

GLAUCUS RESEARCH GROUP

"Anyone taken as an individual is tolerably sensible and reasonable, but as a member of a crowd, he at once becomes an [idiot]."
- **Friedrich von Schiller (modified)**

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COMPANY: TFS Corporation Limited / Quintis | ASX: TFC / QIN
INDUSTRY: Indian Sandalwood

Price (as of close
03/21/2017):
AU\$ 1.41

Market Cap:
AU\$ 552 million

Daily Volume:
934,000 shares
(30 Day Avg.)

Float (shares):
321 million

GRG Valuation:
AU\$ 0.00



TFS Corporation Limited (ASX: TFC / QIN) ("TFS" or the "Company"), which today rebranded itself as Quintis, claims to be the world's largest manager of commercial Indian sandalwood plantations. Indian sandalwood produces aromatic heartwood, which can be processed for use as timber and oil. TFS is one of the last [remaining publicly-listed agricultural Managed Investment Schemes](#) ("MIS"), a [dangerous](#) Australian investment structure beset by [bankruptcies](#), investor losses and fraud. Other notable Australian agri-businesses which relied heavily on MIS investors, such as [Timbercorp](#), [Great Southern](#), [Environinvest](#), [Palandri Wines](#), [Arafura Pearls](#), [Australian Bight Abalone](#), and [Forestry Enterprises Australia](#), collapsed amid allegations of fraud, misleading marketing or Ponzi-like behavior. The collapse of these MIS companies resulted in over AU\$ 2 billion in aggregate losses, mostly suffered by Australian investors.

We believe that TFS will likely follow Timbercorp and Great Southern into ignominy and failure. In our opinion, TFS's model resembles such collapsed agricultural MIS companies and their Ponzi-like structure: TFS does not generate significant cash from sales of its sandalwood, which for the most part has yet to be harvested. Instead, TFS is reliant on raising capital to plant new vintages, operate its business, make payments on its ballooning debts and pay off earlier investors. Interest payments reached 50% of cash EBITDA in FY 2016, and total borrowing has increased by another AU\$ 65 million so far in FY 2017. Without access to the capital markets, TFS's financial statements indicate it will struggle to service its debts, let alone repay them.

We believe that once investors scrutinize TFS's misleading forecasts, dubious marketing materials and questionable customers, TFS will lose the confidence of the capital markets it requires to survive. Thus, we value TFS's shares at AU\$ 0.00.

- 1. TFS Business Model: Serial Capital Raising on Dubious Promises of Future Profits.** Sandalwood trees take 15-20 years to grow, meaning producers must wait nearly two decades before realizing any cash flows from the sales of the aromatic heartwood. Despite reporting revenues from establishment fees charged to investors in TFS-managed sandalwood plantations, the Company's reported profitability is driven primarily by 'non-cash gains' from the upward revaluation of its biological assets (i.e., the trees). In FY 2016, such non-cash gains from the revaluation of plantations accounted for 85% of the Company's net profit. Without cash receipts from harvesting and selling sandalwood trees, the Company is reliant on the capital markets to operate, plant new vintages and service its debts. In total, we calculate that the Company has raised AU\$ 1.4 billion in gross financing to date, with no end in sight. Without the capital markets, TFS could not exist. But as we will see, we believe that TFS has made a number of highly misleading statements and disclosures regarding its projected future cash flows.
- 2. Ponzi-Like Marketing Materials.** One of the [hallmarks](#) of a Ponzi-scheme is the promise of quick, above-market returns, which in practice will be paid not from the sale of any product but with money raised from new investors. In this case, we discovered marketing material by a German institutional bank named Jaederberg & Cie ("JC"), which characterizes itself as an [asset partner](#) of TFS, in which JC offered project level investments in TFS's vintages from as early as 2010.

Inexplicably, JC's marketing materials promise that investors in TFS's plantations will be paid cash **dividends starting two years after the initial investment, with a full payback of the initial investment promised within seven years of the investment date**. There is no possibility that any of such payments can come from the harvesting of sandalwood, because the trees are not ready to be harvested until at least 15 years after planting. The only source of such future payments must come from **funds raised from future investors (or the capital markets)**. To us, this looks like a Ponzi scheme, because investors are promised quick, above-average investment returns which **in practice will be paid not from the sale of a product but from cash raised from future investors.**

3. **Phantom Chinese Buyer?** One of the festering uncertainties in TFS's business model is whether there will be a significant addressable market for sandalwood once its plantations are ready for harvest. To allay such fears, in September 2016, TFS [announced](#) that it completed its first shipment under a "**five-year agreement to supply 150 tonnes per annum of processed heartwood to China.**" Mysteriously, TFS did not announce the identity of this Chinese buyer, even though it had agreed to purchase the equivalent of **USD 25 million** in sandalwood from TFS per year (50% of TFS's projected harvests), making the mysterious Chinese buyer TFS's most valuable customer.
- a. **A Richer Link?** Buried in TFS's website, *written in Chinese*, the Company discloses that its exclusive distributor in China is an obscure firm named Shanghai Richer Link. We think that the Company was coy about the identity of its Chinese customer because any modicum of due diligence reveals that, far from being a big distributor capable of purchasing such vast quantities of sandalwood each year, Shanghai Richer Link is a tiny commodities importer with minimal operations and a small balance sheet.
- First, Shanghai Richer Link does not have an operating website. Without a web presence, how could Shanghai Richer Link successfully distribute sandalwood?
 - Second, we called the telephone number for Shanghai Richer Link listed on the TFS website. In a recorded phone call, when we asked the representative from Shanghai Richer Link whether it was the exclusive distributor of sandalwood in China for TFS, the representative claimed to be unfamiliar with TFS. After asking a colleague, she stated that "we do not do that business anymore." We admit that we could have spoken to a clerical employee who may have been confused, but TFS claims on its website that Shanghai Richer Link is its sole and exclusive distributor for sandalwood in China – if that is true, why would the employees of Shanghai Richer Link be unfamiliar with the Company or deny doing business with TFS?
 - Finally, we reviewed publicly available SAIC filings of Shanghai Richer Link filed by the distributor with the Chinese government, which include its historical financials. SAIC filings showed that in 2015, Shanghai Richer Link reported only AU\$ 1.7 million in revenues, COGS of AU\$ 1.4 million, and profits of only AU\$ 25,433. Likewise, SAIC filings showed that Shanghai Richer Link's cash balance was tiny at CYE 2015 (AU\$ 228,352), not even in the universe of being able to finance the purchase of 150 tonnes sandalwood from TFS, the equivalent of **USD 25 million, per year.**
 - Ultimately, it does not appear as if TFS's highly touted Chinese buyer is capable of purchasing 750 tonnes of sandalwood over the next five years. Rather, it appears to be a tiny importer with no web presence, minimal operations, tiny revenues, almost zero profits and a small cash balance insufficient to purchase sandalwood in bulk. In our opinion, TFS has materially misled investors by announcing that it presold **750 tonnes of sandalwood for ~USD 125 million** over five years without disclosing that the supposed purchaser (**TFS's exclusive distributor in China**) does not appear to have the scale, operations or cash to fulfill such a contract.
- b. **Come on Eileen.** TFS's Chinese website also directed buyers of sandalwood oil to contact Mrs. Jingyu (Eileen) Yang ("[Eileen](#)"). Her firm, Yitan (Xiamen) Spices Co. Ltd. ("[Xiamen Spices](#)"), maintains a [website](#) referring to TFS as "our partner" and offering sandalwood oil for sale in China. But SAIC filings reveal that Xiamen Spices reported **no revenues in 2014 and 2015, and operating expenses of only AU\$ 5,618 in 2015**. SAIC filings also indicate that as of December 31, 2015, Xiamen Spices only had AU\$ 6,527 in cash. Like Shanghai Richer Link, it does not appear that Eileen or Xiamen Spices has the balance sheet, meaningful operations or experience to successfully move material amounts of the sandalwood oil.
4. **Forecasted Cash Flows Based on Ludicrous Assumptions.** The valuation of sandalwood trees is highly sensitive to a few key inputs, including future market price, yield and survivability. Given the length of time between planting and harvest, these inputs are inherently difficult to forecast. In our view, TFS has used the long production cycle and esoteric sandalwood market to propagate ridiculously favorable assumptions to investors regarding the future profitability of its plantations. It continues to raise money without accountability because nearly all of its trees have yet to be harvested, meaning it has yet to commercialize its product in any meaningful amount. But accountability is coming.
- a. **Undisclosed Related Party is the Source of Key Price and Demand Forecasts.** To support its unrealistic forecasts for the expected demand and future price of sandalwood, TFS's marketing [presentations](#) rely on a key [study](#) by **Incipient Capital**. But TFS fails to disclose that Incipient Capital, far from being an independent research firm, is a small Dubai-based merchant bank which was the [lead manager](#) in raising \$194 million in financing for TFS from 2009 to 2012. TFS also fails to disclose that Incipient Capital's founding partner, Phillip Shamieh, was simultaneously the CEO of a JV which was 49% owned by TFS from 2009-2014, when it was wholly acquired by the Company. Shamieh claims on his LinkedIn page to have worked for TFS from 2009-2016. Not only do such conflicts of interest undermine the credibility of the data, but we believe it is materially misleading for TFS to present critical forecasts to potential investors without disclosing that the source is a related party that works and raises money for TFS.

b. **Unrealistic Price Forecasts.** The market for Indian sandalwood is thinly-traded and highly opaque, which we believe TFS exploits to mislead investors with absurdly optimistic forecasts regarding the future price of sandalwood.

i. **Indian Import Data Suggests Much Lower Prices.** Import data available from Indian customs records show that from 2014-2016, the weighted average price of imported sandalwood oil was only USD 551 per kg, 80% less than TFS's forecasted future price of USD 2,800 per kg.

ii. **TFS Artificially Inflates the Price of Sandalwood and Prevents Market Price Discovery.** Since 2014, each year, the Company has **purchased MIS-owned sandalwood harvests at auction.** These hectares are managed by TFS but owned by its retail and institutional investors. In theory, MIS-owned trees were supposed to be sold at auction after harvest. Instead, TFS raises money from the capital markets to buy the harvested trees. In one case, it foolishly bragged that it paid 10% above the next highest bidder at auction. In 2016, the Company admitted that it raised AU\$ 60.5 million from the equity markets to purchase 221 hectares of MIS plantations from retail investors due to be harvested over the next five years. In our view, this is Ponzi-like behavior. **TFS is using funds raised from new investors to buy out previous investors.** In doing so, the Company is bidding up the price of sandalwood at auction, thereby artificially inflating the price of the thinly-traded commodity to justify its own ludicrous price forecasts.

The Company claims it wants to increase exposure to sandalwood, but we suspect that it is purchasing older plantations to **prevent sandalwood from hitting the open market in significant volume. We believe that the purpose of buying out MIS investors upon harvest is to prevent the establishment of a market price for sandalwood,** which we suspect would be well below the price used in the Company's forecasts. Our suspicion is that the Company is terrified of trees hitting the open market at an equilibrium price lower than TFS's **forecasted price,** which would not only undermine the Company's future promises of profitability and returns for investors, but would also force the Company to incur **dramatic write downs in the valuation of its existing plantations.**

c. **Dubious Yield and Survivability Assumptions.** TFS's reported "profits" (from non-cash gains) and its marketing materials are both based on highly dubious assumptions regarding the heartwood yield and survivability of its sandalwood trees.

i. **Academic Studies Report Far Lower Yields.** Academic studies project yields between 4.0 – 6.8 kg per tree. In FY 2011, TFS told investors to expect a yield as high as 30 kg per tree, as high as seven times the yield projected by such academic research.

ii. **TFS's Actual Yields are Much Lower than Forecasts.** In 2016, TFS admitted that its **actual yields on harvested trees** were 3.1, 4.9, and less than 9.7 kg per tree (for 2014, 2015 and 2016 harvests, respectively), far below the Company's current forward projection of **19.8** kg per tree. Actual survival rates from FY 2014 through FY 2016 were 32%, 38%, and 70%, respectively, which also came in far below the Company's forecast survival rates of 80-90%. In addition, the Company alerted investors in FY 2016 that 9 of its first 12 vintages (75%) were not growing in line with the yield curve.

iii. **The End.** It is highly unreasonable for TFS to forecast a yield of **19.8** kg per tree when the Company's actual yields are between 3-10 kg per tree, and 75% of its first 12 vintages are, by TFS's own admission, falling behind its projected yield curve. **We believe that TFS's financial statements should project an expected yield of ~10 kg per tree, which would be double the reported yield from academic studies and even greater than the Company's maximum yield on prior harvests.** In our opinion, just this simple revision of its yield estimates to a more realistic assumption would cause TFS's scheme to unravel. First, the Company would be forced to take a write down on the value of its biological assets, a hit to its income statement which would **correct** for ludicrous previous upward re-evaluations. Second, the Company would have to correct misleading cash flow forecasts in its marketing material, which rest on ridiculous yield assumptions. This would make it much harder to raise money for new vintages. In our opinion, the loss of investor confidence from this change in TFS's forecasts would effectively cut off TFS from the capital markets.

5. **Officer and Director Turnover.** Companies engaging in questionable accounting practices or making misleading statements to investors often experience high turnover among directors and officers wary of liability or a tarnished reputation once the scheme unravels. Here, the shoe fits, as TFS has experienced a high number of director and officer resignations in recent years. By our count, eight officers or directors have resigned since late 2011. Many have done so after a brief tenure of two years or less. The most notable resignation was Patrick O'Connor, who joined TFS as chairman in September 2013. O'Connor lasted one year, **resigning** in November 2014. At the time of his resignation, TFS said that O'Connor would remain on the board, but he **resigned** from his board position a month later. We consider O'Connor's quick resignation from both the chairmanship and the board is a significant red flag. Ultimately, high director and officer turnover corroborates our investment opinion that TFS is a troubled company.

VALUATION

TFS is so sensitive to any negative criticism that it [unsuccessfully sued](#) Taylor Collison, an Australian broker, in 2015 because of a bearish analyst note. In our years as short sellers, we have rarely seen a lawsuit over an analyst note, but such sensitivity and litigiousness indicates that TFS is weak and fragile. No legitimate business would sue over criticism unless it was afraid that investors would discover its underlying business was not performing as advertised. Happily, TFS [lost the suit](#), and had to pay Taylor Collison's legal fees.

TFS relies on the capital markets for its existence. It raises money not only to operate its business, but to fund the planting of each successive vintage of sandalwood trees. As discussed in this report, we believe that the Company materially misleads investors regarding projected future cash flows by making unrealistic assumptions about the yield and survivability of its trees and the future price of sandalwood.

