



神山
果农

China Shenshan Orchard Holdings Co. Ltd.

(Incorporated in Bermuda)
(Company Registration No. 41457)



Building
on
Progress

Annual Report 2022

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Corporate Profile

China Shenshan Orchard Holdings Co. Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) is a horticultural marketing company in the business of planting, cultivating and sale of kiwifruits in the People’s Republic of China (“**PRC**”). The Group holds forest use rights for 8 strategically located orchards, spanning a total land area of 9,805 mu (approximately 6.5 million sqm), which is believed to be one of the largest domestic kiwifruit orchards concentrated in Chibi City, Hubei, the PRC.



Leveraging on experienced in-house research and development team and external technology advisory and research partners, the Group aims to establish itself as the leading kiwifruit producer, bringing to the market reputable kiwifruit brands of highest quality. Holding 83 trademarks and 56 patents as at 21 March 2023, the Group is mainly focused on the management of kiwifruit cultivation, supply and distribution management and marketing of its Fairy Gold (精灵果) and Sunshine Kiwi (阳光金果) kiwifruits. The Group currently distributes its products via distributors, wholesalers, corporates and e-commerce platforms.

The Group has won numerous accolades and awards including being recognised as Top 30 Private Enterprises in 2017, achieving Agricultural Industrialisation Excellence – Key Leading Enterprise, Agricultural Product Processing Industry (Target Gross Product of RMB100 billion) in 2018 – Outstanding Contribution Award, Key Leading Enterprise of Agricultural Industrialisation in Hubei Province in 2019, Certificate of Good Agricultural Practice in 2020, and Agricultural Technology Promotion and Cooperation Award in 2021 and 2022.



Chief Executive Officer's Statement

On behalf of the Board of Directors ("**Board**"), management and staff of China Shenshan Orchard Holdings Co. Ltd. ("**China Shenshan**" or the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present our annual report for the financial year ended 31 December 2022 ("**FY2022**").

2022 was a challenging year for the Group. In addition to the impact of the COVID-19 pandemic, we faced a prolonged heatwave that had exacerbated a severe drought in China which greatly affected our kiwifruit yield. It was the most severe heatwave in six decades with highest temperatures and one of its lowest levels of rainfall recorded in China¹.

On a bright side, China abandoned its zero-COVID strategy after three years of strict COVID-19 measures. This has been viewed as a positive step towards revitalising the economy, and eventually improving consumer sentiment. The end of lockdowns has brought a sigh of relief for the exhausted public as the pandemic has taken a toll on both the economy and society. Thus, we are optimistic about a rebound in harvest volume and sales as the drought subsides and China's economy recovers from the COVID-19 pandemic.

Financial Performance

This marked the Group's first full year contribution solely from the kiwifruit business. We have been focusing on growing the kiwifruit business and devoting much efforts in research and development ("**R&D**"). Amidst the uncertainty and volatility currently, the Group has capitalised on its competitive advantages. We act quickly and adapt to the evolving business environment, which enabled us to maintain a resilient performance.

The Group's revenue decreased by 23.5% from RMB111.2 million for the eighteen months financial period from 1 July 2020 to 31 December 2021 ("**FP2021**") to RMB85.0 million for FY2022. The average selling price decreased from RMB29.5 per kg for FP2021 to RMB27.1 per kg for FY2022 largely due to the COVID-19 pandemic while the volume of kiwifruit sold dropped by 16.7% to 3,141 tons for FY2022. This was mainly attributable to prolonged heatwaves in China from May to August 2022 which exacerbated a drought that has adversely affected the ripening stage of the kiwifruit and impacted the Group's annual harvest volume.

In line with the drop in revenue, the Group registered an adjusted gross profit of RMB78.9 million for FY2022 which marked a decrease of 25.3% and an adjusted gross profit margin of 92.8% for FY2022².

A one-off gain on bargain purchase of RMB10.5 million was recognised for FP2021 but was absent for FY2022. This was the excess between the fair value of the net assets of the kiwifruit business acquired by the Company and the net assets of the baijiu business disposed of by the Company as settlement consideration for both transactions.

Other income increased significantly from RMB0.4 million in FP2021 to RMB8.1 million in FY2022, which was mainly due to increase in unconditional grants from government-related agencies in the form of cash subsidies, in support of agricultural activities in China.

Administrative expenses decreased by 24.1%, from RMB38.3 million in FP2021 to RMB29.1 million in FY2022. This was mainly due to a significant decrease in legal and professional fees incurred for the acquisitions of kiwifruit business and disposal of baijiu business, which had been completed in FP2021.

There was a significant increase of RMB14.3 million or 75.4% in other operating expenses, rising from RMB19.1 million in FP2021 to RMB33.4 million in FY2022. This was largely due to an increase in plantation costs for mature bearer plants, as well as the depreciation of bearer plants and the property, plant and equipment. These expenses were accounted for over the full year period for FY2022, as opposed to only about six months period in FP2021.

As a result, the Group's profit after income tax from its kiwifruit business decreased by 57.5% from RMB57.4 million for FP2021 to RMB24.4 million for FY2022.

Outlook

The kiwifruit industry in China has been growing rapidly in recent years and is expected to continue its growth trajectory in the future. This is largely driven by the rising disposable income of the consumers as well as growing domestic consumer demand for premium-quality kiwifruits. There is huge growth potential in China's kiwifruit industry, with demand forecast to double over the next five years³. This trend is expected to provide ample opportunities for the Group to grow its kiwifruit business to meet rising domestic demand and deliver sustainable long-term value to all stakeholders.

The Chinese government has also been promoting the development of the kiwifruit industry by providing various subsidies and support for research and development. This has led to the introduction of new varieties of kiwifruit that are more suitable for the Chinese market as well as improvements in the production process. In addition, the Chinese government has unveiled its plan to achieve the modernisation of the agriculture industry and rural revitalisation by 2035. The plan aims to accelerate the integration of digital technology in agriculture and rural areas, placing great emphasis on developing infrastructure, promoting intelligent agriculture and creating digital villages. This initiative underscores the government's commitment to improving the agricultural sector and promoting rural development⁴.

Despite the huge market potential and favourable government support, the kiwifruit industry in China continues to face significant challenges in terms of growth and competitiveness. One of the main challenges is the inconsistent size and taste of kiwifruit, which prevents them from meeting first-grade fruit standards for most varieties. Although China has the largest kiwifruit cultivation area and yield in the world, the yield per unit area remains relatively low⁵. Furthermore, the expansion of kiwifruit cultivation in China has led to an increase in pest and disease issues in orchards, which poses a significant obstacle to the industry's development.



Future Plans

The Group has distinguished itself in China's kiwifruit industry through its use of advanced technology in its vertically integrated business model. The Group recognises that technology can be a valuable tool in addressing quality issues and inefficiencies within the industry. Thus, the Group invests in R&D to create new kiwifruit varieties that meet the first-grade fruit standard. Additionally, the Group implements improved cultivation and post-harvest practices to ensure greater consistency in size and taste, thereby enhancing its overall competitiveness in the market.

The Group recognises that R&D is crucial for maintaining its competitiveness in the industry and achieving business success. By investing in R&D, the Group can drive innovation, improve productivity, and gain a competitive edge. Thus, the Group has been partnering with the National Kiwifruit Science and Technology Innovation Alliance since 2019 and has established an R&D centre to address the challenges faced by the industry. This centre brings together numerous science and technology experts with the goal of driving the growth of the kiwifruit industry in China through technology innovation, standardisation of kiwifruit operation management, and large-scale planting. So far, the Group has achieved significant improvements in canker disease prevention and planting techniques. As such, the Group intends to continue investing in R&D to develop premium-grade varieties, modernise and digitise its agriculture infrastructure and processes, and drive ongoing innovation efforts and initiatives.



As the importance of food sustainability grows, the Chinese government is making significant investments in agri-tech and scientific research to increase crop yields and productivity. Building upon the Group's extensive experience in agricultural technology adoption and strong technological capabilities, the Group has scaled up its R&D efforts to advance the adoption of technology in developing new kiwifruit varieties and innovating planting techniques which will generate higher crop yield.

In addition to its R&D efforts and technological investments, the Group also plans to prioritise enhancing its domestic market presence in China and increasing its market share in the premium kiwifruit segment. To achieve this, the Group will focus on investments in branding and marketing. The Group recognises that brand reputation and customer loyalty are key drivers of success in the premium kiwifruit segment, and will therefore continue to build and promote its brand in the domestic market through targeted marketing campaigns and other initiatives. The Group also plans to expand its distribution channels and increase its product visibility in the premium kiwifruit segment through partnerships with online and offline retailers.

The Group will continue to work on its plan to commercialise its kiwifruit varieties and monetise its expertise in kiwifruit planting, by managing third-party kiwifruit plantations and cultivation operations. This would allow the Group to generate additional revenue stream as well as further expand our kiwifruit business.

