you have notified us and the Vendors within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under paragraphs 12(i) and (ii) above to withdraw your application, our Company (for itself as well as on behalf of the Vendors) shall, subject to the SFA, pay to you all monies paid by you on account of your application for the Invitation Shares without interest or any share of revenue or other benefit arising there from and at your own risk, within seven days from the receipt of such notification.

In the event that at the time of the lodgement of the Relevant Document, the Invitation Shares have already been issued or transferred but trading has not commenced, our Company (for itself as well as on behalf of the Vendors) will (as required by law), and subject to the SFA, either :

- (a) within two days (excluding Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to return to the Company and the Vendors the Invitation Shares which you do not wish to retain title in and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document.
- (b) within seven days from the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to return the Invitation Shares which you do not wish to retain title in; or
- (c) (i) in the case of the New Shares, deem the issue as void and refund your payment for the New Shares (without interest or any share of revenue or other benefit arising therefrom) within seven days from the lodgement of the Relevant Document and (ii) in the case of the Vendor Shares, deem the sale of the Vendor Shares as void, and (1) in the case where documents to evidence title to the Vendor Shares ("title documents") have been issued to you, within seven days from the lodgement of the Relevant Document, inform you to return the title documents within 14 days from the date of lodgement of the Relevant Document, and within seven days from receipt of the title documents or the date of lodgement of the Relevant Document, whichever is the later, refund your payment for the Vendor Shares (without interest or any share of revenue or other benefit arising therefrom) or (2) in the case where no title documents have been issued to you, refund your payment for the Vendor Shares (without interest or any share of revenue or other benefit arising therefrom) within seven days from the date of lodgement of the Relevant Document;

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

Where you have notified us and the Vendors within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under paragraphs 12(a) and (b) above to return the Invitation Shares issued or transferred to you, you shall return all documents, if any, purporting to be evidence of title of those Invitation Shares to our Company and the Vendors, whereupon our Company (for itself as well as on behalf of the Vendors) shall, subject to the SFA, within seven days from the receipt of such notification and documents, pay to you all monies paid by you for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk.

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement prospectus, including instructions on how you can exercise the option to withdraw, may be found in such supplementary or replacement prospectus.

13. In the event of an under-subscription for or under-purchase of the Offer Shares as at the close of the Application List, that number of the Offer Shares under-subscribed shall be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for or over-purchase of Placement Shares as at the close of the Application List.

In the event of an under-subscription for or under-purchase of the Placement Shares as at the close of the Application List, that number of the Placement Shares under-subscribed or under-purchased shall be made available to satisfy applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Company and the Vendors, in consultation with the Issue Manager, and approved by the SGX-ST.

In all the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily press.

14. You consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount from your account with the relevant Participating Bank to the Share Registrar and Share Transfer Office, SCCS, SGX-ST, CDP, the Company and the Issue Manager, Underwriter and Placement Agent. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent and any other parties so authorised by the foregoing persons. CDP shall not be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to Electronic Applications.
15. Any reference to “you” or the “Applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Offer Shares Application Form or by way of an Electronic Application or a person applying for the Placement Shares by way of a Placement Share Application Form.

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

16. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:
- (a) irrevocably offer to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case subject to the conditions set out in this Prospectus and the Memorandum and Articles of Association of our Company;
 - (b) agree that, in the event of any inconsistency between the terms and conditions set for application set out in this Prospectus and those set out in the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
 - (c) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to the Company and/or the Vendors upon application; and
 - (d) warrant the truth and accuracy of the information provided in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendors in determining whether to accept your application and/or whether to allocate any Invitation Shares to you; and
 - (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent will infringe any such laws as a result of the acceptance of your application.
17. Our acceptance of applications will be conditional upon, among others, our Company and the Vendors being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares (including the Vendor Shares) and the Invitation Shares on the Official List of the SGX-ST;
 - (b) the Management and Underwriting Agreement and the Placement Agreement referred to in the section “Management, Underwriting and Placement Arrangements” of this Prospectus have become unconditional and have not been terminated; and
 - (c) the Authority has not served a stop order which directs that no further shares to which this Prospectus relates be allotted and/or allocated.
18. In the event that a stop order in respect of the Invitation Shares is served by the Authority or other competent authority, and
- (a) the Invitation Shares have not been issued and/or transferred, our Company (for itself as well as on behalf of the Vendors) will (as required by law), and subject to the SFA, deem all applications withdrawn and cancelled and our Company shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (b) in the case of the Invitation Shares, if the Invitation Shares have already been issued but trading has not commenced, the issue will be required by law to be deemed void and our Company (for itself as well as on behalf of the Vendors) will refund your payment for the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days from the date of the stop order and (2) in the case of the Vendor Shares, if the Vendor Shares, if the Vendor Shares have already been transferred but trading has not commenced, the sale will be required by law to be deemed void and the Company (for itself as well as on behalf of the Vendors) will (i) if documents evidencing title to the Vendor Shares have been issued to you, within seven days from the date of the stop order, inform you to return such documents within 14 days from the date of the stop order and within seven days from the receipt of those documents, or the date of the stop order, whichever is later, refund your payment for the Vendor Shares (without interest or any share of revenue or other benefit arising therefrom) to you and (ii) if documents evidencing title to the Vendor Shares have not been issued to you, refund your payment for the Vendor Shares (without interest or any share of revenue or other benefit arising there from) within seven days from the date of the stop order.

This shall not apply where only an interim stop order has been served.

19. In the event that an interim stop order in respect of the Invitation Shares is served by the Authority or other competent authority, no Invitation Shares shall be issued to you until the Authority revokes the interim stop order.
20. The Authority is not able to serve a stop order in respect of the Invitation Shares if the Invitation Shares have been issued and listed on the SGX-ST and trading in them has commenced.
21. In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com> and through a paid advertisement in a local English newspaper.
22. We will not hold any application in reserve.
23. We will not allot or allocate any shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.
24. Additional terms and conditions for applications by way of Application Forms are set out below.
25. Additional terms and conditions for applications by way of Electronic Applications are set out below.

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Prospectus, including but not limited to the terms and conditions appearing below as well as those set out under the section “TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS” of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

1. Your application for the Offer Shares must be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes “A” and “B” accompanying and forming part of this Prospectus.

Application for the Placement Shares must be made using the **BLUE** Placement Shares Application Forms accompanying and forming part of this Prospectus or in such other forms of application as the Issue Manager, Underwriter and Placement Agent may deem appropriate.

We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendors reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn up remittances or improper form of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “**FOR OFFICIAL USE ONLY**” must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company’s Share Registrar and Share Transfer Office. Our Company and the Vendors reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete Sections A and B and sign on page 1 of the Application Form.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

6. You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**YAMADA SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", and with your name, CDP Securities Account Number and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company, the Vendors or the Issue Manager for applications and application monies received.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. If the invitation does not proceed for any reason, the full amount of the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within five Market Days after the Invitation is discontinued. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 14 days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form, you agree that:
 - (a) in consideration of our Company and the Vendors having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 6 October 2010** or such other time or date as our Company, the Vendors and the Issue Manager, Underwriter and Placement Agent may agree, and by completing and delivering the Application Form:
 - (i) your application is irrevocable; and

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
- (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and the Vendors;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained;
- (f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount to our Share Registrar and Share Transfer Office, SCCS, SGX-ST, CDP, CPF, our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent or other authorised operators; and
- (g) you irrevocably agree and undertake to subscribe for and/or purchase the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allocated to you in respect of your application. In the event that our Company and the Vendors decide to allot and/or allocate any smaller number of Invitation Shares or not to allot and/or allocate any Invitation Shares to you, you agree to accept such decision as final.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope "A" provided;
 - (b) in the appropriate spaces on **WHITE** envelope "A":
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for;
 - (iii) tick the relevant box to indicate the form of payment; and
 - (iv) affix adequate Singapore postage;

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (c) SEAL **WHITE** ENVELOPE “A”;
 - (d) write, in the special box provided on the larger **WHITE** envelope “B” addressed to Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424, the number of Offer Shares you have applied for; and
 - (e) insert **WHITE** envelope “A” into **WHITE** envelope “B”, seal **WHITE** envelope “B” and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND**, at your own risk to **Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424**, to arrive by **12.00 noon on 6 October 2010 or such other time as our Company, the Vendors and the Issue Manager, Underwriter and Placement Agent may agree. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

Applications for Placement Shares

- 1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
- 2. The completed **BLUE** Placement Shares Application Form and the correct remittance in full in respect of the number of Placement Shares applied for (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424**, to arrive by **12.00 noon on 6 October 2010 or such other time as our Company, the Vendors and the Issue Manager, Underwriter and Placement Agent may agree. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
- 3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, UOB Group and DBS are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB Group are set out respectively in the “Steps for an Electronic Applications through ATMs of UOB Group” and the “Steps for an Internet Electronic Applications through the IB website of UOB Group” (collectively, the “Steps”) appearing below. The Steps set out the actions that you must take at an ATM or the IB website of UOB Group to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” in the “Additional Terms and Conditions for Electronic Applications” and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

Applicants applying for the Offer Shares by way of Electronic Applications may incur an administrative fee and/or such related charges as stipulated by the respective Participating Banks from time to time.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification ("User ID") and a Personal Identification Number/Password ("PIN") given by the relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of UOB Group to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip ("Transaction Record"), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application through the IB website of UOB Group, there will be an on-screen confirmation ("Confirmation Screen") of the application which can be printed for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use an ATM card issued in your own name or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address for the account selected for the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise, your application is liable to be rejected.

You shall make an Electronic Application in accordance with and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section entitled "TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS" of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for the Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:
 - (a) **that you have received a copy of this Prospectus (in the case of ATM Electronic Application only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, share application amount, CPF Investment Account number (if applicable) and CDP Securities Account number and application details (the "Relevant Particulars") with the relevant Participating Bank to the CDP, CPF, SCCS, SGX-ST, Share Registrar, our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent or other authorised operators (the "Relevant Parties"); and**

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (c) **that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS THE BENEFICIAL OWNER.**

YOU SHALL MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHALL NOT MAKE ANY OTHER APPLICATION FOR OFFER OR PLACEMENT SHARES, WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER OR PLACEMENT SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND *VICE VERSA*.

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB website of the relevant Participating Bank through which your Electronic Application is being made shall be rejected.**
4. You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of the relevant Participating Bank for the Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

You irrevocably agree and undertake to subscribe for and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted to you in respect of your Electronic Application.

In the event that our Company and the Vendors decide to allot and/or allocate any lesser number of such Offer Shares or not to allot any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting of the applications provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated Share issue account.

Where your Electronic Application is rejected or accepted in part only, the balance of the application monies will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated share issue account. If the Invitation does not proceed for any reason, the full amount of application monies will be refunded to you (without interest or any share of revenue or other benefit arising therefrom) within five Market Days after the Invitation is discontinued.

Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you before trading the Offer Shares on SGX-ST. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon your application for the service) and keying in the stock code (that will be made available together with the results of the allotment via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendors nor the Issue Manager, Underwriter and Placement Agent assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

If you have made an Electronic Application through the ATMs or IB websites of the following Participating Banks, you may check the provisional results of your Electronic Application as follows:

Bank	Telephone	ATM/Internet	Operating Hours	Service expected from
UOB Group	1800 222 2121	ATM (Other Transactions — “IPO Enquiry”) ⁽¹⁾ http://www.uobgroup.com ^{(1), (2)}	24 hours a day	Evening of the balloting day
DBS Bank	1800 339 6666 (for POSB account holders) 1800 111 1111 (for DBS account holders)	Internet Banking http://www.dbs.com ⁽²⁾	24 hours a day	Evening of the balloting day
OCBC Bank	1800 363 3333	ATM/Internet Banking/ Phone Banking http://www.ocbc.com ⁽³⁾	24 hours a day	Evening of the balloting day

Notes:

- (1) If you have made an Electronic Application through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group’s ATMs or UOB Phone Banking Services.
- (2) If you have made an Electronic Application through the IB website of UOB Group or DBS, you may check the results of your application through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of UOB Group or DBS.
- (3) If you have made an Electronic Application through the ATMs of OCBC Bank, you may check the results of your Electronic Application through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking Services.

Electronic Applications shall close at **12.00 noon on 6 October 2010** or such other time as our Company, the Vendors and the Issue Manager, Underwriter and Placement agent may agree. Subject to the paragraph 9 below, an Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation of the application.

8. You are deemed to have irrevocably requested and authorised our Company and the Vendors to:
 - (a) register the Offer Shares allotted to you in the name of CDP for deposit into your Securities Account;
 - (b) send the relevant Share certificate(s) to CDP;
 - (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting of applications; and

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Vendors and the Issue Manager, Underwriter and Placement Agent and if, in any such event, our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in his own name and without qualification. Our Company and the Vendors will reject any application by any person acting as nominee except those made by approved nominee companies only.
11. All your particulars in the records of your relevant Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your relevant Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:
- (a) in consideration of our Company and the Vendors making available the Electronic Application facility, through the Participating Banks as the agents of our Company and the Vendors, at the ATMs and IB websites (if any):
- (i) your Electronic Application is irrevocable; and
- (ii) your Electronic Application, our and the Vendors' acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (b) neither our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent, the Participating Banks nor CDP shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph above or to any cause beyond their respective controls;
- (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendors and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendors;
- (d) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and
- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained.

STEPS FOR ELECTRONIC APPLICATIONS THROUGH THE ATMS AND IB WEBSITE OF UOB GROUP

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through UOB Group's ATMs or through the IB website of UOB are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks (other than UOB Group) may differ from that represented below.

Owing to space constraints on UOB Group's ATM screens, the following terms will appear in abbreviated form:

"&"	: and
"A/C" and "A/CS"	: ACCOUNT AND ACCOUNTS, respectively
"ADDR"	: ADDRESS
"AMT"	: AMOUNT
"APPLN"	: APPLICATION
"CDP"	: THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	: CENTRAL PROVIDENT FUND BOARD
"CPFINVT A/C"	: CPF INVESTMENT ACCOUNT
"ESA"	: ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	: NRIC or PASSPORT NUMBER
"NO" or "NO."	: NUMBER

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

“PERSONAL NO”	:	PERSONAL IDENTIFICATION NUMBER
“REGISTRARS”	:	SHARE REGISTRARS
“SCCS”	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
“TRANS”	:	TRANSACTIONS

Steps for an ATM Electronic Application through ATMs of UOB Group

- 1 : Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number
- 2 : Select “CASHCARD/OTHER TRANS”
- 3 : Select “SECURITIES APPLICATION”
- 4 : Select the share counter which you wish to apply for
- 5 : Read and understand the following statements which will appear on the screen:
 - THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY STATEMENTS
(Customer to press “ENTER” to continue)
 - PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT. WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT (Customer to press “ENTER” to confirm that you have read and understood the above statements).
- 6 : Read and understand the following terms which will appear on the screen:
 - YOU HAVE READ, UNDERSTOOD & AGREED TO ALL THE TERMS OF THE PROSPECTUS/DOCUMENT/SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION
(Customer to press “ENTER” to continue)
 - YOU CONSENT TO DISCLOSE YOUR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YOUR A/CS TO CDP, CPF, SCCS, REGISTRARS, SGX-ST & ISSUER(S)/VENDOR(S).
 - THIS IS YOUR ONLY FIXED PRICE APPLN & IS IN YOUR NAME & AT YOUR RISK
(Customer to press “ENTER” to continue)

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- 7 : Screen will display:
- NRIC/Passport No. XXXXXXXXXXXXX**
- IF YOUR NRIC NO / PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.**
(Customer to press “CANCEL” or “CONFIRM”)
- 8 : Select mode of payment i.e. “CASH ONLY”. You will be prompted to select Cash Account type to debit (i.e., “CURRENT ACCOUNT / I-ACCOUNT”, “CAMPUS” OR “SAVINGS ACCOUNT / TX ACCOUNT”). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select
- 9 : After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). If this is the first time you are using UOB’s ATM to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number
- 10 : Read and understand the following terms which will appear on the screen:
- 1. YOU ARE REQUIRED TO ENTER YOUR CDP ACCOUNT NUMBER FOR YOUR FIRST IPO APPLICATION. THIS ACCOUNT NUMBER WOULD BE DISPLAYED FOR FUTURE APPLICATIONS.**
 - 2. DO NOT APPLY FOR JOINT ACCOUNT HOLDER OR THIRD PARTIES**
 - 3. PLEASE ENTER YOUR OWN CDP ACCOUNT NUMBER (12 DIGITS) AND PRESS <ENTER>**
- (If you wish to terminate the transaction, please press “CANCEL”)
- 11 : Select your nationality status
- 12 : Key in the number of Offer Shares you wish to apply for and press the “ENTER” key
- 13 : Check the details of your Electronic Application on the screen and press “ENTER” key to confirm your Electronic Application
- 14 : Select “NO” if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only

Steps for an Internet Electronic Application through the IB website of UOB Group

Owing to space constraints on UOB’s IB website screens, the following terms will appear in abbreviated form:

- “CDP” : The Central Depository (Pte) Limited
- “CPF” : The Central Provident Fund
- “NRIC” or “I/C” : National Registration Identity Card
- “PR” : Permanent Resident

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- “SGD” or S\$: Singapore Dollars
- “SCCS” : Securities Clearing & Computer Services (Pte) Ltd
- “SGX” : Singapore Exchange Securities Trading Limited
- 1 : Connect to UOB website at <http://www.uobgroup.com>
- 2 : Locate the “UOB Online Service Login” icon on the top right hand side of the Home Page
- 3 : Point on “UOB Online Service Login” icon and at drop list select “UOB Personal Internet Banking”
- 4 : Enter your Username and Password and click “Submit”
- 5 : Select Investment Services (IPO Application should be the default transaction that appears, if not click IPO Application)
- 6 : Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions
- 7 : Click “Continue”
- 8 : Select your country of residence (you must be residing in Singapore to apply, and click “Continue”)
- 9 : Select the IPO counter from the drop list (if there are concurrent IPOs, and click “Continue”)
- 10 : Check the share counter, select the mode of payment and account number to debit and click on “Continue”
- 11 : Read the important instructions and click on “Continue” to confirm that:
1. **You have read, understood and agreed to all terms and conditions of the application and Prospectus/Document or Supplementary Document.**
 2. **You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable), and application details to the share registrars, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).**
 3. **This application is made in your own name, for your own account and at your own risk.**
 4. **For FIXED/MAX price shares application, this is your only application. For TENDER price shares application, this is your only application at the selected tender price.**
 5. **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application moneys will be debited from your bank account in S\$, based on the Bank’s prevailing board rates at the time of application. The different prevailing board rates at the time of the application and at the time of refund of applications moneys may result in either a foreign exchange profit or loss, or application moneys may be debited and refunds credited in S\$ at the same exchange rate.**

ANNEXURE A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- 6. For 1st-COME-1st SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**
- 12 : (a) Check your personal details, details of the share counter you wish to apply for and account to debit.
- (b) Select your “Nationality”
- (c) Enter (i) your CDP securities account number; and
(ii) the number of Offer Shares applied for.
- 13 : Check the details of your application, your NRIC /Passport No., CDP securities account number and the number of shares applied for, share counter, payment mode and account to debit.
- 14 : Click “Submit”, “Clear” or “Cancel”.
- 15 : Print the Confirmation Screen (optional) for your own reference and retention only

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

1. PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents. The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC. The State Council of PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council. Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全国人民代表大会常务委员会关于加强法律解释工作的决议) passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

2. JUDICIAL SYSTEM

The People's Courts are the judicial organs of PRC. Under the PRC Constitution (中华人民共和国宪法) and the Law of Organisation of the People's Courts of the People's Republic of China (中华人民共和国人民法院组织法), the People's Courts comprise the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The people's procuratorates have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of PRC. It provides guidelines for the administration of justice by the people's courts of all levels.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (中华人民共和国民事诉讼法) (the "Civil Procedure Law") the latest amendment being promulgated on 28 October 2007. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of PRC must comply with the Civil Procedure Law. Unless otherwise stipulated by law or agreed by the Parties, a civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration body in PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. There is a two-year time limit on the right to apply for such enforcement.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of PRC or its sovereignty, security or social or public interest.

3. ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of PRC (中华人民共和国仲裁法) (the "Arbitration Law") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are generally not permitted to institute legal proceedings in a people's court.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee for various reasons, including reasons such as if that there is an absence of written arbitration clause or agreement between the parties, or if the subject matter is outside the scope stipulated by the arbitration agreement or by law. A party seeking to enforce an arbitral award against a party whose property is not within PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("New York Convention"). The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of PRC that (i) PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity, and (ii) PRC will only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

4. LEGAL REGIME GOVERNING FOOD INDUSTRY

At a national level, the legal regime governing food industry went through major changes with the promulgation of the Food Safety Law (中华人民共和国食品安全法) on 28 February, 2009, which superseded Food Hygiene Law (中华人民共和国食品卫生法). The Food Safety Law laid down the regulatory framework applicable to food industry and incorporated the following principles:

- (a) Agricultural products are to be regulated under a separate PRC Law on Quality and Safety of Agricultural Products (中华人民共和国农产品质量安全法), except in the formulation of quality standards and the disclosure of safety information, both of which are to be made in compliance with the stipulations under the Food Safety Law;
- (b) Business operators in food industry are subject to a new mechanism of administrative licensing. The Food Safety Law reclassifies licenses applicable to food operators into three categories, namely (i) producers of food products, (ii) distributors of food products, including sales and circulation of food products, and (iii) operators involved in the catering of food products, such as operators in the business of restaurants and other catering outlets. Food producers in PRC are required to obtain a license for food production and therefore are exempt from obtaining the distribution license for distributing products manufactured by themselves at their own production premises.
- (c) Producers of food for export shall make necessary filings with Entry-Exit Inspection and Quarantine authorities.
- (d) Subsequent to the promulgation of the Food Safety Law, the Food Hygiene Law, and the Food Hygiene License will cease to apply from the date on which the Food Safety Law comes in to effect. However, the Food Hygiene Licenses previously issued shall continue to be valid until the date of expiry as stipulated thereon.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

Prior to the promulgation of the Food Safety Law and its subsequent implementation rules with regards to food production licensing, the Provincial Implementation Rules on the Supervision and Administration of Quality and Safety concerning Food Production and Processing Enterprises (食品生产加工企业质量安全监督管理实施细则(试行)) which was effective from 1 September, 2005, was the primary administrative regulation which addresses the administration of production license of food products in detail. The Rules provide that enterprises in the food production and/or food processing sector shall ensure that their production conditions are in compliance with food safety standards, and obtain the relevant production licenses.

Following the promulgation of the Food Safety Law, the General Administration of Quality Supervision, Inspection and Quarantine of PRC enacted the Administrative Measures on Permission of Food Production (食品生产许可管理办法) (the “Measures”), which became effective as of 1 June, 2010, provides for the principles for the implementation of the food production licensing system in the context of the newly enacted Food Safety Law. Under the Measures, producers in PRC are forbidden from conducting food production in the absence of a food production license. The Measures authorised governmental authorities in charge of quality and technical supervision at the county level or above to be responsible for the administration of food production licensing in their respective jurisdictions. Procedures and requisite documents for application of the food production license are also laid down by the Measures and any previous administrative rules inconsistent with the new Measures are superseded.

In PRC, agricultural products, which are defined as “primary products derived from agricultural industry, in other words, animals, plants, micro-organism and relevant products obtained through agricultural activities” is governed by PRC Law on Quality and Safety of Agricultural Products. The law does not impose a production licensing mechanism for products classified as agricultural products. Notwithstanding the above, agricultural products are nevertheless subject to the supervision of competent governmental authority in charge of agriculture.

5. FOOD EXPORT

With regards to food export, the applicable rules are the Measures for the Administration of Export Food Hygiene of the PRC (Provisional) (中华人民共和国出口食品卫生管理办法(试行)) (“Export Food Rules”) issued by the State Administration of Import and Export Commodities Inspection of PRC (now known as the General Administration of Quality Supervision, Inspection and Quarantine) and the Ministry of Health of the PRC on 20 July 1984. Pursuant to the Export Food Rules, food production enterprises which conduct the production of export food shall register with the provincial Administration for Entry-Exit Inspection and Quarantine. Export food which does not pass the export inspections shall not be exported.

The Provisions on the Administration of Hygiene Registration and Filing of Export Food Producing Enterprises (“Hygiene Registration Rules”) (出口食品生产企业卫生注册登记管理规定) was issued by General Administration of Quality Supervision, Inspection and Quarantine of PRC and became effective as of 20 May 2002. According to the Hygiene Registration Rules, PRC requires enterprises that produce, process or store export food products to “register” (注册) or “make filings” (登记) for their export food products. The State Certification and Accreditation Administration is in charge of the nationwide hygiene registration of Food Production Enterprises in PRC. Local Administration for Entry-Exit Inspection and Quarantine is in charge of the registration of the hygiene registration work with their jurisdictions. The Hygiene Registration Rules classify food products into two categories. Depending on the nature of the product, export food producers has to either “register”, or make relevant “filing” for their products for export. In addition, to register products within the scope of Product Catalogue subject to HACCP System (卫生注册需评审HACCP体系的产品目录), the producer will also have to comply with the requirements under HACCP. The validity for both the export food hygiene registration or filing is three years.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

6. PRODUCT LIABILITY AND PROTECTION OF CONSUMERS

Product liability claims may arise if the products sold have any harmful effect on the consumers. The injured party can claim for damages or compensation. The “General Principles of the Civil Law of the PRC” (《中华人民共和国民法通则》) which was effective from January 1987 states that manufacturers and sellers of defective products causing property damage or injury may incur civil liabilities.

The “Product Quality Law of the PRC” (《中华人民共和国产品质量法》) was enacted in 1993 and amended in 2000 to strengthen quality control of products and protect consumers’ rights. This law states that manufacturers producing defective products can be liable for criminal liability and revocation of business licensees.

The “Law of the PRC on the Protection of the Rights and Interests of Consumers” (《中华人民共和国消费者权益保护法》) was promulgated on 31 October 1993 and enacted from 1 January 1994 which protect consumers’ rights when they purchase or use goods and accept services. All business operators have to comply with this law when they manufacture or sell goods and/or provide services to customers. Business operators have to assume criminal liability if their goods or services lead to death of customers.

7. LAND

Pursuant to the PRC Constitution and PRC Land Administration Law, all urban land is owned by the State, whereas suburban and rural land is collectively owned by farmers, except otherwise stipulated by law. On 19 May, 1990, the State Council issued the Provisional Regulations of the People’s Republic of China on Assignment and Transfer of the Land Use Rights of State-owned Urban Land (《中华人民共和国城镇国有土地使用权出让和转让暂行条例》), (the “Provisional Regulations on Assignment and Transfer”) allowing individuals, companies and enterprises to legally obtain the land use right for urban land owned by the State and develop, use or conduct business on such land for a long term period or otherwise transfer the land to other persons. In the case of industrial land, the land use right can be granted to a person for up to 50 years. Title to land use rights can be evidenced by State-owned Land Use Right Certificate.

In contrast, PRC has enacted the Law of the People’s Republic of China on Land Contract in Rural Areas (《中华人民共和国农村土地承包法》) for collectively-owned land in rural areas. The law authorised rural collective economic organizations or Villagers’ Committees to act as the party awarding land contract for collectively owned rural land and provided that rural households are generally the “Contractors” of such land. A Contractor is entitled to occupy, use and derive proceeds from the land or to sub-contract, lease, exchange or otherwise transfer its land contractual rights (土地承包经营权). Among other things, a Contractor is subject to the following restrictions in the event of transfer of its land contractual rights: (i) the land shall not be used for a purpose other than agriculture, (ii) the term shall not exceed the valid period of the contractual rights granted to the transferor itself; (iii) the transferee shall be capable of conducting agricultural operation; and (iv) members of the rural collective economic organizations shall have a pre-emptive right. A Contractor’s land contractual rights can be evidenced by its Land Contractual Rights Certificate (土地承包经营权证) in the case of farmland, or Forest Right Certificate in the case of forest land.

8. TAXATION

PRC taxes are basically classified into income tax, distribution tax, resource tax, asset tax, deed tax, special purpose tax and agricultural tax. Major taxes applicable to FIEs include the enterprise income tax, value added tax, business tax and tax on dividends from PRC enterprise with foreign investment.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

8.1 ENTERPRISE INCOME TAX

According to the “PRC Enterprise Income Tax Law” (the “EIT Law”) enacted on March 16, 2007 and effective from January 1, 2008, a uniform income tax rate of 25% will be applied to PRC resident enterprises notwithstanding if such enterprises are foreign-invested. A resident enterprise (both FIE and domestic company) must pay enterprise income tax for its income derived from or accruing both in and outside PRC.

The EIT Law and its implementation rules provides that income tax rate of 10% will be applicable to dividends payable to non-PRC resident enterprise investors if the dividends are derived from sources within PRC. However, if there is a tax treaty between PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside, the relevant tax may be reduced or exempted.

However, according to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax (国务院关于实施企业所得税过渡优惠政策的通知) which was enacted on 26 December 2007, enterprises established prior to 13 March, 2007 that previously enjoy the preferential policies of low tax rates shall be gradually transited to enjoy the statutory tax rate within five years after the implementation of the EIT Law. Among them, the enterprises that enjoy the enterprise income tax rate of 15% shall be subject to the enterprise income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The enterprises that previously enjoy the tax rate of 24% shall be subject to the tax rate of 25% as of 2008. As of 1 January 2008, the enterprises that previously enjoy “2-year exemption and 3-year half payment”, “5-year exemption and 5-year half payment” of the enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions may, after the implementation of the EIT Law, continue to enjoy the relevant preferential treatments under the preferential measures and the time period prescribed in the former tax law, administrative regulations and relevant documents until the expiration of the said time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008. The expression “enterprises enjoying the preferential policies” as mentioned above refers to the enterprises established and registered in the industrial and commercial administrative department and in other registration administrative departments prior to 16 March 2007.

On 15 December 2009, PRC State Administration of Taxation released a circular (Guo Shui Han No. 698) (the “Circular 698”), which is retrospectively effective from 1 January 2008, to reinforce the taxation on off-market equity transfers by non-resident enterprises. Under the Circular 698, the PRC tax authorities have the discretion to adjust the taxable capital gains in an equity transfer, if the transfer price is deemed not to be determined on an arm’s length basis between related parties. The Circular 698 also requires that, if a party in an equity transfer transaction having a withholding obligation fails or is unable to perform its withholding obligation, the non-PRC resident enterprise in that transaction shall file tax declaration within seven days of the equity transfer. The Circular 698 further provides that, where a non-resident foreign investor indirectly transfers equity interests in a PRC resident enterprise by selling the equity interests in an offshore holding company, and the latter is located in a jurisdiction where the effective tax burden is less than 12.5% or where the offshore income of its residents is not taxable, the foreign investor is required to provide the tax authority in charge of that PRC resident enterprise with the relevant information within 30 days of the transfers. Moreover, in the event a non-resident foreign investor indirectly transfers equity interests in a PRC resident enterprise in the absence of reasonable commercial purposes and use “abusive” corporate structures to evade tax, the PRC tax authorities have the power to re-examine the equity transfer and deem it as a direct transfer of equity interests in a PRC resident enterprise by denying the existence of the offshore holding company.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

8.2 VALUE ADDED TAX

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例) promulgated by the State Council on 13 December 1993 and effective from 1 January 2009, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:

- (a) The tax rate for goods sold or imported by taxpayers other than the goods set forth in Items 2 and 3 below shall be 17.0%.
- (b) The tax rate for sale or import of the following goods by taxpayers shall be 13.0%:
 - (a) grain, edible vegetable oil;
 - (b) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas, methane, and coal products for use by residents;
 - (c) books, newspapers, magazines;
 - (d) feed, chemical fertiliser, agrochemicals, agricultural machinery, agricultural film; and
 - (e) other goods specified by the State Council.
- (c) The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.
- (d) The tax rate for processing and repair and replacement services provided by taxpayers shall be 17.0%.
- (e) A deduction of 13% of the purchase price of agricultural products can be applied towards input VAT.

8.3 BUSINESS TAX

With effect from 1 January 1994 and amended on 5 November 2008, PRC Provisional Regulations on Business Tax provides that individuals and entities that provide services (including entertainment business), transfer intangible assets or sell immovable property are liable to business tax at a rate ranging from 3.0% to 20.0%, of the charges of the services provided, intangible assets transferred or immovable property sold, as the case may be. The formula for calculation of the amount of tax payable is set forth below:

Amount of tax payable = amount of business × tax rate

8.4 TAX ON DIVIDENDS FROM PRC ENTERPRISE WITH FOREIGN INVESTMENT

Prior to the promulgation of the Enterprise Income Tax Law, the profit derived by a foreign investor from a PRC enterprise with foreign investment is exempted from PRC tax according to the Foreign Enterprises Tax Law then in effect. However, following the enforcement of the EIT Law from 1 January 2008, dividends of the year 2008 and the years afterwards distributed from foreign investment enterprises to foreign investors shall be subject to the Enterprise Income Tax. Profits accumulated by foreign investment enterprises before 1 January 2008 but distributed to foreign investors after 1 January 2008 are exempted from the Enterprise Income Tax.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

9. EXCHANGE CONTROL

On January 29, 1996, the State Council promulgated the “Regulations for the Control of Foreign Exchange” (the “Control of Foreign Exchange Regulations”) which became effective 1 April, 1996.. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current items and capital items. Transactions under capital accounts are subject to the certain restrictions imposed by the State Administration of Foreign Exchange (“SAFE”)

Enterprises in PRC (including FIEs) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof.

FIEs which require foreign currencies for the distribution of profits to their shareholders, and domestic enterprises which are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks. Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to certain restrictions and requires prior approval from SAFE or its competent branch.

Pursuant to the “Notice on Foreign Exchange Control Issues Relating to Financing and Reverse Investment by Domestic Residents Through Offshore Special Purpose Vehicles” (“Circular 75”), issued on October 21, 2005, (i) a PRC resident, including a PRC resident natural person or a PRC company, must register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle, or SPV, for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a SPV, or engages in overseas financing after contributing assets or equity interests into a SPV, such PRC resident must register his or her interest in the SPV and the change thereof with the local branch of SAFE; and (iii) when the SPV undergoes a material event outside of PRC, such as change in share capital or merger and acquisition, the PRC resident must, within 30 days from the occurrence of such event, register such change with the local branch of SAFE. Under Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on a PRC subsidiary’s foreign exchange activities and its ability to distribute dividends to the SPV.

On August 29, 2008, the SAFE promulgated SAFE Circular 142 to regulate foreign-invested companies and their conversion of foreign currency registered capital into RMB. SAFE Circular 142 restricts the usage of the converted RMB by providing that RMB capital converted from foreign currency registered capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority. In addition, it may not be used for equity investments within PRC. In addition, SAFE strengthened its oversight of the flow and use of RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE’s approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in penalties.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

10. WFOE

WFOEs are governed by the Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investments, which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 which was amended on 12 April 2001 (collectively the "Foreign Enterprises Law"). Wangcheng and Yuanwang are WFOEs and are therefore governed by the Foreign Enterprise Law.

(a) Procedures for establishment of a WFOE

The establishment of a WFOE will have to be approved by the Ministry of Commerce ("MOFCOM") (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOFCOM (or its delegated authorities) for its record. A WFOE must also obtain a business licence from SAIC (or its delegated authorities) before it can commence business.

(b) Nature

A WFOE is a limited liability company under the Foreign Enterprise Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOFCOM (or its delegated authorities) in accordance with relevant regulations.

(c) Profit distribution

The Foreign Enterprise Law provides that after payment of taxes, a WFOE must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10.0% of the after tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50.0% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

Subject to compliance with relevant exchange rules and regulations, we may remit out of the PRC profits that are lawfully earned in the PRC by our subsidiaries.

11. LABOUR LAW

We are subject to the Labour Law of the PRC (《中华人民共和国劳动法》), pursuant to which companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

The principal regulations governing the employment contract is the PRC Employment Contracts Law (《中华人民共和国劳动合同法》) (the “Employment Contracts Law”), which was promulgated by the Standing Committee of the National People’s Congress on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the Employment Contracts Law employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees’ rights and interests.

12. ENVIRONMENTAL PROTECTION REGULATIONS

Pursuant to the Environmental Protection Law of the PRC (《中华人民共和国环境保护法》) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company’s business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will either be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution.

Under the Prevention of Water Pollution Law, companies which discharge pollutants directly or indirectly into bodies of water must register with the environmental protection department of the local government at county level or above in the area where they are situated. Such companies must provide information on their facilities which discharge such pollutants, their treatment plants, the type, amount and concentration of the pollutants discharged under normal business operations, in accordance with regulations set by the Administration Supervisory Department of Environmental Protection of the State Council. If there are significant changes to the type, amount or concentration of pollutants being discharged, such changes must be reported immediately. The dismantling or non-usage of pollution treatment plants also require the approval of the environmental protection department of the local government at county level or above.

ANNEXURE B: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

The Law of PRC on the Prevention and Control of the Atmospheric Pollution (中华人民共和国大气污染防治法) (the “Atmospheric Pollution Prevention Law”) promulgated by the NPC on 5 September 1987, which was last revised on 29 April 2000, established the provisions of the prevention, treatment and management of the atmospheric pollution. New construction project, expansion, or reconstruction project that discharges pollutions into the air shall comply with the Atmospheric Pollution Prevention Law and other relevant regulations on environmental protection. Enterprises that discharge pollutants into the atmosphere must the local administrative department of environmental protection its existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department relevant technical data concerning the prevention and control of atmospheric pollution.

The Laws of PRC on the Prevention and Control of the Solid Waste Pollution (中华人民共和国固体废物污染环境防治法) (the “Solid Waste Pollution Prevention Law”) promulgated by the Standing Committee of NPC on 30 October 1995 and revised on 29 December 2004, establishes the provisions of the prevention, treatment and management of solid pollution within the Chinese territory. New construction project, expansion, or reconstruction project that discharges solid pollutants shall comply with the Solid Waste Pollution Prevention Law and other state regulations on environmental protection. Enterprises that discharge solid pollutants must the local administration department of environmental protection its existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department relevant technical data concerning the prevention and control of solid waste pollution.

On December 26, 2009, the Standing Committee of the National People’s Congress of PRC promulgated the PRC Tort Liability Law, which would come into effect on July 1, 2010. With respect to the environment, the law highlighted the principle that polluters are to assume liability in respect of harm caused by environmental pollution, irrespective of whether they have breached national environmental protection regulations. Under the new Tort Liability Law, the party that discharged the polluting substance bears the evidentiary burden of demonstrating that it is not liable for the harm in accordance with relevant provisions of the law, or that there is no causative link between its conduct and the harm caused to the victim. The law also provides that where the relevant environmental pollution was the fault of a third party, the person suffering harm as a consequence can claim compensation from either the third party itself or the party which actually discharged the polluting substance, with the polluter able to recover any damages paid to the victim from the third party if it can demonstrate that the environmental pollution was the third party’s fault.

ANNEXURE C: SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The discussion below provides a summary of the principal objects of our Company as set out in our Memorandum of Association and certain provisions of our Articles of Association and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Memorandum of Association and Articles of Association.

MEMORANDUM OF ASSOCIATION AND REGISTRATION NUMBER

We are registered in Singapore with the Registrar of Companies and Businesses. Our company registration number is 201002962E. Our Memorandum of Association sets out the objects for which our Company was formed, including taking, or otherwise acquiring, and holding shares, debentures, or other securities of any other company.