For a long time, TFS could make misleading disclosures with impunity because the assets take so long to grow, there was no evidence to directly contradict the Company's projections. But that is changing. The Company's first vintages are finally coming to maturity, and predictably, yields and survival rates are well below TFS's ridiculous projections. Moreover, the Company now must sell the harvested sandalwood – which we believe, based on the dubious character of the supposedly famous “Chinese buyer,” is proving much harder than anticipated.

In other words, the scheme is unravelling. The Company has tried to stop the bleeding by buying up early vintages ready for harvest (of course, with new money raised from investors), but that practice can only continue for so long.

TFS is already heavily levered, burns cash at a torrid pace, and cannot function without access to the capital markets. In 2016, the Company burned AU\$ 60 million in cash, up from AU\$ 46 million the previous year.

Company Burn Rate

Burn Rate (AUD '000)	2010	2011	2012	2013	2014	2015	2016	1H '17
Net Cash Flow	(18,610)	56,801	(21,779)	1,393	32,064	(15,907)	34,319	(17,200)
Net Cash from Financing Activities	24,864	24,461	58,483	(15)	57,986	30,381	94,153	39,884
Cash Burned	(43,474)	32,340	(80,262)	1,408	(25,922)	(46,288)	(59,834)	(57,084)

Source: Company Public Filings

TFS's cash flow statements show that the business burns so much cash that it needs to raise money every year to operate. As a result, its debts are mounting, and its interest payments are becoming a larger and larger burden. TFS reported AU\$ 555 million in total financial liabilities as of 1H FY 2017.

AUS '000	2010	2011	2012	2013	2014	2015	2016	1H '17
Total Indebtedness	67,281	140,842	146,503	164,154	245,332	349,393	456,153	555,342
Cash EBITDA	44,268	16,533	23,780	51,804	51,400	57,533	62,162	7,574
Interest Payment	2,938	3,757	9,756	16,248	19,141	19,617	31,211	15,418
Interest Payment as % of Cash EBITDA	7%	23%	41%	31%	37%	34%	50%	204%

Source: Company Public Filings

In FY 2016, TFS's annual interest payments were AU\$ 31 million, accounting for 50% of the Company's reported *cash EBITDA*. Such leverage is concerning because the Company's long wait until it can harvest meaningful amounts of sandalwood. The only way that the Company can continue to pay interest on its debt is with new borrowing or project level financing, creating a vicious cycle.

Every investor should do their own homework. For our part, we calculate that TFS's liabilities far exceed the value of its sandalwood plantations, and that once investors come to realize the misleading nature of TFS's projections, TFS will struggle to access the capital markets. At that point, we highly doubt that the Company will be able to fully repay its current investors, let alone continue to operate for the benefit of shareholders.

Ultimately, we think this scheme comes to an end in bankruptcy court, much like other Australian agricultural MIS [companies](#) such as [Timbercorp](#), [Great Southern](#), [Environinvest](#), [Palandri Wines](#), [Arafura Pearls](#), [Australian Bight Abalone](#), and [Forestry Enterprises Australia](#), etc. Accordingly, we value TFS's equity at AS\$ 0.00.

SERIAL CAPITAL RAISING ON DUBIOUS PROMISES OF FUTURE PROFITS

TFS operates the world's largest collection of sandalwood plantations, grown primarily throughout the tropical regions of the Northern Territory, Queensland and Western Australia. The Company funds its plantations through project-level financing from individual and institutional investors under a Managed Investment Scheme ("MIS"), a uniquely Australian investment structure that gives tax breaks for investing in various long duration asset classes, typically related to forestry or agriculture.

Sandalwood's commercial value is derived from the aromatic **heartwood** extracted from trees. The heartwood is used in carvings and the oil derived from the heartwood is used principally in China, India and other countries for various medicinal, religious and aromatic purposes (such as incense and perfume). Indian sandalwood has historically been grown in India, but due to illegal poaching and restrictions on private ownership and sale, supply in India has been declining over the last 30 years.

The business is difficult because sandalwood plantations are long duration assets. Sandalwood trees require 15-20 years or longer to grow before they are harvested. That means anyone investing in the planting of sandalwood trees must wait 15-20 years to realize any cash flows from the sale of the harvested timber.

Moreover, sandalwood trees are [parasitic](#) and require a host tree to grow, making yields and survival rates difficult to predict. As a result, predicting future cash flows from sandalwood trees is an opaque process which is highly sensitive to assumptions of future market price, yield and survivability of the trees.

In our view, TFS uses all of the disadvantages of sandalwood growing (long grow times, thinly-traded end market, and unpredictable agricultural outcomes) to its advantage by making misleading forecasts to investors regarding the future cash flows from its plantations. We believe that the Company relies on highly dubious assumptions, neatly packaged in marketing materials containing undisclosed conflicts of interest, designed to target unsuspecting investors. But not only do such assumptions form the basis of the Company's marketing materials, they are the foundation for TFS's reported profits in its publicly filed financial statements.

The Company's income statement contains a line item for 'other income,' which consists primarily of 'non-cash gains' from the upward re-evaluation of biological assets (i.e., the trees). In the following sections, we will discuss extensively why the Company, if anything, should be recognizing losses because the yield and survival rate of its plantations are coming in far below previous projections. But for now, we want to point out that such 'other income' is non-cash, and based entirely on the Company's (misleadingly optimistic) projections on its success in growing and selling sandalwood.

In FY 2015 and FY 2016, such non-cash gains from the revaluation of plantations accounted for 127% and 85% of the Company's net profit, respectively.

(in AU\$'000)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	1H '17
Sales Revenue	104,505	103,392	122,889	147,587	178,107	191,702	84,910
Other Income:							
Gain on revaluation of plantations	5,957	10,153	12,475	63,301	143,752	76,893	67,510
Fair value of plantation taken back		24,725	85,306				
Net Profit	20,166	25,878	55,729	82,490	113,021	90,143	28,316
Gains on revaluation of plantations as % of net profit	30%	135%	175%	77%	127%	85%	238%

Source: Company Public Filings

Without cash receipts from harvesting and selling sandalwood trees, the Company is reliant on the capital markets to operate, plant and pay off previous investors. In total, we calculate that the Company has raised AU\$ 1.4 billion in gross financing to date, with no end in sight:

TFS Serial Capital Raising

AU\$ mm

Capital Market Financing

MIS Financing

Date	Type	Amount Raised	Fiscal Year	Establishment Fees
12/21/2004	Equity	5	2007	35
7/5/2007	Equity	15	2008	54
9/3/2009	Equity	28	2009	60
3/9/2011	Equity	38	2010	55
6/17/2011	Debt	141	2011	43
5/20/2014	Equity	67	2012	51
3/30/2015	Debt	35	2013	72
11/26/2015	Debt	37	2014	81
4/4/2016	Equity	60	2015	80
7/21/2016	Debt	337	2016	95
Total		763	Total	627

Total External Gross Financing	763
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Total Project Level Financing	627
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Total Financing	1,390
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Source: Company Public Filings


It is critical for investors to keep in mind that the Company's profits are not principally derived from cash receipts from product sales, but primarily from TFS's highly questionable estimates of its expected cash flow from the future harvest and sale of its trees. Without access to the capital markets, we believe that TFS would soon run out of cash and follow other MIS agri-business like Great Southern and Timbercorp into administration. To keep the fund raising going, we believe that TFS engages in highly questionable marketing, the most egregious example of which we discovered in Germany.


PONZI-LIKE MARKETING MATERIALS

One of the [hallmarks](#) of a Ponzi-scheme is the promise of quick, above-market returns, which in practice will be paid not from the sale of any product but with money raised from new investors.

We discovered marketing material by a German institutional bank named Jaederberg & Cie (“JC”), which characterizes itself as an [asset partner](#) of TFS, in which JC offered project level investments in TFS’s vintages from as early as 2010. The JC marketing materials check many of the boxes of a suspicious investment offering. The JC marketing documents offering an investment in TFS’s sandalwood plantations promise to pay **cash dividends starting two years after the initial investment with a full payback promised within seven years of the investment date**. Because sandalwood trees take so long to grow, these payouts to investors must, by definition, come from money raised from future investors (or the capital markets).

For example, in a marketing document for a project referred to as JC Indian Sandalwood 1, JC advises investors that although the project is expected to close in December 2011, investors can expect cash dividends of 20%+ in 2013/2014 and a **full payback of their initial investment by 2017/2018, seven years after the trees are planted and presumably a decade before they are harvested** and can be sold:

 <p>Early payouts & attractive return</p>	<ul style="list-style-type: none"> Vertical integration along the entire value chain significantly enhances the investor return Distribution to the investor planned to start already in 2013/2014 Full pay back of investor equity expected in 2017/2018 Total fund payouts amount to 754 %
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 <p>Limited by size & Availability</p>	<ul style="list-style-type: none"> Access to the land for new plantations (373,9 ha) described in the PPM is exclusively possible via Jäderberg & Cie.
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Facts & Figures

Investment object	Participation in <i>JC Indian Sandalwood 1 GmbH & Co. KG</i> via a trustee, <i>ProConsus Treuhand GmbH</i> . The KG is the only limited partner of <i>JC Indian Sandalwood 1 LLP</i> , who is the only owner of plantations and trees.	
Asset	Indian Sandalwood plantations in Western Australia	
Location of the plantations	Kingston Rest and Ord River Irrigation Area in Kimberley Region, Western Australia	
Minimum investment amount per investor	AUD 300,000 (which approx. corresponds to the amount of EUR 220,000).	
Maximum investment amount	AUD 50,000,000	
Initial fee	6.5 % of the total contributions	
Ongoing fee	0.8 % p. a. of the total contributions	
Performance fee	10.0 % to the initial limited partner of all payouts to the investors made in excess of 110.00 % of the total equity of the KG 25.0 % to the asset manager of all payouts to the investors made in excess of 1,000.00 % of the total equity of the LLP	
Tax	Australia: 30 % income tax Germany: income from the plantations is tax free according to the DTA, however, subject to progression	

Estimated fund payouts in the business years (after tax)*	2013/14	27,0 %	2025/26 604 % Total: 754 %
	2014/15	24,5 %	
	2015/16	23,0 %	
	2016/17	23,0 %	
	2017/18	23,0 %	
	2018/19	23,0 %	
	2019/20	6.5 %	

Investment close date	31th December 2011
Early bird bonus	6 % p. a. interest on the investors paid in amount until the investment close date

Source: 2011 [JC Marketing Document for Investment in TFS Sandalwood 1](#)

According to its website, JC has closed two investment offerings in sandalwood plantations managed by TFS, referred to as JC Indian Sandalwood 1 and JC Indian Sandalwood 2. It is currently in the process of marketing two further offerings (JC Eagle Park 4 and JC Sandalwood 5).

Overview of previously placed Indian sandalwood investments by Jäderberg & Cie.

As per 31 August 2016	JC Indian Sandalwood 1	JC Indian Sandalwood 2	JC Eagle Park 4
Issuer	JC Indian Sandalwood 1 GmbH & Co. KG	JC Indian Sandalwood 2 GmbH & Co. KG	JC Eagle Park 4 GmbH & Co. KG
Type of investment product	Private Placement Minimum investment of EUR 200'000	Closed Fund In accordance with VermAnIG for retail investors with minimum investment of AUD 25'000	Spezial-AIF Alternative investment fund according to KAGB for (semi-) professional investors with minimum investment of EUR 200'000
Investment object	Units in plantations Sexton, Elliot and Eagle Park	Participation in JC Indian Sandalwood 1	Units in plantation Eagle Park
Subscription period	11/2010 – 06/2013	02/2011 – 06/2013	Since 07/2015
Initial investment	AUD 15.0 million	AUD 13.0 million	AUD 2.6 million
Debt	No debt	No debt	No debt
IFRS – Plantation valuation ¹	AUD 51.3 million	AUD 40.9 million	AUD 3.5 million
Payouts (individual annual payment option)	2015: AUD 707.300 ² 2016: AUD 451.897 ²	2015: AUD 510.550 ² 2016: AUD 451.897 ²	Planned from FY 2017/18

¹ Proportional values based on plantation valuations as per 31/08/2016 prepared by TFS's auditors in accordance with applicable and generally accepted Australian accounting principles for the valuation of plantations (SGARA). This is an asset-based valuation and does therefore not include all of the costs relevant to the investment (e.g. costs within the investment structure or success fees payable to TFS) nor any Australian taxes. On the other hand, this valuation does not take into account any potential future price increases for sandalwood products. The corresponding SGARA values can therefore only provide an indication for the apportioned values of the plantations from a JC investor's point of view.

² An individual annual payout option was introduced in 2015. According to this, investors can decide individually if, and to what extent (usually up to 20% of the initial investment), they wish to participate in these annual payouts. The payouts made during 2015 and 2016 were equivalent to 100% of the total requested payouts.

Source: http://jaederberg.de/download-center-174.html?file=files/pdf/Downloads%20-%20PDF%27s/FLYER%20JC%20Indian%20Sandalwood%205_EN.pdf

The subscription period for JC Indian Sandalwood 1 and JC Indian Sandalwood 2 closed in June 2013, and offered investors the opportunity to purchase an interest in three **new** plantations: [Eagle Park](#), which was planted in Q3 2012, [Elliot](#), which was planted in Q2 2013, and [Sexton](#), which was planted in Q2 2013.

Despite the fact that JC was marketing the chance to invest in three **new** plantations, the marketing documents promised payouts in year two, with a full pay-back of investor money by year seven.

JC Indian Sandalwood 1 – anticipated closing date December 2012

Schließungstermin
30. Dezember 2012

Ausschüttungsprognose (nach Steuern)
2014: 22 % 2015: 23,5% 2016: 20,5 % 2017: 20,5 %
2018: 21 % 2019: 19 % 2026: 777,5 %
insgesamt 904 %

Source: [JC Indian Sandalwood 1 Marketing Brochure](#)

Note: Ausschüttungsprognose translates to Distribution Forecast

JC Indian Sandalwood 2 – anticipated closing date December 2012

Schließungstermin
31. Dezember 2012

Ausschüttungsprognose (nach Steuern)
2014: 20,0% 2015: 20,0% 2016: 17,5% 2017: 17,5%
2018: 17,5% 2019: 11,0% 2026: 676,6 %
insgesamt 780,1%

Source: [JC Indian Sandalwood 2 Marketing Brochure](#)

JC Indian Sandalwood 2 – anticipated closing date June 2013

Schließungstermin:	30. Juni 2013
Ausschüttungen laut Prognose:	
• 2014: 20,0% 2015: 20,0% 2016: 17,5% 2017: 17,5%	
2018: 17,5% 2019: 11,0% 2026: 676,6 %	
• Vollständige Rückzahlung bis 2019	
• Bis 2026 insgesamt 780,1%	

Source: [JC Indian Sandalwood 2 Marketing Brochure](#)

In total, we have identified at least four different marketing documents for investments in TFS sandalwood plantations in which investors are promised cash distributions starting in year two after the initial investment, and promised a **full payback** of invested capital within seven years.