Lastly, in addition to organic growth, the Group is also looking for opportunities to expand its business through acquisitions, joint ventures, and strategic alliances as part of its long-term growth strategy. This is part of the Group's long term growth strategy, which aims to build upon its existing business and further expand its reach. Through strategic partnerships and acquisitions, the Group can gain access to new markets, technologies, and resources, which can help accelerate its growth and improve its competitive position. The Group will seek opportunities that align with its core business and strategic objectives, and that offer potential for synergies and value creation. By pursuing a combination of organic growth and strategic expansion, the Group aims to maximise its growth potential and enhance shareholder value over the long term.

1 China reports "most severe" heatwave and third driest summer on record, <https://www.theguardian.com/world/2022/sep/07/china-reports-most-severe-heatwave-and-lowest-rainfall-on-record>

2 Adjusted for the gain arising from changes in fair value less costs to sell of biological assets.

3 New Zealand's largest exporters confident in Chinese market,

<https://www.ciiie.org/zbh/en/news/exhibition/focus/20220516/32463.html#:~:text=Despite%20the%20impact%20of%20COVID,largest%20markets%20for%2020%20years.>

4 Road to agricultural modernisation, <http://epaper.chinadaily.com.cn/a/202104/14/WS6076367ba31099a23435658.html>

5【国家农业科技创新联盟成立八周年】专题报道（四）联手打造猕猴桃产业“中国芯”，https://mp.weixin.qq.com/s/2pXT9IWpPZoQaiz6NHE_Ww

Appreciation

We have always embraced gratitude as a central aspect of our company culture. Our journey has been filled with challenges, but we were fortunate to have the unwavering support of those who stood by us. We firmly believe that gratitude is a fundamental ingredient in our continued growth, and we strive to make it a core value in the company. In recognition of this, I would like to share the poem "Gratitude" by Edgar Guest as a token of appreciation to our esteemed Board, valued shareholders, dedicated management team and employees.

Be grateful for the kindly friends that walk along your way,
Be grateful for the skies of blue that smile from day to day,
Be grateful for the health you own, the work you find to do,
For round about you there are men less fortunate than you.

Be grateful for the growing trees, the roses soon to bloom,
The tenderness of kindly hearts that shared your days of gloom,
Be grateful for the morning dew, the grass beneath your feet,
The soft caresses of your babes and all their laughter sweet.

Acquire the grateful habit, learn to see how blessed you are,
How much there is to gladden life, how little life to mar!
And what if rain shall fall to-day and you with grief are sad,
Be grateful that you can recall the joys that you have had.

Though we are still in the early stage of the business transformation and it might take some time for the efforts to come into fruition, we believe that we are in the right track to capture the burgeoning opportunities in China's kiwifruit industry. As we strive to expand and build our business, we look forward to your continued confidence and support.

Mr. Hu Chao

Executive Director and Chief Executive Officer



Financial Review

The Group's revenue decreased by 23.5% from RMB111.2 million for eighteen months financial period from 1 July 2020 to 31 December 2021 ("FP2021") to RMB85.0 million for financial year ended 31 December 2022 ("FY2022"). The average selling price decreased from RMB29.5 per kg in FP2021 to RMB27.1 per kg in FY2022 while the volume of kiwifruit sold dropped by 16.7% to 3,141 tons in FY2022. The lower sales volume was mainly attributable to prolonged heatwaves in China from May to August 2022 which exacerbated a drought that adversely affected the ripening stage of the kiwifruit and impacted the Group's annual harvest volume. It was the most severe heatwave in six decades with highest temperatures and one of its lowest levels of rainfall recorded in China¹.

The Group's cost of sales decreased by RMB22.3 million or 23.2%, from RMB96.3 million in FP2021 to RMB74.0 million in FY2022. The drop in costs of sales was in line with the decrease in revenue and amount of harvested kiwifruit.

The growing season for kiwifruit typically lasts up to 240 days per year. The kiwifruit harvest season typically takes place from September to October each year, and sales of harvested kiwifruit will typically occur thereafter within the same calendar year. Thus, the Group will not record any revenue in the first half of any financial year due to the seasonality of the business.



In line with the drop in revenue, the Group registered an adjusted gross profit of RMB78.9 million and an adjusted gross profit margin of 92.8% in FY2022².

The gain arising from changes in fair value of biological assets decreased by RMB22.9 million or 25.2%, from RMB90.8 million in FP2021 to RMB67.9 million in FY2022. This was mainly due to the decreased volume of harvested kiwifruit and a decrease in market prices of kiwifruit in China.

A one-off gain on bargain purchase of RMB10.5 million recognised for FP2021 represented the excess difference between the fair values of the net assets of the kiwifruit business acquired by the Company and the net assets of the baijiu business disposed of by the Company (collectively, "**Transactions**") as settlement consideration for both Transactions.

Other income increased by RMB7.7 million, from RMB0.4 million in FP2021 to RMB8.1 million in FY2022, which was mainly due to an increase in unconditional grants from government related agencies in the form of cash subsidies, in support of agricultural activities in China.



Selling and distribution expenses decreased by RMB0.5 million or 10.7%, from RMB4.6 million in FP2021 to RMB4.1 million in FY2022, mainly due to a decrease in product delivery cost to fruits distributors and corporate customers, as they bore the charges starting from FY2022. Such decrease was partially offset by an increase in depreciation charges over property, plant and equipment used for sales and marketing activities and employee benefit costs for sales, which have been accounted for the entire twelve months in FY2022, instead of approximately six months in FP2021 since the date of completion of both Transactions.

Administrative expenses decreased by RMB9.2 million or 24.1%, from RMB38.3 million in FP2021 to RMB29.1 million in FY2022, mainly due to a significant decrease in legal and professional fees incurred for the Transactions, which were completed in FP2021. Such decrease was partially offset by an increase in depreciation charges over property, plant and equipment used for administrative uses and employee benefit costs for management, product development and administrative personnel, which have been accounted for the entire twelve months in FY2022, instead of approximately six months in FP2021 since the date of completion of both Transactions.

Other operating expenses increased by RMB14.3 million or 75.4%, from RMB19.1 million in FP2021 to RMB33.4 million in FY2022, mainly due to an increase in plantation cost of mature bearer plants, depreciation of bearer plants and the property, plant and equipment utilised in the orchards, which have been accounted for the entire twelve months in FY2022, instead of approximately six months in FP2021 since the date of completion of both Transactions.

Minimal finance costs were incurred in FY2022 and FP2021, which mainly comprised interest on bank borrowings and lease liabilities in relation to the leases related to the orchards with immature bearer plants.

As the Group is currently engaged in a qualifying agricultural business, it is therefore entitled to full exemption of enterprise income tax on profits derived from the kiwifruit business. The Group's profit after income tax from its kiwifruit business decreased by 57.5% from RMB57.4 million in FP2021 to RMB24.4 million in FY2022.

Cash Flow Management

For FY2022, the Group's cash and cash equivalents increased by RMB27.7 million to RMB126.0 million as at 31 December 2022, from RMB98.3 million as at 31 December 2021. This was mainly due to net cash generated from operating activities of RMB60.6 million which was partially offset by net cash used in investing activities of RMB8.0 million and net cash used in financing activities of RMB24.9 million.

Financial Position

As at 31 December 2022, the Group recorded positive working capital (current assets less current liabilities) of RMB139.4 million, as compared to RMB117.3 million as at 31 December 2021 and its total equity increased to RMB1,035.1 million.

The Group's total assets decreased by RMB7.3 million to RMB1,311.9 million as at 31 December 2022, mainly due to the decrease in property, plant and equipment, intangible assets, inventories and consumables and trade receivables, partially offset by the increase in prepayments, deposits and other receivables as well as cash and cash equivalents.

The Group's total liabilities decreased by RMB29.2 million to RMB276.9 million as at 31 December 2022, mainly arising from the decrease in trade payables, accrued liabilities and other payables, lease liabilities, deferred government grants, deferred tax liabilities and bank loans.

1 China reports "most severe" heatwave and third driest summer on record, <https://www.theguardian.com/world/2022/sep/07/china-reports-mostsevere-heatwave-and-lowest-rainfall-on-record>

2 Adjusted for the gain arising from changes in fair value less costs to sell of biological assets.

Board of Directors

Hu Chao 胡超

Mr. Hu Chao is the Executive Director and Chief Executive Officer of the Company. He was appointed as a Director of the Company with effect from Completion (as defined in the Company's circular to shareholders dated 31 March 2021) (i.e. 3 July 2021) by the Company's shareholders at a special general meeting held on 6 May 2021.

Mr. Hu is the legal representative of Chibi Shenshan Xingnong Agriculture Technology Co., Ltd. ("**Xingnong Agriculture**") and is responsible for the overall business direction and strategy of the Group.