SUMMARY OF OUR ARTICLES OF ASSOCIATION

1. Directors

(a) Ability of interested directors to vote

A director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting.

(b) Remuneration

The Directors shall be entitled to receive by way of fees for their services as Directors in each year such sum as shall from time to time, be determined by the Company by resolution passed at a General Meeting, the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided amongst the Directors as they shall determine or failing agreement equally.

The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the Meeting.

The remuneration of a non-executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an executive Director may not include a commission on or a percentage of turnover.

If any Director, being willing and having been called upon to do so, shall hold an executive office in the Company, shall render or perform extra or special services of any kind, including services on any committee established by the Directors, or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Directors may think fit for expenses, and also such remuneration as the Directors may think fit, either as a fixed sum (but not by way of commission on or percentage of turnover) and such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive, and the same shall be charged as part of the ordinary working expenses of the Company.

Subject to the provisions of the Statutes, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.

ANNEXURE C: SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

A Managing Director shall, subject to terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits, or partly in one way and partly in another) as the Directors may determine.

(c) Borrowing

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as a security for any debt, liability, or obligation of the Company or of any third party.

(d) Retirement Age Limit

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of the Company or authorised to continue in office as a director of the Company by way of an ordinary resolution passed at an annual general meeting of the Company.

(e) Shareholding Qualification

A Director need not be a Member and shall not be required to hold any share qualification in the Company.

2. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Only persons who are registered on our register of shareholders are recognised as our shareholders. In cases where the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares are recognised as our shareholders.

(a) Dividends and distribution

The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.

No dividend shall be paid otherwise than out of profits or shall bear interest against the Company. All dividends are paid *pro-rata* amongst our shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

ANNEXURE C: SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to the Company but the Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

The Directors may retain any dividends or other moneys payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds ordinary shares through the Depository will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles of Association, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of hands, every shareholder present in person and by proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

3. Change in capital

The Company may by ordinary resolution change the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital). The Company may by Special Resolution, reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law. For the passing of an ordinary resolution, at least fourteen (14) days' notice in writing of a general meeting shall be given to Shareholders. For the passing of a special resolution, at least twenty-one (21) days' notice in writing of a general meeting shall be given to Shareholders.

4. Variation of rights of existing shares or classes of shares

Subject to the Act, whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of our Articles of Association relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class, and that

ANNEXURE C: SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of our shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

ANNEXURE D: DESCRIPTION OF OUR ORDINARY SHARES

The following statements are brief summaries of our capital structure and of the more important rights and privileges of our ordinary shareholders as conferred by the laws of Singapore and our Articles of Association (“Articles”). These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our offices during normal business hours for a period of six months from the date of this Prospectus.

1. Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

2. New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed 100% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to our Shareholders may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company’s issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

3. Shareholders

Only persons who are registered in our Register of Members and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Members for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least 14 days’ notice and the SGX-ST at least 10 clear Market Days’ notice. However, the Register of Members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Members to determine shareholders’ entitlement to receive dividends and other distributions.

4. Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration

ANNEXURE D: DESCRIPTION OF OUR ORDINARY SHARES

together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Board of Directors may require.

5. General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if shareholders representing not less than 10% of the total voting rights of all shareholders request in writing that such a meeting be held.

In addition, two or more shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing.

The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

6. Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be shareholders. A person who holds Shares through the Depository will only be entitled to vote at a general meeting as a Shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by two proxies, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

7. Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid *pro rata* among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his

ANNEXURE D: DESCRIPTION OF OUR ORDINARY SHARES

registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

8. Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or moneys carried and standing to any reserve) and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings.

Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

9. Takeovers

Under the Singapore Code on Take-overs and Mergers ("Singapore Take-over Code"), issued by the Authority pursuant to section 321 of the Securities and Futures Act, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any six-month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (a) the following companies:–
 - (i) a company
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv); and
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

ANNEXURE D: DESCRIPTION OF OUR ORDINARY SHARES

- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10.0% or more of the customer's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
 - (v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding 6 months.

10. Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

11. Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

12. Limitations on Rights to Hold or Vote Shares

Except as described in "Voting Rights" and "Takeovers" above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident shareholders to hold or vote in respect of our Shares.

ANNEXURE D: DESCRIPTION OF OUR ORDINARY SHARES

13. Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Act, which gives the Singapore courts a general power to make any order, upon application by any of our shareholders, as they think fit to remedy any of the following situations where:

- (a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our shareholders; or
- (b) we take an action, or threaten to take an action, or our shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, the Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority shareholder's Shares by our other shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

29 September 2010

The Board of Directors
Yamada Green Resources Limited
80 Raffles Place
#25-01 UOB Plaza
Singapore 048624

Dear Sirs

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Yamada Green Resources Limited (the "Company") and its Subsidiaries (collectively the "Group"), which comprise the combined balance sheets as at 31 December 2007, 2008 and 2009, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 December 2007, 2008 and 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:

- (a) 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 statements of comprehensive income and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits 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 whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 combined financial statements.

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

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

Opinion

In our opinion, the accompanying combined financial statements of the Group present fairly, in all material respects, the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and the results, changes in equity and cash flows of the Group for the financial years ended on those dates in accordance with Singapore Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

This report has been prepared in accordance with the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation 2005 for the purpose of incorporation in the Prospectus.

This report has been prepared solely in connection with the proposed listing of the Company on the Singapore Exchange Securities Trading Limited. This report is made solely to you as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Yours faithfully,

BDO LLP

Public Accountants and
Certified Public Accountants
Singapore

Lai Keng Wei
Partner-in-charge

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
COMBINED BALANCE SHEETS
AS AT 31 DECEMBER 2007, 2008 AND 2009**

	Notes	2007 RMB'000	2008 RMB'000	2009 RMB'000
Non-current assets				
Property, plant and equipment	4	18,609	20,257	18,513
Biological assets	5	–	–	14,340
Land use rights	6	4,498	4,391	7,235
Prepaid lease	7	–	11,687	14,391
		<u>23,107</u>	<u>36,335</u>	<u>54,479</u>
Current assets				
Biological assets	5	–	23,852	34,706
Inventories	8	13,686	6,593	6,582
Trade and other receivables	9	16,268	30,073	67,857
Cash and bank balances	10	3,570	6,063	5,049
		<u>33,524</u>	<u>66,581</u>	<u>114,194</u>
Less:				
Current liabilities				
Trade and other payables	11	3,690	9,460	11,323
Income tax payable		588	2,227	3,108
		<u>4,278</u>	<u>11,687</u>	<u>14,431</u>
Net current assets		<u>29,246</u>	<u>54,894</u>	<u>99,763</u>
Less:				
Non-current liability				
Deferred tax liability	12	450	2,195	4,931
Net assets		<u>51,903</u>	<u>89,034</u>	<u>149,311</u>
Capital and reserves				
Share capital	13	42,095	42,095	42,095
Statutory reserve	14	1,261	5,226	13,530
Retained earnings		8,547	41,713	93,686
		<u>51,903</u>	<u>89,034</u>	<u>149,311</u>

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

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

	Notes	2007 RMB'000	2008 RMB'000	2009 RMB'000
Revenue	15	72,952	135,419	236,240
Cost of sales		(51,019)	(83,737)	(141,630)
Gross profit		21,933	51,682	94,610
Other operating income	16	492	1,341	498
Gain from changes in fair value of biological assets	5	—	—	6,443
Selling and distribution expenses		(2,910)	(2,105)	(1,690)
Administrative expenses		(6,515)	(6,926)	(7,929)
Other operating expenses	17	(605)	(205)	(158)
Profit before income tax	18	12,395	43,787	91,774
Income tax expense	20	(2,026)	(6,656)	(10,099)
Total comprehensive income for the financial year		10,369	37,131	81,675
Earnings per share based on pre-Invitation share (RMB cents)	21	3.13	11.19	24.62

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

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

	Notes	Share capital RMB'000	Statutory reserve RMB'000	Accumulated (losses)/ Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2007		41,787	105	(666)	41,226
Increase in share capital		308	–	–	308
Transfer to statutory reserve		–	1,156	(1,156)	–
Total comprehensive income for the financial year		–	–	10,369	10,369
Balance at 31 December 2007		<u>42,095</u>	<u>1,261</u>	<u>8,547</u>	<u>51,903</u>
Balance at 1 January 2008		42,095	1,261	8,547	51,903
Transfer to statutory reserve		–	3,965	(3,965)	–
Total comprehensive income for the financial year		–	–	37,131	37,131
Balance at 31 December 2008		<u>42,095</u>	<u>5,226</u>	<u>41,713</u>	<u>89,034</u>
Balance at 1 January 2009		42,095	5,226	41,713	89,034
Transfer to statutory reserve		–	8,304	(8,304)	–
Dividend paid	22	–	–	(21,398)	(21,398)
Total comprehensive income for the financial year		–	–	81,675	81,675
Balance at 31 December 2009		<u>42,095</u>	<u>13,530</u>	<u>93,686</u>	<u>149,311</u>

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

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Cash flows from operating activities			
Profit before income tax	12,395	43,787	91,774
Adjustments for:			
Depreciation and amortisation	2,190	22,016	55,627
Loss on disposal of property, plant and equipment	–	–	24
Gain from changes in fair value of biological assets	–	–	(6,443)
Unrealised foreign exchange loss/(gain)	319	(54)	(14)
Interest income	(32)	(49)	(16)
Operating profits before working capital changes	14,872	65,700	140,952
Biological assets	–	(43,367)	(63,102)
Inventories	(1,730)	7,093	11
Trade and other receivables	(8,696)	(13,755)	(36,670)
Trade and other payables	(3,101)	5,771	1,863
Cash generated from operations	1,345	21,442	43,054
Interest received	32	49	16
Income taxes paid	(1,577)	(3,273)	(6,482)
Net cash (used in)/generated from operating activities	(200)	18,218	36,588
Cash flows used in investing activities			
Proceeds from disposal of property, plant and equipment	–	–	7
Purchase of property, plant and equipment	(1,616)	(4,042)	(1,492)
Purchase of biological assets	–	–	(7,897)
Purchase of land use rights	–	–	(3,018)
Prepaid lease	–	(11,687)	(3,812)
Net cash used in investing activities	(1,616)	(15,729)	(16,212)
Cash flows used in financing activity			
Dividends paid	–	–	(21,398)
Net (decrease)/increase in cash and bank balances	(1,816)	2,489	(1,022)
Cash and bank balances at beginning of the financial year	5,388	3,570	6,063
Effect of foreign exchange rate changes in cash and bank balances	(2)	4	8
Cash and bank balances at end of the financial year	3,570	6,063	5,049

Note to non-cash transaction

During the financial year ended 31 December 2007, a subsidiary increased its share capital by contributing plant and machinery amounted to RMB0.3 million.

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

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

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

1. Background and Basis of preparation

1.1 Introduction

These combined financial statements have been prepared for inclusion in the Prospectus of Yamada Green Resources Limited ("the Company") and its subsidiaries ("the Group") issued in connection with the invitation by the Company.

1.2 The Company

The Company was incorporated in Singapore on 8 February 2010 under the Singapore Companies Act, Cap. 50 (the "Act") as a private limited company under the name of Yamada Green Resources Pte. Ltd. The Company changed its name to Yamada Green Resources Limited on 28 September 2010 in connection with its conversion into a public company limited by shares.

The registered office of the Company is at 80 Raffles Place, #25-01, UOB Plaza, Singapore 048624. The Company's registration number is 201002962E.

The Company's ultimate holding company is Sanwang International Holdings Limited ("Sanwang"), a company incorporated in British Virgin Island.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 1.4 to the combined financial statements.

The combined financial statements of the Group for the financial years ended 31 December 2007, 2008 and 2009 were authorised for issue by the Board of Directors on 29 September 2010.

1.3 Restructuring exercise

The restructuring exercise ("Restructuring Exercise"), comprising the following steps, was undertaken by the Group in preparation for the listing of the Group on the Singapore Exchange Securities Trading Limited ("SGX-ST"):

(a) Incorporation of the Company

The Company was incorporated in Singapore on 8 February 2010 as the holding company of the Group with an issued and paid-up share capital of S\$2.00 comprising 2 ordinary shares, which were transferred to Sanwang on 9 September 2010. The entire share capital of Sanwang is owned by the Executive Chairman and Chief Executive Officer, Chen Qiu hai.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

1. Background and Basis of preparation (Continued)

1.3 Restructuring exercise (Continued)

- (b) Acquisitions of Fuzhou Wangcheng Foods Development Co., Ltd. ("Wangcheng") and Nanping Yuanwang Foods Co., Ltd. ("Yuanwang")

On 21 February 2010, the Company, as the purchaser, and Sanwang, as the vendor, entered into Share Transfer Agreements, pursuant to which the Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang for a consideration of US\$4.03 million and US\$1.0 million, respectively. The above consideration was determined based on the registered and paid-up capital of each of Wangcheng and Yuanwang. The acquisitions were approved by Minhou and Pucheng Foreign Trade and Economic Cooperation Bureau and the consideration was satisfied by the allotment and issue of an aggregate of 307,287,505 Shares in the capital of the Company to Sanwang on 9 September 2010.

- (c) Extension and conversion of redeemable convertible loan by Great Spot Limited ("Great Spot")

Pursuant to an investment agreement dated 24 June 2010 and varied on 8 September 2010, entered into between the Company, Great Spot and Chen Qiu Hai, Great Spot extended a redeemable convertible loan to the Company for an aggregate principal amount of S\$2.739 million. Great Spot shall be entitled to convert the redeemable convertible loan into such number of fully paid new Shares to be calculated based on (i) the enlarged post-Invitation share capital of the Company, (ii) 2.75 times of the fully diluted earnings per Share, and (iii) the consolidated net profit after tax for the financial year ended 31 December 2009 of RMB81.675 million.

On 24 September 2010, 24,395,711 shares were allotted and issued to Great Spot by the Company.

1.4 Basis of preparation

The objective of the combined financial information of the Group is to show what the historical information might have been had the Group as described below has been in place throughout the financial period under review, or since the respective dates of establishment/incorporation of the companies in the Group, whichever is later.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

1. Background and Basis of preparation (Continued)

1.4 Basis of preparation (Continued)

Upon the completion of Restructuring Exercise, the Company has the following subsidiaries:

Name of subsidiaries	Country/ Date of incorporation	Registered capital	Principal activities	Effective equity interest held
<u>Held by the Company</u>				
Fuzhou Wangcheng Foods Development Co., Ltd. *	People's Republic of China 14 April 1998	USD4,029,431	Production and sales of processed food products	100%
Nanping Yuanwang Foods Co., Ltd. *	People's Republic of China 3 February 2005	USD1,000,000	Production and sales of semi-processed food products	100%
<u>Held by subsidiary</u>				
Zhangping Fengwang Agricultural Products Co., Ltd. *	People's Republic of China 7 October 2008	RMB1,000,000	Cultivation and sales of shiitake mushrooms	100%

* Audited by BDO LLP, Singapore.

The Restructuring Exercise involved companies which are under common control. The combined financial statements of the Group for the financial years ended 31 December 2007, 2008 and 2009 have been prepared in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidary relationship was not established until after the balance sheet date.

These combined financial statements of the Group are a combination or aggregation of the audited financial statements of the Company and its subsidiaries.

For the purpose of inclusion in the audited combined financial statements of the Group as of and for the financial years ended 31 December 2007, 2008 and 2009, the financial statements of the subsidiaries have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and audited by BDO LLP, Singapore, Public Accountants and Certified Public Accountants in accordance with Singapore Standards on Auditing.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

1. Background and Basis of preparation (Continued)

1.4 Basis of preparation (Continued)

The statutory financial statements of the subsidiaries in the Group as at and for the financial years ended 31 December 2007, 2008 and 2009 were audited by other audit firms whose reports were unqualified.

The combined financial statements have been drawn up in accordance with 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 (its functional currency). The combined financial statements of the Group are presented in Chinese Renminbi ("RMB"). The functional currency of the Company is Singapore Dollars. As the Group mainly operates in PRC, RMB is used as the presentation currency of the Group.

All financial information presented in RMB has been recorded to the nearest thousand, unless stated otherwise.

The preparation of combined financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the combined financial statements are disclosed in Note 3 to the combined financial statements.

2. Summary of significant accounting policies

2.1 Changes in accounting policies

All FRS including INT FRS effective for accounting periods commencing from 1 January 2007, 2008 and 2009 have been early adopted by the Group in the preparation of these combined financial statements for financial years ended 31 December 2007, 2008 and 2009. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts for the current or prior years except as disclosed below.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.1 Changes in accounting policies (Continued)

FRS 1 (2008) Presentation of Financial Statements

The Group has adopted FRS 1 from 1 January 2007. FRS 1 (2008) introduces changes in the presentation and disclosures of financial statement. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

FRS 108 Operating Segments

The Group has adopted FRS 108 from 1 January 2007. FRS 108 replaces FRS 14 *Segment Reporting* and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision maker.

FRS and INT FRS issued but not yet effective

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

	Effective date (annual periods beginning on or after)
FRS 27 (2009) - Consolidated and Separate Financial Statements	1 July 2009
FRS 103 (2009) - Business Combinations	1 July 2009

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

The management anticipates that the adoption of the above FRS in future periods will not have a material impact on the combined financial statements of the Group in the period of their initial adoption, except as disclosed below:

FRS 27 (2009) Consolidated and Separate Financial Statements

FRS 27 (2009) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. In the event when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of comprehensive income. The Group will apply FRS 27 (2009) prospectively to transactions with non-controlling interests from 1 January 2010.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.1 Changes in accounting policies (Continued)

FRS 103 (2009) Business Combinations

FRS 103 (2009) applies the acquisition method with certain significant changes from the purchase method referred to in FRS 103 (2006). For example, all considerations given to purchase a business are to be recorded at fair value at the acquisition date, with contingent considerations classified as debt subsequently re-measured through statement of comprehensive income if the fair value changes were to take place after the measurement period. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (2009) prospectively to all business combinations taking place from 1 January 2010.

2.2 Basis of consolidation

The combined financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation.

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the fair value of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination, except where the minority's share of losses in a subsidiary exceeds its interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company, unless the minority has a binding obligation to, and is able to, make good the losses. Subsequently, when the subsidiary reports profits, the profits applicable to the minority interest are attributed to the equity holders of the Company until the minority's share of losses previously absorbed by the equity holders of the Company are fully recovered.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired exceeds the cost of the business combination, and if, after reassessment, the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired remains higher than the cost of the business combination, the excess is recognised immediately in statement of comprehensive income.

The interest of minority shareholders in the acquiree is measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2.4 Common control business combination outside the scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combined entity as if the combination had occurred from the date when the coming entities or businesses first came under the control of the controlling party or parties.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.4 Common control business combination outside the scope of FRS 103 (Continued)

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combined entity.

Merger reserve represents the differences between the nominal amount of the share capital of the combining entities at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

2.5 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment in value, if any.

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 asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset 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.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the combined statement of comprehensive income.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation is provided using the straight-line method so as to allocate the depreciable amount of the property, plant and equipment over their estimated useful lives as follows:

	<u>Years</u>
Buildings	20
Motor vehicles	5 -10
Office equipment	5
Plant and machinery	10
Fixture & fittings	5 - 10
Farm equipment & fixtures	3 - 5

The residual values, estimated useful life and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2.6 Biological assets

Mushroom synthetic logs

Mushroom synthetic logs are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of the mushroom 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. Depreciation is provided using units of production method over a period of seven months.

Eucalyptus trees in plantation forest

Eucalyptus trees in plantation forest are classified as biological assets and stated at fair value less estimated point-of-sale costs.

Gains or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the combined statement of comprehensive income in the financial year in which they arise.

Biological assets that are expected to be realised in the next harvest within twelve months have been disclosed under current assets.