Investment Payback Schedule

Years after close	Promised fund payouts			
	Sandalwood 1 2011 closing date	Sandalwood 1 2012 closing date	Sandalwood 2 2012 closing date	Sandalwood 2 2013 closing date
1	-	-	-	-
2	-	22.0%	20.0%	20.0%
3	27.0%	23.5%	20.0%	20.0%
4	24.5%	20.5%	17.5%	17.5%
5	23.0%	20.5%	17.5%	17.5%
6	23.0%	21.0%	17.5%	17.5%
7	23.0%	19.0%	11.0%	11.0%
8	23.0%	-	-	-
9	6.5%	-	-	-
...	-	-	-	-
13	-	-	-	-
14	-	777.5%	676.6%	676.6%
15	604.0%			
Total	754%	904%	780%	780%

Note: the red line marks the year when the investors receive 100% investment payback.

Source: JC Indian Sandalwood Marketing Brochure

https://web.archive.org/web/20111216014153/http://www.jaederberg.de/tl_files/Jaederberg/Downloads/executive_summary_jc_indian_sandalwood_1_en.pdf

[https://web.archive.org/web/20120722222342/http://www.jaederberg.de/tl_files/Jaederberg/Downloads/Kurzinformation%20JC1%20\(deutsch\).pdf](https://web.archive.org/web/20120722222342/http://www.jaederberg.de/tl_files/Jaederberg/Downloads/Kurzinformation%20JC1%20(deutsch).pdf)

https://web.archive.org/web/20121203024814/http://www.jaederberg.de/tl_files/Jaederberg/Downloads/Kurzinformation%20JC2.ISW2.05D3.pdf

https://web.archive.org/web/20130402034905/http://www.jaederberg.de/tl_files/Jaederberg/Downloads/Kurzinfo%20Fluessiges%20Gold%20ver03.pdf

There is no possibility that any of such payments can come from the harvesting of sandalwood because the trees were planted in 2012 and 2013, and would not be ready for harvest in such a short time. The only source of such future payments must, by definition, come from **funds raised from future investors (or the capital markets)**.

JC and TFS show no signs of backing down from such practices. In marketing materials for the investment referred to as JC Eagle Park 4, which is scheduled to close on June 30, 2017, JC offers investors the option of annual payouts of 5% or 10% of their investment per annum, starting two years after the initial investment. In this case, investors are offered to purchase a stake in Eagle Park, a 4-year-old plantation, which would be harvested in 2028.

JC Eagle Park 4 – Forecasted key figures for investors

Forecasted Returns after Australian tax in relation to an assumed investment of AUD 1 million (excluding premium) and a pay-in date of 31.12.2016

Base case scenario without ongoing optional payments (i.e. disbursements)

Base case scenario without ongoing annual payouts (after Australian taxes)

Total investment return	AUD 4'918'799
Total investment return in % of (excl. premium)	491.9%
Forecasted effective return (Internal Rate of Return, IRR)	14.2% p.a.
Forecasted linear return on investor's investment	32.8% p.a.

Base case scenario with ongoing annual payments from FY 2018/19 through to 2025/26

Base case scenario with ongoing annual payouts from 2018/19 until 2025/26 (after Australian taxes)

Payout scenario	5% of investment p.a.	10% of investment p.a.
Total investment return	AUD 3'804'254	AUD 2'660'217
Total investment return in % of investor's investment	380.4%	266.0%
Effective return (Internal Rate of Return, IRR)	12.8% p.a.	10.6% p.a.
Average linear return on investor's investment	23.4% p.a.	13.8% p.a.

Source: <http://jaederberg.de/jc-eagle-park-4-149.html>

Again, if the trees cannot be harvested until 11 years after the investment, annual payouts to investors, beginning in year two, must come from money raised from future investors (or the capital markets). Such early distributions cannot, by definition, come from the sale of the underlying sandalwood.

That is why we liken TFS's business model to a Ponzi scheme, because such marketing documents indicate that the Company (through brokers like JC) promises investors quick, above-average investment returns which **in practice will not be paid from the sale of sandalwood but from cash raised from future investors**. Paying off old investors with money raised from new investors is the hallmark of a Ponzi scheme, and was exactly the pattern of behavior of other failed Australian agricultural managed investment schemes such as [Great Southern](#).

PHANTOM CHINESE BUYER?

One of the festering uncertainties in TFS's business model is whether, when its sandalwood plantations finally come to maturity, there will be a significant addressable market for the end product. Perhaps that is why TFS's stock rallied in early 2016 when the Company [announced](#) that it signed a multi-year agreement to supply its harvested sandalwood to China at "prices broadly equivalent to US\$ 4,500 per kg of oil." Together with existing contracts, TFS proudly announced that it had therefore presold 100% of its 2016 and 2017 harvests (over 300 tonnes). Curiously, the [announcement](#) celebrating the contract conspicuously failed to mention the identity of the buyer that agreed to purchase such significant amounts of sandalwood.

In September 2016, TFS followed up by [announcing](#) that it received US\$ 2.25 million as full payment in advance for its first shipment of Indian sandalwood to China, scheduled to ship that fall. The Company announced that subsequent deliveries were "expected to occur monthly." In this announcement, TFS [clarified](#) that it signed a "**five-year agreement to supply 150 tonnes per annum of processed heartwood to China.**"

Again, mysteriously, TFS never mentioned the identity of the famous Chinese buyer. This is a red flag, because this mysterious Chinese buyer is TFS's most important customer, which supposedly contracted to purchase **150 tonnes per year** of the Company's harvested sandalwood for the next five years. By our calculation, this is the equivalent of purchasing **USD 25 million¹** in sandalwood from TFS each year, a massive undertaking which would require significant cash and a strong balance sheet.

We think that TFS was coy about the identity Chinese buyer because any modicum of due diligence by investors would have reveal that the purchaser, far from being a big operation capable of purchasing such vast quantities of sandalwood each year, is actually a borderline-distressed commodities importer with minimal operations and a small balance sheet. In our opinion, TFS has materially mislead investors by announcing that it presold **750 tonnes of sandalwood for USD 125 million** over the next five years to China without disclosing that its exclusive Chinese customer does not appear to have the scale, operations or cash to fulfill such a contract.

1) A Richer Link?

Although the Company fails to mention the identity of its Chinese buyer in its press releases, buried on the TFS website,² TFS discloses *in Chinese* that its **exclusive distributor** in China (including Hong Kong and Taiwan) is a little-known firm named **Shanghai Richer Link**, represented by Jerry Hou.

Shanghai Richer-Link Enterprise Co. Ltd (上海驰道林实业有限公司) is authorized by TFS to be the exclusive distributor in China (HK and Taiwan included) and responsible for the sandalwood-related business development, operation, and sales activities. It's the only recognized legal distributor and partner for TFS.



2017年1月11日

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Shanghai Richer-Link Enterprise Co. Ltd

TFS 授权 上海驰道林实业有限公司 作为在中国 (含香港、台湾地区) 的独家代理商, 全权负责在中国市场檀香木市场的开发、运营、销售。一切TFS在中国市场檀香木的销售及商务咨询业务请与上海驰道林实业公司联系, 上海驰道林实业是TFS公司在中国檀香木市场唯一合法的代理人及合作伙伴。

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TFS精油和香澳的相关产品请联系:
 杨静宇 136-1604-7913 Eileen@tfsLtd.com.cn
 傅伟萍 136-0692-3665 Pinky@tfsLtd.com.cn

Please Contact Mrs. Jingyu (Eileen) Yang if you are interested in TFS essential oil and other products

Source: <http://web.archive.org/web/20161014230809/http://tfsLtd.com.au/contact-us/>

¹ Calculated by multiplying 150 tons of heartwood by TFS's claimed oil yield of 3.7%, which equals 5,550 kg of oil. At the contract price of USD 4,500 per kg, the Chinese buyer supposedly agreed to buy USD 25 million in sandalwood per year from TFS for the next five years.

² On March 21, 2017, TFS updated its website and removed all Chinese distributor contact information, but the Company's disclosures can still be viewed using the Wayback Machine.

Despite the size of the deal, and the importance of the customer, TFS appears keen to hide the identity of its Chinese buyer; because it only discloses that Shanghai Richer Link is its exclusive distributor in China at the bottom of [its website](#) (and in *Chinese*).

Perhaps this is because a closer look at Shanghai Richer Link shows a small, troubled company, which does not appear to have an operating business or a balance sheet capable of buying 150 tonnes of TFS's sandalwood per year from TFS.

The first red flag is that **Shanghai Richer Link does not have an operating website**, unusual for a supposedly well-financed importer of commodities. Using the WayBack Internet archive, we discovered that its website was operating as late as [March 2016](#) (around the time of the Company's big announcement), but as of October 2016, when supposedly the first shipment of sandalwood was being delivered by TFS to its mysterious "Chinese buyer," the website was (and remains) shut down.



Source: Shanghai Richer Link Website (www.srlwood.com)

This raises an obvious question: how can TFS's sole distributor in China re-sell the Company's product without even a minimal web presence? How do Chinese firms wanting to purchase sandalwood find Shanghai Richer Link – a roadside billboard?

In order to channel check the legitimacy of TFS's (supposedly) biggest customer, we called the phone number for Shanghai Richer Link listed on the TFS website.

On a recorded call, we asked if Shanghai Richer Link was the exclusive distributor for TFS. The person who picked up the phone for Shanghai Richer Link seemed confused and was unfamiliar with TFS. She turned to a colleague, asked "what is TFS?" She then stated on the recorded call that "we don't engage in that business anymore."

We admit that we could have spoken to a clerical employee who may have been confused, but TFS claims on its website that Shanghai Richer Link is its sole and exclusive distributor for sandalwood in China – if that is true, why would the employees of Shanghai Richer Link be unfamiliar with TFS or deny doing business with the Company?

Next, we reviewed the publicly available SAIC filings of Shanghai Richer Link which the distributor filed with the Chinese government, which includes its historical financials. SAIC filings showed that in 2015, Shanghai Richer Link reported only RMB 7.8 million (AU\$ 1.7 million) in revenues, COGS of RMB 6.6 million (AU\$ 1.4 million), and **profits of only RMB 120,020 (AU\$ 25,433)**.

In 2015, Shanghai Richer Link purchased less than AU\$ 1.6 million of supplies, commodities or goods. Why should anyone believe that it is capable of buying USD 25 million in sandalwood from TFS every year for the next five years?

		利润表	Income Statement	2015-12-31
项目	Item	行次	This Period 本期金额	Last Period 上期金额
一、	营业收入 Revenue	1	7,840,136.21	5,262,703.16
	减: 营业成本 COGS	2	6,585,714.42	4,894,313.94
	营业税金及附加 Business Tax & others	3	25,590.20	7,515.14
	销售费用 Sales Expenses	4	184,324.74	72,174.82
	管理费用 Administrative Expenses	5	344,072.84	144,349.63
	财务费用 Finance Expenses	6	122,883.16	39,696.15
	资产减值损失	7	0.00	0.00
	其他费用 Other Expenses	8	160,135.78	111,109.46
	加: 公允价值变动收益 (损失以“-”号填列)	9	0.00	0.00
	投资收益 (损失以“-”号填列)	10	0.00	0.00
	其中: 对联营企业和合营企业的投资收益	11	0.00	0.00
二、	营业利润 (亏损以“-”号填列) Operating Profit	12	417,415.07	-6,455.98
	加: 营业外收入	13	0.00	0.00
	减: 营业外支出 Non-operating Expenses	14	297,395.02	206,346.15
	其中: 非流动资产处置损失	15	0.00	0.00
	其他利润	16	0.00	0.00
三、	利润总额 (亏损总额以“-”号填列) Total Profit	17	120,020.05	-212,802.13
	减: 所得税费用 Income Tax	18	0.00	-3,102.08
四、	净利润 (净亏损以“-”号填列) Net Profit	19	120,020.05	-209,700.05
五、	每股收益:	20	0.00	0.00
	(一) 基本每股收益	21	0.00	0.00
	(二) 稀释每股收益	22	0.00	0.00

Source: Shanghai Richer Link SAIC Filings

SAIC filings also showed that Shanghai Richer Link's cash balance at the beginning of 2016 was tiny, RMB 1 million (AU\$ 228,352), not even in the universe of being able to finance the purchase of 150 tonnes **per year** of TFS's upcoming sandalwood harvests.

We find it highly unlikely that Shanghai Richer Link, with the cash balances disclosed on its historical balance sheets, could ever afford to make such significant purchases from TFS.

Shanghai Richer Link's balance sheet even suggests that the distributor is almost in a distressed situation. At CYE 2015, it reported RMB 5 million (AU\$ 1 million) in payables, which is four times the amount of cash on its balance sheet and 40 times its reported profits the previous year.