From August 1994 to March 2008, Mr. Hu held sales and general manager positions in the technology and electronics industry and the food industry. From May 2008 to August 2014, Mr. Hu was the assistant to the general manager of Zhengzhou Synear Food Co., Ltd., assisting in the oversight of the company's business in the production and sale of quick freeze food products. Mr. Hu became the general manager and director of Xingnong Agriculture in October 2016 and December 2017 respectively, and oversaw its overall business direction and strategic growth as a director of Xingnong Agriculture.

Mr. Hu graduated with a Degree in History from Zhengzhou University, the People's Republic of China, in 1994.

Zhao Chichun 赵池春

Mr. Zhao Chichun is the Executive Director of the Company and a director of Xingnong Agriculture. He was appointed as a Director of the Company with effect from Completion (as defined in the Company's circular to shareholders dated 31 March 2021) (i.e. 3 July 2021) by the Company's shareholders at a special general meeting held on 6 May 2021.

Mr. Zhao is responsible for overseeing the Company's sales and marketing functions as well as investor relations.

From September 1992 to March 2008, Mr. Zhao held sales and marketing positions in various industries which include real estate development, fashion and software development. He founded 北京宽用软件科技有限公司 (Beijing Kuansoft Tech Ltd), a software development company, in March 2008 and was its CEO till January 2011. From February 2011 to July 2021, Mr. Zhao was the vice president of 思念食品控股有限公司 (Synear Food Holdings Ltd) and was responsible for overseeing the investments, mergers and acquisitions of Synear Food Holdings Ltd.

Mr. Zhao graduated with a Bachelor of Arts from Henan University in 1991 and a Master of Business Administration from Ottawa University, Ontario, Canada in 2003.

Huo Lei 霍雷

Mr. Huo Lei was appointed as an Executive Director of the Company on 1 September 2014 and was last re-elected on 30 October 2020. He was subsequently re-designated as a Non-Executive and Non-Independent Director of the Company upon Completion (as defined in the Company's circular to shareholders dated 31 March 2021) (i.e. 3 July 2021).

Mr. Huo joined Henan Trump Dragon Siwu Wine Co., Ltd., a subsidiary of the Company prior to the Proposed Transactions (as defined in the Company's circular to shareholders dated 31 March 2021) in September 2005 as its assistant president, and was responsible for the general administration matters and personnel management of the subsidiary. Mr. Huo was appointed as the general manager of the Company in February 2008 to August 2014.

Mr. Huo graduated from the Northwest Agriculture and Forestry University, Shanxi Province, with a Master in Business Administration in June 2013.

Ho Teck Cheong 何德昌

Mr. Ho Teck Cheong was appointed as an Independent Director of the Company on 1 April 2011 and his continued appointment and last re-election was approved by the Company's shareholders at a special general meeting held on 6 May 2021. He was subsequently re-designated and appointed as the Non-Executive Chairman and Independent Director of the Company on 2 December 2021.

Mr. Ho is also the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees of the Company.

Mr. Ho spent over 21 years in the banking industry where his last held position was with Santander Group as the Group Managing Director of its Asia Pacific region. Mr. Ho is currently an Independent Non-Executive Director of Singamas Container Holdings Limited and Independent Director of NorthCape AS.

Mr. Ho graduated from McGill University in Montreal, Canada in 1984.

Zhang Lei 张蕾

Ms. Zhang Lei was appointed as an Independent Director of the Company on 2 October 2021.

Ms. Zhang is also a member of the Nominating Committee, Remuneration Committee and Audit Committee of the Company.

Ms. Zhang has extensive experience in horticulture and botany, specialising in the research of kiwifruit breeding and cultivation techniques. Since 2010, Ms. Zhang had been involved in the research of kiwifruit breeding and cultivation techniques in the Institute of Fruit & Tea, Hubei Academy of Agricultural Sciences (the "**Institute**"). Ms. Zhang is currently an Associate Professor of the Institute. She is also a member of a nine-person team executing a nationwide initiative to drive innovation with the aim of supporting the modernisation of agricultural practices in the People's Republic of China, focusing on kiwifruit cultivation techniques in Hubei Province.

Ms. Zhang graduated from Shandong Agricultural University with Bachelor's Degree in English and Bachelor's Degree in Horticultural. Ms. Zhang also obtained her Doctor of Philosophy Degree in Botany from Wuhan Botanical Garden, Chinese Academy of Sciences in 2010.

Yeo Teck Chuan 杨德泉

Mr. Yeo Teck Chuan was appointed as an Independent Director of the Company on 2 December 2021.

Mr. Yeo is also the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee of the Company.

Mr. Yeo is a Chartered Accountant of the Institute of Singapore Chartered Accountants, Certified Internal Auditor and ASEAN Chartered Professional Accountant and currently a Partner (Advisory) for SBA Stone Forest Corporate Advisory (Shanghai) Co., Ltd. and Legal Representative of Nanchang Yeo Seng Heng Financial Advisory Co., Ltd. In addition, Mr. Yeo is currently an Independent Non-Executive Director and Chairman of the Audit Committee for other listed companies, namely Legion Consortium Limited and Republic Healthcare Limited, and a Director of YSH Advisory Pte. Ltd., a business advisory and consulting company.

Mr. Yeo graduated from Nanyang Technological University with a Degree in Accountancy.

Senior Management



Zhou Liyang 周礼阳

Mr. Zhou Liyang has joined the Company's subsidiary, Xingnong Agriculture since 2018 and currently serves as the Company's Executive Deputy General Manager. During his tenure, he has held positions as the Chief Administrative Officer and Director of Operations.

Prior to joining the company, Mr. Zhou served in the Henan Provincial Fire Brigade of the People's Armed Police from 1996 to 2018, where he held positions as a Staff Officer and Chief of Staff.

Mr. Zhou graduated from Zhengzhou University of Technology in 1996 with a Bachelor's Degree in Architectural Engineering.

Ho Hin Yip 何衍业

Mr. Ho is the Financial Controller of the Group and Joint Company Secretary of the Company. He oversees all financial reporting and company secretarial matters of the Group.

Mr. Ho has over 25 years of experience in audit and accounting.

Mr. Ho graduated with a Bachelor of Business Administration from The Chinese University of Hong Kong in 1997 and is a practicing member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants in the United Kingdom.

Xiao Weibiao 肖巍彪

Mr. Xiao is the Accounting Director of the Company with effect from Completion (as defined in the Company's circular to shareholders dated 31 March 2021) (i.e. 3 July 2021) and is responsible for overseeing the daily finance and accounting operations of the Group. Mr. Xiao is also a director and the financial controller of Xingnong Agriculture and is responsible for the finance and accounting operations of Xingnong Agriculture.

Mr. Xiao was a finance manager for 郑州三全食品股份有限公司 (Zhengzhou Sanquan Foods Stock Company) which produces and sells quick freeze food products, from November 2005 to February 2008. He was subsequently appointed as a finance manager of 郑州思念食品有限公司 (Zhengzhou Synear Food Co., Ltd.) in June 2008. Prior to joining Xingnong Agriculture in July 2015, he was a finance manager of Luoyang Dukang Sales Company Limited which sells Chinese baijiu (白酒) products from June 2010 to February 2015 and oversaw its finance and accounting functions.

Mr. Xiao graduated from Henan College of Finance and Taxation in 1999 and has more than 13 years of financial experience in the food and beverage industry as detailed above. He was conferred with a Qualification Certificate of Speciality and Technology (Accountant's Certificate – Intermediate Level) issued by the Ministry of Finance in the People's Republic of China in 2004.

Corporate Information

BOARD OF DIRECTORS

Executive:

Hu Chao (*Executive Director and Chief Executive Officer*)

Zhao Chichun (*Executive Director*)

Non-Executive:

Ho Teck Cheong (*Non-Executive Chairman and Independent Director*)

Yeo Teck Chuan (*Independent Director*)

Zhang Lei (*Independent Director*)

Huo Lei (*Non-Executive and Non-Independent Director*)

AUDIT COMMITTEE

Ho Teck Cheong (*Chairman*)

Yeo Teck Chuan

Zhang Lei

NOMINATING COMMITTEE

Yeo Teck Chuan (*Chairman*)

Ho Teck Cheong

Zhang Lei

REMUNERATION COMMITTEE

Yeo Teck Chuan (*Chairman*)

Ho Teck Cheong

Zhang Lei

JOINT COMPANY SECRETARIES

Toh Li Ping, Angela

Ho Hin Yip

ASSISTANT COMPANY SECRETARY

Conyers Corporate Services (Bermuda) Limited

BERMUDA SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited

Clarendon House

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REGISTERED OFFICE

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BUSINESS OFFICE

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SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.