2.7 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 basis to write-off the cost of the land use right over the lease term.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset (other than inventories and biological assets) may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. 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 assessment of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples quoted public traded securities or other available fair value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive income. In the case of assets that are previously revalued, impairment losses are recognised in statement of comprehensive income up to the amount of any previous revaluation. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the statement of comprehensive income unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

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.

2.10 Trade and other receivables

Trade and other receivables are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

An allowance is made for uncollectible amounts when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.12.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank which is subject to an insignificant risk of changes in values.

2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.13 Derecognition of financial assets

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in the statement of comprehensive income.

2.14 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

A financial liability is derecognised when the obligations under liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of comprehensive income.

2.15 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.

2.16 Trade and other payables

Liabilities for trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Equity instruments

An equity instrument is any contract that evidences as a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issuance of new shares are shown in the equity as a deduction from the proceeds.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Revenue is presented, net of rebates and discounts and sales related taxes. Group's revenue is in respect of external transactions only.

Revenue from sale of goods is recognised upon passage of title to the customer which coincides with the delivery and acceptance.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20 Operating leases

Prepaid leases

The Group leases farm lands under operating leases and the leases run for a period of 20 years. The upfront lump-sum payments made under the leases are amortised to statement of comprehensive income on a straight-line basis over the term of the leases. The amortisation amount is included in cost of sales.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.20 Operating leases (Continued)

Other operating leases

Rentals payable under operating leases are charged to statement of comprehensive income 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.21 Retirement benefit costs

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the social security contribution plan in People's Republic of China (the "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 the statement of comprehensive income in the same financial year as the employment that gives rise to the contributions.

2.22 Employee leave entitlements

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

2.23 Income tax expense

Income tax expense for the financial year comprises current and deferred taxes. Income tax expense is recognised in the combined statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case such income tax expense is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided, using the liability method, for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rate expected to be applied to the temporary differences when they are realised or settled, based on tax rate enacted or substantively enacted by the balance sheet date.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.23 Income tax expense (Continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.24 Foreign currency transactions and translation

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

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the statement of comprehensive income for the period except for exchange differences arising from monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in statement of other comprehensive income and accumulated separately in equity in the foreign currency translation reserve in the combined balance sheet and recognised in the statement of comprehensive income on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in statement of other comprehensive income and accumulated separately in equity in the foreign currency translation reserve. For such non-monetary items, any exchange component of that gain or loss is also recognised in statement of other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

2. Summary of significant accounting policies (Continued)

2.24 Foreign currency transactions and translation (Continued)

For the purpose of presenting combined financial statements, the assets and liabilities of the Company's and the Group's foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in statement of other comprehensive income and accumulated separately in equity in the foreign currency translation reserve. Such translation differences are recognised in the statement of comprehensive income in the period in which the foreign operation is disposed of.

2.25 Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income in the statement of comprehensive income over the periods necessary to match it on a systematic basis to the costs which it is intended to compensate.

2.26 Dividends

Interim dividends are recorded in the financial year in which they are declared payable.

Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.27 Related parties

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

2.28 Segment reporting

A segment is a distinguishable component of the Group that is engaged 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.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information and geographical segment information reporting format for the purposes of these combined financial statements.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

3. Critical accounting judgements and key sources of estimation uncertainty

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be 3 to 20 years. The carrying amounts of property, plant and equipment as at 31 December 2007, 2008 and 2009 were approximately RMB18.6 million, RMB20.3 million and RMB18.5 million respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment, therefore future depreciation charges could be revised.

(ii) Impairment of receivables

Management reviews its receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

Where there is objective evidence of impairment loss should be recorded in the statement of comprehensive income. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amounts of trade and other receivables of the Group as at 31 December 2007, 2008 and 2009 amounted to approximately RMB16.3 million, RMB30.1 million and RMB67.9 million respectively.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

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

(iii) Income taxes

Significant judgements are involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax provisions in the financial year in which such determination is made. The carrying amounts of current income tax payable as at 31 December 2007, 2008 and 2009 were approximately RMB0.6 million, RMB2.2 million and RMB3.1 million respectively.

(iv) Biological assets

Eucalyptus trees in plantation forest included in the Group's biological assets are stated at fair value less estimated point-of-sale costs. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, costs incurred and expected yield of the crops. The fair value of the biological assets is determined by Jones Lang LaSalle Sallmanns Limited, 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 as at 31 December 2008 and 2009 were approximately RMB23.9 million and RMB49.0 million respectively. The independent valuation firm used highly subjective assumptions and estimates to determine the valuation of the biological assets. These assumptions and estimates involve inherent uncertainties and the application of judgements. As a result, if factors change and this independent valuation firm uses different assumptions and estimates, the fair value of the biological assets could be materially different. The valuations are based on information available on initial recognition and at each reporting date.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

4. Property, plant and equipment

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Fixture & fittings RMB'000	Farm equipment & fixtures RMB'000	Total RMB'000
2007							
Cost							
At 1 January 2007	12,961	1,749	402	10,255	12	–	25,379
Additions	–	–	30	1,894	–	–	1,924
At 31 December 2007	12,961	1,749	432	12,149	12	–	27,303
Accumulated depreciation							
At 1 January 2007	1,765	936	200	3,706	4	–	6,611
Charged for the financial year	621	321	59	1,081	1	–	2,083
At 31 December 2007	2,386	1,257	259	4,787	5	–	8,694
Carrying amount							
At 31 December 2007	10,575	492	173	7,362	7	–	18,609
2008							
Cost							
At 1 January 2008	12,961	1,749	432	12,149	12	–	27,303
Additions	–	–	84	532	–	3,426	4,042
At 31 December 2008	12,961	1,749	516	12,681	12	3,426	31,345
Accumulated depreciation							
At 1 January 2008	2,386	1,257	259	4,787	5	–	8,694
Charged for the financial year	620	248	66	1,174	1	285	2,394
At 31 December 2008	3,006	1,505	325	5,961	6	285	11,088
Carrying amount							
At 31 December 2008	9,955	244	191	6,720	6	3,141	20,257

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

4. Property, plant and equipment (Continued)

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Fixture & fittings RMB'000	Farm equipment & fixtures RMB'000	Total RMB'000
2009							
Cost							
At 1 January 2009	12,961	1,749	516	12,681	12	3,426	31,345
Additions	—	—	32	337	5	1,118	1,492
Disposals	—	—	—	(235)	—	—	(235)
At 31 December 2009	12,961	1,749	548	12,783	17	4,544	32,602
Accumulated depreciation							
At 1 January 2009	3,006	1,505	325	5,961	6	285	11,088
Charged for the financial year	618	156	63	1,131	2	1,235	3,205
Disposals	—	—	—	(204)	—	—	(204)
At 31 December 2009	3,624	1,661	388	6,888	8	1,520	14,089
Carrying amount							
At 31 December 2009	9,337	88	160	5,895	9	3,024	18,513

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

5. Biological assets

Biological assets comprise eucalyptus trees in plantation forest and mushroom synthetic logs. Eucalyptus trees are separated from land on which these assets are located. As the useful life of mushroom synthetic logs is less than one year, they are classified as current asset. Movements of biological assets were as follows:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
<u>Current</u>			
Mushroom synthetic logs			
<u>Cost</u>			
At beginning of the financial year	–	–	43,367
Additions	–	43,367	63,102
Utilisation	–	–	(43,367)
At end of the financial year	–	43,367	63,102
<u>Accumulated depreciation</u>			
At beginning of the financial year	–	–	19,515
Charged for the financial year	–	19,515	52,248
Utilisation	–	–	(43,367)
At end of the financial year	–	19,515	28,396
Carrying amount at end of the financial year	–	23,852	34,706
<u>Non-current</u>			
Eucalyptus trees in plantation forest			
<u>Fair value</u>			
At beginning of the financial year	–	–	–
Additions	–	–	7,897
Gain from changes in fair value less estimated point-of-sale costs	–	–	6,443
At end of the financial year	–	–	14,340

Quantity and sales of mushrooms harvested during the financial year were as follows:

	2007	2008	2009
Quantity of mushrooms (in tonnes)	–	9,061	21,618
Sales of mushrooms (RMB '000)	–	50,520	125,478

In accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited, an independent valuation firm, the fair value less estimated point-of-sale costs of eucalyptus trees in a plantation forest is determined with reference to the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

6. Land use rights

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Cost			
At beginning of the financial year	5,030	5,030	5,030
Additions	—	—	3,018
	<u>5,030</u>	<u>5,030</u>	<u>8,048</u>
At end of the financial year	5,030	5,030	8,048
Accumulated amortisation			
At beginning of the financial year	425	532	639
Charged for the financial year	107	107	174
	<u>532</u>	<u>639</u>	<u>813</u>
At end of the financial year	532	639	813
Carrying amount at end of the financial year	<u><u>4,498</u></u>	<u><u>4,391</u></u>	<u><u>7,235</u></u>

The Group has land use rights over the plots of state-owned land in PRC where the Group's PRC operation resides. The land use rights are not transferable and have remaining tenure ranging from 25 to 42 years (2008: 37 to 43 years; 2007: 38 to 44 years).

7. Prepaid lease

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Prepaid lease of farm lands	—	11,687	15,499
Less : current portion (Note 9)	—	—	(1,108)
	<u>—</u>	<u>11,687</u>	<u>14,391</u>
Non-current portion	<u><u>—</u></u>	<u><u>11,687</u></u>	<u><u>14,391</u></u>

Prepaid lease represents amounts paid by the Group for advance lease of farm lands for a period of 20 years. The Group prepaid farm lands lease for approximately 2,200 mu (2008: 1,660 mu).

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

8. Inventories

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Raw materials	5,182	2,354	3,813
Work-in-progress	–	201	36
Finished goods	6,572	2,196	2,223
Packing materials	1,932	1,842	510
	13,686	6,593	6,582
	13,686	6,593	6,582

For the financial years ended 31 December 2007, 2008 and 2009, the cost of inventories recognised as an expense and included in “cost of sales” amounted to RMB39.0 million, RMB57.5 million and RMB101.5 million respectively.

9. Trade and other receivables

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Trade receivables	5,357	7,163	11,722
Other receivables	507	–	23
Advances to suppliers	454	15,062	54,368
Deposits	9,950	7,367	–
Current portion of prepaid lease (Note 7)	–	–	1,108
Prepayments	–	481	636
	16,268	30,073	67,857
	16,268	30,073	67,857

Advances to suppliers relate to payments to Villagers' Committees for the purchase of mushroom synthetic logs.

Deposits relate to rental of farm lands for the financial year ended 31 December 2007, and a deposit placed by the Group for purchases of eucalyptus trees in plantation forest for the financial year ended 31 December 2008.

For the financial years ended 31 December 2007, 2008 and 2009, the average credit period on sale of goods are 30 to 90 days.

Trade and other receivables are denominated in the following currencies:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Chinese Renminbi	12,744	29,276	59,048
Japanese Yen	587	376	1,896
US Dollar	2,937	421	6,913
	16,268	30,073	67,857
	16,268	30,073	67,857

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

10. Cash and bank balances

Cash and bank balances are denominated in the following currencies:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Chinese Renminbi	3,501	5,965	4,469
Japanese Yen	—	—	132
US Dollar	69	98	448
	<u>3,570</u>	<u>6,063</u>	<u>5,049</u>

11. Trade and other payables

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Trade payables	1,738	504	265
Other payables	1,250	3,973	5,819
Advances from customers			
- Third parties	—	3,594	718
- Related parties	—	489	2,196
Due to a director (trade)	—	—	1,511
Accrued expenses	702	900	814
	<u>3,690</u>	<u>9,460</u>	<u>11,323</u>

The amount due to a director is unsecured, non-interest bearing and repayable on demand.

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

Other payables comprise social insurances and value-added tax.

For the financial years ended 31 December 2007, 2008 and 2009, the average credit period on purchase of goods are 30 to 90 days.

Trade and other payables are denominated in the following currencies:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Chinese Renminbi	3,690	9,103	11,323
US Dollar	—	357	—
	<u>3,690</u>	<u>9,460</u>	<u>11,323</u>

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

12. Deferred tax liability

	2007 RMB'000	2008 RMB'000	2009 RMB'000
At beginning of the financial year	—	450	2,195
Additions during the financial year	450	1,745	2,736
At the end of the financial year	450	2,195	4,931

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

13. Share capital

For the purpose of the combined financial statements, the share capital as at 31 December 2007, 2008 and 2009 represents aggregation of registered capital of Fuzhou Wangcheng Foods Development Co., Ltd. and Nanping Yuanwang Foods Co., Ltd.

14. Statutory reserve

According to the relevant PRC regulations and the Articles of Association of the subsidiaries, the subsidiaries are required to transfer 10.0% of their profit after income tax, as determined under PRC GAAP, to the statutory reserve until the reserve balance reaches 50.0% of their registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. This reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25.0% of the registered capital.

15. Revenue

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Self-cultivated shiitake mushrooms	—	50,520	125,478
Processed food products	72,952	84,899	110,762
	72,952	135,419	236,240

16. Other operating income

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Interest income	32	49	16
Government grants and subsidies	460	1,286	460
Others	—	6	22
	492	1,341	498

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

16. Other operating income (Continued)

Government subsidies relate to incentive awards and subsidies for the subsidiaries' research and development projects, received from government-related agencies in support of agricultural activities in the PRC. There are no unfulfilled conditions or contingencies attached to these grants.

17. Other operating expenses

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Loss on disposal of property, plant and equipment	—	—	24
Foreign exchange loss, net	602	161	100
Others	3	44	34
	605	205	158

18. Profit before income tax

The above is arrived at after charging:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Depreciation of property, plant and equipment	2,083	2,394	3,205
Amortisation of land use rights	107	107	174
Depreciation of biological assets	—	19,515	52,248
Loss on disposal of property, plant and equipment	—	—	24
Bad debt written off	—	—	13
Operating lease expenses	—	358	832

19. Employees compensation

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Salaries and related costs	6,499	6,825	7,577
Employer's contribution to defined contribution plans	1,739	1,783	1,982

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

20. Income tax expense

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Current income tax expense	1,576	4,911	7,363
Deferred tax expense	450	1,745	2,736
	2,026	6,656	10,099

A reconciliation between tax expense and accounting profit multiplied by the applicable tax rate for the financial years ended 31 December 2007, 2008 and 2009 are as follows:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Profit before income tax	12,395	43,787	91,774
Tax at the applicable domestic tax rates	2,975	10,947	22,944
Expenses not deductible for tax purposes	309	327	429
Income not subject to tax	(1,708)	(6,363)	(16,010)
Withholding tax on unremitted earnings of subsidiaries	450	1,745	2,736
	2,026	6,656	10,099

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 Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises ("FIE EIT Law"), Wangcheng, as a FIE, was entitled to full exemption of EIT for the initial two years and a 50.0% reduction in EIT for the next three years. In addition to the aforesaid tax benefits granted by the FIE EIT Law, as Wangcheng was certified as an export-oriented enterprise and enjoyed a preferential EIT rate of 12.0%. Pursuant to the EIT Law, the EIT rate applicable to all resident enterprises (including all FIEs and domestic companies) in the PRC shall be 25.0%. As a result, Wangcheng no longer enjoys any further EIT incentives available under the FIE EIT Law from 2008.

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

Yuanwang enjoyed full exemption for the initial two years and a 50.0% reduction for the next three years. The two years' tax exemption period for Yuanwang had expired on 31 December 2009.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

20. Income tax expense (Continued)

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

Fengwang, according to the approval issued by Zhangping State Tax Bureau dated 27 October 2007, has obtained full tax exemption for EIT from Fujian tax authority for income derived from cultivation, preliminary processing of agricultural products. The full tax exemption period is from 7 October 2008 to 31 December 2011.

21. Earnings per share

The calculation of earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2008	2009
Earnings			
Total comprehensive income (RMB'000)	10,369	37,131	81,675
Number of shares			
Pre-Invitation share	331,683,218	331,683,218	331,683,218
Earnings per share based on pre-Invitation share (RMB cents)	3.13	11.19	24.62

There is no basic earnings per share as the Company was incorporated subsequent to 31 December 2009.

22. Dividend

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Final dividend paid in respect of financial year 2008	—	—	21,398

23. Commitments

(a) Capital commitment

Capital expenditure contracted for at the balance sheet date but not recognised in the combined financial statements are as follows:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Acquisition of property, plant and equipment	—	33	347

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

23. Commitments (Continued)

(b) Operating lease commitment

As at each of the balance sheet date, the future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Within one year	–	1,100	–
After one year but within five years	–	–	–
After five years	–	8,500	4,700
	<u>–</u>	<u>9,600</u>	<u>4,700</u>

24. Significant related party transactions

During the financial year under review, in addition to those disclosed elsewhere in these combined financial statements, the following significant transactions took place at terms agreed between the parties:

(a) Related party transactions

	2007 RMB'000	2008 RMB'000	2009 RMB'000
<i>Sales of:</i>			
Self-cultivated shiitake mushrooms	–	24,411	56,902
Processed food products	539	12,175	7,849
<i>Purchase of:</i>			
Raw materials	<u>–</u>	<u>770</u>	<u>–</u>

(b) Intercompany transactions

	2007 RMB'000	2008 RMB'000	2009 RMB'000
<i>Payment on behalf:</i>			
Wangcheng paid on behalf of Fengwang	–	19,500	–
Wangcheng paid on behalf of Yuanwang	364	301	–
Intercompany sales between Wangcheng and Yuanwang	10,795	5,809	8,054
Intercompany sales between Fengwang and Yuanwang	<u>–</u>	<u>–</u>	<u>84</u>

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

24. Significant related party transactions (Continued)

(c) Compensation of key management personnel

Related party transactions with key management personnel are as follows:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Salaries and other short term employee benefits, representing total compensation to key management personnel	106	120	144

25. Financial risk and capital management policies

The Company and its subsidiaries activities expose it to financial risks (including credit risk, foreign currency risk, interest rate risk and liquidity risk) arising in the normal course of business. 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 management is responsible for setting the objectives and underlying principles of financial risk management for the Group's financial risk management process to ensure that an appropriate balance between risk and control is achieved.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk during the financial years ended 31 December 2007, 2008 and 2009. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade. For other financial assets, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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

Major customers are defined as those who accounted for 5.0% or more of the Group's total revenue for the respective financial year ended. Revenue from the major customers amounted to 86.6%, 65.8% and 50.8% of total revenue for the financial years ended 2007, 2008 and 2009 respectively.

Two major customers made up approximately 62.0%, 45.0% and 54.0% of the total trade receivables as at 31 December 2007, 2008 and 2009 respectively.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

25. Financial risk and capital management policies (Continued)

(a) Credit risk (Continued)

Exposure to credit risk

As the Group does not hold any collateral, at the respective balance sheet dates, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

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

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Past due within 90 days	325	131	—
Past due within 91 to 180 days	48	17	—
	<u>373</u>	<u>148</u>	<u>—</u>

As at 31 December 2007, 2008 and 2009, substantially all the bank balances as detailed in Note 10 to the combined financial statements, are held in major financial institutions which are regulated and located mainly in PRC, which the management believes are of high credit quality. The management does not expect any losses arising from non-performance by these counterparties.

(b) Currency risk

Currency risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Group in the current reporting period and in future years.

The Company and its subsidiaries maintain their respective books and accounts in their functional currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses natural hedges between sales receipts and purchases, and operating expenses disbursement. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The Group incurs foreign currency risk on sales that are denominated in currencies other than the functional currency of Group entities, primarily the United States Dollar ("USD") and Japanese Yen ("JPY").