资产负债表 Balance Sheet				资产负债表 Balance Sheet			
2015-12-31				2015-12-31			
项目 Item	行次	期末余额	年初余额	项目 Item	行次	期末余额	年初余额
		Ending Balance	Beginning Balance			Ending Balance	Beginning Balance
流动资产:	1	0.00	0.00	流动负债:	34	0.00	0.00
货币资金	2	1,077,617.02	757,482.25	短期借款	35	690,313.11	663,852.25
交易性金融资产	3	0.00	0.00	交易性金融负债	36	0.00	0.00
应收票据	4	0.00	0.00	应付票据	37	0.00	0.00
应收账款	5	1,267,784.73	1,262,470.42	应付账款	38	2,724,052.44	2,212,840.82
预付款项	6	316,946.19	52,398.14	预收款项	39	956,084.84	619,064.34
应收利息	7	0.00	0.00	应付职工薪酬	40	54,481.05	44,256.82
应收股利	8	0.00	0.00	应交税费	41	1,653.77	531.08
其他应收款	9	824,060.07	555,486.99	应付利息	42	0.00	0.00
存货	10	2,852,515.64	2,422,043.89	应付股利	43	0.00	0.00
一年内到期的非流动资产	11	0.00	0.00	其他应付款	44	2,383,545.88	1,991,556.74
其他流动资产	12	0.00	0.00	一年内到期的非流动负债	45	0.00	0.00
流动资产合计	13	6,338,923.65	5,049,881.69	其他流动负债	46	0.00	0.00
非流动资产:	14	0.00	0.00	流动负债合计	47	6,810,131.09	5,532,102.05
可供出售金融资产	15	0.00	0.00	非流动负债:	48	0.00	0.00
持有至到期投资	16	0.00	0.00	长期借款	49	0.00	0.00
长期应收款	17	0.00	0.00	应付债券	50	0.00	0.00
长期股权投资	18	0.00	0.00	长期应付款	51	0.00	0.00
投资性房地产	19	0.00	0.00	专项应付款	52	0.00	0.00
固定资产	20	344,506.72	274,450.09	预计负债	53	0.00	0.00
在建工程	21	0.00	0.00	递延所得税负债	54	0.00	0.00
工程物资	22	0.00	0.00	其他非流动负债	55	0.00	0.00
固定资产清理	23	0.00	0.00	非流动负债合计	56	0.00	0.00
生产性生物资产	24	0.00	0.00	负债合计	57	6,810,131.09	5,532,102.05
油气资产	25	0.00	0.00	所有者权益 (或股东权益):	58	0.00	0.00
无形资产	26	31,005.60	24,700.50	实收资本 (或股本)	59	0.00	0.00
开发支出	27	0.00	0.00	资本公积	60	0.00	0.00
商誉	28	0.00	0.00	减: 库存股	61	0.00	0.00
长期待摊费用	29	0.00	0.00	专项储备	62	0.00	0.00
递延所得税资产	30	0.00	0.00	盈余公积	63	0.00	0.00
其他非流动资产	31	175,698.43	139,969.56	未分配利润	64	0.00	0.00
非流动资产合计	32	551,210.75	439,120.15	所有者权益 (或股东权益) 合计	65	80,003.31	-43,100.21
资产总计	33	6,890,134.40	5,489,001.84	负债和所有者权益 (或股东权益) 总计	66	6,890,134.40	5,489,001.84

Source: Shanghai Richer Link SAIC Filings

(Currency: RMB)			(Currency: AUD)		
Co. Name	Shanghai Richer-link Enterprise		Co. Name	Shanghai Richer-link Enterprise	
Chinese Name	上海驰道林实业有限公司		Chinese Name	上海驰道林实业有限公司	
SAIC Filings Summary	2014	2015	SAIC Filings Summary	2014	2015
Revenue	5,262,703	7,840,136	Revenue	948,265	1,661,361
COGS	4,894,314	6,585,714	COGS	881,886	1,395,543
Gross Profit	368,389	1,254,422	Gross Profit	66,379	265,818
Operating Profit	(6,456)	417,415	Operating Profit	(1,163)	88,452
Net Profit	(209,700)	120,020	Net Profit	(37,785)	25,433
Cash and Cash Equivalent	757,482	1,077,617	Cash and Cash Equivalent	136,488	228,352
Accounts Receivable	1,262,470	1,267,785	Accounts Receivable	227,479	268,649
Prepaid Expenses	52,398	316,946	Prepaid Expenses	9,441	67,162
Other Receivables	555,487	824,060	Other Receivables	100,091	174,622
Inventory	2,422,044	2,852,516	Inventory	436,418	604,461
Current Asset	5,049,882	6,338,924	Current Asset	909,917	1,343,247
PP&E	274,450	344,507	PP&E	49,452	73,003
Intangible Asset	24,701	31,006	Intangible Asset	4,451	6,570
Other Non-current Asset	139,970	175,698	Other Non-current Asset	25,221	37,231
Non-current Asset	439,120	551,211	Non-current Asset	79,123	116,804
Total Asset	5,489,002	6,890,134	Total Asset	989,040	1,460,051
Short-term Borrowing	663,852	690,313	Short-term Borrowing	119,617	146,281
Accounts Payable	2,212,841	2,724,052	Accounts Payable	398,723	577,239
Unearned Revenue	619,064	956,085	Unearned Revenue	111,547	202,599
Other Payables	1,991,557	2,383,546	Other Payables	358,850	505,084
Current Liability	5,532,102	6,810,131	Current Liability	996,806	1,443,098
Non-current Liability	-	-	Non-current Liability	-	-
Shareholders' Equity	(43,100)	80,003	Shareholders' Equity	(7,766)	16,953
Total Debt and Shareholders' Equity	5,489,002	6,890,134	Total Debt and Shareholders' Equity	989,040	1,460,051

Source: Shanghai Richer-link SAIC Filings

Judging by Shanghai Richer Link's income statement and balance sheet, it does not appear as if TFS's highly touted Chinese buyer is capable of purchasing 150 tonnes of Indian sandalwood over the next five years. Rather, it appears to be a borderline distressed business with no web presence, minimal operations, tiny revenues, almost zero profits and a small cash balance insufficient to purchase sandalwood in bulk.

We believe that TFS has deliberately misled investors by announcing a giant contract in which it claimed to have pre-sold 150 tonnes of sandalwood per year into China without disclosing the paltry operations and tiny assets of its exclusive Chinese distributor.

2) Come on Eileen

The Company's Chinese website also mentioned another sales agent, Mrs. Yang Jingyu (Eileen) ("Eileen"), and directed any interested Chinese buyers to contact her to purchase sandalwood oil. Our due diligence reveals that Eileen is the legal representative of a Chinese company called Yitan (Xiamen) Spices Co. Ltd. ("Xiamen Spices").³

The official website of Xiamen Spices suggests it also acts as a Chinese distributor for TFS, referring to TFS as "our company" and advertising the sale of large amounts of sandalwood oil:

³ In the last month, TFS appears to have dropped any reference to Eileen on its website. But the website of Xiamen Spices still claims to be a TFS partner and reseller of sandalwood oil.

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一檀 (厦门) 香料有限公司 Yitan (Xiamen) Spices Co. Ltd
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公司介绍 Our company (TFS Corp.) is an Australia-listed public company. It is the world's largest Indian Sandalwood supplier. >> MORE

我司 (TFS公司) 是澳洲上市企业, 是目前全球最大的印度品种檀香合法供应商。

我司可大量供应 (全年超过100吨) 符合/超过国标要求的入药用印度檀香原料; 同时经营檀香精油及其开发的系列护肤品。

品种: 印度檀香
规格: 小木块/条、去皮圆木 (直径8-20公分, 长度30cm-200cm)
油点: 平均3.5 (3.3~3.7), 超过国标
年供应里: 大于100吨

亦有符合药用要求的纯印度檀香精油供应:
品种: 印度檀香精油
包装: 铝罐装 (1kg/10kg/50kg/100kg)
质量: 每批油均可提供成份检测的告, 檀香醇含量符合ISO 3518:2002关于印度檀香精油的质量标准
应用案例: 我司供应的印度檀香精油已分别应用于

- 1) 美国皮肤病研究机构Santalid制药2014年底推出的用于治痤疮的药物SANTALIA ACNE KIT;
- 2) 雀巢公司的全资子公司 Galderma(高德美)在2015年初推出的非处方产品Benzac®痤疮的解决方案, 该产品已在北美25,000多家门店包括沃尔玛、沃尔格林和亚马逊互联网上销售。

任何有关印度檀香木、檀香精油的需求, 欢迎随时与我们联系!

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手机: 杨女士13616047913 蔡先生18612255032 付... [详细介绍]



Our company can supply large amount of (over 100 tonnes annually) Indian Sandalwood that meet/surpass China National Pharmaceutical Standard. We also sell Sandalwood essential oil and other skincare products.

Source: Xiamen Spices website, <http://santalum.tdycw.com/>

We reviewed the publicly available SAIC filings of Xiamen Spices and found that, much like Shanghai Richer Link, Xiamen Spices is a tiny business with limited operations.

Founded in September 2014, Xiamen Spices reported **no revenues in 2014 and 2015, and operating expenses of only AU\$ 5,618 in 2015**. SAIC filings also indicate that as of December 31, 2015, Xiamen Spices only had AU\$ 6,527 in cash. Below is a summary of the financials contained in Xiamen Spices SAIC filings. See Appendix I for translated copies of the original Chinese documents.

(Currency: RMB)		
Co. Name	Yitan (Xiamen) Spices	
Chinese Name	一檀 (厦门) 香料有限公司	
SAIC Filings Summary	2014	2015
Revenue	-	-
COGS	-	-
Business tax and others	(12)	(10)
Sales expense	-	-
Administrative expense	(10,180)	(26,303)
Finance costs	(280)	(201)
Operating profit	(10,472)	(26,514)
Non-operating expense	-	(8)
Total profit	(10,472)	(26,522)
Tax expense	-	-
Net profit	(10,472)	(26,522)
Current Asset:		
Cash and cash equivalent	4,540	30,803
Other receivables		300
Total current asset	4,540	31,103
Non-current Asset:	-	-
Total asset	4,540	31,103
Current Liability:		
Other payables	15,000	69,879
Tax payables	12	10
Total current liability	15,012	69,889
Non-current Liability:	-	-
Total liability	15,012	69,889
Shareholders' Equity:		
Retained earnings	(10,472)	(38,786)
Total shareholders' equity	(10,472)	(38,786)
Total liability and shareholders' equity	4,540	31,103

(Currency: AUD)		
Co. Name	Yitan (Xiamen) Spices	
Chinese Name	一檀 (厦门) 香料有限公司	
SAIC Filings Summary	2014	2015
Revenue	-	-
COGS	-	-
Business tax and others	(2)	(2)
Sales expense	-	-
Administrative expense	(1,834)	(5,574)
Finance costs	(50)	(42)
Operating profit	(1,887)	(5,618)
Non-operating expense	-	(2)
Total profit	(1,887)	(5,620)
Tax expense	-	-
Net profit	(1,887)	(5,620)
Current Asset:		
Cash and cash equivalent	818	6,527
Other receivables	-	64
Total current asset	818	6,591
Non-current Asset:	-	-
Total asset	818	6,591
Current Liability:		
Other payables	2,703	14,808
Tax payables	2	2
Total current liability	2,705	14,810
Non-current Liability:	-	-
Total liability	2,705	14,810
Shareholders' Equity:		
Retained earnings	(1,887)	(8,219)
Total shareholders' equity	(1,887)	(8,219)
Total liability and shareholders' equity	818	6,591

Xiamen Spices, the Chinese operating entity affiliated with Eileen, appears to be a tiny company with almost no assets, expenses or operations.

We highly doubt that either Xiamen Spices or Shanghai Richer Link can actually follow through and purchase the Company's future harvests in the amount claimed by TFS (150 tonnes per year). Rather, we believe that TFS has deliberately misled investors by announcing a grand and sweeping contract to sell into China without disclosing either the identity or the paltry operations and assets of its supposed Chinese customers.

FORECASTED CASH FLOWS BASED ON LUDICROUS ASSUMPTIONS

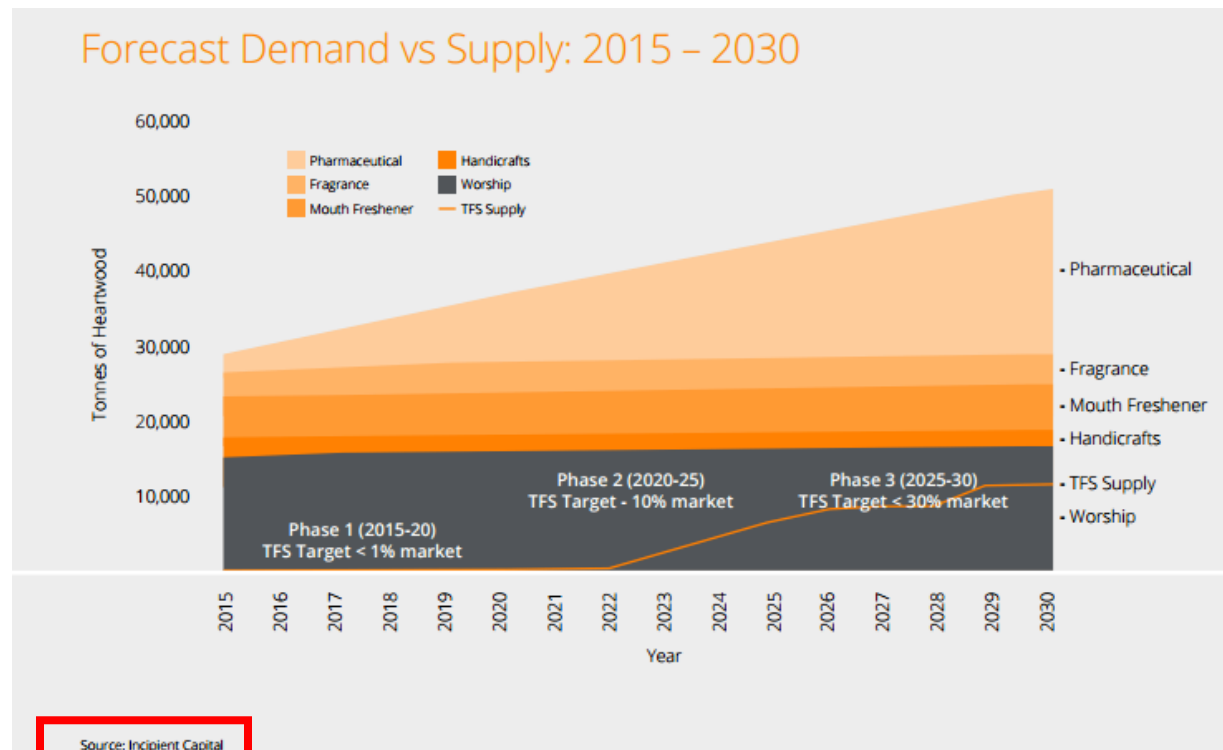
The sandalwood agri-business is difficult because the plantations are long duration assets. Sandalwood trees require 15-20 years or longer to grow before they are harvested. Moreover, sandalwood trees are [parasitic](#) and require a host tree, making growth challenging and unpredictable.

The net present value of sandalwood trees is therefore highly sensitive to a few key inputs, including price, yield and survivability. Given the length of time between planting and harvest, these inputs are inherently difficult to forecast.

In our view, TFS has used the long production cycle and esoteric sandalwood market to propagate ridiculously favorable assumptions to investors regarding the future profitability of its trees. It continues to raise money without accountability because its trees have for the most part yet to be harvested. But winter, as they say, is coming, and there is significant evidence to suggest that the Company's projections are misleading and that its trees are worth far less than the Company tells investors.

1. Undisclosed Related Party is the Source of Key Price and Demand Forecasts

One of the key components of TFS's marketing [presentations](#) to potential investors in its plantations is a slide forecasting the future demand for sandalwood. This is obviously a critical foundation of the investment proposition because TFS advertises booming future demand for sandalwood, even though it expects to flood the market with the commodity. In its 2016 [presentation to investors](#), the only source of TFS's critical demand forecast is a [study](#) by [Incipient Capital](#), which TFS cites in very fine print at the bottom of its key slide.