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Singapore 098632

JOINT AUDITORS

BDO Limited

Certified Public Accountants, Hong Kong

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111 Connaught Road Central

Hong Kong

BDO LLP

Public Accountants and Chartered Accountants,
Singapore

600 North Bridge Road

#23-01 Parkview Square

Singapore 188778

AUDIT PARTNER-IN-CHARGE

BDO Limited – Cheung Or Ping

Appointed wef financial year ended 30 June 2019

(4th consecutive financial year)

BDO LLP – Aw Vern Churn Philip

Appointed wef financial period ended 31 December 2021

(2nd consecutive financial year)

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**” or “**Directors**”) of the Company is committed to setting and maintaining high standards of corporate governance within the Group by adopting and complying, where possible, with the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”) which is effective in respect of the Company’s Annual Report for the financial year ended 31 December 2022 (“**FY2022**”), and where applicable, the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual.

The Company recognises that good corporate governance establishes and maintains a legal and ethical environment, which is essential for preserving and enhancing the interests of all stakeholders. This report describes the corporate governance framework and practices of the Company that were in place throughout the financial year under review, with reference to the Code. The Board confirms that the Company has complied in all material aspects with the principles and provisions in the Code, where they are applicable, relevant and practicable to the Group. Where there is any deviation from any provisions of the Code, an explanation has been provided in this report for the variation and how the practices adopted by the Group are consistent with the intent of the relevant principle. The Company will continue to assess its need and implement appropriate practices accordingly. This report should be read in totality, instead of being read separately under each principle of the Code.

BOARD MATTERS

THE BOARD’S CONDUCT OF ITS AFFAIRS

PRINCIPLE 1: THE COMPANY IS HEADED BY AN EFFECTIVE BOARD WHICH IS COLLECTIVELY RESPONSIBLE AND WORKS WITH MANAGEMENT FOR THE LONG-TERM SUCCESS OF THE COMPANY.

The Board, in addition to its statutory responsibilities, is primarily and collectively responsible for overseeing and supervising the management of the business and corporate affairs to ensure proper conduct of the business, affairs and the overall performance of the Group and long-term success of the Company to protect and enhance long-term shareholders’ value. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group.

The functions of the Board include:

1. providing entrepreneurial leadership and guidance to the management team of the Group (“**Management**”) in setting the strategic objectives and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its strategic objectives, which include appropriate focus on value creation, innovation and sustainability;
2. overseeing financial reporting and reviewing the financial results of the Group;
3. monitoring the implementation of strategies and reviewing the business performance of the Group;
4. instilling an ethical corporate culture and ensuring that the Company’s values, standards, policies and practices are consistent with its ethos and are adhered to, and ensuring that obligations to shareholders and other stakeholders are transparent, understood and met;
5. considering sustainability issues such as environmental, social and governance factors, as part of the strategic formulation, including identifying key stakeholder groups;
6. approving all Board appointments or re-appointments and appointments of key management personnel as well as evaluating their performance and reviewing their compensation packages;
7. advising Management on major policy initiatives and significant issues and approving board policies, strategies and financial targets of the Company;
8. approving the Group’s annual budgets, key operational matters, investment and divestment proposals, major funding proposals, corporate or financial restructuring, material acquisitions and disposal of assets, interested person transactions of a material nature and convening of shareholders’ meetings;

CORPORATE GOVERNANCE REPORT

9. reviewing the adequacy and effectiveness of the risk management systems and internal controls, including information technology controls, financial, operational and compliance controls, and to ensure that the areas of concern are addressed and recommendations of the internal auditors/Audit Committee (“AC”) are implemented and monitor the progress of implementation;
10. overseeing the proper conduct of the Company’s business, setting the Group’s values and standards (including ethical standards) to ensure that obligations to shareholders and other stakeholders are understood and met and reviewing the corporate governance processes;
11. reviewing the performance of Management and the Group towards achieving adequate shareholders’ value, including but not limited to, the declaration of proposed interim and final dividends (if applicable), approval of announcement relating to financial results of the Group and the audited financial statements, release of annual reports and timely announcements of material transactions;
12. identifying the key stakeholder groups and recognise that their perceptions affect the Company’s reputation; and
13. ensuring the Group’s compliance with laws, regulations, policies, directives, guidelines and internal codes of conduct.

Provision 1.1 – Director’s conflict of interest

All Directors exercise due diligence and independent judgement in discharging their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company.

Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict. They are also required to avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Group. Where a Director has a conflict of interest, or it appears that he/she might have a conflict of interest, in relation to any matter, he/she is required to send a written notice to the Company containing details of his/her interest and the conflict, or to declare such interest at a meeting of the Directors (or in written resolutions to be passed), and recuse himself/herself from participating in any discussion and decision on the matter. Where relevant, the Directors have complied with such requirement, and such compliance is duly recorded in the minutes of meeting or, as the case may be, the Directors’ Resolutions in writing.

Provision 1.2 – Induction and training of Directors

Newly appointed Executive Directors will be provided with Service Agreements setting out their term of office and terms of appointment. The Service Agreement, upon the expiry of the initial term commencing on the Commencement Date as defined in the Service Agreement, the employment of such Executive Director shall be automatically renewed on a year-to-year basis. For Non-Executive Directors, formal letters of appointment setting out their terms of appointment will be issued to new appointees to the Board.

All Directors, including newly appointed Directors, will receive an orientation that includes briefings by Management on the Group’s structure, history, business, operations, visions, values and policies. Directors also have the opportunity to visit the Group’s operational facilities and to meet with Management so as to gain a better understanding of the Group’s business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a listed company in Singapore, will undergo the necessary training. No new Directors were appointed during FY2022.

To keep the Directors abreast of new laws, regulations, changing commercial risks and accounting standards, all Directors engage in constant dialogues with Management and professionals from time to time. On an ongoing basis, the Board is updated on any amendments and requirements of the SGX-ST and other statutory changes to regulatory requirements which may have an important bearing on the Company and the Directors’ obligations to the Company, from time to time, or during Board meetings by the Company Secretary and/or its compliance advisor, or at separate seminar on the amendments and requirements of the SGX-ST and other statutory and regulatory changes which may have an important bearing on the Company and the Directors’ obligations from time to time.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 720(7) of the SGX-ST Listing Manual effective from 1 January 2022, all Directors of the Company must undergo training on sustainability matters as prescribed by the SGX-ST. If the Nominating Committee ("NC") is of the view that training is not required because the Director has expertise in sustainability matters, the basis of its assessment must be disclosed. All Directors have completed the training on sustainability matters as prescribed by the SGX-ST in FY2022.

Provision 1.3 – Matters requiring Board's approval

The matters reserved for the Board's decision and the types of material transactions that are likely to have a material impact on the Group's operating units and/or financial position as well as matters other than in the ordinary course of business, are as follows, but not limited to:

- Quarterly (if applicable), half-year and full year financial results;
- The Group's strategic plans including long-term strategic plans;
- The Group's annual budget;
- Potential joint venture, merger, acquisition, divestment or other changes in the Company's assets, if any;
- Changes in the Management or changes in effective control of the Company, if any;
- Firm evidence of significant improvement or deterioration in near term earnings prospects, if any;
- Subdivision of shares or stock dividends, if any;
- Acquisition or loss of significant contract, if any;
- Significant new product or discovery, if any;
- Public or private sale of significant amount of additional securities of the Company, if any;
- Share Buyback, if any;
- Share Option or share schemes, if any;
- Scrip Dividend Scheme, if any;
- Interested Person Transactions, if any;
- Provision or receipt of a significant amount of financial assistance, if any;
- Occurrence of an event of default under debt or other securities or financing or sale agreements, if any;
- Significant litigation, if any;
- Significant change in capital investment plans e.g. building of factories, increasing plant and machinery and increasing production lines, if any;
- Significant dispute(s) with customers or suppliers, or with any parties, if any;
- Material financial loss/damage caused by disaster and/or loss of credibility arising from corporate scandals and other fraudulent activities pursuant to any reports received under the Whistle Blowing Policy adopted by the Company, if any;
- Appointment or removal of Company Secretary, if any;
- Tender offer for another company's securities, if any;
- Valuation of the Group's assets that has a significant impact on the Group's financial position and/or performance;
- Involuntary striking-off of the Company's subsidiaries;
- Any investigation on a Director or an Executive Officer of the Company;
- Loss of a major customer or a significant reduction of business with a major customer; and
- Major disruption to supply of critical goods or services.

Provision 1.4 – Delegation by the Board

Certain functions have been delegated by the Board to various Board Committees, namely the AC, the NC and the Remuneration Committee ("RC"), which operate under clearly defined terms of reference and review on a regular basis to ensure their continued relevance. The responsibilities and authority of the Board Committees set out in their respective terms of reference were revised from time to time to align with the Code. The effectiveness of each Board Committee is also constantly monitored. All Board Committees are chaired by an Independent Director and all members are Independent Directors.