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

25. Financial risk and capital management policies (Continued)

(b) Currency risk (Continued)

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

	JPY RMB'000	USD RMB'000	Total RMB'000
At 31 December 2007			
<u>Financial assets</u>			
Trade and other receivables	587	2,937	3,524
Cash and bank balances	–	69	69
	<hr/> 587	<hr/> 3,006	<hr/> 3,593
Currency exposure	<hr/> <hr/> 587	<hr/> <hr/> 3,006	<hr/> <hr/> 3,593
At 31 December 2008			
<u>Financial assets</u>			
Trade and other receivables	376	421	797
Cash and bank balances	–	98	98
	<hr/> 376	<hr/> 519	<hr/> 895
<u>Financial liability</u>			
Trade and other payables	–	357	357
	<hr/> –	<hr/> 357	<hr/> 357
Net currency exposure	<hr/> <hr/> 376	<hr/> <hr/> 162	<hr/> <hr/> 538
At 31 December 2009			
<u>Financial assets</u>			
Trade and other receivables	1,896	6,913	8,809
Cash and bank balances	132	448	580
	<hr/> 2,028	<hr/> 7,361	<hr/> 9,389
Currency exposure	<hr/> <hr/> 2,028	<hr/> <hr/> 7,361	<hr/> <hr/> 9,389

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

25. Financial risk and capital management policies (Continued)

(b) Currency risk (Continued)

Foreign exchange risk sensitivity analysis

The following details the sensitivity of a 10.0% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the financial year end for a 10.0% change in foreign currency rates.

If the following currencies changes against the RMB by 10.0% with all other variables including tax rates being held constant, the effect arising from the net financial assets or liabilities position will increase/ (decrease) by:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
JPY against RMB			
- strengthen	59	37	203
- weaken	(59)	(37)	(203)
USD against RMB			
- strengthen	301	16	736
- weaken	(301)	(16)	(736)

(c) Interest rate risk

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

The Group's exposure to changes in interest rates relates primarily to deposits in banks. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

(d) Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. The Group monitors its liquidity risk and maintains a level of cash and cash at bank deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows. All non-derivative financial liabilities of the Group mature within 1 year.

(e) Business risk

The Group's business is subject to financial risks arising from changes in prices of agricultural products and the usual agricultural hazards from fire, wind, insects and other natural disasters. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place. Nevertheless, unexpected factors affecting harvestable agricultural produce may result in re-measurement or harvest changes in future accounting periods.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

25. Financial risk and capital management policies (Continued)

(f) 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 while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group comprises only share capital, reserves and retained earnings as disclosed in the balance sheet as at respective financial year end.

As disclosed in Note 14, the PRC subsidiaries are required by relevant laws and regulations of the PRC to contribute to and maintain a non-distributable PRC statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2007, 2008 and 2009.

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

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. The Group is not subject to either internally or externally imposed capital requirements except for conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(g) Fair values

The carrying amount of the Group's current financial assets and financial liabilities approximate their fair values as at respective balance sheet dates due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the combined financial statements.

26. Segment information

For management purposes, the Group is organised into business units based on their products, and has two reportable operating segments as follow:

(i) Self-cultivated shiitake mushrooms

The self-cultivated shiitake mushrooms segment comprises the fresh shiitake mushrooms cultivated at the Group's cultivation bases.

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

26. Segment information (Continued)

(ii) Processed food products

The processed food products segment comprises processed vegetable products and convenience food products (such as konjac instant noodle, pre-cooked dishes and instant porridge).

The Group has no significant inter-segment sales.

(a) Business segment

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

	Self- cultivated shiitake mushrooms RMB'000	Processed food products RMB'000	Total RMB'000
2007			
Revenue	—	72,952	72,952
Segment results	—	21,933	21,933
Other operating income	—	492	492
Selling and distribution expenses	—	(2,910)	(2,910)
Administrative expenses	—	(6,515)	(6,515)
Other operating expenses	—	(605)	(605)
Profit before income tax	—	12,395	12,395
Income tax expense	—	(2,026)	(2,026)
Total comprehensive income	—	10,369	10,369
Other segment items			
Capital expenditure:			
- property, plant and equipment	—	1,924	1,924
Depreciation and amortisation	—	2,190	2,190
Segment assets	—	56,631	56,631
Segment liabilities	—	4,278	4,278
Unallocated liabilities	—	—	450
Total liabilities	—	4,278	4,728

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

26. Segment information (Continued)

(a) Business segment (Continued)

	Self- cultivated shiitake mushrooms RMB'000	Processed food products RMB'000	Total RMB'000
2008			
Revenue	50,520	84,899	135,419
Segment results	25,304	26,378	51,682
Other operating income	–	1,341	1,341
Selling and distribution expenses	(8)	(2,097)	(2,105)
Administrative expenses	(586)	(6,340)	(6,926)
Other operating expenses	–	(205)	(205)
Profit before income tax	24,710	19,077	43,787
Income tax expense	–	(6,656)	(6,656)
Total comprehensive income	24,710	12,421	37,131
Other segment items			
Additions of biological assets	43,367	–	43,367
Capital expenditure:			
- property, plant and equipment	3,426	616	4,042
Depreciation and amortisation	19,800	2,216	22,016
Segment assets	53,958	48,958	102,916
Segment liabilities	4,747	6,940	11,687
Unallocated liabilities	–	–	2,195
Total liabilities	4,747	6,940	13,882

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

26. Segment information (Continued)

(a) Business segment (Continued)

	Self- cultivated shiitake mushrooms RMB'000	Processed food products RMB'000	Total RMB'000
2009			
Revenue	125,478	110,762	236,240
Segment results	58,453	36,157	94,610
Other operating income	–	498	498
Gain from changes in fair value of biological assets	6,443	–	6,443
Selling and distribution expenses	(462)	(1,228)	(1,690)
Administrative expenses	(1,676)	(6,253)	(7,929)
Other operating expenses	–	(158)	(158)
Profit before income tax	62,758	29,016	91,774
Income tax expense	–	(10,099)	(10,099)
Total comprehensive income	62,758	18,917	81,675
Other segment items			
Additions of biological assets	70,999	–	70,999
Capital expenditure:			
- property, plant and equipment	1,118	374	1,492
- land use rights	3,018	–	3,018
Depreciation and amortisation	53,552	2,075	55,627
Segment assets	125,927	42,746	168,673
Segment liabilities	6,698	7,733	14,431
Unallocated liabilities	–	–	4,931
Total liabilities	6,698	7,733	19,362

(b) Geographical information

The Group's sales, based on the customers' location, are mainly in countries such as PRC and Japan.

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Sales to external customers			
PRC	5,668	90,441	170,735
Japan	67,284	44,978	65,505
	72,952	135,419	236,240

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

27. Subsequent events

(a) Incorporation of the Company

The Company was incorporated in Singapore on 8 February 2010 as the holding company of the Group with an issued and paid-up share capital of S\$2.00 comprising 2 ordinary shares, which were transferred to Sanwang on 9 September 2010. The entire share capital of Sanwang is owned by the Executive Chairman and CEO, Chen Qiuhai.

(b) Acquisitions of Wangcheng and Yuanwang

On 21 February 2010, the Company, as the purchaser, and Sanwang, as the vendor, entered into the Share Transfer Agreements, pursuant to which the Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang for a consideration of US\$4.03 million and US\$1.0 million, respectively. The above consideration was determined based on the registered and paid-up capital of each of Wangcheng and Yuanwang. The acquisitions were approved by Minhou and Pucheng Foreign Trade and Economic Cooperation Bureau and the consideration was satisfied by the allotment and issue of an aggregate of 307,287,505 Shares in the capital of the Company to Sanwang on 9 September 2010.

Following the completion of the above acquisitions, each of Wangcheng (and accordingly Fengwang) and Yuanwang became wholly-owned subsidiaries of the Company.

(c) Purchase of new land use rights and eucalyptus trees

In January 2010, a subsidiary, Zhangping Fengwang Agricultural Products Co. Ltd entered into agreements to purchase an aggregate land use rights and eucalyptus forests (Biological assets) of 15,723 mu for a consideration of approximately RMB74.0 million.

(d) Pursuant to written resolutions in lieu of an extraordinary general meeting dated 20 September 2010, the sole shareholder of the Company, Sanwang, approved, among others, the following:

- (i) the conversion of the Company into a public limited company and the change of name to "Yamada Green Resources Limited";
- (ii) the adoption of the new Articles of Association of the Company;
- (iii) the issue of the New Shares pursuant to the Invitation, such New Shares, when fully paid, allotted and issued, will rank pari passu in all respects with the existing issued and fully paid-up Shares;
- (iv) the listing and quotation of all the issued Shares (including the Invitation Shares to be allotted and issued and the Vendor Shares) on the Official List of the Main Board of the SGX-ST; and

**ANNEXURE E: INDEPENDENT AUDITORS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2007, 2008 AND 2009**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

27. Subsequent events (Continued)

- (v) the authorisation of Directors to issue Shares other than on a pro-rata basis at a discount exceeding 10.0% but not more than 20.0%, which discount is calculated based on the weighted average price for trades done on the SGX-ST on the full market date on which the agreement relating to such issue of Shares is executed (or if trading is not available for a full market day, on the preceding market day up to the time such agreement is executed).

(e) Extension and conversion of redeemable convertible loan by Great Spot

Pursuant to an investment agreement dated 24 June 2010 and varied on 8 September 2010, entered into between the Company, Great Spot and Chen Qiu Hai, Great Spot extended a redeemable convertible loan to the Company for an aggregate principal amount of S\$2.739 million. Great Spot shall be entitled to convert the redeemable convertible loan into such number of fully paid new Shares to be calculated based on (i) the enlarged post-Invitation share capital of the Company, (ii) 2.75 times of the fully diluted earnings per Share, and (iii) the consolidated net profit after tax for the financial year ended 31 December 2009 of RMB81.675 million.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

29 September 2010

The Board of Directors
Yamada Green Resources Limited
80 Raffles Place
#25-01 UOB Plaza
Singapore 048624

Dear Sirs

Introduction

We have reviewed the accompanying unaudited interim financial statements of Yamada Green Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the unaudited interim balance sheet of the Group as at 31 March 2010, the unaudited interim statement of comprehensive income, unaudited interim statement of changes in equity and unaudited interim statement of cash flows of the Group for the financial period from 1 January 2010 to 31 March 2010, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these unaudited interim financial statements in accordance with Singapore Financial Reporting Standard FRS 34, *Interim Financial Reporting* ("FRS 34"). Our responsibility is to express a conclusion on this unaudited interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the unaudited interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim financial statements is not prepared, in all material respects, in accordance with FRS 34.

This report has been prepared in accordance with the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation 2005 for the purpose of incorporation in the Prospectus.

This report has been prepared solely in connection with the proposed listing of the Company on the Singapore Exchange Securities Trading Limited. This report is made solely to you as a body, and for no other purpose. No audited financial statements of the Company and its subsidiaries have been prepared for any period subsequent to 31 December 2009. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Yours faithfully,

BDO LLP

Public Accountants and
Certified Public Accountants
Singapore

Lai Keng Wei
Partner-in-charge

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM BALANCE SHEET
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

		As At	
	Notes	31 March 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	4	17,728	18,513
Biological assets	5	65,030	14,340
Land use rights	6	32,628	7,235
Prepaid lease	7	15,852	14,391
		<u>131,238</u>	<u>54,479</u>
Current assets			
Biological assets	5	3,155	34,706
Inventories	8	9,228	6,582
Trade and other receivables	9	92,994	67,857
Cash and bank balances	10	2,214	5,049
		<u>107,591</u>	<u>114,194</u>
Less:			
Current liabilities			
Trade and other payables	11	66,959	11,323
Income tax payable		3,217	3,108
		<u>70,176</u>	<u>14,431</u>
Net current assets		<u>37,415</u>	<u>99,763</u>
Less:			
Non-current liability			
Deferred tax liability	12	7,756	4,931
Net assets		<u>160,897</u>	<u>149,311</u>
Capital and reserves			
Share capital	13	*	42,095
Merger reserve	14	107,216	—
Statutory reserve	15	—	13,530
Retained earnings		53,681	93,686
		<u>160,897</u>	<u>149,311</u>

* Amount is less than RMB1,000.

The accompanying notes form an integral part of these unaudited interim financial statement

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

		For the three months financial period ended 31 March	
	Notes	2010	2009
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	16	124,809	76,260
Cost of sales		(63,356)	(41,931)
Gross profit		61,453	34,329
Other operating income	17	1,093	171
Gain from changes in fair value of biological assets	5	2,249	–
Selling and distribution expenses		(541)	(441)
Administrative expenses		(3,439)	(2,060)
Other operating expenses	18	(1,578)	(63)
Profit before income tax	19	59,237	31,936
Income tax expense	21	(5,556)	(2,954)
Total comprehensive income for the financial period		53,681	28,982
Earnings per share based on pre-Invitation share (RMB cents)	22	16.18	8.74

The accompanying notes form an integral part of these unaudited interim financial statement

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

	Share capital RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
<u>Unaudited</u>					
Balance at 1 January 2010	42,095	—	13,530	93,686	149,311
Adjustments arising from Group restructuring	(42,095)	—	(13,530)	(93,686)	(149,311)
Merger reserve	—	107,216	—	—	107,216
Total comprehensive income for the financial period	—	—	—	53,681	53,681
Balance at 31 March 2010	*	107,216	—	53,681	160,897
<u>Audited</u>					
Balance at 1 January 2009	42,095	—	5,226	41,713	89,034
Transfer to statutory reserve	—	—	8,304	(8,304)	—
Dividend paid	—	—	—	(21,398)	(21,398)
Total comprehensive income for the financial year	—	—	—	81,675	81,675
Balance at 31 December 2009	42,095	—	13,530	93,686	149,311

* Amount less than RMB1,000

The accompanying notes form an integral part of these unaudited interim financial statement

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

	For the three months financial period ended 31 March	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	59,237	31,936
Adjustments for:		
Depreciation and amortisation	32,552	22,517
Gain from changes in fair value of biological assets	(2,249)	–
Unrealised gain on foreign exchange	(94)	–
Interest income	(6)	(6)
Operating profits before working capital changes	89,440	54,447
Inventories	(2,646)	(3,496)
Trade and other receivables	(24,804)	(55,104)
Trade and other payables	13,541	8,182
Cash generated from operations	75,531	4,029
Interest received	6	6
Income tax paid	(2,622)	(1,723)
Net cash generated from operating activities	72,915	2,312
Cash flows used in investing activities		
Purchase of property, plant and equipment	(11)	(3)
Purchase of biological assets	(48,441)	–
Purchase of land use rights	(25,598)	–
Prepaid lease	(1,700)	–
Cash used in investing activities	(75,750)	(3)
Net (decrease)/increase in cash and bank balances	(2,835)	2,309
Cash and bank balances at beginning of the financial period	5,049	6,063
Cash and bank balances at end of the financial period	2,214	8,372

Note to non-cash transaction

On 21 February 2010, the Company, as the purchaser, and Sanwang, as the vendor, entered into Share Transfer Agreements, pursuant to which the Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang for a consideration of US\$4.03 million and US\$1.0 million, respectively. The consideration was satisfied by the allotment and issue of an aggregate of 307,287,505 Shares in the capital of the Company to Sanwang.

The accompanying notes form an integral part of these unaudited interim financial statement

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

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

1. Background and Basis of preparation

1.1 Introduction

These unaudited interim financial statements have been prepared for inclusion in the Prospectus of Yamada Green Resources Limited (“the Company”) and its subsidiaries (“the Group”) issued in connection with the invitation by the Company.

- 1.2** The Company was incorporated in Singapore on 8 February 2010 under the Singapore Companies Act, Cap. 50 (the “Act”) as a private limited company under the name of Yamada Green Resources Pte. Ltd. The Company changed its name to Yamada Green Resources Limited on 28 September 2010 in connection with its conversion into a public company limited by shares.

The registered office of the Company is at 80 Raffles Place, #25-01, UOB Plaza, Singapore 048624. The Company’s registration number is 201002962E.

The Company’s ultimate holding company is Sanwang International Holdings Limited (“Sanwang”), a company incorporated in British Virgin Island.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 1.4 to the unaudited interim financial statements.

The unaudited interim financial statements of the Group for the financial period ended 31 March 2010 were authorised for issue by the Board of Directors on 29 September 2010.

1.3 Restructuring exercise

The restructuring exercise (“Restructuring Exercise”), comprising the following steps, was undertaken by the Group in preparation for the listing of the Company on the Singapore Exchange Securities Trading Limited (“SGX-ST”):

(a) Incorporation of the Company

The Company was incorporated in Singapore on 8 February 2010 as the holding company of the Group with an issued and paid-up share capital of S\$2.00 comprising 2 ordinary shares, which were transferred to Sanwang on 9 September 2010. The entire share capital of Sanwang is owned by the Executive Chairman and Chief Executive Officer, Chen Qiu Hai.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

1. Background and Basis of preparation (Continued)

1.3 Restructuring exercise (Continued)

- (b) Acquisitions of Fuzhou Wangcheng Foods Development Co., Ltd. ("Wangcheng") and Nanping Yuanwang Foods Co., Ltd. ("Yuanwang")

On 21 February 2010, the Company, as the purchaser, and Sanwang, as the vendor, entered into Share Transfer Agreements, pursuant to which the Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang for a consideration of US\$4.03 million and US\$1.0 million, respectively. The above consideration was determined based on the registered and paid-up capital of each of Wangcheng and Yuanwang. The acquisitions were approved by Minhou and Pucheng Foreign Trade and Economic Cooperation Bureau and the consideration was satisfied by the allotment and issue of an aggregate of 307,287,505 Shares in the capital of the Company to Sanwang on 9 September 2010.

- (c) Extension and conversion of redeemable convertible loan by Great Spot Limited ("Great Spot")

Pursuant to an investment agreement dated 24 June 2010 and varied on 8 September 2010, entered into between the Company, Great Spot and Chen Qiuhai, Great Spot extended a redeemable convertible loan to the Company for an aggregate principal amount of S\$2.739 million. Great Spot shall be entitled to convert the redeemable convertible loan into such number of fully paid new Shares to be calculated based on (i) the enlarged post-Invitation share capital of the Company, (ii) 2.75 times of the fully diluted earnings per Share, and (iii) the consolidated net profit after tax for the financial year ended 31 December 2009 of RMB81.675 million.

On 24 September 2010, 24,395,711 shares were allotted and issued to Great Spot by the Company.

1.4 Basis of preparation

Upon the completion of Restructuring Exercise, the Company has the following subsidiaries:

Name of subsidiaries	Country/ Date of incorporation	Registered capital	Principal activities	Effective equity interest held
<u>Held by the Company</u>				
Fuzhou Wangcheng Foods Development Co., Ltd.*	People's Republic of China 14 April 1998	USD4,029,431	Production and sales of processed food products	100%
Nanping Yuanwang Foods Co., Ltd. *	People's Republic of China 3 February 2005	USD1,000,000	Production and sales of semi-processed food products	100%

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

1. Background and Basis of preparation (Continued)

1.4 Basis of preparation (Continued)

Name of subsidiaries	Country/ Date of incorporation	Registered capital	Principal activities	Effective equity interest held
<u>Held by subsidiary</u>				
Zhangping Fengwang Agricultural Products Co., Ltd. *	People's Republic of China	RMB1,000,000	Cultivation and sales of shiitake mushrooms	100%
	7 October 2008			

* Audited by BDO LLP, Singapore.

The Restructuring Exercise involved companies which are under common control. The unaudited interim financial statements of the Group for the financial period ended 31 March 2010 have been prepared in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise.

These unaudited interim financial statements of the Group are a combination or aggregation of the financial statements of the Company and its subsidiaries.

The unaudited interim financial statements of the Group have been prepared using accounting policies consistent with Singapore Financial Standards and in accordance with FRS 34 "*Interim Financial Reporting*".

The unaudited interim financial statements have been drawn up in accordance with 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 unaudited interim financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The unaudited interim financial statements of the Group are presented in Chinese Renminbi ("RMB"). The functional currency of the Company is Chinese Renminbi. As the Group mainly operates in PRC, RMB is used as the presentation currency of the Group.