[Source: TFS 2016 Project Level Finance Presentation](#)

But TFS fails to disclose that Incipient Capital, far from being an independent research firm, is a small Dubai-based merchant bank which, according to its [website](#), was the lead manager in raising \$194 million in financing for TFS from 2009 to 2012.

3/9/2017

Incipient Capital Group - Capital Introductions

Dubai Sydney Dar Es Salaam



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TRACK RECORD

INTELLIGENCE



CONTACT



Advisory & Valuations

Capital Introductions

CAPITAL INTRODUCTIONS

Company	Event	Value	Role	Date
 TFS Corporation Ltd	Capital Introduction from Middle East Sovereign Wealth Fund	\$50,000,000	Lead Manager	Jun-12
 SGS Platinum Pty Ltd	Mezzanine Financing	\$1,200,000	Lead Manager	May-12
 Allied Resources Group Ltd	Capital Introduction	Undisclosed	Lead Manager & Proprietary Investment	Dec-11
 TFS Corporation Ltd	Capital Introduction from US AAA-rated Institution	\$20,000,000	Lead Manager	Dec-11
 TFS Corporation Ltd	Capital Introduction from Middle East Sovereign Wealth Fund	\$50,000,000	Lead Manager	Jun-11
 TFS Corporation Ltd	Capital Introduction from Middle East Sovereign Wealth Fund	\$50,000,000	Lead Manager	Dec-10
 TFS Corporation Ltd	Capital Introduction from a US AAA-rated Institution	\$20,000,000	Lead Manager	Sep-10
 TFS Corporation Ltd	Capital Introduction from a German Consortium Fund	\$4,000,000	Lead Manager	Jun-09

Source: <http://www.incipientcapitalgroup.com/capital-introductions.html>

We believe that it is materially misleading for TFS to include a critical slide in its marketing presentations about the future demand for sandalwood and **conceal from investors** that the source of the data is an investment bank which profits from selling TFS's sandalwood plantations to prospective investors. But this is just the tip of the iceberg.

TFS also fails to mention that Incipient Capital is an undisclosed related party. We discovered that Phillip Shamieh, co-founder and director of Incipient Capital, became the CEO and non-executive director of Gulf Natural Supply in 2009.⁴ Gulf Natural Supply was a joint venture, 49% owned by TFS from 2009 until TFS bought the remaining 51% in 2014, making Gulf Natural a wholly-owned subsidiary.⁵

In other words, the founding partner of Incipient Capital, whose research is cited as **the only source for forecasts of future sandalwood demand in TFS's 2016 marketing presentation**, was not only the founder of an investment bank raising money for the Company, but was simultaneously the CEO of one of TFS's JVs/subsidiaries from 2009 through January 2016. On Shamieh's LinkedIn page, he claims to have worked for TFS from 2009-2016, the period during which TFS was using Shamieh's Incipient Capital to raise money.

⁴ <https://ae.linkedin.com/in/phillip-shamieh-2a15a880>

⁵ Company Annual Report 2014, p. 19.



Phillip Shamieh

500+ connections

Founder and CFO of Allied Resources Group
United Arab Emirates | Mining & Metals

Current Simble, Greenvale Energy Ltd, Allied Resources Group
Previous TFS Corporation, Clarksons, Hudson Securities
Education University of Technology, Sydney

Founding Partner

Incipient

January 2008 – Present (9 years 1 month) | United Arab Emirates

Founder and Director

Wise-Owl

January 2001 – Present (16 years 1 month) | Sydney, Australia

Wise-owl is an Australian intelligence firm focused on developing companies and pre revenue assets.

Interim CEO and Non Executive Director of TFS Subsidiary Gulf Natural Supply

TFS Corporation

2009 – January 2016 (7 years)

Gulf Natural Supply is now a 100% owned subsidiary of ASX listed TFS Corporation Limited. Was the advisor and interim CEO of the initial Joint Venture between Emirates Investment Group and TFS Corporation.

Source: [LinkedIn Profile of Phillip Shamieh](#)

In addition to his role as a TFS banker and employee, Shamieh is also the founder and director of Wise-owl, an Australian market research firm which has put out positive analyst coverage on TFS, placing a **buy rating** on the stock.

TFS Corporation Ltd (TFC)

Growth Portfolio

Overview: TFS Corporation Ltd ("TFS", "the Company") is an Australian industrial company focused on the production of Indian Sandalwood products. It controls the world's largest ethical and sustainable supply of Indian Sandalwood, a \$1billion market characterised by exhausted natural reserves. Our last advice was a 'buy' recommendation in February 2013 at a price of \$0.56.



Catalysts: TFS has achieved average top line growth of 31% while NPAT increased 57% p.a. over the past four years. We expect

Source:

https://www.nabtrade.com.au/content/dam/nabtrade/pdf/Growth_TFS%20Corporation%20Ltd%20TFC_2015.pdf

Click for FREE wise-owl trial

4 November 2015 Price: \$1.68

BUY

Stop: \$1.20 Target: \$2.30

CORPORATE SUMMARY	
TICKER	TFC.ASX
INDUSTRY	Industrial
SHARES ON ISSUE	341.4m
OTHER SECURITIES	55m Options 2.1m Performance Rights
MARKET CAP	\$573m
DEBT	\$225m
ENTREPRISE VALUE	\$726m

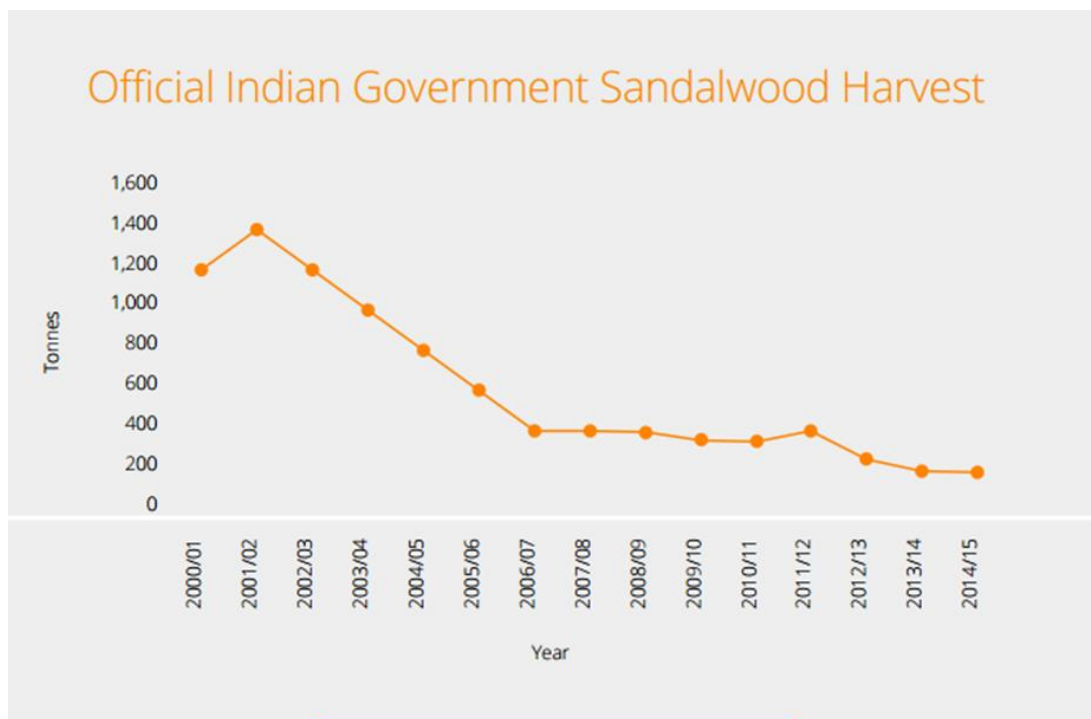
To review, Phillip Shamieh claims to have worked for TFS from 2009-2016. During that time, he was the founder and director of a research firm Wise-owl, which was putting out positive research on TFS stock. Also during that time,

he was the founder and director of Incipient Capital, a Dubai-based bank which was raising money for TFS. At the same time, Incipient Capital was the source of the key study of future sandalwood demand that TFS relies on in its marketing presentations to potential investors, without (to our knowledge) disclosing the relationship between TFS, Incipient, Wise-owl and Shamieh, which are deeply intertwined.

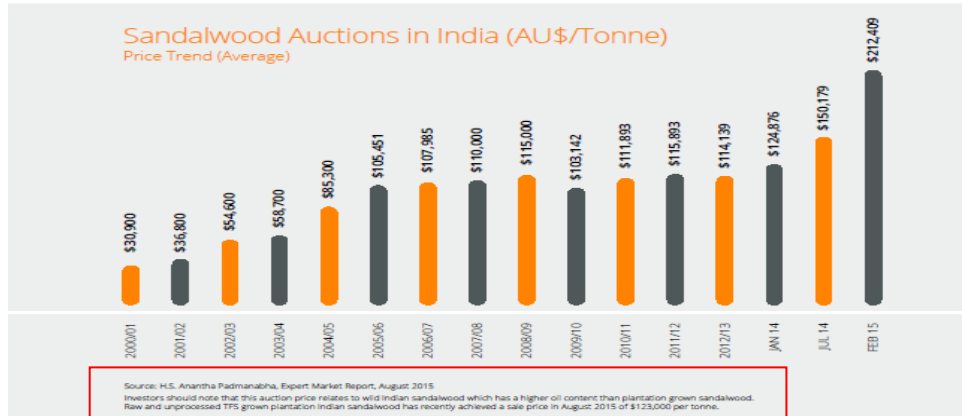
We believe that it is materially misleading for TFS to present Incipient Capital's key demand forecasts in its marketing presentations without disclosing such massive conflicts of interest to prospective investors.

In addition, we suspect that TFS's reported non-cash gains, which make up a major portion of the Company's reported "profits," must also rely on the study by Incipient Capital and the demand forecasts contained therein. TFS's forecasts are the basis for the upward re-valuation of its plantations, which ensures that at least on paper, TFS tells shareholders that it turns a profit. Yet such reported profits rely on a study conducted by an undisclosed related party, which should undermine investor confidence in the sanctity of those figures.

Unbelievably, this is not the only massive undisclosed conflict of interest in TFS's marketing documents. TFS [marketing presentations](#) also cite two other slides about the market price of sandalwood, the source of which is Dr. Anantha Padmanabha.



Source: H.S. Anantha Padmanabha, Expert Market Report, August 2015



Source: [2016 Project Level Financing Marketing Presentation](#)⁶

Yet our due diligence has uncovered that the source for the charts, Dr. Anantha Padmanabha, claims to be a consultant for TFS.

WHO IS DR. H S ANANTHA PADMANABHA ? AND HOW IS HE ASSOCIATED WITH THIS PROJECT?

Dr.H S Anantha Padmanabha, the forestry consultant, is an expert on sandalwood cell biology, who mastered the technology of artificial raising of sandalwood. A scientist of 40 years experience in forestry in India, he had worked as a senior scientist at the Institute of Wood Science and Technology in Bangalore (India) from 1964 to 1998 and was responsible for guiding research projects on sandalwood and other forestry species including but not limited to techniques of growing sandalwood and disease and pests affecting forestry tree species.

Currently he is a Director of Karnataka Research Foundation and Advance Technology Transfer, Bangalore, Consultant to Tropical Forestry Services Western Australia, consultant to Forest Rewards, Western Australia, and had served as consultant to Department of Conservation and Land Development (CALM) and Forest Product Commission (FPC) Government of Western Australia from 1998 to 2002. He is honorary consultant to Karnataka Soaps and Detergents Ltd, Bangalore, assisting and providing guidance to farmers, corporate bodies and NGO's in growing sandalwood in India.

He has co-authored books on sandalwood and have published over 150 publications in both Indian and International journals. He was designated as chief Technical Advisor for sandalwood projects with the World Bank FREE project (ICFRE) Government of India. He is currently appointed as the chief technical scientist for this project. Many articles have been written about him.

Source: <http://siriagrigrup.com/faq/112-who-is-dr-h-s-anantha-padmanabha--and-how-is-he-associated-with-this-project>

Far from being an independent analyst, Dr. Padmanabha appears to be a paid consultant to the Company. Yet TFS fails to disclose this, even though he is source for two critical slides about the price of sandalwood in TFS's marketing materials.

⁶ We find this key price chart in TFS's presentation to be highly questionable. The chart purports to show the fabulous prices attained at auction for Indian sandalwood, but buried in the fine print, TFS discloses that the prices shown are for **wild** Indian sandalwood, which has higher oil content than managed plantations. The slide does not disclose historical auction prices for plantation sandalwood, except to note that in August 2015 it "achieved" a sales price of USD 123,000 per tonne. This slide fails to give any context for the August 2015 price, whether it was (as we suspect) a market high, or in line with historical pricing.

Ultimately, we think it is highly misleading to market to potential investors on the back of critical price data and demand forecasts without disclosing the massive conflicts of interests between TFS and the sources of such information. It makes the TFS marketing process look absolutely rotten. Especially so if we scrutinize the highly dubious price forecasts which are so critical to TFS's ability to attract shareholders, creditors and project level financing.

2. Unrealistic Price Forecasts

Sandalwood is a highly opaque, thinly traded market. Estimating the trading prices of liquid commodities like gold or coal in 15-20 years is inherently difficult – estimating future prices of commodities which barely trade is near impossible. In our view, TFS exploits this inefficiency to propagate absurdly optimistic assumptions regarding the future price of sandalwood to raise money from unsuspecting retail and institutional investors.

For starters, even TFS's internal model appears inconsistent. In investor presentations to secure project level financing, TFS advertises a price of \$4,500 per kg:

Attractive supply/demand dynamics provide upside opportunity

- Demand for Indian sandalwood driven by cultural significance (India and China) and increasing take-up from fragrance and pharmaceutical industries (Europe and USA).
- Global supplies of Indian sandalwood are being depleted due to over-harvesting of natural stocks and very little establishment of commercial plantations (other than TFS).
- TFS recently executed a 20-year contract for the sale of Indian sandalwood oil at an initial price of **US\$4,500** per kg with the world's largest dermatology company, wholly owned by Nestlé.

Source: TFS 2015 Project Level Financing Marketing Brochure

TFS states that it executed a forward contract with *an initial price of US\$ 4,500 per kg*, but does not say anything about the details of this contract or whether the price is subject to change based on market conditions. We reviewed the marketing brochure, and this appears to be the **only** price quoted in the presentation, which would lead a reasonable investor to conclude that this was the forecasted future price.

