



# YAMADA GREEN RESOURCES LIMITED AND SUBSIDIARIES

(Company Registration Number 201002962E)  
(Incorporated in the Republic of Singapore)

Yamada Green Resource Limited (the “Company”, and together with its subsidiaries, the “Group”) refers to the financial statements of the Group for the period ended 30 September 2022 released on SGXNet on 08 November 2022 and the Company’s announcement dated 25 November 2022 on “Production Disruption to Fujian Wangsheng Industrial Co., Ltd”. The Company would like to provide the following information in response to the queries raised by the Singapore Exchange Securities Trading Limited on 5 December 2022.

## Query 1

Please explain why interest income amounted to only RMB 15,000 during the financial period ended 30 September 2022 when the Company has significant cash and bank balance amounting to RMB 14,481,000.

### Response to Query 1

The lower interest earned was primarily due to the fact that approximately 90% of the bank balance is held in current accounts for working capital and the bank offering a lower interest rate on a rolling basis.

## Query 2

Please disclose:

- (i) a breakdown of the Group’s trade and other receivables;
- (ii) aging of the Group’s trade receivables;
- (iii) details of the Group’s underlying transactions of its other receivables and the terms of the transactions;

### Response to Query 2

- (i) The breakdown of the Group’s trade and other receivables:

	<b>Total</b>	
	<b>RMB'000</b>	
Trade receivables	6,613	
VAT receivables	5,482	
Advances to suppliers	3,503	
Other receivables - third parties	79	
<b>Total</b>	<b>15,677</b>	

(ii) Aging of the Group's trade receivables:

30 September 2022	Current	Past Due				Total
		Within 30 days	31 to 60 days	61 to 90 days	More than 90 days	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade Receivables						
- Gross	6,613	-	-	-	-	6,613

(iii) Terms of the transactions:

- VAT Receivable relates to the percentage of qualifying purchases at the time the vendor invoices are processed; and
- Advances to suppliers are related to the payment in advance for refurbishment work to the leasehold buildings.

Query 3

It is noted that the Company has a net cash outflow from operating activities of RMB 3,489,000 and a net profit of RMB 974,000 for the financial period ended 30 September 2022. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial period.

Response to Query 3

The main reason for a net cash outflow from operating activities are due to:

- Increase in trade receivables of RMB2,549,000 compare to June 2022 (which the subsequent collection was RMB4,703,000 as of 30 November 2022); and
- an RMB3,503,000 advance payment to suppliers for leasehold building refurbishment work during the financial period.

Query 4

Please provide explanations for the increase of RMB 6,276,000 in the Group's trade and other receivables from RMB 9,401,000 as at 30 June 2022 to RMB 15,677,000 as at 30 September 2022.

Response to Query 4

The RMB 6,276,000 increase in the group's trade and other receivables is principally attributable to the RMB 2,549,000 increase in trade receivables and the RMB 3,503,000 advance to supplier for refurbishment work to the leasehold buildings.

#### Query 5

Please disclose a breakdown of trade and other payables amounting to RMB 13,810,000 as at 30 September 2022. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

#### Response to Query 5

	<b>Total</b>	
	<b>RMB'000</b>	
Trade payables	5,374	
Government tax payables	3,912	
Accruals	3,772	
Rental Deposits	752	
<b>Total</b>	<b>13,810</b>	

There are no related parties involved under other payables and the nature of these other payables are:

- Government tax payables relate to provision of tax liabilities; and
- Accruals relate to liabilities for employee benefit costs and professional fees.

And, aging of the Group's trade payables as follows:

30 September 2022	Current	Past Due				Total	
		Within 30 days	31 to 60 days	61 to 90 days	More than 90 days		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade Payables							
- Gross	3,258	1,535	122	459	-	5,374	

#### Query 6

It is noted on page 12 of the unaudited financial statements for the financial period ended 30 September 2022 that there was a reversal of impairment loss on investment in subsidiaries for the period of RMB1,719,000. Please disclose the basis for the reversal of impairment loss on investment in subsidiaries.

#### Response to Query 6

The basis for the reversal of impairment loss is mainly due to the increase in NTA (net tangible assets) of subsidiaries when compared to the investment cost in subsidiaries for the financial period ended 30 September 2022.

#### Query 7

It is disclosed on page 17 of the unaudited financial statements for the financial period ended 30 September 2022 that, "The decrease mainly arose from lower inventories as a result of a decline in sales orders from our customers of food processing business during the period." Please explain the significant decrease in inventories of 30% as compared to the drop in revenue during the period.

#### Response to Query 7

The significant decrease in inventories is primarily due to a decrease in sales orders as a result of the Japanese currency depreciation and inflationary pressure on direct production costs. As usual, the company's procurement peaks in Q4 2022 and sales orders are mostly processed by de stocking in Q1 2023, causing the company to slow down procurement and reduce purchases of bamboo shoots raw materials.

*SGX Queries in relate to the Company's announcement titled "Production disruption to Fujian Wangsheng Industrial Co. Ltd", released on 25 November 2022.*

#### Query 8

Please elaborate on the restrictions imposed by the local government department and period of such restrictions.

#### Response to Query 8

In September 2022, the local government issued a Notice of "Fuzhou Minhou Ecological Environment Bureau on the Implementation of Off-peak Production Requirements". According to this document, the government requires enterprises to stop using biomass fuel boilers from 19:00 to the early morning of the next day from November 24 onwards, and restricts the time of usage of biomass fuel boilers until the enterprises are installed with natural gas boilers.

#### Query 9

Please clarify whether there is any long-term impact on the Company's operations beyond the third quarter of the financial year ending 30 June 2023 arising from the above restrictions.

#### Response to Query 9

The new natural gas boiler equipment for the company is expected to be installed and operational in January 2023. Because the price of natural gas is expected to rise by approximately 40% when compared to the cost of biomass fuel, thus it will have a long-term impact on the company's production costs and customer orders from the Q3FY2022 onwards.

#### Query 10

Please disclose an assessment on the operational and financial impact of these restrictions to the Company for the financial year ending 30 June 2023. Please also elaborate how the restrictions have affected the production capacity of Wangsheng, including the capacity utilization of the operating plants.

#### Response to Query 10

The impact of these restrictions on the Company's operation and finance includes but are not limited to:

1. The company's production time has been reduced from 16 hours to 11 hours per day, resulting in a 25% reduction in capacity at the same time. Currently, the company's capacity utilization is close to full capacity;
2. The Company's fuel cost shifts from biomass fuel equipment to natural gas fuel equipment, necessitating the purchase of new boiler equipment and a corresponding transformation cost is estimated to be approximately RMB 900,000;
3. As the natural gas fuel is approximately 40% more expensive than biomass fuel, the cost of steam will increase by approximately 100 yuan/ton, which is affecting the company's gross profit margin; and
4. Customer's orders cannot be completed on time due to production time constraints, which may result in the loss of some businesses.

#### Query 11

Please disclose the measures put in place to mitigate the adverse effects of these restrictions, if any.

#### Response to Query 11

The company has activated the following plans:

1. Adjust production time and increase production scale to cushion the impact of capacity loss; and
2. Attempt to reduce the time required to convert a biomass boiler to a natural gas boiler in order to return production to normal.

**BY ORDER OF THE BOARD**

**CHEN QIUHAI**

**Executive Director and Chief Executive Officer**

**8 December 2022**