All financial information presented in RMB has been recorded to the nearest thousand, unless stated otherwise.

ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010

YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010

1. Background and Basis of preparation (Continued)

1.4 Basis of preparation (Continued)

The preparation of unaudited interim financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the unaudited interim financial statements are disclosed in Note 3 to the unaudited interim financial statements.

2. Summary of significant accounting policies

2.1 Changes in accounting policies

All FRS including INT FRS effective for accounting periods commencing from 1 January 2010 have been adopted by the Group in the preparation of these unaudited interim financial statements for financial period ended 31 March 2010. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts for the current or prior years except as disclosed below.

FRS 27 (2009) Consolidated and Separate Financial Statements

FRS 27 (2009) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. In the event when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of comprehensive income. The Group will apply FRS 27 (2009) prospectively to transactions with non-controlling interests from 1 January 2010.

FRS 103 (2009) Business Combinations

FRS 103 (2009) applies the acquisition method with certain significant changes from the purchase method referred to in FRS 103 (2006). For example, all considerations given to purchase a business are to be recorded at fair value at the acquisition date, with contingent considerations classified as debt subsequently re-measured through statement of comprehensive income if the fair value changes were to take place after the measurement period. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (2009) prospectively to all business combinations taking place from 1 January 2010.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these unaudited interim financial statements, there is no FRS and INT FRS that are relevant to the Group were issued but not effective.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated unaudited interim financial statements incorporate the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated unaudited interim financial statements are prepared for the same reporting date as the Company.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are stated at cost on the Company's balance sheet less any accumulated impairment losses.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies for subsidiaries conform to or have been adjusted to be consistent to those adopted by the Group.

Non-controlling interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, 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 investment 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.

2.3 Business combinations

Business combination on or after 1 July 2009

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in statement of comprehensive income as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in statement of comprehensive income or statement of other comprehensive income and accumulated separately in equity.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in statement of comprehensive income as a bargain purchase gain.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.4 Common control business combination outside the scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combined entity as if the combination had occurred from the date when the coming entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combined entity.

Merger reserve represents the differences between the nominal amount of the share capital of the combining entities at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

2.5 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment in value, if any.

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.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset 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.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the statement of comprehensive income.

Depreciation is provided using the straight-line method so as to allocate the depreciable amount of the property, plant and equipment over their estimated useful lives as follows:

	<u>Years</u>
Buildings	20
Motor vehicles	5 - 10
Office equipment	5
Plant and machinery	10
Fixture & fittings	5 - 10
Farm equipment & fixtures	3 - 5

The residual values, estimated useful life and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2.6 Biological assets

Mushroom synthetic logs

Mushroom synthetic logs are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of the mushroom 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. Depreciation is provided using units of production method over a period of seven months.

Eucalyptus trees in plantation forest

Eucalyptus trees in plantation forest are classified as biological assets and stated at fair value less estimated point-of-sale costs.

Gains or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the unaudited interim statements of comprehensive income in the financial year in which they arise.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.6 Biological assets (Continued)

Biological assets that are expected to be recognised in the next harvest within twelve months have been disclosed under current assets.

2.7 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 basis to write-off the cost of the land use right over the lease term.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset (other than inventories and biological assets) may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. 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 assessment of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples quoted public traded securities or other available fair value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive income. In the case of assets that are previously revalued, impairment losses are recognised in statement of comprehensive income up to the amount of any previous revaluation. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the statement of comprehensive income unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.9 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

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.

2.10 Trade and other receivables

Trade and other receivables are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

An allowance is made for uncollectible amounts when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.12.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank which is subject to an insignificant risk of changes in values.

2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets (Continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.13 Derecognition of financial assets

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in the statement of comprehensive income.

2.14 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

A financial liability is derecognised when the obligations under liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of comprehensive income.

2.15 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.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.16 Trade and other payables

Liabilities for trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Equity instruments

An equity instrument is any contract that evidences as a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issuance of new shares are shown in the equity as a deduction from the proceeds.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Revenue is presented, net of rebates and discounts and sales related taxes. Group's revenue is in respect of external transactions only.

Revenue from sale of goods is recognised upon passage of title to the customer which coincides with the delivery and acceptance.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20 Operating leases

Prepaid leases

The Group leases farm lands under operating leases and the leases run for a period of 20 years. The upfront lump-sum payments made under the leases are amortised to statement of comprehensive income on a straight-line basis over the term of the leases. The amortisation amount is included in cost of sales.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.20 Operating leases (Continued)

Other operating leases

Rentals payable under operating leases are charged to statement of comprehensive income 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.21 Retirement benefit costs

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the social security contribution plan in People's Republic of China (the "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 the statement of comprehensive income in the same financial year as the employment that gives rise to the contributions.

2.22 Employee leave entitlements

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

2.23 Income tax expense

Income tax expense for the financial years comprises current and deferred taxes. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case such income tax expense is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the financial years, using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided, using the liability method, for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted by the balance sheet date.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.23 Income tax expense (Continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.24 Foreign currency transactions and translation

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

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the statement of comprehensive income for the period except for exchange differences arising from monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in statement of other comprehensive income and accumulated separately in equity in the foreign currency translation reserve in the combined balance sheet and recognised in the statement of comprehensive income on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in statement of other comprehensive income and accumulated separately in equity in the foreign currency translation reserve. For such non-monetary items, any exchange component of that gain or loss is also recognised in statement of other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

2. Summary of significant accounting policies (Continued)

2.24 Foreign currency transactions and translation (Continued)

For the purpose of presenting combined/consolidated financial statements, the assets and liabilities of the Company's and the Group's foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in statement of other comprehensive income and accumulated separately in equity in the foreign currency translation reserve. Such translation differences are recognised in the statement of comprehensive income in the period in which the foreign operation is disposed of.

2.25 Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income in the statement of comprehensive income over the periods necessary to match it on a systematic basis to the costs which it is intended to compensate.

2.26 Dividends

Interim dividends are recorded in the financial year in which they are declared payable.

Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.27 Related parties

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

2.28 Segment reporting

A segment is a distinguishable component of the Group that is engaged 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.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information and geographical segment information reporting format for the purposes of these unaudited interim financial statements.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

3. Critical accounting judgements and key sources of estimation uncertainty

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be 3 to 20 years. The carrying amounts of property, plant and equipment as at 31 December 2009 and 31 March 2010 were approximately RMB18.5 million and RMB17.7 million respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment, therefore future depreciation charges could be revised.

(ii) Impairment of receivables

Management reviews its receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

Where there is objective evidence of impairment loss should be recorded in the statement of comprehensive income. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amounts of trade and other receivables of the Group as at 31 December 2009 and 31 March 2010 amounted to RMB67.9 million and RMB93.0 million respectively.

(iii) Income taxes

Significant judgements are involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax provisions in the financial years in which such determination is made. The carrying amounts of current income tax payable as at 31 December 2009 and 31 March 2010 were approximately RMB3.1 million and RMB3.2 million respectively.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

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

(iv) Biological assets

Eucalyptus trees in plantation forest included in the Group's biological assets are stated at fair value less estimated point-of-sale costs. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, costs incurred and expected yield of the crops. The fair value of the biological assets is determined by Jones Lang LaSalle Sallmanns Limited, 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 as at 31 December 2009 and 31 March 2010 were approximately RMB49.1 million and RMB68.2 million respectively. The independent valuation firm used highly subjective assumptions and estimates to determine the valuation of the biological assets. These assumptions and estimates involve inherent uncertainties and the application of judgements. As a result, if factors change and this independent valuation firm uses different assumptions and estimates, the fair value of the biological assets could be materially different. The valuations are based on information available on initial recognition and at each reporting date.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

4. Property, plant and equipment

Unaudited	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Fixture & fittings RMB'000	Farm equipment & fixtures RMB'000	Total RMB'000
31 March 2010							
Cost							
At 1 January 2010	12,961	1,749	548	12,783	17	4,544	32,602
Additions	–	–	11	–	–	–	11
At 31 March 2010	12,961	1,749	559	12,783	17	4,544	32,613
Accumulated depreciation							
At 1 January 2010	3,624	1,661	388	6,888	8	1,520	14,089
Charged for the financial period	155	–	15	247	1	378	796
At 31 March 2010	3,779	1,661	403	7,135	9	1,898	14,885
Carrying amount							
At 31 March 2010	9,182	88	156	5,648	8	2,646	17,728
Audited							
31 December 2009							
Cost							
At 1 January 2009	12,961	1,749	516	12,681	12	3,426	31,345
Additions	–	–	32	337	5	1,118	1,492
Disposals	–	–	–	(235)	–	–	(235)
At 31 December 2009	12,961	1,749	548	12,783	17	4,544	32,602
Accumulated depreciation							
At 1 January 2009	3,006	1,505	325	5,961	6	285	11,088
Charged for the financial year	618	156	63	1,131	2	1,235	3,205
Disposals	–	–	–	(204)	–	–	(204)
At 31 December 2009	3,624	1,661	388	6,888	8	1,520	14,089
Carrying amount							
At 31 December 2009	9,337	88	160	5,895	9	3,024	18,513

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

5. Biological assets

Biological assets comprise of eucalyptus trees in a plantation forest and mushroom synthetic logs. Eucalyptus trees are separated from land on which these assets are located. As the useful life of mushroom synthetic logs is less than one year, they are classified as current asset. Movements of the biological assets are as follows:

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
<u>Current</u>		
Mushroom synthetic logs		
<u>Cost</u>		
At beginning of the financial period/year	63,102	43,367
Additions	—	63,102
Utilisation	—	(43,367)
At end of the financial period/year	<u>63,102</u>	<u>63,102</u>
<u>Accumulated depreciation</u>		
At beginning of the financial period/year	28,396	19,515
Charged for the financial period/year	31,551	52,248
Utilisation	—	(43,367)
At end of the financial period/year	<u>59,947</u>	<u>28,396</u>
Carrying amount at end of financial period/year	<u><u>3,155</u></u>	<u><u>34,706</u></u>
<u>Non-current</u>		
Eucalyptus trees in plantation forest		
<u>Fair value</u>		
At beginning of the period/year	14,340	—
Additions	48,441	7,897
Gains from changes in fair value less estimated point-of-sale costs	2,249	6,443
At end of the financial period/year	<u><u>65,030</u></u>	<u><u>14,340</u></u>

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

5. Biological assets (Continued)

For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
--------------------------------------------------------------------------	--------------------------------------------

Quantity and sales of mushrooms harvested during the year were as follows:

Quantity of mushrooms (in tonnes)	13,838	9,142
Sales of mushrooms (RMB '000)	90,495	53,937

In accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited, an independent valuation firm, the fair value less estimated point-of-sale costs of eucalyptus trees in a plantation forest is determined with reference to the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate.

6. Land use rights

As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
-----------------------------------------------------	------------------------------------------------------

Cost

At beginning of the financial period/year	8,048	5,030
Additions	25,598	3,018
At end of the financial period/year	33,646	8,048

Accumulated amortisation

At beginning of the financial period/year	813	639
Charged for the financial period/year	205	174
At end of the financial period/year	1,018	813
Carrying amount at end of the financial period/ year	32,628	7,235

The Group has land use rights over the plots of state-owned land in PRC where the Group's PRC operation resides. The land use rights are not transferable and have remaining tenure ranging from 24 to 44.7 years (2009: 25 to 42 years).

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

7. Prepaid Lease

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Prepaid lease of farm lands	17,199	15,499
Less : current portion (Note 9)	(1,347)	(1,108)
Non-current portion	<u>15,852</u>	<u>14,391</u>

Prepaid lease represents amounts paid by the Group for advance lease of farm lands for a period of 20 years. The Group prepaid farm lands lease for approximately 2,600.9 mu (2009: 2,200 mu).

8. Inventories

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Raw materials	3,368	3,813
Work-in-progress	33	36
Finished goods	5,001	2,223
Packing materials	826	510
	<u>9,228</u>	<u>6,582</u>

For the financial periods ended 31 March 2010 and 2009, the cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB50.8 million and RMB33.2 million respectively.

9. Trade and other receivables

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Trade receivables	16,760	11,722
Other receivables	2,891	23
Advances to suppliers	65,728	54,368
Current portion of prepaid lease (Note 7)	1,347	1,108
Prepayments	6,268	636
	<u>92,994</u>	<u>67,857</u>

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

9. Trade and other receivables (Continued)

Advances to suppliers relate to payments to Villagers' Committees for producing of mushroom synthetic logs.

Prepayments for the financial period ended 31 March 2010 relate mainly to amounts made by the Group for cost of biological assets.

For the financial period ended 31 March 2010, the average credit period on sale of goods are 30 to 90 days.

Trade and other receivables are denominated in the following currencies:

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Singapore Dollar	1,176	—
Chinese Renminbi	79,010	59,048
Japanese Yen	2,149	1,896
US Dollar	10,659	6,913
	92,994	67,857
	92,994	67,857

10. Cash and bank balances

Cash and bank balances are denominated in the following currencies:

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Singapore Dollar	79	—
Chinese Renminbi	1,981	4,469
Japanese Yen	—	132
US Dollar	154	448
	2,214	5,049
	2,214	5,049

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

11. Trade and other payables

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Trade payables	2,253	265
Other payables	14,803	5,819
Advances from customers		
- Third parties	1,988	718
- Related parties	285	2,196
Due to a director (trade)	1,511	1,511
Due to a related party	45,281	–
Accrued expenses	838	814
	<u>66,959</u>	<u>11,323</u>

The non-trade amount due to a related party relates mainly to acquisition of shares in Wangcheng and Yuanwang under the Restructuring Exercise as disclosed in Note 1.3.

The amount due to a director is unsecured, non-interest bearing and repayable on demand.

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

Other payables comprise social insurances, VAT and acquisition of land use rights and eucalyptus trees in plantation forests.

For the financial period ended 31 March 2010, the average credit period on purchase of goods are 30 to 90 days.

Trade and other payables are denominated in following currencies:

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Chinese Renminbi	24,864	11,323
US Dollar	42,095	–
	<u>66,959</u>	<u>11,323</u>

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

12. Deferred tax liability

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
At beginning of the financial period/year	4,931	2,195
Addition during the period/year	2,825	2,736
At end of the financial period/year	<u>7,756</u>	<u>4,931</u>

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

13. Share capital

For the purpose of the combined financial statements, the share capital as at 31 December 2009 represents aggregation of registered capital of Fuzhou Wangcheng Foods Development Co., Ltd. and Nanping Yuanwang Foods Co., Ltd. Share capital as at 31 March 2010 represents share capital of Yamada Green Resources Limited.

14. Merger reserve

The merger reserve represents the difference between the nominal values of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling of interest method of accounting.

15. Statutory reserve

According to the relevant PRC regulations and the Articles of Association of the subsidiaries, the subsidiaries are required to transfer 10.0% of their profit after income tax, as determined under PRC GAAP, to the statutory reserve until the reserve balance reaches 50.0% of their registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. This reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25.0% of the registered capital.

16. Revenue

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Self-cultivated shiitake mushrooms	90,495	53,937
Processed food products	34,314	22,323
	<u>124,809</u>	<u>76,260</u>

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

17. Other operating income

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Government grants and subsidies	1,010	163
Interest income	6	6
Foreign exchange gain, net	77	—
Others	—	2
	<u>1,093</u>	<u>171</u>

Government subsidies relate to incentive awards and subsidies for the subsidiaries' research and development projects, received from government-related agencies in support of agricultural activities in the PRC. There are no unfulfilled conditions or contingencies attached to these grants.

18. Other operating expenses

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Cost of operating biological assets	1,578	—
Foreign exchange loss, net	—	63
	<u>1,578</u>	<u>63</u>

19. Profit before income tax

The above is arrived at after charging:

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Depreciation of property, plant and equipment	796	806
Amortisation of land use rights	205	27
Depreciation of biological assets	31,551	21,684
Operating lease expense	<u>474</u>	<u>358</u>

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

20. Employees compensation

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Salaries and related costs	2,097	1,947
Employer's contribution to defined contribution plans	532	470
	<u>2,629</u>	<u>2,417</u>

21. Income tax expense

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Current income tax expense	2,731	1,434
Deferred tax expense	2,825	1,520
	<u>5,556</u>	<u>2,954</u>

A reconciliation between tax expense and accounting profit multiplied by the applicable tax rate for the financial periods ended 31 March 2010 and 2009 are as follows:

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Profit before income tax	59,237	31,936
Tax at the applicable domestic tax rates	14,809	7,984
Expenses not deductible for tax purposes	86	58
Tax exemption	(12,164)	(6,608)
Withholding tax on unremitted earnings of subsidiaries	2,825	1,520
	<u>5,556</u>	<u>2,954</u>

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

21. Income tax expense (Continued)

Applicable tax rate

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

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

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises which expired on 1 January 2008 ("FIE EIT Law"), Wangcheng, as a FIE, was entitled to full exemption of EIT for the two years (commencing from the first profitable year after deducting loss carried forward) and a 50.0% reduction in EIT for the next three years. In addition to the aforesaid tax benefits granted by the FIE EIT Law, as Wangcheng was certified as an export-oriented enterprise and enjoyed a preferential EIT rate of 12.0%. Pursuant to the EIT Law, the EIT rate applicable to all resident enterprises (including all FIEs and domestic companies) in the PRC shall be 25.0%. As a result, Wangcheng no longer enjoys any further EIT incentives available under the FIE EIT Law from 2008.

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

Yuanwang enjoyed full exemption for the initial two years and a 50.0% reduction for the next three years. The two years' tax exemption period for Yuanwang had expired on 31 December 2009.

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

Fengwang, according to the approval issued by Zhangping State Tax Bureau dated 27 October 2007, has obtained full tax exemption for EIT from Fujian tax authority for income derived from cultivation, preliminary processing of agricultural products. The full tax exemption period is from 7 October 2008 to 31 December 2011. The full tax exemption period is subject to further renewal upon application by Fengwang before its expiry.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

22. Earnings per share

The calculation of earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the three months ended 31 March 2010 (unaudited)	31 March 2009 (unaudited)
Earnings		
Total comprehensive income (RMB'000)	53,681	28,982
Number of shares		
Pre-Invitation share	331,683,218	331,683,218
Earnings per share based on pre-Invitation share (RMB cents)	16.18	8.74

Earnings per share of 16.18 RMB cents for the financial period ended 31 March 2010 was computed based on 331,683,218 pre-Invitation share. The earnings per share would have been RMB26,840,500 if the actual weighted average number of ordinary shares of the Company have been used.

23. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the unaudited interim financial statements are as follows:

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 Decemeber 2009 RMB'000 (audited)
Acquisition of biological assets	9,241	—
Acquisition of property, plant and equipment	—	347
	9,241	347

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

23. Commitments (Continued)

(b) Operating lease commitment

As at each of the balance sheet date, the future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 Decemeber 2009 RMB'000 (audited)
Within one year	—	—
After one year but within five years	—	—
After five years	5,982	4,699
	5,982	4,699

24. Significant related party transactions

During the financial period under review, in addition to those disclosed elsewhere in these unaudited interim financial statements, the following significant transactions took place at terms agreed between the parties:

(a) Related parties transactions

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
<i>Sales of:</i>		
Self-cultivated shiitake mushrooms	30,074	20,893
Processed food products	2,012	1,671

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

24. Significant related party transactions (Continued)

(b) Intercompany transactions

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Intercompany sales between Wangcheng and Yuanwang	968	1,095

(c) Compensation of key management personnel

Related party transactions with key management personnel are as follows:

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Salaries and other short-term employee benefits, representing total compensation to key management personnel	42	34

25. Financial risk and capital management policies

The Group's activities expose it to financial risks (including credit risk, foreign currency risk, interest rate risk and liquidity risk) arising in the normal course of business. 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 management is responsible for setting the objectives and underlying principles of financial risk management for the Group's financial risk management process to ensure that an appropriate balance between risk and control is achieved.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade. For other financial assets, the Group recognised credit risk by dealing exclusively with high credit rating counterparties.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

25. Financial risk and capital management policies (Continued)

(a) Credit risk (Continued)

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

Major customers are defined as those who accounted for 5.0% or more of the Group's total revenue for the respective financial period ended. Revenue from the major customers amounted to approximately 32.7% and 36.3% of total revenue for the financial period ended 31 March 2010 and 31 March 2009 respectively.

