



YAMADA GREEN RESOURCES LIMITED
(Company Registration No. 201002962E)
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE SGX-ST LISTING MANUAL

The board of directors (the “**Board**”) of Yamada Green Resources Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s Independent Auditor, Foo Kon Tan LLP (“**Independent Auditor**”) have issued a qualified opinion in the Independent Auditor’s Report on the consolidated financial statements of the Company and its subsidiaries for the financial year ended 30 June 2019.

Relevant sections of the Independent Auditor’s Report are reproduced below:

Independent Auditor’s Report to the Members of Yamada Green Resources Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Yamada Green Resources Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (“SFRS(I)”), so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2019 and of the financial performance, changes in equity and cash flows of the Group for the year then ended.

Basis for Qualified Opinion

Our independent auditor’s report on the consolidated financial statements of the Group and the statement of financial position of the Company for the financial years ended 30 June 2017 and 2018 dated 30 January 2019 contained a disclaimer of opinion on those financial statements. The basis for disclaimer of opinion on the financial statements is as disclosed in the auditors’ report of those financial statements.

To the extent of the spill over of the effect on the disclaimer of opinion in FY2017 and FY2018 onto the financial statements for the financial year ended 30 June 2019, the opening balance has been qualified on the uncertainty of the possible impact to the assets, liabilities and income statement as of and for the financial year ended 30 June 2019, which may be affected and impacted by any circumstances not known of as at the date of this report. Accordingly, the financial statements have been qualified to this extent.

Unaccountable balance of RMB 29,349,000

In so far as the opening balance of the unaccountable balance of RMB 29 million is concerned, it relates to the residual which cannot be represented as at 30 June 2018. For the financial year

ended 30 June 2019, the management has tried to authenticate whether the residual sum of RMB 29 million standing as a credit balance is a liability, income or deferred income. In this regard, the PRC subsidiaries' legal counsel has conducted legal due diligence processes to verify this residual sum and its completeness.

Given the passage of time, because of the inherent nature of the residual sum which was derived from the reconstruction of the books and records since FY2017 and FY2018, the management believed that the residual sum should be fairly represented as a non-distributable reserve standing in equity. On this basis, we were of the opinion that the transfer of the unaccountable balances from trade and other payables to equity as a non-distributable reserve as at 30 June 2019 has been satisfactory resolved and dealt with. Full details can be found in Note 21.

Basis for Qualified Opinion (Cont'd)

Other items of disclaimer of opinion in FY2017 and FY2018

In so far as to the disclaimer of opinion made in FY2017 and carried forward to FY2018, the matters referred below were resolved during the financial year ended 30 June 2019 as follows:

(a) Moso bamboo and eucalyptus plantation

The realisation from the disposal of the moso bamboo and eucalyptus plantation and the net sum from the realisation has been recognised and recorded in the income statement during the year ended 30 June 2018. Since that date and to the date of this report, there has been no claim whatsoever or howsoever which the PRC subsidiaries were made aware of as well as the PRC subsidiaries' legal counsel had made attempts to notify parties to this business and to file any possible claims. Because of the fact that there was no claim received, we were of the opinion that the realisation of the moso bamboo and eucalyptus plantation since FY2018 were satisfactory resolved and dealt with during the financial year ended 30 June 2019.

(b) Processed food products

As most of the sales of the processed food products which comprised mainly mushrooms and bamboo shoots food products were exported to Japan, we have performed the necessary circularisation procedures for which confirmations have been received and/or alternative audit procedures have been carried out for the financial year ended 30 June 2019. In so far as the liabilities are concerned, the ongoing business and the suppliers and creditors which have been inactive, the PRC subsidiaries' legal counsel had sent and obtained confirmations. On this basis, we were of the opinion that the recording of the books and records, in so far as it related to transactions with these parties was legally and satisfactory dealt with during the financial ended 30 June 2019.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were

addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters (Cont'd)

Impairment assessment and valuation of property, plant and equipment, investment properties and land use rights	Audit Response/ Procedures
<p><u>Risk identified</u></p> <p>As at 30 June 2019, the total carrying amount of the Group's property, plant and equipment, investment properties and land use rights was approximately RMB 64.0 million, RMB 180.7 million and RMB 18.6 million respectively (2018: RMB 71.2 million, RMB 173.4 million, RMB 22.9 million) and the carrying amount of the Company's investment property was RMB 7.8 million (2018: Leasehold property of RMB 8.4 million) as at that date.</p> <p>The Group and Company have performed an impairment assessment and valuation on its property, plant and equipment, investment properties and land use rights.</p> <p>The impairment assessment and valuation exercise were significant to our audit because these assets were material to the financial statements of the Group and the Company and the assessment process by management involves significant judgment and accounting estimates.</p> <p>The accounting policy for the property, plant and equipment, investment properties and land use rights is set out in Notes 4, 8, and 6 to the accompanying financial statements.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • evaluated and challenged the material assumptions as well as the sensitivity to change in the assumptions made by an independent valuation expert of the Group and the Company; • assessed the competency, capability and objectivity of the independent valuation expert; • engaged our auditor expert in evaluating the appropriateness of the methodologies and assumptions made by the independent valuation expert; • evaluated whether our auditor expert has the necessary competence, capability and objectivity for our purpose; and • assessed the adequacy of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described

in the Basis for Qualified Opinion section above, the annual reports for FY2017 and FY2018 contained a disclaimer of opinion which have an impact on the opening balances of the Group and the Company for the financial year ended 30 June 2019. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

Other Matters

- (1) The 2018 audited report dated 30 January 2019 on the financial statements contained a disclaimer of opinion on land use rights and internal control and corporate governance, which were resolved for the financial year ended 30 June 2019 as follows:

a) Land use rights

The land use rights with a carrying amount of RMB 913,000 (2018: RMB 947,000) in relation to parcel of land located at No. 2 Shengfeng Road, Liantang Town, Pucheng County, Nanping City, Fujian Province in the PRC continue to be subject to certain restrictions as to the intended use. As the amount is not material to the financial statements, disclosure of the restricted use of the land use rights has been made in Note 6 to the financial statements.

b) Internal control and corporate governance

The Company's internal auditor has performed an internal audit and a review of the corporate governance of the Company for the period from 1 May 2018 to 30 April 2019 and has submitted the draft internal controls report to the SGX in September 2019. Management has put in place internal control policies effective from 1 May 2019. To the extent applicable, we have obtained an understanding of the internal controls that are relevant to our audit of the Company and the Group for the year ended 30 June 2019.

Other Matters (Cont'd)

- (2) Report made by BDO LLP to the Minister of Finance ("MOF") of Singapore

As fully explained in the 2018 Annual Report, BDO LLP had, on 25 September 2017, informed the Board that it had made a confidential report to the MOF under Section 207(9A) of the Act on 21 September 2017.

As of the date of this report, there is no further development noted.

The engagement partner on the audit resulting in this independent auditor's report is Chang Fook Kay.

By Order of the Board

Chen Qiuhai
Executive Director and Chief Executive Officer
17 October 2019