The Board acknowledges that while these Board Committees have the authority to examine particular issues and report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The composition of the Board and the Board Committees are set out under Provisions 2.2 and 2.3 of the Code below.

CORPORATE GOVERNANCE REPORT

Provision 1.5 – Board processes, including Directors’ attendance at meetings

The Board meets on a half-yearly basis to review the key activities and business strategies of the Group, and as and when warranted by particular circumstances. Dates of the Board meetings are normally set by the directors well in advance. The Board and Board Committees’ meetings are scheduled in advance to coincide with the announcement of the Group’s half-yearly and full year results. Additional Board meetings will be convened when they are deemed necessary to address any significant issues that may arise in between the scheduled meetings.

The Company’s Bye-laws and Board Committees’ terms of reference provide for Board and Board Committees’ meetings to be held via telephone, electronic or other communication facilities which permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. The Board and Board Committees also circulate written resolutions, when necessary, for approval by the relevant members of the Board and Board Committees.

In addition, at least once a year, the Board holds its Board and/or Board Committees’ meetings at the Group’s sites or where it has business presence and/or an AC member who is an Independent Director will visit the Group’s sites and conduct physical inspection on the Group’s property, plant and equipment. This allows the Board to develop a good understanding of the Group’s businesses and promote active engagement with the Group’s key management team. Given the COVID-19 situation and travel restrictions, the Board and/or Board Committees’ meetings during FY2022 were held by electronic means. The Board and/or Board Committees would resume the site visits and holding meetings at the Group’s sites once the travel restrictions have been lifted.

Directors may request further explanations, briefing or discussion from Management on any aspect of the Group’s operations or business. When circumstances require, Board members exchange views outside the formal environment of Board meetings. The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

The number of Board and Board Committees’ meetings and annual general meeting (“**AGM**”) held during FY2022 as well as the details of Directors’ attendance at those meetings are summarised in the table below:

Name of Directors	AGM		Board		Board Committees’ meetings						
					AC		NC		RC		
	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	
Hu Chao	1	1	4	4	4	-	-	-	-	-	-
Ho Teck Cheong	1	1	4	4	4	4	1	1	1	1	
Zhao Chichun	1	1	4	4	4	-	-	-	-	-	
Huo Lei	1	1	4	4	4	-	-	-	-	-	
Zhang Lei	1	1	4	4	4	4	1	1	1	1	
Yeo Teck Chuan	1	1	4	4	4	4	1	1	1	1	

Save for the last AGM in respect of eighteen months period from 1 July 2020 to 31 December 2021, which was held on 28 April 2022, there were no other general meetings of the Company held during FY2022.

CORPORATE GOVERNANCE REPORT

Provision 1.6 – Complete, adequate and timely information

Board members are provided with complete, adequate and timely information on Board affairs and issues that require the Board's decision in order for them to make informed decisions and on an ongoing basis.

Information included background or explanatory information relating to matters to be brought before the Board, and an analysis on the Group's sales revenue, gross profit margins, advertising and promotion expenses, financial expenses and turnover ratio. To assist the Directors in discharging their duties, Management provides reports and financial statements to the Board on a regular basis. Board and Board Committees' papers are sent to Directors at least three working days before each meeting so that the Directors may better understand the matters prior to the meetings and discussions may be focused on questions that the Directors may have on these matters. Financial highlights of the Group's performance and development are presented on a half yearly basis at Board meetings.

The Group's Chief Executive Officer ("**CEO**"), Senior Management, and the Financial Controller are present at these presentations to address any queries which the Board may have. Directors are entitled to request from Management and be provided with additional information as required in order for them to make informed decisions.

Provision 1.7 – Independent access to Management, Company Secretaries and independent professional advice

All Directors have independent and separate access to Management and the Company Secretaries. All Directors are provided with complete and adequate information prior to Board meetings and on an ongoing basis. The Company Secretaries provide secretarial support to the Board, and ensure adherence to Board and Board Committees' procedures and relevant rules and regulations which are applicable to the Company are complied with. Under the direction of the Chairman of the Board, the Company Secretaries also ensure sufficient and pertinent information flows within the Board and its Board Committees and between Management and Non-Executive Directors. The Company Secretary(ies) and/or his/her representative(s) attend(s) all Board and Board Committees' meetings. They also assist the Board to implement corporate governance practices and processes.

The appointment or the removal of the Company Secretary(ies) is a decision of the Board as a whole.

Where decisions to be taken require expert opinion or specialised knowledge, the Directors, either as a group or individually, in furtherance of their duties, may seek independent professional advice as and when necessary, at the Company's expense. The appointment of such independent professional adviser, if required, is subject to approval by the Board.

In accordance with the conditions set out in the SGX-ST's approval-in-principle letter dated 31 March 2021, the Company had appointed ZICO Capital Pte. Ltd. as its compliance adviser for a period of three (3) years post Completion (as defined in the Company's circular to shareholders dated 31 March 2021) (i.e. 3 July 2021).

BOARD COMPOSITION AND GUIDANCE

PRINCIPLE 2: THE BOARD HAS AN APPROPRIATE LEVEL OF INDEPENDENCE AND DIVERSITY OF THOUGHT AND BACKGROUND IN ITS COMPOSITION TO ENABLE IT TO MAKE DECISIONS IN THE BEST INTERESTS OF THE COMPANY.

Provisions 2.1 and 4.4 – Directors' independence review

An "independent" Director is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interest of the Company.

The Board, with the concurrence of the NC, had adopted a declaration of independence pursuant to Provision 2.1 of the Code and Rule 210(5)(d) of the SGX-ST Listing Manual ("**Revised Definition on Director's Independence**").

CORPORATE GOVERNANCE REPORT

Provisions 2.2 and 2.3 – Composition of (i) Independent Director and (ii) Non-Executive Directors on the Board

Rule 210(5)(d)(iii) of the SGX-ST Listing Manual which was effective 1 January 2022 and prior to the deletion of this sub-rule with effect from 11 January 2023, provides that a director will not be independent if he has been a director for an aggregate period of more than nine (9) years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the issuer, and associates of such directors and chief executive officer ("**Two-Tiered Voting**"). For the purpose of the resolution referred to in (B), the directors and the chief executive officer of the issuer, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions may remain in force until the earlier of the following:- (X) the retirement or resignation of the director; or (Y) the conclusion of the third annual general meeting of the issuer following the passing of the resolutions.

Mr. Ho Teck Cheong, the Non-Executive Chairman and Independent Director, had served on the Board beyond nine (9) years from the date of his first appointment. At the special general meeting (the "**SGM**") of the Company held on 6 May 2021, the shareholders had, through a Two-Tiered Voting, approved the ordinary resolutions in relation to the re-election and continued appointment of Mr. Ho Teck Cheong as an Independent Director, for a period ending on the earlier of (a) the retirement or resignation of Mr. Ho Teck Cheong as a director; or (b) the conclusion of the third AGM of the Company following the passing of the ordinary resolutions (i.e. the AGM to be held in year 2024). The Board is of the opinion that it would be most effective to draw on the appropriate competencies and diversity of experience from the longer serving director. The NC and the Board are in the midst of reviewing its Board composition before the AGM for financial year ending 31 December 2023 ("**FY2023**") to be held in April 2024.

The Board comprises six (6) members and the composition of the Board and the Board Committees as at the date of this report is as follows:

Name	AC	RC	NC
Hu Chao (Executive Director and CEO)	–	–	–
Ho Teck Cheong (Non-Executive Chairman and Independent Director)	C	M	M
Zhao Chichun (Executive Director)	–	–	–
Huo Lei (Non-Executive and Non-Independent Director)	–	–	–
Zhang Lei (Independent Director)	M	M	M
Yeo Teck Chuan (Independent Director)	M	C	C

Notes:

C – Chairman

M – Member

No alternate Director was appointed to the Board in FY2022 or appointed to the Board currently.

Presently, the Board comprises two (2) Executive Directors (one of whom is also the CEO) and four (4) Non-Executive Directors, three (3) of whom are independent (one (1) of whom is also the Chairman of the Board).

The Chairman of the Board is an Independent Director and the Independent Directors make up at least half of the Board. In addition, the Non-Executive Directors make up a majority of the Board. Accordingly, the Company complied with Provisions 2.2 and 2.3 of the Code.

The Board is satisfied that it is able to exercise objective judgement on corporate affairs independently and no individual or select group of individuals are allowed to dominate the Board's decision-making process.