Two major customers made up of approximately 58.0% and 54.0% of the total trade receivables as at 31 March 2010 and 31 December 2009 respectively.

Exposure to credit risk

As the Company does not hold any collateral, at the respective balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

Financial assets that are past due

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

	As at 31 March 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Past due within 90 days	201	—

As at 31 March 2010 and 31 December 2009, substantially all the bank balances as detailed in Note 10 to the unaudited interim financial statements, are held in major financial institutions which are regulated and located mainly in PRC, which the management believes are of high credit quality. The management does not expect any losses arising from non-performance by these counterparties.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

25. Financial risk and capital management policies (Continued)

(b) Currency risk

Currency risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Group in the current reporting period and in future years.

The Company and its subsidiaries maintain their respective books and accounts in their functional currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses natural hedges between sales receipts and purchases, and operating expenses disbursement. It is, and has been throughout the current and previous financial period the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The Group incurs foreign currency risk on sales that are denominated in currencies other than the functional currency of Group entities, primarily the United States dollar ("USD") and Japanese Yen ("JPY").

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

	JPY RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
At 31 March 2010				
<u>Financial assets</u>				
Trade and other receivables	2,149	10,659	1,176	13,984
Cash and bank balances	–	154	79	233
	2,149	10,813	1,255	14,217
<u>Financial liability</u>				
Trade and other payables	–	42,095	–	42,095
	–	42,095	–	42,095
Net currency exposure	2,149	(31,282)	1,255	(27,878)
At 31 December 2009				
<u>Financial assets</u>				
Trade and other receivables	1,896	6,913	–	8,809
Cash and bank balances	132	448	–	580
	1,896	6,913	–	8,809
Currency exposure	2,028	7,361	–	9,389

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

25. Financial risk and capital management policies (Continued)

(b) Currency risk (Continued)

Foreign exchange risk sensitivity analysis

The following details the sensitivity of a 10.0% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the financial period end for a 10% change in foreign currency rates.

If the following currencies changes against the RMB by 10.0% with all other variables including tax rates being held constant, the effect arising from the net financial assets or liabilities position will increase/ (decrease) by:

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
JPY against RMB		
- strengthen	215	203
- weaken	(215)	(203)
USD against RMB		
- strengthen	(3,128)	736
- weaken	3,128	(736)
SGD against RMB		
- strengthen	126	—
- weaken	(126)	—

(c) Interest rate risk

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

The Group's exposure to changes in interest rates relates primarily to deposits in banks. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

(d) Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. The Group monitors its liquidity risk and maintains a level of cash and cash at bank deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows. All non-derivative financial liabilities of the Group mature within 1 year.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

25. Financial risk and capital management policies (Continued)

(e) Business risk

The Group's business is subject to the usual agricultural hazards from fire, wind, insects and other natural disasters. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place. Nevertheless, unexpected factors affecting harvestable agricultural produce may result in re-measurement or harvest changes in future accounting periods.

(f) 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 while recognised the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group comprises only share capital, reserves and retained earnings as disclosed in the balance sheet as at respective financial period end.

As disclosed in Note 15, the PRC subsidiaries are required by relevant laws and regulations of the PRC to contribute to and maintain a non-distributable PRC statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial period ended 31 March 2010.

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

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. The Group is not subject to either internally or externally imposed capital requirements except for conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(g) Fair values

The carrying amount of the Group's current financial assets and financial liabilities approximate their fair values as at respective balance sheet date due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the unaudited interim financial statements.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

26. Segment information

For management purposes, the Group is organised into business units based on their products, and has two reportable operating segments as follows:

(i) Self-cultivated shiitake mushrooms

The self-cultivated shiitake mushrooms segment comprises the fresh shiitake mushrooms cultivated at the Group's cultivation bases.

(ii) Processed food products

The processed food products segment comprises processed vegetable products and convenience food products (such as konjac instant noodle, pre-cooked dishes and instant porridge).

The Group has no significant inter-segment sales.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

26. Segment information (Continued)

(a) Business segment

Unaudited

1 January 2010 to 31 March 2010

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

	Self-cultivated shiitake mushrooms RMB'000	Processed food products RMB'000	Total RMB'000
Revenue	90,495	34,314	124,809
Segment results	49,667	11,786	61,453
Other operating income	1,093	—	1,093
Gain from changes in fair value of biological assets	2,249	—	2,249
Selling and distribution expenses	(137)	(404)	(541)
Administrative expenses	(1,785)	(1,654)*	(3,439)
Other operating expenses	(1,578)	—	(1,578)
Profit before income tax	49,509	9,728	59,237
Income tax expense	—	(5,556)	(5,556)
Total comprehensive income	49,509	4,172	53,681
Other segment items			
Additions of biological assets	48,441	—	48,441
Capital expenditure:			
- property, plant and equipment	11	—	11
- land use rights	25,598	—	25,598
Depreciation and amortisation	32,135	417	32,552
Segment assets	187,929	48,824	236,753
Unallocated assets	—	—	2,076
Total assets	187,929	48,824	238,829
Segment liabilities	16,283	18,305	34,588
Unallocated liabilities	—	—	43,344
Total liabilities	16,283	18,305	77,932

* This includes an unallocated expenses of RMB189,000.

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

26. Segment information (Continued)

(a) Business segment (Continued)

Unaudited

1 January 2009 to 31 March 2009

	Self-cultivated shiitake mushrooms RMB'000	Processed food products RMB'000	Total RMB'000
Revenue	53,937	22,323	76,260
Segment results	27,142	7,187	34,329
Other operating income	–	171	171
Selling and distribution expenses	(346)	(95)	(441)
Administrative expenses	(793)	(1,267)	(2,060)
Other operating expenses	–	(63)	(63)
Profit before income tax	26,003	5,933	31,936
Income tax expense	–	(2,954)	(2,954)
Total comprehensive income	26,003	2,979	28,982
Other segment items			
Depreciation and amortisation	21,969	548	22,517
Segment assets	72,380	68,933	141,313
Segment liabilities	1,364	18,217	19,581
Unallocated liabilities	–	–	3,715
Total liabilities	1,364	18,217	23,296

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

26. Segment information (Continued)

(b) Geographical information

The Group's sales, based on customers' location, are mainly in countries such as PRC and Japan.

	For the three months ended 31 March 2010 RMB'000 (unaudited)	31 March 2009 RMB'000 (unaudited)
Sales to external customers		
- PRC	102,407	63,853
- Japan	22,402	12,407
	124,809	76,260

27. Subsequent events

(a) Pursuant to written resolutions in lieu of an extraordinary general meeting dated 20 September 2010, the sole shareholder of the Company, Sanwang, approved, among others, the following:

- (i) the conversion of the Company into a public limited company and the change of name to "Yamada Green Resources Limited";
- (ii) the adoption of the new Articles of Association of the Company;
- (iii) the issue of the New Shares pursuant to the Invitation, such New Shares, when fully paid, allotted and issued, will rank pari passu in all respects with the existing issued and fully paid-up Shares;
- (iv) the listing and quotation of all the issued Shares (including the Invitation Shares to be allotted and issued and the Vendor Shares) on the Official List of the Main Board of the SGX-ST; and
- (v) the authorisation of Directors to issue Shares other than on a pro-rata basis at a discount exceeding 10.0% but not more than 20.0%, which discount is calculated based on the weighted average price for trades done on the SGX-ST on the full market date on which the agreement relating to such issue of Shares is executed (or if trading is not available for a full market day, on the preceding market day up to the time such agreement is executed).

**ANNEXURE F: REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2010**

YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2010**

27. Subsequent events (Continued)

(b) Extension and conversion of redeemable convertible loan by Great Spot Limited ("Great Spot")

Pursuant to an investment agreement dated 24 June 2010 and varied on 8 September 2010, entered into between the Company, Great Spot Limited ("Great Spot") and Chen Qiu Hai, Great Spot subscribed for redeemable convertible loan issued by the company for an aggregate principal amount S\$2.739 million. Great Spot shall be entitled to convert the redeemable convertible loan into such number of fully paid new ordinary shares in the capital of the Company to be calculated based on (i) the enlarged post-Invitation share capital of the Company, (ii) 2.75 times of the fully diluted earnings per share, and (iii) the consolidated net profit after tax for the financial year ended 31 December 2009 of RMB81.675 million.

ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION

29 September 2010

The Board of Directors
Yamada Green Resources Limited
80 Raffles Place
#25-01 UOB Plaza
Singapore 048624

Dear Sirs

Compilation Report of the Reporting Accountants on the Unaudited Pro Forma Group Financial Information

We report on the unaudited Pro forma Group financial information of Yamada Green Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Pro forma Group") for the financial year ended 31 December 2009 and three months financial period ended 31 March 2010, which have been prepared for illustrative purposes only, and based on certain assumptions and after making certain adjustments to show what:

- (a) the financial results of the Group for the financial year ended 31 December 2009 and for the financial period from 1 January 2010 to 31 March 2010 would have been if the group structure as described in Note 4 of the unaudited Pro forma Group financial information as of the date of registration of the Prospectus had been in place since 1 January 2009; and
- (b) the financial positions of the Group as at 31 December 2009 and 31 March 2010 would have been if the group structure described in Note 4 of the unaudited Pro forma Group financial information as of the date of registration of the Prospectus had been in place on 1 January 2009; and
- (c) the statements of changes in equity and cash flows of the Group for the financial year ended 31 December 2009 and for the financial period from 1 January 2010 to 31 March 2010 would have been if the group structure as described in Note 4 of the unaudited Pro forma Group financial information as of the date of registration of the Prospectus had been in place since 1 January 2009.

The unaudited Pro forma Group financial information, because of their nature, may not give a true and fair picture of the Group's actual financial positions, results, changes in equity and cash flows.

The unaudited Pro forma Group financial information, including determination of the adjustments, are the responsibility of the directors of the Company. Our responsibility is to express an opinion on the unaudited Pro forma Group financial information based on our work.

We have carried out procedures in accordance with Singapore Statements of Auditing Practice: SAP 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing the unaudited Pro forma Group financial information to the audited financial statements or unaudited management accounts of the subsidiaries, or where information is not available in the audited financial statements or unaudited management accounts, to accounting records, considering the evidence supporting the adjustments and discussing the unaudited Pro forma financial information of the Group with the directors of the Company.

**ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS
ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION**

In our opinion,

- (a) the unaudited Pro forma Group financial information for the financial year ended 31 December 2009 and for the financial period from 1 January 2010 to 31 March 2010 have been properly prepared:
 - (i) in a manner consistent with the format of the financial statements and the accounting policies of the Group which are in accordance with Singapore Financial Reporting Standards; and
 - (ii) on the basis stated in Note 1 to the unaudited Pro forma Group financial information.
- (b) each material adjustment made to the information used in the preparation of the unaudited Pro forma Group financial information for the financial year ended 31 December 2009 and for the financial period from 1 January 2010 to 31 March 2010 is appropriate for the purpose of preparing such financial information.

Yours faithfully,

BDO LLP
Public Accountants and
Certified Public Accountants
Singapore

Lai Keng Wei
Partner-in-charge

ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION

YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES UNAUDITED PRO FORMA GROUP BALANCE SHEET AS AT 31 DECEMBER 2009

(RMB'000)	Aggregation of audited financial statements of Company and its subsidiaries	Pro forma adjustments	Unaudited Pro forma Group balance sheet
Non-current assets			
Property, plant and equipment	18,513	—	18,513
Biological assets	14,340	—	14,340
Land use rights	7,235	—	7,235
Prepaid lease	14,391	—	14,391
Investments in subsidiaries	—	42,095 ¹ (42,095) ³	—
	54,479	—	54,479
Current assets			
Biological assets	34,706	—	34,706
Inventories	6,582	—	6,582
Trade and other receivables	67,857	—	67,857
Cash and bank balances	5,049	13,454 ²	18,503
	114,194	13,454	127,648
Less:			
Current liabilities			
Trade and other payables	11,323	42,095 ¹	53,418
Income tax payable	3,108	—	3,108
Redeemable convertible loan	—	13,454 ²	13,454
	14,431	55,549	69,980
Net current assets	99,763	(42,095)	57,668
Less:			
Non-current liability			
Deferred tax liability	4,931	—	4,931
Net assets	149,311	(42,095)	107,216
Shareholders' equity			
	149,311	(42,095) ³	107,216
	—	107,216 ³	—
	—	(13,530) ³	—
	—	(93,686) ³	—
	149,311	(42,095)	107,216

1 Based on the assumption that the Company acquired the companies in the Pro forma Group since 1 January 2009.

2 Based on the assumption that redeemable convertible loan had been issued since 1 January 2009.

3 Pro forma adjustments represent elimination of investments in subsidiaries against pre-acquisition shareholder's equity.

*The accompanying notes form an integral part of and should
be read in conjunction with these unaudited Pro forma Group financial information.*

ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION

YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES UNAUDITED PRO FORMA GROUP BALANCE SHEET AS AT 31 MARCH 2010

(RMB'000)	Aggregation of unaudited financial statements of Company and its subsidiaries	Pro forma adjustments	Unaudited Pro forma Group balance sheet
Non-current assets			
Property, plant and equipment	17,728	–	17,728
Biological assets	65,030	–	65,030
Land use rights	32,628	–	32,628
Prepaid lease	15,852	–	15,852
	131,238	–	131,238
Current assets			
Biological assets	3,155	–	3,155
Inventories	9,228	–	9,228
Trade and other receivables	92,994	–	92,994
Cash and bank balances	15,668	–	15,668
	121,045	–	121,045
Less:			
Current liabilities			
Trade and other payables	66,959	(34,401) ⁴	32,558
Income tax payable	3,217	–	3,217
Redeemable convertible loan	13,454	(13,454) ⁵	–
	83,630	(47,855)	35,775
Net current assets	37,415	(47,855)	85,270
Less:			
Non-current liability			
Deferred tax liability	7,756	–	7,756
Net assets	160,897	(47,855)	208,752
Shareholders' equity			
	160,897	34,401 ⁴ 13,454 ⁵	208,752
	160,897	47,855	208,752

4 Based on the assumption that amount due to shareholder has been capitalised to share capital.

5 Based on the assumption that redeemable convertible loan has been converted into share capital.

*The accompanying notes form an integral part of and should
be read in conjunction with these unaudited Pro forma Group financial information.*

**ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS
ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
UNAUDITED PRO FORMA GROUP STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009
AND FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2010**

No unaudited Pro forma Group statements of comprehensive income and the corresponding statements of adjustment have been prepared for the financial year ended 31 December 2009 and for the financial period from 1 January 2010 to 31 March 2010 as no adjustment needs to be made to the statements of comprehensive income for the financial year ended 31 December 2009 and for the financial period from 1 January 2010 to 31 March 2010.

*The accompanying notes form an integral part of and should
be read in conjunction with these unaudited Pro forma Group financial information.*

**ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS
ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
UNAUDITED PRO FORMA GROUP STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009
AND FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2010**

(RMB'000)	For the financial year ended 31 December 2009	For the financial period from 1 January 2010 to 31 March 2010
Balance at beginning of the financial year/period	89,034	107,216
Dividend paid	(21,398)	–
Adjustments arising from Group restructuring	(149,311)	–
Capitalisation of amount due to shareholder	–	34,401
Conversion of redeemable convertible loan to share capital	–	13,454
Merger reserve	107,216	–
Total comprehensive income for the financial year/period	81,675	53,681
Balance at end of the financial year/period	<u>107,216</u>	<u>208,752</u>

*The accompanying notes form an integral part of and should
be read in conjunction with these unaudited Pro forma Group financial information.*

ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION

YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES UNAUDITED PRO FORMA GROUP STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

(RMB'000)	Aggregation of audited financial statements of Company and its subsidiaries	Pro forma adjustments	Unaudited Pro forma Group cash flows
Cash flows from operating activities			
Profit before income tax	91,774	—	91,774
Adjustments for:			
Depreciation and amortisation	55,627	—	55,627
Loss on disposal of property, plant and equipment	24	—	24
Gain from changes in fair value of biological assets	(6,443)	—	(6,443)
Unrealised foreign exchange gain	(14)	—	(14)
Interest income	(16)	—	(16)
Operating profit before working capital changes	140,952	—	140,952
Biological assets	(63,102)	—	(63,102)
Inventories	11	—	11
Trade and other receivables	(36,670)	—	(36,670)
Trade and other payables	1,863	—	1,863
Cash generated from operations	43,054	—	43,054
Interest received	16	—	16
Income taxes paid	(6,482)	—	(6,482)
Net cash generated from operating activities	36,588	—	36,588
Cash flows used in investing activities			
Proceeds from disposal of property, plant and equipment	7	—	7
Purchase of property, plant and equipment	(1,492)	—	(1,492)
Purchase of biological assets	(7,897)	—	(7,897)
Purchase of land use rights	(3,018)	—	(3,018)
Prepaid lease	(3,812)	—	(3,812)
Net cash used in investing activities	(16,212)	—	(16,212)
Cash flows from financing activities			
Dividends paid	(21,398)	—	(21,398)
Proceeds from redeemable convertible loan	—	13,454 ⁶	13,454
Net cash used in financing activities	(21,398)	13,454	(7,944)
Net (decrease)/increase in cash and bank balances	(1,022)	13,454	12,432
Cash and bank balances at beginning of the financial year	6,063	—	6,063
Effect of foreign exchange rate changes in cash and bank balances	8	—	8
Cash and bank balances at end of the financial year	5,049	13,454 ⁶	18,503

6 Based on the assumption that redeemable convertible loan had been issued since 1 January 2009.

*The accompanying notes form an integral part of and should
be read in conjunction with these unaudited Pro forma Group financial information.*

**ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS
ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
UNAUDITED PRO FORMA GROUP STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2010**

No unaudited Pro forma Group statement of cash flows and the corresponding statement of adjustments have been prepared for the financial period from 1 January 2010 to 31 March 2010 as no adjustment needs to be made to that statement.

*The accompanying notes form an integral part of and should
be read in conjunction with these unaudited Pro forma Group financial information.*

ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION

YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES NOTES TO THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 AND FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2010

1. Basis of preparation

The unaudited Pro forma Group financial information for the financial year ended 31 December 2009 and for the financial period from 1 January 2010 to 31 March 2010 have been prepared for illustrative purposes only. These are prepared in accordance with the accounting policies of the Pro forma Group as set out in Note 2 to the unaudited Pro forma Group financial information. These are prepared based on certain assumptions and after making certain adjustments to show what the financial results, changes in equity and cash flows of the Pro forma Group would have been had the Restructuring Exercise as described in Note 4 of the unaudited Pro forma Group financial information being in place since the beginning of the financial period ended 1 January 2009 or since the respective dates of incorporation of the Company in the Pro forma Group and what the financial positions of the Pro forma Group as at 31 December 2009 and 31 March 2010 would have been if the Restructuring Exercise as described in Note 4 of the unaudited Pro forma Group financial information being in place at the beginning of the financial year ended 31 December 2009.

The unaudited Pro forma Group financial information, because of their nature, may not give a true picture of the Pro forma Group's actual financial results and position. The objective of the unaudited Pro forma statement of comprehensive income and balance sheet is to present what the historical comprehensive income and balance sheet might have been had the Pro forma Group as described above existed at an earlier date. The unaudited Pro forma statement of comprehensive income and balance sheet of the unaudited Pro forma Group are not necessarily indicative of the results of the operations or related effects on the financial position that would have been attained if the unaudited Pro forma Group, as described above, actually existed earlier.