But other [TFS corporate filings](#), including the press release to announce 2015 earnings and the Company's 2016 annual report, use a forward price of US\$ 2,800 per kg:

TFS reported total revenue² of \$318.0 million, a 50% increase on FY14 (\$212.2 million). This included:

- Cash revenue of \$151.2 million, up 12% on FY14 (\$135.1 million), generated from the sale of:
 - New plantations to institutional, high net worth and retail investors;
 - Plantation management services to plantation owners; and
 - Sandalwood products (including pharmaceutical grade Indian sandalwood oil sold to Galderma); and
- Non-cash revenue² of \$166.8 million, up 116% on FY14 (\$77.1 million). This included a gain of \$136.6 million (FY14: \$63.3 million) on the revaluation of TFS's sandalwood plantations, resulting from:
 - **An increase in the assumed future sales price of TFS's sandalwood oil from US\$2,500 per kg to US\$2,800 per kg**
 - A strengthening of USD against AUD (from US\$0.94 to US\$0.77);
 - Increased direct ownership of plantations; and
 - Increased maturity of the plantation assets.

Source: [FY15 Full Year Profit and Cash EBITDA Ahead of Guidance](#)

Significant Unobservable Inputs

- (i) The trees will be harvested within 14 to 16 years of being planted. The weighted average year of harvest is 15.6 years (June 2015: 15.6 years).
- (ii) Forecast of heartwood production at weighted average of 19.6kg (June 2015: 20.8kg) per Sandalwood tree at a 25% moisture content. The forecast heartwood production of each plantation vintage ranges from 6.7kg to 25.6kg per Sandalwood tree.
- (iii) Projected oil content from the heartwood of 3.7% (June 2015: 3.7%) from forecast heartwood at a moisture content of 25%.
- (iv) The price of Sandalwood oil is determined with due consideration to market transactions and industry projections, arriving at an estimate of **\$2,800 USD/kg (June 2015: \$2,800 USD/kg)** and not inflated.

Source: Company Annual Report 2016

This begs the obvious question: if the assumed forward price of sandalwood oil is USD 2,800 per kg, why are the Company project level investment brochures advertising a price of USD 4,500 per kg? We believe that at the very least, the Company's projections should be internally consistent, and that project level brochures are highly misleading because they advertise a much higher price.

This is supposedly the initial price for future deliveries under the [Nestle contract](#). But it is highly misleading to advertise the *highest price* for a product rather than the average price at which the Company values the entire plantation. In the U.S., this is called *cherry picking*, and is strictly prohibited. It arises in the context where a hedge fund or private equity fund advertises only its top performing investment and fails to disclose the overall performance of the total portfolio. Yet this practice is just the tip of the iceberg.

a) Indian Import Data Suggests Much Lower Prices

Independent customs data suggests that the market price for sandalwood oil is far below the Company's projections. Import data from India, a key sandalwood market, shows that 19,004 kg of sandalwood oil (all types) were imported into the country in 2016. The weighted average price for such imports was **USD 714 per kg**, 75% below TFS's forecasted future price of USD 2,800 per kg.

This represents an increase over 2014 and 2015, when the average price of imported sandalwood oil into India was USD 457 and 529 per kg, respectively.

India's Sandalwood Oil Import	2014	2015	2016	Total
Quantity (Kg)	28,690	16,965	19,004	64,659
Value (INR)	800,369,197	574,955,620	911,514,992	2,286,839,809
Value (USD)	13,117,999	8,966,509	13,567,236	35,651,744
Price/Kg (USD)	457	529	714	551

Note: we take into account the imported batches with quantity over 100 kg.

Source: 1. [India's Sandalwood Oil Import Data](#)

2. Foreign exchange rate of USD/INR in [2014](#), [2015](#), [2016](#)

The weighted average price over the last three years (2014 – 2016) was USD 551 per kg, significantly below the Company's projected future price. India is one of the primary markets for sandalwood products, using the oil in incense and for religious and medicinal purposes. The fact that India is importing sandalwood oil at prices well below TFS's forecast price undermines the credibility of the Company's forecasts.

Such prices also portend badly for TFS because the sandalwood market is likely to be oversaturated. The Company estimates that its harvests will be so large that the size of the sandalwood market will **increase to twelve times its current size** by 2025 (with TFS projecting that it will supply 75% of the demand).⁷ The basic rules of economics suggest that scarcity increases prices. When available supply increases, why should investors expect the price to increase? If sandalwood behaves like other commodities, a supply glut will force prices down, not up.

⁷ [FY 2016 Full Year Results Presentation](#)

All this is to say that if sandalwood oil is being imported to India, the key market, for USD 551 per kg **in the period from 2014 to 2016**, we find it highly unlikely that the Company will receive **five times this price when it floods the market with sandalwood in the future**.⁸

b) TFS Artificially Inflates the Price of Sandalwood and Prevents Market Price Discovery

TFS exacerbates the problem of price discovery because the Company has been buying up its early vintages which have come up for harvest from retail MIS owners. In our view, this artificially inflates the price of sandalwood and hinders price discovery by preventing harvested sandalwood from hitting the open market.

In 2014, the Company stupidly bragged that it had **bid 10% above the market price to buy its sandalwood from TFS-managed/MIS-owned plantations at an auction** (the sandalwood was owned by retail MIS investors but the plantations were managed by TFS):

Sale of First MIS Harvest

For personal use only

- TFS has conducted a public tender to achieve the highest practicable price for EKS growers
- Expressions of interest received from 40 parties from 7 countries
- 42 bids received from 6 different bidders across the 8 tender lots
- **TFS was the winning bidder for all 8 lots with bids on average 10% greater than the next highest bid**
- Implied price in the winning bids of AU\$100 per kg of heartwood
 - Immediately prior to harvest, TFS's biological assets are valued at AU\$92 per kg of heartwood
 - Original EKS prospectus estimated a sales price of US\$43 per kg
- TFS has also acquired the EKS retainer block, with estimated heartwood of 88t for \$8.4m



TFS CORPORATION LTD | 19

Source: [Company FY14 Full Year Results Presentation](#)

The Company bragged about paying 10% above the next highest bidder for sandalwood at auctions, but this seems like highly destructive and self-serving behavior. Because TFS is reliant on the capital markets to finance its operations, we can safely infer that TFS, by buying out harvests from MIS investors, is essentially using new money from investors, shareholders or creditors, to pay off old investors. This is reminiscent of [Great Southern](#) and other failed Australian managed investment schemes.

Furthermore, the Company stupidly admitted that it was **overpaying** to buy out investors in its early vintages. Why would it waste investor money by bidding 10% above the next closest bid?

Our suspicion is that the Company is bidding up the value of sandalwood at such auctions to **claim, in annual reports, project level disclosures and marketing brochures that the price of sandalwood is higher than it would otherwise be.**

⁸ TFS's forecasted price of USD 2,800 per kg for sandalwood oil, divided by USD 551 per kg.

In 2015 and 2016, TFS continued to buy the harvested wood from TFS-managed plantations that were owned by MIS investors. In 2015, the Company paid AU\$ 123 per kg of heartwood, well above the 2014 price of AU\$ 100 per kg. In 2016, the Company appears to have bid up the price again, stating that it bought all of the wood harvested from vintages owned by MIS investors at AU\$ 131 per kg, a 6% increase over the previous year.

Completion and Sale of Second Harvest

- Second annual harvest of trees planted in 2000 completed in May 2015 and is expected to yield around 31t of heartwood, in line with expectations
- TFS has acquired the grower owned wood for A\$123 per kg of heartwood
- TFS marketed the grower owned wood in India, China and Australia and received 4 different bids
- Price per kg is broadly in line with TFS book value and up on last year, reflecting the growing value of Indian sandalwood

Note: Original prospectus from 2000 estimated a sales price of US\$43 per kg



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For more information please contact:

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E: mario@tfsLtd.com.au
T: +61 400 772 778



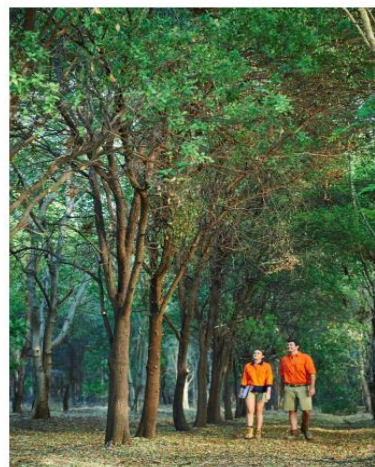
www.tfsLtd.com.au | +61 893863299



Source: [FY15 Full Year Results Presentation](#)

Successful harvest and grower wood purchase

- 2016 harvest of > 32,000 trees produced 310 tonnes of heartwood, a tenfold increase on previous harvests
- Total estate contains 5.4m Indian sandalwood trees, up on the prior year
- Grower owned wood from the 2016 harvest was marketed globally and the tender closed on 25 November
- TFS has successfully acquired the wood and has acquired 40t of heartwood at a price of AU\$131 per kg (up 6% on 2015)

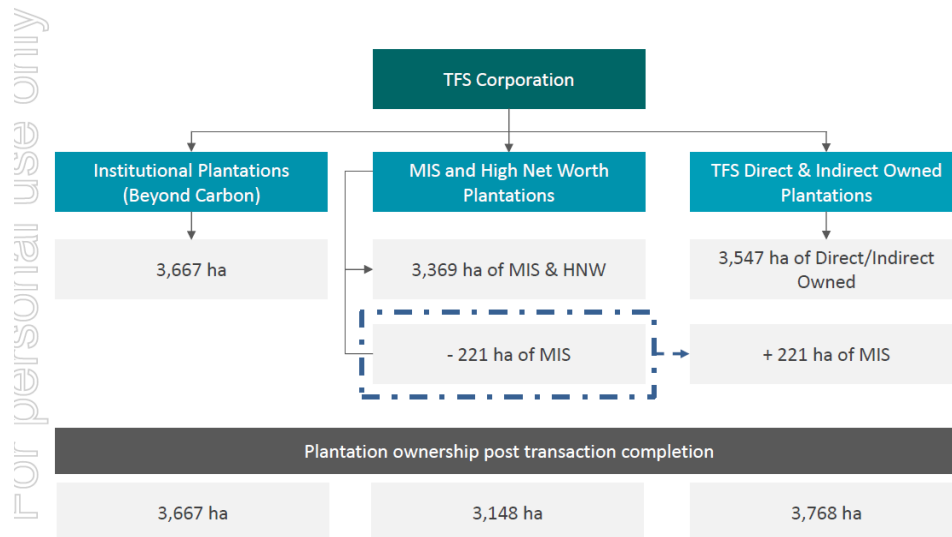


Source: [Q1 FY17 Overview of Quarterly Result](#)

Keep in mind that TFS does not yet receive meaningful cash flows from the sale of sandalwood, because most of its trees have yet to be harvested. So when TFS brags about bidding up the price of sandalwood and buying out MIS investors, it is doing so with money raised from new TFS investors, shareholders and creditors. And this questionable

behavior is accelerating. In 2016, the Company announced that it had used money raised from the capital markets to buy out previous high-net worth investors in its plantations:

Transaction Increases Ownership of Plantation Assets



Source: [2016 MIS Buy-Back and Capital Raising Presentation](#)

In a supplemental disclosure, TFS admitted that it raised AU\$ 60.5 million from the equity markets to purchase the 221 hectares of retail grower interests **due to be harvested over the next five years**:

Plantation ownership

TFS has continued to increase its ownership of the plantations, both by retaining new plantings for itself and through the acquisition of established plantations. By building its plantation ownership, TFS believes it will increase its exposure to the attractive returns associated with the ownership of Indian sandalwood plantations, by capturing more of the value through the "soil to oil to shelf" cycle. This has been the Company's consistent and clearly stated strategy since 2012.

In FY16, TFS had direct ownership of 2,638 hectares and total direct and indirect ownership of 3,631 hectares, an increase of 15% on FY15.

Owner (ha)	FY16	FY15	FY14
Institutional	4,221	3,475	3,031
Retail and Sophisticated Investor	4,330	3,615	2,886
TFS (direct & indirect ownership)	3,631	3,493	3,168
Total Estate	12,182	10,583	9,085

In April 2016, TFS completed a placement of equity to institutional shareholders which raised \$60.5 million of capital. These funds will be used to acquire up to 221 hectares of retail grower interests which are due to be harvested over the next five years.

Source: *Company Annual Report 2016*

In our view, this is Ponzi-like behavior. TFS is using funds raised from new investors to buy out earlier MIS investors.

The Company claims it wants to increase exposure to sandalwood, but we suspect that it is purchasing older plantations to **prevent sandalwood from hitting the open market in significant volume and avoid the establishment of a market price for sandalwood**, which we suspect would be well below the price used in the Company's forecasts.

Our suspicion is that the Company is terrified of trees hitting the market and selling at a price materially lower than its **internal valuations**, which would not only undermine the Company's future promises of profitability and returns for investors but would also force the Company to incur **dramatic write downs in the valuation of its existing plantations**.

Furthermore, each year, the Company has bid up the price of sandalwood. Recall that in 2014, the Company bragged that it paid 10% more than the next bidder for the harvest, demonstrating that it was wasting investor cash to drive up the price of sandalwood, to its own benefit. Although TFS does not provide details about the “auctions” held for MIS owned sandalwood trees in 2015 and 2016, the Company did pay a higher price each year. Without details of the auctions it is impossible to know for sure, but we suspect that the Company was outbidding other bidders (if there were any) in 2015 and 2016 to drive up the price of the commodity.

Sandalwood is so thinly traded that even a few price points can distort forecasts. We suspect that the market values sandalwood at well below the Company’s projected price, and that TFS uses gimmicks like bidding up the price of the sandalwood at auctions to justify its own unrealistically optimistic projections.

By artificially driving up the price of sandalwood, TFS does not have to revise downward its revenue forecasts (and does not have to restate its financials) due to lower-than-expected yields. Rather, its absurd price forecasts, founded on its own practice of bidding up prices at auction, allow TFS to continue to appear “profitable” in its annual reports and continue to make ludicrous promises of future cash flows to prospective investors.

3. Dubious Yield and Survivability Assumptions

The other highly questionable assumptions underpinning TFS’s projection of future cash flows are the Company’s forecasts of heartwood yield and the survival rate of its trees. These assumptions underpin both the Company’s marketing materials (upon which it relies to secure new “revenues” from establishment fees charged to successive rounds of new investors) and non-cash gains recognized on its income statement from the upward reevaluation of the value of the Company’s plantations.

a. Academic Studies Report Far Lower Yields

TFS’s heartwood yield forecasts deviate significantly from key academic studies, which project a heartwood yield of 4.0-6.8 kg/tree for Indian sandalwood trees. By comparison, TFS has told investors to expect a heartwood yield as high as 30 kg per tree, as high as seven times the yield found in independent academic studies.