There is a strong and independent element on the Board and consistent with the intent of Principle 2 of the Code, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

CORPORATE GOVERNANCE REPORT

Provision 2.4 – Composition of the Board and Board Committees, and Board Diversity Policy

The Company is committed to building a diverse, inclusive and collaborative culture. It recognises that a diverse Board of an appropriate size is an important element which will better pave the way for the Company to achieve its strategic objectives for sustainable development, avoid groupthink and foster constructive debate. A diverse Board also enhances the decision making process through perspectives derived from differentiating skillsets, business experience, industry discipline, gender, age and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

The NC and the Board review the size and composition of the Board and the Board Committees, including the skills and core competencies of its members on an annual basis to ensure that the Board and the Board Committees are of an appropriate size, an appropriate balance and mix of skillset, knowledge, experience, expertise and gender, with a strong element of independent, which facilitates effective decision-making, and the Board members collectively possess the relevant skills which the Group may tap on for assistance in furthering its business objectives.

Pursuant to Provision 2.4 of the Code, the Board has adopted a Board Diversity Policy. Having regard to the guidelines in the Board Diversity Policy, the NC will, in reviewing the Board's size and composition, rotation and retirement of Directors and succession planning, take into account factors, including but not limited to gender, age, nationalities, cultural background, educational background, experience, skillset, knowledge, independence and length of service. These differentiating factors will be considered in determining the optimum composition of the Board and when possible, will be balanced appropriately.

Any external search consultants, if required, engaged to assist the Board or the NC to search for candidates for appointment to the Board will be specifically directed to include candidates from diverse backgrounds and female candidates. The decision on the selection of Director(s) to be appointed on the Board will ultimately be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity balanced with the needs of the Board.

No individual or select group of individuals dominates the Board's decision-making process as a majority of the Board is made up of Non-Executive Directors, with at least half of the Board making up of Independent Directors.

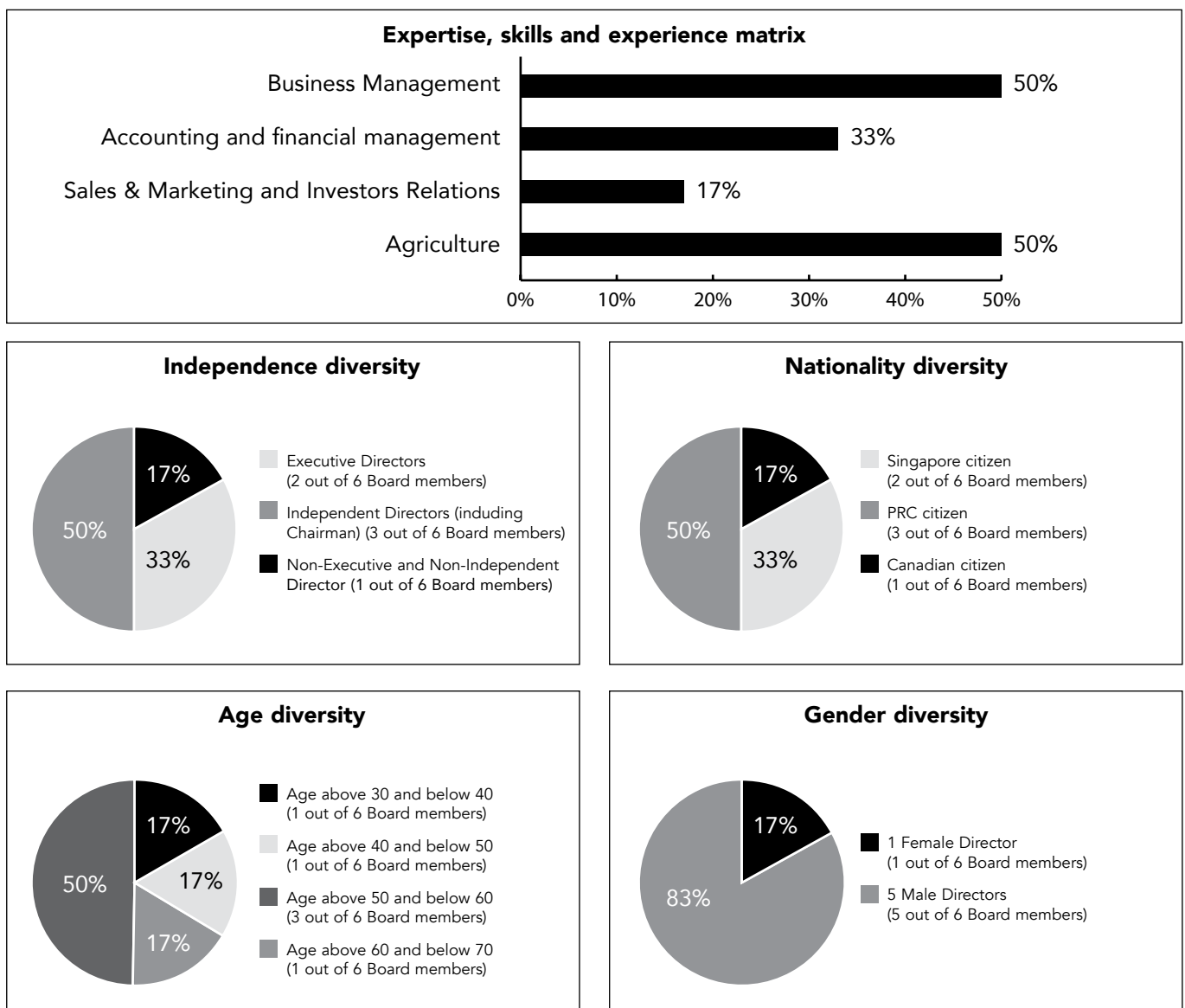
Taking into account the nature and scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the NC, with the concurrence of the Board, is satisfied that the current Board and Board Committees have the appropriate size and composition with a mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. As a group, the members of the Board bring with them an appropriate balance and diversity of skills, experience and knowledge of the Group. Their core competencies include accounting, finance, business, industry and management experience, strategic planning experience and are familiar with regulatory requirements. The diversity of the Directors' experience allows for the useful exchange of ideas and views. All Directors have extensive experience in jurisdictions outside Singapore, specifically the People's Republic of China.

Each Director has been appointed based on his or her strength, experience and stature. All Directors are expected to bring a valuable range of experience and expertise, and contribute to the development of the Group's strategy and business performance. Together, the Board and Board Committees comprise Directors who, as a group, provide an appropriate balance and diversity of skills, experience and knowledge to the Company. They also bring with themselves a wide range of core competencies such as accounting and financial management, business management experience, industry knowledge (agriculture), sales and marketing, investors relations experience and customer-based experience and knowledge. The diversity of the Directors' background allows for the useful exchange of ideas and views.

CORPORATE GOVERNANCE REPORT

Accordingly, the combination of skills, talents and experience of the Directors are sufficiently diversified to serve the needs and plans of the Group, and to ensure the effective oversight of the Group’s affairs. To ensure that the composition of the Board remains diverse, the Board aims to maintain a majority of its Board members to be made up of Non-Executive Directors, with at least half of the Board making up of Independent Directors and to ensure that there is at least one (1) female Director on the Board, at all times. Based on the current Board composition, the Company has met its independence and gender diversity targets.

In evaluating the diversity of the Board, the following Board Skills Matrix and diversity criteria were noted:



The current composition of the Board reflects its commitment to the relevant diversity in gender, age, skills and knowledge.

Should there be any proposed new appointment(s) of member(s) to the Board, new Director(s), if any, will continue to be selected based on the Board Diversity Policy as part of the process for appointment of new Directors. The NC will evaluate the suitability of the nominee or candidate based on his/her qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board before making its recommendations to the Board.

CORPORATE GOVERNANCE REPORT

The NC will review the Board Diversity Policy from time to time as appropriate, to ensure the effectiveness of this policy. The NC will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Key information regarding the Directors is set out on pages 9 and 10 in the “Board of Directors” section of this Annual Report.

Provision 2.5 – Role of the Non-Executive Directors

Non-Executive Directors contribute to the Board process by monitoring and reviewing Management’s performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group’s business. When challenging Management’s proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and/or other complexities.

The Independent Directors and the Non-Executive and Non-Independent Director meet frequently without the presence of the other Directors and Management, or communicate via emails or telephone discussions on issues concerning the Company and will provide feedback to the Chairman, where necessary, after such meetings or communications.

CHAIRMAN AND CEO

PRINCIPLE 3: THERE IS A CLEAR DIVISION OF RESPONSIBILITIES BETWEEN THE LEADERSHIP OF THE BOARD AND MANAGEMENT, AND NO ONE INDIVIDUAL HAS UNFETTERED POWERS OF DECISION-MAKING.

Provisions 3.1 and 3.2 – Chairman and CEO

The roles and responsibilities between the Chairman of the Board and the CEO are held by separate individuals to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. There is no one individual who has unfettered powers of decision-making.