The unaudited Pro forma financial information for the financial year ended 31 December 2009 and for the financial period from 1 January 2010 to 31 March 2010 has been prepared based on audited financial statements of the Group for the financial year ended 31 December 2009 and the report on review of financial statements of the Group for the financial period from 1 January 2010 to 31 March 2010.

In arriving at the unaudited Pro forma Group financial information, adjustments were made as considered necessary in order to present the unaudited Pro forma Group financial information on a consistent and comparable basis, as if the restructuring exercise had existed since 1 January 2009.

All material inter-group transactions and balances have been eliminated in the preparation of the unaudited Pro forma Group financial information.

2. Significant accounting policies

The unaudited Pro forma Group financial information is prepared using the same accounting policies as the audited combined financial statements of the Group for the financial years ended 31 December 2007, 2008 and 2009 and for the financial period from 1 January 2010 to 31 March 2010.

ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION

YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES NOTES TO THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 AND FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2010

2. Significant accounting policies (Continued)

Redeemable convertible loan is recognised initially at fair value, net of transaction costs incurred. Redeemable convertible loan is subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the loan using the effective interest method.

Redeemable convertible loan is expected to be converted within twelve months, hence no fair value estimation is used.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

3. Others

There are no changes in the unaudited Pro forma Group financial information as compared to the unaudited financial statements of the Group to 31 March 2010 except for the capitalisation of amount due to shareholder and conversion of redeemable convertible loan. Accordingly, no separate note disclosures have been made from those as provided under the Notes to the Combined Financial Statements for the financial years ended 31 December 2007, 2008 and 2009 and for the financial period from 1 January 2010 to 31 March 2010.

4. Restructuring exercise

The restructuring exercise ("Restructuring Exercise"), comprising the following steps, was undertaken by the Group in preparation for the listing of the Group on the SGX-ST:

(a) Incorporation of the Company

The Company was incorporated in Singapore on 8 February 2010 as the holding company of the Group with an issued and paid-up share capital of S\$2.00 comprising 2 ordinary shares, which were transferred to Sanwang on 9 September 2010. The entire share capital of Sanwang is wholly-owned by the Executive Chairman and CEO, Chen Qiuhai.

(b) Acquisitions of Wangcheng and Yuanwang

On 21 February 2010, the Company, as the purchaser, and Sanwang, as the vendor, entered into the Share Transfer Agreements, pursuant to which the Company acquired the entire registered capital of each of Wangcheng and Yuanwang from Sanwang for a consideration of US\$4.03 million and US\$1.0 million, respectively. The above consideration was determined based on the registered and paid-up capital of each of Wangcheng and Yuanwang. The acquisition was approved by Minhou and Pucheng Foreign Trade and Economic Cooperation Bureau and the consideration was satisfied by the allotment and issue of an aggregate of 307,287,505 Shares in the capital of the Company to Sanwang on 9 September 2010.

Following the completion of the above acquisitions, each of Wangcheng (and accordingly Fengwang) and Yuanwang became wholly-owned subsidiaries of the Company.

**ANNEXURE G: COMPILATION REPORT OF THE REPORTING ACCOUNTANTS
ON THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION**

**YAMADA GREEN RESOURCES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009
AND FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2010**

4. Restructuring exercise (Continued)

(c) Extension and conversion of redeemable convertible loan by Great Spot Limited ("Great Spot")

Pursuant to an investment agreement dated 24 June 2010 and varied on 8 September 2010, entered into between the Company, Great Spot and Chen Qiu Hai, Great Spot extended a redeemable convertible loan to the Company for an aggregate principal amount of S\$2.739 million. Great Spot shall be entitled to convert the redeemable convertible loan into such number of fully paid new Shares to be calculated based on (i) the enlarged post-Invitation share capital of the Company, (ii) 2.75 times of the fully diluted earnings per Share, and (iii) the consolidated net profit after tax for the financial year ended 31 December 2009 of RMB81.675 million.

On 24 September 2010, 24,395,711 shares were allotted and issued to Great Spot by the Company.

**ANNEXURE H: LETTER FROM NRA CAPITAL PTE. LTD. TO THE
INDEPENDENT DIRECTORS OF YAMADA GREEN RESOURCES LIMITED
IN RESPECT OF THE SHAREHOLDERS' MANDATE FOR RECURRENT
CONNECTED PERSON TRANSACTIONS**

29 September 2010

The Independent Directors
Yamada Green Resources Limited
80 Raffles Place
#25-01 UOB Plaza
Singapore 048624

Dear Sirs

THE SHAREHOLDERS' MANDATE FOR RECURRENT CONNECTED PERSON TRANSACTIONS

1. INTRODUCTION

This letter has been prepared for the use of the Independent Directors of Yamada Green Resources Limited (the **"Company"**), to be incorporated into the prospectus to be registered with the Monetary Authority of Singapore in connection with the proposed listing of the Company on the SGX-ST (the **"Prospectus"**). Unless otherwise defined herein, all terms in this letter shall have the same meanings as defined in the Prospectus.

The Company is proposing to adopt a mandate (the **"Shareholders' Mandate"**) for the Group to enter into a category of transactions with specified classes of connected persons (the **"Recurrent Connected Person Transactions"**) without the prior approval of such transactions by Shareholders at general meeting.

In compliance with the requirements of Chapter 9 of the Listing Manual, NRA Capital Pte. Ltd. (**"NRA Capital"**) has been appointed by the Independent Directors of the Company as the independent financial adviser to provide an opinion on whether the methods and procedures set out in the Shareholders' Mandate as described in Section 9.13.5 entitled "Guidelines and Review Procedures for Recurrent Connected Person Transactions" on pages 157 to 159 of the Prospectus, for determining the transaction prices of the Recurrent Connected Person Transactions are sufficient to ensure that the Recurrent Connected Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

2. TERMS OF REFERENCE

The objective of this letter is to provide an independent opinion, for the purposes of Chapter 9 of the Listing Manual, on whether the methods and procedures set out in the Shareholders' Mandate for determining the transaction prices of the Recurrent Connected Person Transactions are sufficient to ensure that the Recurrent Connected Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

**ANNEXURE H: LETTER FROM NRA CAPITAL PTE. LTD. TO THE
INDEPENDENT DIRECTORS OF YAMADA GREEN RESOURCES LIMITED
IN RESPECT OF THE SHAREHOLDERS' MANDATE FOR RECURRENT
CONNECTED PERSON TRANSACTIONS**

We have not been involved, whether directly or indirectly, in any aspect of the discussions on the scope of the Shareholders' Mandate and the category of the Recurrent Connected Person Transactions. We have also not been involved in the deliberations leading up to the decision by the Directors to obtain the Shareholders' Mandate or the methods or procedures to be adopted by the Group to ensure that the Recurrent Connected Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

It is not within our terms of reference, nor have we been requested to evaluate or comment on the merits and/or associated risks, whether legal, commercial, strategic, financial or otherwise, of the Recurrent Connected Person Transactions or the Shareholders' Mandate and as such, we do not express an opinion thereon. The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects or earnings potential of the Company or the Group. Such evaluation or comments are and remain the sole responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary and appropriate by us) in arriving at our opinion.

In the course of our review, we have held discussions with the Directors and management of the Company (the "**Management**") and have examined information provided to us by the Company. We have also relied on the information contained in the Prospectus. We have not independently verified such information furnished by the Directors and the Management or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors and the Management have confirmed to us that, to the best of their knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained in the Prospectus constitutes full and true disclosure, in all material respects, of all material facts relating to the Shareholders' Mandate, and there is no other material information or fact, the omission of which would cause any of the information contained herein or in the Prospectus to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information on which we have relied, we have not independently verified the information but nevertheless have made reasonable enquiries and used our judgment in assessing the information as was deemed necessary and have found no reason to doubt the reliability of the information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Prospectus have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations or financial conditions of the Group.

We are not required to conduct and have not conducted any review of the historical or current Recurrent Connected Person Transactions carried out by the Group. Accordingly, we do not express any opinion on whether such Recurrent Connected Person Transactions were or are in compliance with the review procedures set out under the Shareholders' Mandate. The implementation of such review procedures is the responsibility of the Directors.

We are not required or authorised to obtain, and we have not obtained, any quotations or transaction prices extended to third parties for the sales of products similar to those which are to be covered by the Shareholders' Mandate, and therefore are not able to, and did not, compare the Recurrent Connected Person Transactions with similar transactions with third parties.

**ANNEXURE H: LETTER FROM NRA CAPITAL PTE. LTD. TO THE
INDEPENDENT DIRECTORS OF YAMADA GREEN RESOURCES LIMITED
IN RESPECT OF THE SHAREHOLDERS' MANDATE FOR RECURRENT
CONNECTED PERSON TRANSACTIONS**

Our view as set forth in this letter is based on prevailing market, industry, monetary, regulatory, economic and other applicable conditions, and our analysis of the information provided in the Prospectus, as well as information made available to us as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

Our opinion is solely for the use and benefit of the Independent Directors in their deliberation on the Shareholders' Mandate. The recommendation made by the Independent Directors shall remain the responsibility of the Independent Directors. In preparing this opinion, we have not had regard to specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As each Shareholder may have different investment objectives and consideration, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

Our opinion in relation to the Shareholders' Mandate should be considered in the context of the entirety of this letter and the Prospectus.



3. THE SHAREHOLDERS' MANDATE FOR RECURRENT CONNECTED PERSON TRANSACTIONS

3.1 Background of the Group

The Group is a major supplier of self-cultivated shiitake mushrooms and operates one of the largest shiitake mushroom cultivation bases in Fujian Province, PRC. It is also a manufacturer and supplier of processed food products such as mushrooms, and vegetable and convenience food products.

The Group's products may be broadly categorised into (i) self-cultivated shiitake mushrooms (fresh produce and dried products) and (ii) processed food products, including mushrooms, vegetable and convenience food products (mainly konjac-based).

The Group's self-cultivated shiitake mushrooms are sold mainly to wholesalers of agricultural food products in PRC, who in turn sell the products to restaurants, supermarkets and retailers located mainly in Shanghai, and Fujian, Zhejiang, Jiangsu and Guangdong Provinces, PRC.

The Group's processed food products are produced and marketed under its registered trademarks such as ,  and 懒人厨房 and sold in major cities such as Shanghai, and Xiamen in Fujian Province, PRC, and Shenzhen and Guangzhou in Guangdong Province, PRC. It also exports its processed food products to overseas markets, mainly Japan and the US.

The Group's processed food products are distributed and sold to (i) PRC consumers mainly through supermarkets, and (ii) overseas markets such as Japan and the US, through Tennen Sozai and Fujimoto who are established players in the food products processing and distribution industry in Japan, and JFC International Inc from the US.

**ANNEXURE H: LETTER FROM NRA CAPITAL PTE. LTD. TO THE
INDEPENDENT DIRECTORS OF YAMADA GREEN RESOURCES LIMITED
IN RESPECT OF THE SHAREHOLDERS' MANDATE FOR RECURRENT
CONNECTED PERSON TRANSACTIONS**

3.2 Classes of Connected Persons

The Shareholders' Mandate will apply to transactions between the Group and the following persons (the "**Connected Persons**"):

- (a) Chen Liyan (陈丽燕), sister of the Executive Chairman and CEO, Chen Qiuhai and the Executive Officer, Chen Qiufa;
- (b) Deng Wenfeng (邓文锋), husband of Chen Liyan;
- (c) Luo Qiaohua (罗巧花), wife of the Executive Officer, Chen Qiufa; and
- (d) Du Deming (杜德明), cousin of the Executive Chairman and CEO, Chen Qiuhai and the Executive Officer, Chen Qiufa.

Transactions with interested persons that do not fall within the ambit of the Shareholders' Mandate shall be subject to the provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions of the Listing Manual.

3.3 Categories of the Recurrent Connected Person Transactions

The transactions with the Connected Persons are in connection with the sales of self-cultivated shiitake mushrooms and processed food products by the Group to the Connected Persons which are recurrent transactions of a revenue nature.

3.4 Rationale for and Benefits of the Shareholders' Mandate

The full text of the Directors' rationale for, and the benefits of, the Shareholders' Mandate can be found in Section 9.13.4 entitled "Rationale for and Benefits of the Shareholders' Mandate" of the Prospectus.

We note, *inter alia*, the following:

- (a) the Shareholders' Mandate (if approved and renewed on an annual basis) will eliminate, among others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions with the Connected Persons arise, thereby reducing substantially the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the Group's corporate objectives and adversely affecting the business opportunities available to the Group;
- (b) the Recurrent Connected Person Transactions are recurring transactions of a revenue nature in the ordinary course of business and they are likely to occur with some degree of frequency and arise at any time and from time to time; and
- (c) the Directors are of the view that it will be beneficial for the Group to transact or continue to transact with the Connected Persons after the listing of the Company on the SGX-ST.

**ANNEXURE H: LETTER FROM NRA CAPITAL PTE. LTD. TO THE
INDEPENDENT DIRECTORS OF YAMADA GREEN RESOURCES LIMITED
IN RESPECT OF THE SHAREHOLDERS' MANDATE FOR RECURRENT
CONNECTED PERSON TRANSACTIONS**

4. GUIDELINES AND REVIEW PROCEDURES FOR RECURRENT CONNECTED PERSON TRANSACTIONS

The detailed text of the guidelines and review procedures for the Recurrent Connected Person Transactions can be found in Section 9.13.5 entitled "Guidelines and Review Procedures for Recurrent Connected Person Transactions" of the Prospectus.

We note that the Group has implemented the following internal control procedures to ensure that the Recurrent Connected Person Transactions will be undertaken on normal commercial terms and/or on an arm's length basis; that is, the transactions are transacted on terms not more favourable to the Connected Persons than if they were transacted with an unrelated third party, and are not prejudicial to the interests of the Company and its minority Shareholders:

4.1 Approval Limits for Recurrent Connected Person Transactions

The Company will monitor transactions with the Connected Persons entered into by the Group and categorise these transactions as follows:

- (a) any transaction whose value is less than 3% of the latest audited net tangible assets of the Group will be reviewed and approved by a non-interested executive Director. In the event that all the executive Directors have an interest, whether directly or indirectly, in the transaction, it will be reviewed and approved by a Director who is non-executive and not interested in the transaction; and
- (b) any transaction whose value is equal to or exceeds 3% of the latest audited net tangible assets of the Group will be reviewed and approved by at least one member of the Audit Committee.

4.2 Procedures for Determining Transaction Prices of Recurrent Connected Person Transactions

When supplying products to a Connected Person, the sale price, and the terms, of at least two successful sales of a similar nature to non-Connected Persons within the last one month will be used for comparison. The sale price for the supply of products shall not be lower than the lowest sale price of such other transaction(s) (of a similar nature) with non-Connected Persons.

In the event that it is not possible for appropriate information (for comparative purposes) to be obtained, a Director (with no interest, direct or indirect, in the Recurrent Connected Person Transaction) will determine whether the price and/or other terms offered by or to the Connected Persons are fair and reasonable, and approve such Recurrent Connected Person Transaction. In so determining, such Director will consider whether the price and/or other terms are in accordance with usual business practices and pricing policies and consistent with the usual margins and/or terms to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken at an arm's length and on normal commercial terms.

**ANNEXURE H: LETTER FROM NRA CAPITAL PTE. LTD. TO THE
INDEPENDENT DIRECTORS OF YAMADA GREEN RESOURCES LIMITED
IN RESPECT OF THE SHAREHOLDERS' MANDATE FOR RECURRENT
CONNECTED PERSON TRANSACTIONS**

4.3 Procedures for Identification and Recording of Recurrent Connected Person Transactions

The Company will maintain a register of interested persons and Connected Persons. This register will be updated regularly and will be sent to the CFO and the Audit Committee on a monthly and quarterly basis for review, respectively. The purpose of this register is to enable the CFO and the Audit Committee to identify the Connected Persons so as to facilitate the recording of all Recurrent Connected Person Transactions.

The Company will also maintain a register of transactions carried out with interested persons and Connected Persons including those pursuant to the Shareholders' Mandate (recording the basis, including the quotations obtained and relevant documents maintained by the Company to support such basis, on which they were entered into). This register of transactions shall be reviewed by the Audit Committee on a quarterly basis.

In addition, the Group's internal audit plan will incorporate a review of the transactions entered into in the relevant financial year pursuant to the Shareholders' Mandate. The internal auditor, if any, shall be required to review such transactions and report directly to the Audit Committee on them. In the event that the Company does not have any internal auditor, the Company's external auditor will be required to review such transactions and report directly to the Audit Committee. Such internal audit plan is subject to the approval of the Audit Committee and the Board.

In the event that any member of the Audit Committee or the Board (where applicable) is interested in any Recurrent Connected Person Transaction, he/she will abstain from any decision making by the Audit Committee or the Board in respect of that transaction.

If during the quarterly reviews, the Audit Committee is of the view that the internal control procedures as stated above are not sufficient to ensure that the Recurrent Connected Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders, the Company will obtain a fresh mandate from Shareholders based on new guidelines and review procedures with Connected Persons. All Recurrent Connected Person Transactions shall be reviewed and approved by at least one member of the Audit Committee prior to entry while a fresh mandate is being sought from Shareholders. In the event that a member of the Audit Committee is interested in any of the Recurrent Connected Person Transactions, that member will abstain from reviewing that particular transaction.

The Audit Committee will also review transactions with interested persons on a quarterly basis with a view to ensuring that the prevailing rules of the SGX-ST (in particular, Chapter 9 of the Listing Manual) are complied with. The Audit Committee and the Board shall have the overall responsibility for the determination of the review procedures.

5. EVALUATION OF THE REVIEW PROCEDURES IN RELATION TO THE SHAREHOLDERS' MANDATE

In arriving at our opinion as to whether the methods and procedures for determining transaction prices of the Recurrent Connected Person Transactions under the Shareholders' Mandate are sufficient to ensure that the Recurrent Connected Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, we have given due consideration to, *inter alia*, the following key factors:

**ANNEXURE H: LETTER FROM NRA CAPITAL PTE. LTD. TO THE
INDEPENDENT DIRECTORS OF YAMADA GREEN RESOURCES LIMITED
IN RESPECT OF THE SHAREHOLDERS' MANDATE FOR RECURRENT
CONNECTED PERSON TRANSACTIONS**

- (a) the Directors' rationale for, and benefits accruing to the Group arising from the Shareholders' Mandate;
- (b) the Shareholders' Mandate and its details, including the classes of Connected Persons and the category of Recurrent Connected Person Transactions; and
- (c) the guidelines and review procedures under the Shareholders' Mandate, including the role of the Audit Committee in enforcing the Shareholders' Mandate.

6. CONCLUSION

Based on the above considerations and subject to the qualifications and assumptions made herein, we are of the opinion that the current review procedures for determining the transaction prices of the Recurrent Connected Person Transactions under the Shareholders' Mandate as set out in Section 9.13 entitled "Shareholders' Mandate for the Recurrent Connected Person Transactions" of the Prospectus, if adhered to and applied properly at all times, are sufficient to ensure that the Recurrent Connected Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We have prepared this letter for the use of the Independent Directors in connection with and for the purposes of their consideration of the Shareholders' Mandate and for inclusion in the Prospectus. Our opinion should not be relied on as an indication of the merits of the Recurrent Connected Person Transactions, the Group or the Shares to any potential investor of the Company nor a recommendation to any future Shareholder as to how such Shareholder should vote on the renewal of the Shareholders' Mandate, if any.

Whilst a copy of this letter may be reproduced in the Prospectus, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NRA Capital in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore and, any amendments thereto shall not apply.

Yours faithfully

Kevin Scully
Executive Chairman
NRA Capital Pte. Ltd.

Vicky Han
Head of Corporate Finance
NRA Capital Pte. Ltd.