Academic Studies on Heartwood Yield from Sandalwood Trees

Study	Harvest Age	Heartwood Yield (kg/tree)
Brand et al. ¹ (2012)	16	6.8
Elders Independent Expert Report ² (2013)	15	6.8
Rural Industry ³ (2012)	15	6.3
RaI ⁴ (1990)	20	4.0
TFS Trial Harvest ⁵ (2011)	19-23	25.0
TFS Assumptions (2016)	16	19.6

Note: Heartwood yield from Brand et al. study was standardized by converting 5.8kg per tree at 12% moisture content to 6.8kg per tree at 25% moisture content

Sources:

- [1. Published by Jonathan E. Brand, Len J. Norris & Ian C. Dumbrell on Australian Forestry Volume 75, 2014](#)
- [2. Published by Deloitte - ITC Sandalwood Project 2001 Independent Expert's Report and Financial Services Guide](#)
- [3. Published by Rural Industry Research & Development Corp. \(authors are Dr Liz Barbour, Professor Julie Plummer, Len Norris\) - Flood-irrigated Tropical Timber Trials in the North of Western Australia](#)
- [4. Published by Shobha N. Rai - Status and Cultivation of Sandalwood in India](#)
- [5. Announced by TFS in Commercial Yields Confirmed in Indian Sandalwood Harvest Trial and Market Update](#)

In 2011, TFS conducted a “trial harvest” and reported that its projected sandalwood yields broadly matched its [forecasted](#) yields of 25.0 kg per tree. But investors should note that the trees in the trial study were harvested at age 19-23, and not age 15, when the Company expects to harvest most of its plantations. Moreover, few details were provided to investors regarding the trial study. Without more information, it is difficult to make heads or tails of this trial harvest, but we do not believe that a study conducted by a company with a massive financial incentive in the outcome is a persuasive authority when compared to independent academic studies.

Independent studies also undermine the Company’s projected survival rate for its trees. TFS projects an 80 to 90% survival rate for its sandalwood plantations. Yet an independent report by Deloitte in 2013, stated that mortality rates were much higher, and that survival rates experienced by Elders Forestry over the course of eleven years were only 40% on average.

As the number of stems per hectare decreases with age due to natural mortality, mortality rates were applied to the stems based on their age in order to estimate the number remaining when the trees are harvested 15 years from establishment. Mortality rates for each age class were calculated by Pöyry with reference to actual mortality rates experienced by Elders Forestry over the course of the last 11 years (excluding a particularly poor performing age class), which suggest that, on average, only 40% of planted stems will survive to the time of harvesting compared to the 84% survival rate Elders Forestry generally targeted at establishment of the EFML MIS Projects.

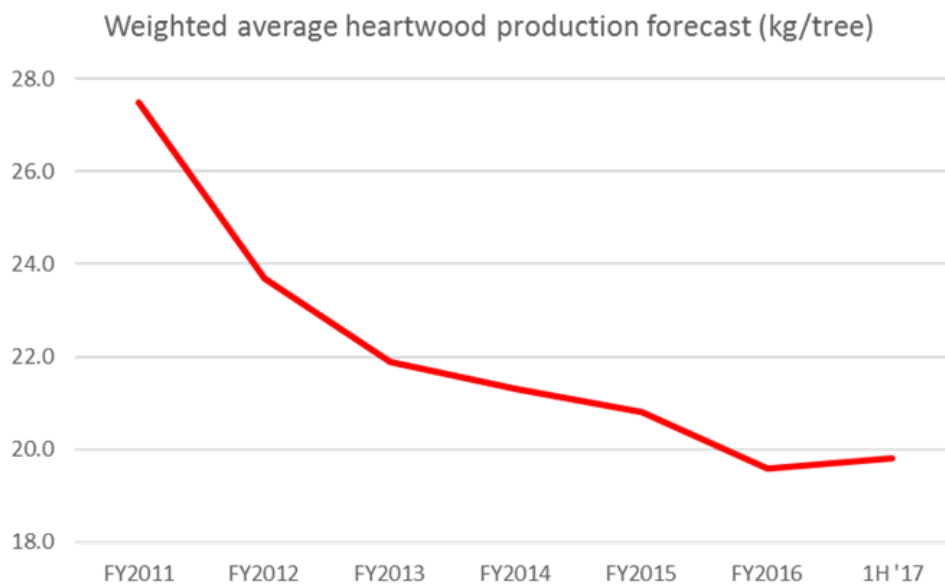
Source: Deloitte - Elders Independent Expert Report (2013)

The Deloitte report notes that while Elders Forestry, like TFS, targeted an 84% survival rate at establishment, in reality, less than half of the trees survived to maturity.

b. Internally Inconsistent and Arbitrary Yield Forecasts

The valuable commodity in sandalwood trees is the aromatic [heartwood](#). In its annual report, the Company reports a forecasted weighted average heartwood yield for its plantations, which is an estimate of the amount of heartwood that the Company expects to extract from each sandalwood tree.

To give investors an idea of just how arbitrary TFS’s forecasts can be, in the Company’s FY 2011 annual report, it estimated a weighted average yield as high as 30 kg per tree.⁹ Each year thereafter, as its plantations matured, TFS has revised downwards its weighted average yield assumption. In FY 2016, the Company’s yield assumption dropped to 19.6 kg per tree.



Source: Company Public Filings

⁹The Company’s FY 2011 annual report projects a yield between 25-30 kg per tree.

Significant Unobservable Inputs

- (i) The trees will be harvested within 14 to 16 years of being planted. The weighted average year of harvest is 15.6 years (June 2015: 15.6 years).
- (ii) Forecast of heartwood production at weighted average of **19.6kg (June 2015: 20.8kg) per Sandalwood tree** at a 25% moisture content. The forecast heartwood production of each plantation vintage ranges from 6.7kg to 25.6kg per Sandalwood tree.
- (iii) Projected oil content from the heartwood of 3.7% (June 2015: 3.7%) from forecast heartwood at a moisture content of 25%.
- (iv) The price of Sandalwood oil is determined with due consideration to market transactions and industry projections, arriving at an estimate of \$2,800 USD/kg (June 2015: \$2,800 USD/kg) and not inflated.

Source: Company Annual Report FY 2016

The changing yield curve is a major red flag. In FY 2011, the Company was marketing projects to investors based on a blended forecast of 27.5 kg per tree, only to systemically lower the yield once vintages came up for harvest. In the first half of FY 2017, the Company reported a blended average yield of 19.8 kg per tree, 28% lower than in FY 2011, likely much to the chagrin of the investors who gave money for project level financing in FY 2011 or before.

We think that the Company should have recognized losses from the downward revaluation of its forecasted yields – after all, future cash flows will be negatively impacted by lower than expected volumes. But TFS never did, because, not coincidentally, as the Company lowered its estimated yields, it raised its estimate of the future market price of sandalwood.

Key Assumptions from the Company	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	1H '17
Weighted average heartwood production forecast (kg/tree)		27.5	23.7	21.9	21.3	20.8	19.6	19.8
Sandalwood oil price estimation (USD/kg)	1,800	2,500	2,500	2,500	2,500	2,800	2,800	2,800

Source: Company Public Filings

As discussed above, such future price forecasts are unreliable, prone to manipulation by the Company, and based on forecasts from a Dubai merchant bank raising money for TFS. The weighted average yield reported in TFS's annual reports is also inconsistent with its project level disclosures on the TFS website. On the project level, the Company models that its trees will yield up to 15.7 kg of heartwood per tree, and survivability estimates as high as 90%.

Project Accounts as at June 30, 2016

Project Name	Heartwood Yield per Tree (kg/tree)	Survival Rate	Plantation NOT Growing in Line with Assigned Yield Curve
TFS Sandalwood Project 2000	9.7	69.6%	
TFS Sandalwood Project 2002	10.5	52.2%	X
TFS Sandalwood Project 2003	10.9	69.0%	X
TFS Gold Card Sandalwood Project 2003	10.6	60.0%	X
TFS Sandalwood Project 2004	7.7	54.3%	
TFS Premium Sandalwood Project 2004	8.4	57.5%	
TFS Sandalwood Project 2005	8.7	40.2%	X
TFS Sandalwood Project 2006	8.7	56.8%	X
TFS Sandalwood Project 2007	10.5	67.2%	X
TFS Sandalwood Project 2008	12.1	83.1%	X
TFS Sandalwood Project 2009	13.3	87.1%	X
TFS Sandalwood Project 2010	14.8	76.6%	X
TFS Sandalwood Project 2011	15.7	80.4%	
TFS Sandalwood Project 2012	15.7	89.0%	
TFS Sandalwood Project 2013	15.7	90.0%	
TFS Sandalwood Project 2014	15.7	86.6%	
TFS Sandalwood Project 2015	15.7	85.0%	

Source: [TFS / Quintis Website - Project Accounts](#)

We think it is odd that the Company forecasts a weighted average yield of 19.6 kg per tree when, on a per project basis, the highest yield estimate is 15.7 kg per tree. Whichever projections you choose, weighted average or project level, there is ample reason to be skeptical of TFS's projections.

c. TFS's Actual Yields and Survival Rate are Much Lower than Forecasts.

More damning, TFS's forecasts are also inconsistent with the yield and survival rate **actually** realized on TFS's harvested vintages.

In TFS's 2016 management presentation accompanying its interim results, it disclosed **that the actual yield** on harvested trees in 2014 and 2015 has been 3.1 and 4.9 kg per tree, far below its consensus forward projection of ~19-30 kg per tree. Actual survival rates (32%-38%) also came in far below the Company's forecast survival rates of 80-90%.

Harvest yields to increase tenfold in 2016

Harvest Year	2014 Actual	2015 Actual	2016 Forecast
Area	100 ha	35 ha	104 ha
Average age of tree	14 yrs	14.5 yrs	15 yrs
Heartwood yield per tree (kg)	3.1 kg	4.9 kg	≈9.7 kg
Survival rate ¹ (%)	32%	38%	≈70%
Heartwood yield (tonnes)	46 t	31 t	>300 t
TFS ownership at harvest (Direct and indirect ownership)	38%	20%	84%
Oil yield	3.3%	3.5%	3.7%

Results of enhanced forestry practices, including improved host trees and site selection

Note 1: Plantations were established with 463 seedlings per ha in establishment years 1999 to 2001



Source: [Company Public Filings](#)

TFS disclosed that its most recent harvest (2016), the heartwood yield was less than 9.7 kg per tree, better than previous performance, but still 50% less than the Company's current weighted average projections.

Successful harvest and grower wood purchase

- 2016 harvest of > 32,000 trees produced 310 tonnes of heartwood, a tenfold increase on previous harvests
- Total estate contains 5.4m Indian sandalwood trees, up on the prior year
- Grower owned wood from the 2016 harvest was marketed globally and the tender closed on 25 November
- TFS has successfully acquired the wood and has acquired 40t of heartwood at a price of AU\$131 per kg (up 6% on 2015)



Source: [Company Public Filings](#)

In addition, the following disclosure has begun to appear in project level accounts for TFS's vintages in 2002, 2003, and 2005-2010:¹⁰

Data collected during the 2016 inventory count indicated that, during FY16, the T.F.S. 2010 plantation had not grown in line with the assigned yield curve by an amount that is outside the statistical margin of error. T.F.S. has determined that the assigned yield curve still most accurately predicts the expected future heartwood yield at harvest because intervention in host management and irrigation will cause the trees to re-join the assigned yield curve in the future.

Source: https://quintis.com.au/media/1594/tfs-2010_project-accounts_fy16.pdf

Beginning in 2016, TFS included this disclosure in the documents for 9 of its first 12 vintages, meaning 75% of its first twelve vintages are not growing in line with the Company's projected yield curve. This disclosure was not included in prior years, indicating that such "deviations" from the projected yield curve are occurring as the trees mature.

It seems highly unreasonable for TFS to be using a yield forecast of 19.8 kg per tree when the Company's 75% of its first 12 vintages are by TFS's own admission falling behind its projected yield curve.

We believe that TFS's financial statements should project an expected yield of ~10 kg per tree, which would be almost double the yield predicted by academic studies and higher than any yield TFS has achieved on any plantations harvested to date.

If TFS revised its yield forecast to a more realistic figure, we believe that the Company would be cut off from the capital markets. First, the Company would be forced to take a write down on the value of its biological assets, a hit to its income statement which would correct for ludicrous previous upward revaluations. Second, the Company would have to correct misleading yield projections in its marketing materials, making it significantly more difficult to raise money for future plantations. A revision of a simple, unreasonable yield assumption, and the Company's financial statements and marketing materials would, in our view, completely unravel.

¹⁰ See Project Level Reports (updated as of 2016) for all these project level accounts on [TFS / Quintis Website](#)

OFFICER AND DIRECTOR TURNOVER

Companies engaging in questionable accounting practices or making misleading statements to investors often experience high turnover among directors and officers wary of liability or a tarnished reputation once the scheme unravels. The director of a public company is usually a cushy job, so it is a red flag when they resign in droves. In this case, the shoe certainly fits, as TFS has experienced an unusually high number of director and officer resignations in recent years.

Management Turnover

Resignation Date	Name	Position	Duration of Tenure (Years)
11/18/2014	Patrick O'Connor	NE Chairman	1.2
11/28/2014	Ronald Eacott	NED	14.7
9/2/2014	Stephen Atkinson	NED	2.1
10/3/2012	Richard KR Alston	NE Chairman	1.3
7/12/2012	Timothy Croot	NED	4.7
12/23/2011	Jim Stuart Craig	NED	43 days
7/1/2011	Blake William Myles	NED	5.6
7/1/2011	Ian MacKenzie Murchison	NED	5.3

Source: Company Public Filings

By our count, eight officers or directors have resigned since late 2011. Many have done so after a brief tenure of two years or less.

Perhaps the most notable resignation was Patrick O'Connor, who joined TFS as chairman in September 2013. O'Connor lasted one year, [resigning](#) in November 2014. At the time of his resignation, TFS said that O'Connor would remain on the board, but he [resigned](#) from his board position a month later in December 2015. We consider O'Connor's quick resignation from both the chairmanship and the board is a significant red flag. Ultimately, high director and officer turnover, corroborates our investment opinion that TFS is a troubled company.

VALUATION

TFS is so sensitive to any negative criticism that it [unsuccessfully sued](#) Taylor Collison, an Australian broker, in 2015 because of a bearish analyst note. In our years as short sellers, we have rarely seen a lawsuit over an analyst note, but such sensitivity and litigiousness indicates, in our opinion, that TFS is weak and fragile. No legitimate business would sue over criticism unless it was afraid that investors would discover its underlying business was not performing as advertised. Happily, TFS [lost the suit](#), and had to pay Taylor Collison's legal fees.