Mr. Ho Teck Cheong is the Non-Executive Chairman and Independent Director of the Company. His principal duties and responsibilities as the Chairman of the Board include:

- leading the Board to ensure its effectiveness on all aspects of its roles;
- scheduling meetings for the Board to discharge its duties, including setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- coordinating activities of the Independent Directors and Non-Executive Directors and facilitate the effective contribution of Non-Executive Directors;
- exercising control over quality, quantity and timeliness of the flow of information between the Management and the Board to ensure that the Directors receive complete, adequate and timely information;
- encouraging constructive relations within the Board and between the Board and Management;
- ensuring effective communication with shareholders; and
- promoting high standards of corporate governance.

Mr. Hu Chao, being the Executive Director and the CEO of the Company, plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. As the CEO, Mr. Hu Chao is responsible for the Group’s overall business direction, strategies and policies, including but not limited to, the day-to-day running of the Group’s operations. He is assisted by among others, Mr. Zhao Chichun (the Company’s other Executive Director) and the Management to oversee the daily running of the Group’s operations and execution of strategies and plans.

Mr. Ho Teck Cheong and Mr. Hu Chao do not have any familial relationship.

CORPORATE GOVERNANCE REPORT

Provision 3.3 – Lead Independent Director

The Board is of the view that there are sufficient safeguards and checks in place to ensure that there is a good balance of power, accountability and capacity of the Board for independent decision-making. Following the appointment of Mr. Ho Teck Cheong as Non-Executive Chairman and Independent Director, the roles and responsibilities between the Chairman of the Board and the Group CEO are held by separate individuals ensuring that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Hence, there is no necessity for the designation of any Lead Independent Director.

Notwithstanding the above, the Non-Executive Chairman functions as a Lead Independent Director in that he is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Group CEO or Management are inappropriate or inadequate.

BOARD MEMBERSHIP

PRINCIPLE 4: THE BOARD HAS A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS, TAKING INTO ACCOUNT THE NEED FOR PROGRESSIVE RENEWAL OF THE BOARD.

Provisions 4.1 and 4.2 – NC’s duties and composition

The terms of reference of the NC provide that the NC shall comprise at least three (3) members and the Lead Independent Director, if any, shall be a member. The NC comprises all Independent Directors and its composition is as follows:

Yeo Teck Chuan (Independent Director)	- NC Chairman
Ho Teck Cheong (Non-Executive Chairman and Independent Director)	- NC Member
Zhang Lei (Independent Director)	- NC Member

The NC is regulated by a set of written terms of reference, which are in line with the provisions of the Code. The NC is responsible for, including but not limited to, the following key terms of reference:

- regularly and strategically reviewing the Board and Board Committees structure, size and composition (including the skills, gender, age, qualification, experience and diversity) and making recommendations to the Board with regard to any adjustments that are deemed necessary.
- identifying and nominating candidates to fill Board vacancies as they occur by (i) considering candidates from a wide range of backgrounds, (ii) considering the candidates’ own merits and evaluate against objective criteria such as their experience, knowledge, gender, age and skills in relation to the needs of the Board (whether the candidate add diversity to the Board and are likely to have adequate time to discharge their duties), (iii) considering the composition and progressive renewal of the Board and Board Committees, and (iv) appointing an independent third party to source and screen candidates, if necessary. Before recommending an appointee to the Board, appointee will be requested by NC to disclose any existing or expected future business interest that may lead to a conflict of interest.
- determining annually, on a discretionary basis, whether or not a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors.
- in respect of a director who has multiple board representations on various companies, deciding whether or not such director is able to and has been adequately carrying out his/her duties as a director, having regard to the competing time commitments that are faced when serving on multiple boards of listed companies and other principal commitments and recommending to the Board guidelines to address competing time commitments faced by Directors, if any, who serve on multiple boards.
- reviewing the succession plans for Board Chairman, Directors, CEO and Key Management Personnel of the Company.

CORPORATE GOVERNANCE REPORT

6. determining how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value.
7. developing the performance evaluation framework for the Board, the Board Committees and individual Directors. The NC also propose objective performance criteria for the Board, the Board Committee and individual Directors. It conducts the evaluations, analyses the findings and reports the results to the Board and recommending areas that need improvement. This process can be assisted by independent third party facilitators.
8. identifying and developing training programmes/schedules for the Board and assist with similar programmes for the Board Committees. The NC will ensure that all Board appointees undergo appropriate induction programmes.
9. keeping up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates.

Provision 4.3 - Process for selection and appointment of new Directors

The NC has adopted a process for selection and appointment of new Directors which provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability. The curriculum vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC based on his/her qualifications, business and related experience, commitment, ability to contribute to the Board process, such qualities and attributes that may be required by the Board, before making its recommendation to the Board. The Board believes that contributions from each Director go beyond his/her attendance at Board and Board Committees' meetings.

The NC and the Board will also take into consideration whether a Director had previously served on the board of a company with an adverse track record or with a history of irregularities or is or was under investigation by regulators. The NC and the Board will also assess whether a Director's resignation from the board of any such company casts any doubt on the director's qualification and ability to act as a Director of the Company.

Newly appointed Executive Directors will be provided with Service Agreements setting out their term of office and terms of appointment. The Service Agreements, subject to the RC's recommendations, can be renewed for another three years after the expiry of the first term. For Non-Executive Directors, formal letters of appointment setting out their terms of appointment will be issued to new appointees to the Board.

Where and when required, the Company may also appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skillsets or industry specialisation.

Provision 4.3 – Process for re-election/re-appointment of Directors

Pursuant to Bye-law 86(1) of the Company's Bye-laws, every Director is required to retire at least once every three (3) years and, shall be eligible for re-election. Any Director appointed by the Board to fill a casual vacancy is required to retire at the next AGM following his/her appointment and shall then be eligible for re-election at that meeting pursuant to Bye-law 85(6) of the Company's Bye-laws. In addition, pursuant to Rule 720(5) of the SGX-ST Listing Manual, an issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three (3) years.

The NC, having considered the attendance and participation at Board meetings, in particular, his contributions to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Huo Lei who will be retiring pursuant to Bye-law 86(1) of the Company's Bye-laws at the forthcoming AGM for FY2022. Mr. Huo Lei had consented to continue in office and the Board had accepted the recommendation of the NC.

CORPORATE GOVERNANCE REPORT

Mr. Huo Lei will, upon re-election as a Director of the Company, remain as a Non-Executive and Non-Independent Director.

The Director concerned had abstain from deliberation and voting on any resolution and making any recommendation and/or participating in any discussions in respect of his own re-election at the Board meeting.

The requirements under Rule 720(6) of the SGX-ST Listing Manual as at the date of this report are set out below:

	Huo Lei
Date of Appointment	1 September 2014
Date of last re-election / re-appointment (if applicable)	30 October 2020
Age	44
Country of principal residence	China
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process).	<p>The NC, having considered the participation of Mr. Huo Lei at Board meetings, and taking into account Mr. Huo Lei's track record, experience and capabilities to, amongst others, provide insight and guidance to the Group's business and strategies, as well as the diversity of the Board with regards to the objectives of the Board Diversity Policy of the Company, had recommended to the Board the re-election of Mr. Huo Lei who will be retiring pursuant to Bye-law 86(1) of the Company's Bye-laws at the forthcoming AGM.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Huo Lei had abstained from voting on any resolution and making any recommendation and/or participating in any discussions in respect of his own re-election at the Board meeting.</p>
Whether appointment is executive, and if so, the area of responsibility	The appointment is non-executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Non-Independent Director
Professional qualifications	Diploma in Electric System Automation from Zhengzhou University of Technology; and Master in Business Administration from North West Agriculture and Forestry University, Shaanxi Province
Working experience and occupation(s) during the past 10 years	February 2008 to August 2014: General manager of Dukang Distillers Holdings Limited September 2014 to 2 July 2021: Executive Director of Dukang Distillers Holdings Limited 3 July 2021 to present: Non-Executive and Non-Independent Director of the Company
Shareholding interest in the listed issuer and its subsidiaries	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil

CORPORATE GOVERNANCE REPORT

Huo Lei

Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments*	Please refer to the key information regarding the Directors set out on pages 9 and 10 in the "Board of Directors" section
Other Directorships for the past 5 years	Nil
Other Present Directorships	Nil
Disclosure applicable to appointment of Director only	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience.	Not applicable
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable

The Company confirms that there is no change in the responses to declaration items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the Director to be re-elected, which response to each item is a "no".

**The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

Provision 4.4 – Review of Directors' Independence

The NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted a declaration of independence form pursuant to the Revised Definition on Director's Independence ("**Declaration of Independence Form**").

For FY2022, the NC had reviewed the independence of the Independent Directors by considering the Declaration of Independence Form for FY2022 submitted by the Independent Directors, and determined Mr. Ho Teck Cheong, Ms. Zhang Lei and Mr. Yeo Teck Chuan to be independent and free from any of the relationships outlined in the Code and its accompanying Practice Guidance, as well as Rule 210(5)(d) of the SGX-ST Listing Manual. The Directors had also confirmed their own independence. The Board concurred with the NC's views.