TFS relies on the capital markets for its existence. As discussed in this report, we believe that the Company materially misleads investors regarding projected future cash flows by making unrealistic forecasts about the yield and survivability of its trees and the future price of sandalwood.

For a long time, TFS could make misleading disclosures with impunity because the assets take so long to grow, there was no evidence to directly contradict the Company's ludicrous projections. But that is changing. The Company's first vintages are coming due for harvest, and predictably, yields and survival rates are well below TFS's ridiculous projections. Moreover, the Company now must sell the harvested sandalwood – which we believe, based on the dubious character of the supposedly famous “Chinese buyer,” is proving much harder than anticipated.

TFS is already heavily levered, burns cash at a torrid pace, and cannot function without access to the capital markets. In 2016, the Company burned AU\$60 million, up from AU\$46 million the previous year.

Company Burn Rate

Burn Rate (AUD '000)	2010	2011	2012	2013	2014	2015	2016	1H '17
Net Cash Flow	(18,610)	56,801	(21,779)	1,393	32,064	(15,907)	34,319	(17,200)
Net Cash from Financing Activities	24,864	24,461	58,483	(15)	57,986	30,381	94,153	39,884
Cash Burned	(43,474)	32,340	(80,262)	1,408	(25,922)	(46,288)	(59,834)	(57,084)

Source: Company Public Filings

TFS's cash flows show that the business burns so much cash that it needs to raise money every year to operate. As a result, its debts are mounting, and its interest payments are becoming a heavy burden. TFS reported AU\$ 555 million in total financial liabilities as of 1H FY 2017.

AUS '000	2010	2011	2012	2013	2014	2015	2016	1H '17
Total Financial Liabilities	67,281	140,842	146,503	164,154	245,332	349,393	456,153	555,342
Cash EBITDA	44,268	16,533	23,780	51,804	51,400	57,533	62,162	7,574
Interest Payment	2,938	3,757	9,756	16,248	19,141	19,617	31,211	15,418
Interest Payment as % of Cash EBITDA	7%	23%	41%	31%	37%	34%	50%	204%

Source: Company Public Filings

In FY 2016, TFS's annual interest payments were AU\$31 million, accounting for 50% of the Company's reported *cash EBITDA*. Such leverage is concerning because of the Company's long wait until it can harvest meaningful amounts of sandalwood. The only way that the Company can continue to pay interest on its debt is with new borrowing or project level financing, a vicious cycle.

Investors should of course do their own homework, but for our part, we estimate that TFS's liabilities far exceed the value of its sandalwood plantations. We believe that once investors come to realize the misleading nature of TFS's projections, its questionable marketing materials and dubious Chinese “customers,” TFS will struggle to access the capital markets. At that point, we highly doubt that the Company will be able to service its debts, let alone continue to operate for the benefit of shareholders.

Ultimately, we think this scheme comes to an end in bankruptcy court, much like other Australian agricultural MIS [companies](#) such as [Timbercorp](#), [Great Southern](#), [Environinvest](#), [Palandri Wines](#), [Arafura Pearls](#), [Australian Bight Abalone](#), and [Forestry Enterprises Australia](#), etc...

Company Name	Date of Bankruptcy Administration	Investor Losses (AUD mm)
Timbercorp	Apr-09	750
Great Southern Corp.	May-09	700
Enviroinvest	Sep-08	149
Palandri Wines	Feb-08	270
Arafura Pearls	Apr-11	41
Australian Bight Abalone	Jul-09	44
Forestry Enterprises Australia	Apr-10	215
Total		2,169

Source: Links in Previous Paragraph

The collapse of these MIS companies resulted in over AU\$2 billion in aggregate investor losses. We believe that TFS will likely follow Timbercorp and Great Southern into ignominy and failure. Accordingly, we value TFS's equity at AS\$ 0.00.



APPENDIX I**Yitan (Xiamen) Spices SAIC Filings
2014 Income Statement**

利润表		Income Statement	
Period		Unit: RMB	
所属时期: 2014-01-01 至 2014-12-31		金额单位: 人民币元	
项目	行次	This Year Amount 本年累计金额	Last Year Amount 上年累计金额
一、营业收入	1	0.00	0.00
减: 营业成本	2	0.00	0.00
营业税金及附加	3	11.86	0.00
其中: 消费税	4	0.00	0.00
营业税	5	0.00	0.00
城市维护建设税	6	0.00	0.00
资源税	7	0.00	0.00
土地增值税	8	0.00	0.00
城镇土地使用税、房产税、车船税、印花税	9	11.86	0.00
教育费附加、矿产资源补偿费、排污费	10	0.00	0.00
销售费用	11	0.00	0.00
其中: 商品维修费	12	0.00	0.00
广告费和业务宣传费	13	0.00	0.00
管理费用	14	10,180.00	0.00
其中: 开办费	15	0.00	0.00
业务招待费	16	0.00	0.00
研究费用	17	0.00	0.00
财务费用	18	279.71	0.00
其中: 利息费用 (收入以“-”号填列)	19	0.00	0.00
加: 投资收益 (损失以“-”号填列)	20	0.00	0.00
二、营业利润 (亏损以“-”号填列)	21	-10,471.57	0.00
加: 营业外收入	22	0.00	0.00
其中: 政府补助	23	0.00	0.00
减: 营业外支出	24	0.00	0.00
其中: 坏账损失	25	0.00	0.00
无法收回的长期债券投资损失	26	0.00	0.00
无法收回的长期股权投资损失	27	0.00	0.00
自然灾害等不可抗力因素造成的损失	28	0.00	0.00
税收滞纳金	29	0.00	0.00
三、利润总额 (亏损总额以“-”号填列)	30	-10,471.57	0.00
减: 所得税费用	31	0.00	0.00
四、净利润 (净亏损以“-”号填列)	32	-10,471.57	0.00

Source: Yitan (Xiamen) Spices Co. SAIC Filings

2015 Income Statement

Period		Unit: RMB	
所属时期: 2015-01-01 至 2015-12-31		金额单位: 人民币元	
项目	行次	This Year Amount 本年累计金额	Last Year Amount 上年累计金额
一、营业收入	1	0.00	0.00
Revenue			
减: 营业成本	2	0.00	0.00
COGS			
营业税金及附加	3	10.00	11.86
Business Tax & others			
其中: 消费税	4	0.00	0.00
营业税	5	0.00	0.00
城市维护建设税	6	0.00	0.00
资源税	7	0.00	0.00
土地增值税	8	0.00	0.00
城镇土地使用税、房产税、车船税、印花税	9	10.00	11.86
教育费附加、矿产资源补偿费、排污费	10	0.00	0.00
销售费用	11	0.00	0.00
其中: 商品维修费	12	0.00	0.00
广告费和业务宣传费	13	0.00	0.00
管理费用	14	26,303.44	10,180.00
Administrative Expenses			
其中: 开办费	15	0.00	0.00
业务招待费	16	0.00	0.00
研究费用	17	0.00	0.00
财务费用	18	200.55	279.71
Finance Costs			
其中: 利息费用 (收入以“-”号填列)	19	0.00	0.00
加: 投资收益 (损失以“-”号填列)	20	0.00	0.00
二、营业利润 (亏损以“-”号填列)	21	-26,513.99	-10,471.57
Operating Profit			
加: 营业外收入	22	0.00	0.00
其中: 政府补助	23	0.00	0.00
减: 营业外支出	24	7.81	0.00
其中: 坏账损失	25	0.00	0.00
无法收回的长期债券投资损失	26	0.00	0.00
无法收回的长期股权投资损失	27	0.00	0.00
自然灾害等不可抗力因素造成的损失	28	0.00	0.00
税收滞纳金	29	0.00	0.00
三、利润总额 (亏损总额以“-”号填列)	30	-26,521.80	-10,471.57
Total Profit			
减: 所得税费用	31	0.00	0.00
四、净利润 (净亏损以“-”号填列)	32	-26,521.80	-10,471.57
Net Profit			

Source: Yitan (Xiamen) Spices Co. SAIC Filings

2014 Balance Sheet

Period		2014-01-01 至 2014-12-31		Unit: RMB		Balance Sheet	
所属时期:		金额单位: 人民币元					
资产	行次	Year Ending Amount 期末余额	Year Beginning Amount 年初余额	负债及所有者权益 (或股东权益)	行次	Year Ending Amount 期末余额	Year Beginning Amount 年初余额
流动资产:	1	0.00	0.00	流动负债:	34	0.00	0.00
货币资金 Cash & Cash Equi	2	4,540.29	0.00	短期借款	35	0.00	0.00
短期投资	3	0.00	0.00	交易性金融负债	36	0.00	0.00
应收票据	4	0.00	0.00	应付票据	37	0.00	0.00
应收账款	5	0.00	0.00	应付账款	38	0.00	0.00
预付款项	6	0.00	0.00	预收款项	39	0.00	0.00
应收利息	7	0.00	0.00	应付职工薪酬	40	0.00	0.00
应收股利	8	0.00	0.00	应交税费 Tax Payable	41	11.86	0.00
其他应收款	9	0.00	0.00	应付利息	42	0.00	0.00
存货	10	0.00	0.00	应付股利	43	0.00	0.00
其中: 原材料	11	0.00	0.00	其他应付款 Other Payable	44	15,000.00	0.00
其他流动资产	12	0.00	0.00	一年内到期的长期负债	45	0.00	0.00
流动资产合计 Total Current Asset	13	4,540.29	0.00	其他流动负债	46	0.00	0.00
非流动资产:	14	0.00	0.00	流动负债合计 Total Current Liability	47	15,011.86	0.00
可供出售金融资产	15	0.00	0.00	非流动负债:	48	0.00	0.00
持有至到期投资	16	0.00	0.00	长期借款	49	0.00	0.00
长期应收款	17	0.00	0.00	应付债券	50	0.00	0.00
长期股权投资	18	0.00	0.00	长期应付款	51	0.00	0.00
投资性房地产	19	0.00	0.00	专项应付款	52	0.00	0.00
固定资产	20	0.00	0.00	预计负债	53	0.00	0.00
在建工程	21	0.00	0.00	递延所得税负债	54	0.00	0.00
工程物资	22	0.00	0.00	其他非流动负债	55	0.00	0.00
固定资产清理	23	0.00	0.00	非流动负债合计 Total Non-current Liability	56	0.00	0.00
生产性生物资产	24	0.00	0.00	负债合计 Total Liability	57	15,011.86	0.00
油气资产	25	0.00	0.00	所有者权益(或股东权益):	58	0.00	0.00
无形资产	26	0.00	0.00	实收资本(或股本)	59	0.00	0.00
开发支出	27	0.00	0.00	资本公积	60	0.00	0.00
商誉	28	0.00	0.00	减: 库存股	61	0.00	0.00
长期待摊费用	29	0.00	0.00	盈余公积	62	0.00	0.00
递延所得税资产	30	0.00	0.00	未分配利润 Retained Earnings	63	-10,471.57	0.00
其他非流动资产	31	0.00	0.00	所有者权益(或股东权益)合计 Total SH's Equity	64	-10,471.57	0.00
非流动资产合计 Total Non-current Asset	32	0.00	0.00	负债及所有者权益(或股东权益)合计 Total Liab + SH's Equity	65	0.00	0.00
资产总计 Total Asset	33	4,540.29	0.00	负债及所有者权益(或股东权益)合计	66	4,540.29	0.00

Source: Yitan (Xiamen) Spices Co. SAIC Filings

2015 Balance Sheet

Period		2015-01-01 至 2015-12-31		Unit: RMB		Balance Sheet	
所属时期:		金额单位: 人民币元					
资产	行次	Year Ending Amount 期末余额	Year Beginning Amount 年初余额	负债及所有者权益 (或股东权益)	行次	Year Ending Amount 期末余额	Year Beginning Amount 年初余额
流动资产:	1	0.00	0.00	流动负债:	34	0.00	0.00
货币资金 Cash & Cash Equi	2	30,803.33	4,540.29	短期借款	35	0.00	0.00
短期投资	3	0.00	0.00	交易性金融负债	36	0.00	0.00
应收票据	4	0.00	0.00	应付票据	37	0.00	0.00
应收账款	5	0.00	0.00	应付账款	38	0.00	0.00
预付款项	6	0.00	0.00	预收款项	39	0.00	0.00
应收利息	7	0.00	0.00	应付职工薪酬	40	0.00	0.00
应收股利	8	0.00	0.00	应交税费 Tax Payable	41	10.00	11.86
其他应收款	9	300.00	0.00	应付利息	42	0.00	0.00
存货	10	0.00	0.00	应付股利	43	0.00	0.00
其中: 原材料	11	0.00	0.00	其他应付款 Other Payable	44	69,879.00	15,000.00
其他流动资产	12	0.00	0.00	一年内到期的长期负债	45	0.00	0.00
流动资产合计 Total Current Asset	13	31,103.33	4,540.29	其他流动负债	46	0.00	0.00
非流动资产:	14	0.00	0.00	流动负债合计 Total Current Liability	47	69,889.00	15,011.86
可供出售金融资产	15	0.00	0.00	非流动负债:	48	0.00	0.00
持有至到期投资	16	0.00	0.00	长期借款	49	0.00	0.00
长期应收款	17	0.00	0.00	应付债券	50	0.00	0.00
长期股权投资	18	0.00	0.00	长期应付款	51	0.00	0.00
投资性房地产	19	0.00	0.00	专项应付款	52	0.00	0.00
固定资产	20	0.00	0.00	预计负债	53	0.00	0.00
在建工程	21	0.00	0.00	递延所得税负债	54	0.00	0.00
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固定资产清理	23	0.00	0.00	非流动负债合计 Total Non-current Liability	56	0.00	0.00
生产性生物资产	24	0.00	0.00	负债合计 Total Liability	57	69,889.00	15,011.86
油气资产	25	0.00	0.00	所有者权益(或股东权益):	58	0.00	0.00
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长期待摊费用	29	0.00	0.00	盈余公积	62	0.00	0.00
递延所得税资产	30	0.00	0.00	未分配利润 Retained Earnings	63	-38,785.67	-10,471.57
其他非流动资产	31	0.00	0.00	所有者权益(或股东权益)合计 Total SH's Equity	64	-38,785.67	-10,471.57
非流动资产合计 Total Non-current Asset	32	0.00	0.00	负债及所有者权益(或股东权益)合计 Total Liab + SH's Equity	65	0.00	0.00
资产总计 Total Asset	33	31,103.33	4,540.29	负债及所有者权益(或股东权益)合计	66	31,103.33	4,540.29

Source: Yitan (Xiamen) Spices Co. SAIC Filings



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