Save as disclosed, none of the Directors on the Board is related and does not have any relationship with the Company or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of his/her independent judgement.

CORPORATE GOVERNANCE REPORT

Mr. Ho Teck Cheong has served on the Board for more than nine (9) years from the date of his first appointment. The NC had conducted a rigorous review of his independence and contributions to the Board to determine if he still remains independent and carries out his duties objectively, taking into account the need for progressive refreshing of the Board. The review included but was not limited to the completion of a detailed questionnaire of his independence with a mixture of close-ended and open-ended questions in respect of whether there are any conflicts of interest or relationship that is/are likely to affect his independence; whether he continues to express his views objectively and seek clarification and amplification when deemed necessary; whether he continues to debate issues objectively; whether he continues to scrutinise and challenge Management on important issues raised at meetings and whether he is able to bring judgement to bear in the discharge of his duties as a Board member and committee member. The questionnaire was completed by Mr. Ho Teck Cheong.

The Board had observed the performance of Mr. Ho Teck Cheong at Board and Board Committees' meetings and other occasions and has no reason to doubt his independence in the course of discharging his duties. Hence, the Board, with the concurrence of the NC, having considered the Declaration of Independence Form for FY2022 and the completed questionnaire of Independence submitted by Mr. Ho Teck Cheong, concluded that he is independent in character and judgement despite having been on the Board for more than nine (9) years and free from any relationships outlined in the Code and its accompanying Practice Guidance, as well as Rule 210(5)(d) of the SGX-ST Listing Manual. The Board acknowledges his combined strength of characters, objectivity and wealth of useful and relevant experience bring himself to continue effectively as Independent Director of the Company. The Board also acknowledges and recognises the benefits of the experience and stability brought by the long-serving Independent Director and wishes to retain him for his strength of character, objectivity and wealth of extensive business experience, and his knowledge on the Group's business which would enable him to be effective Independent Director, notwithstanding his long tenure.

In addition, at the SGM held on 6 May 2021, the shareholders had, through a Two-Tier Voting, approved the ordinary resolutions in relation to the re-election and continued appointment of Mr. Ho Teck Cheong as an Independent Director, for a period ending on the earlier of the following (a) the retirement or resignation of Mr. Ho Teck Cheong as a director respectively; or (b) the conclusion of the third AGM of the Company following the passing of the ordinary resolutions (i.e. the AGM to be held in year 2024). The Board is cognisant that Rule 210(5)(d)(iv) of the SGX-ST Listing Manual which takes effect for the Company's AGM for FY2023 provides that a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine (9) years (whether before or after listing). As such, Mr. Ho Teck Cheong will deem to be non-independent if he continues to serve as a Director of the Company following the conclusion of the Company's AGM for FY2023 to be held in April 2024. Accordingly, the NC and the Board are in the midst of reviewing its Board composition before the FY2023 AGM to be held in April 2024.

Each of the Independent Directors had recused himself/herself from the NC's and the Board's deliberations on his/her own independence.

Provision 4.5 – Directors' time commitments and multiple Directorships

The NC had reviewed the multiple-board seats held by the Non-Executive Directors in listed companies to determine if they had been adequately carrying out their duties as a Director of the Company. The NC, having considered the confirmations received by the Non-Executive Directors, the details of their other commitments and multiple-board seats, and their contributions during the workings of the Board, is of the view that such multiple board representations do not hinder each Non-Executive Director from carrying out his/her duties as a Director of the Company. The NC is satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The Board concurred with the NC's views.

To allow for flexibility, there will not be a fixed maximum number of listed company board representations which Directors may hold. The NC and the Board are of the view that the number of directorships a Director can hold and his/her principal commitments should not be prescriptive as the time commitment for each company will vary.

The NC and the Board will review the number of listed company board representations of the Directors from time to time.

CORPORATE GOVERNANCE REPORT

Directorships or chairmanships held by the Company's Directors as at the date of this report in other listed companies are as follows:

Name of Director ⁽¹⁾	Date of first appointment / last re-election	Directorships in other listed companies	
		Current	Past 3 Years
Hu Chao (Executive Director and CEO)	3 July 2021 / N.A.	Nil	Nil
Ho Teck Cheong (Non-Executive Chairman and Independent Director)	1 April 2011 / 6 May 2021	Singamas Container Holdings Limited ⁽²⁾	Nil
Zhao Chichun (Executive Director)	3 July 2021 / N.A.	Nil	Nil
Huo Lei (Non-Executive and Non-Independent Director)	1 September 2014 / 30 October 2020	Nil	Nil
Zhang Lei (Independent Director)	2 October 2021 / 28 April 2022	Nil	Nil
Yeo Teck Chuan (Independent Director)	2 December 2021 / 28 April 2022	Legion Consortium Limited ⁽³⁾ Republic Healthcare Limited ⁽⁴⁾	Nil

(1) The principal commitment of the Directors, if any, is set out in the "Board of Directors" section in this Annual Report.

(2) Listed on the Hong Kong Stock Exchange and is appointed since October 2019.

(3) Listed on the Hong Kong Stock Exchange and is appointed since December 2020.

(4) Listed on the Hong Kong Stock Exchange and is appointed since August 2021.

BOARD PERFORMANCE

PRINCIPLE 5: THE BOARD UNDERTAKES A FORMAL ANNUAL ASSESSMENT OF ITS EFFECTIVENESS AS A WHOLE, AND THAT OF EACH OF ITS BOARD COMMITTEES AND INDIVIDUAL DIRECTORS.

Provisions 5.1 and 5.2 – Assessments of the Board, the Board Committees and Individual Directors

The Board has implemented a process for assessing its effectiveness as a whole as well as the contribution by each Director to the Board, and of each of its Board Committees separately on an annual basis.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole and self-assessment of each individual director and the Chairman, and its Board Committees to the effectiveness of the Board.

For FY2022, the NC has conducted the assessments on the effectiveness of the Board as a whole and self-assessment of each individual Director and the Chairman where each Director is required to complete his/her self-evaluation based on the (1) understanding of Company's mission, vision and values; (2) corporate governance; (3) business development efforts; (4) training attendance; (5) whether targets were met by Board (for Executive Directors only) or maintenance of independence for Independent Directors (for Independent Directors only) and/or devotion of sufficient time (for Non-Executive Directors) and the following key performance criteria of the Board:

- Board composition;
- Board information;
- Board process;
- Board accountability; and
- Performance benchmark/Standards of Conduct.

CORPORATE GOVERNANCE REPORT

The Chairman of respective Board Committees are required to complete a questionnaire on the effectiveness of these Board Committees. The results and findings of the assessment will be presented and further discussed at the respective Board Committees meeting.

Each Board member is required to complete a Board Evaluation Questionnaire and Individual Director's Self Assessment Form and submit the completed forms to the chairman of the NC before the NC meeting. Based on the responses, a consolidated report will be presented and further discussed at a NC meeting. Following the NC's deliberation, the NC chairman will report the results with the recommendations to the Board.

The assessments/questions were collated and the findings analysed and discussed, with a view to implementing certain recommendations to further enhance the effectiveness of the Board and the Board Committees.

The NC was generally satisfied with the results of the evaluation for the performance of the Board and the individual Directors, and the respective Board Committees for FY2022, which indicated areas that could be improved further. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review and its effectiveness from time to time.

To-date, no external facilitator has been engaged to assist in the assessment of the effectiveness of the Board as a whole as well as the contribution by each Director to the Board, and of each of the Board Committees. Where relevant, the NC will consider such engagement.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 6: THE BOARD HAS A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICIES ON DIRECTORS AND EXECUTIVE REMUNERATION, AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS AND KEY MANAGEMENT PERSONNEL. NO DIRECTOR IS INVOLVED IN DECIDING HIS OR HER OWN REMUNERATION.

Provisions 6.1 and 6.2 – RC's duties and composition

The terms of reference of the RC provide that the RC shall comprise at least three (3) members and all of whom shall be Non-Executive Directors. The RC comprises all Independent Directors and its composition is as follows:

Yeo Teck Chuan (Independent Director)	- RC Chairman
Ho Teck Cheong (Non-Executive Chairman and Independent Director)	- RC Member
Zhang Lei (Independent Director)	- RC Member

The RC is regulated by a set of written terms of reference, which are in line with the provisions of the Code. The RC is responsible for, including but not limited to, the following key terms of reference:

1. taking into account all relevant legal and regulatory requirements, including the principles and provisions of the Code, when determining the Company's remuneration policies. It should also consider the Company's risk appetite and ensure that the policies are aligned to long-term goals.
2. ensuring that the level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.
3. setting the remuneration policy for Directors and key management personnel as well as monitoring the level and structure of remuneration for key management personnel relative to the internal and external peers and competitors.

CORPORATE GOVERNANCE REPORT

4. ensuring that the remuneration of the Non-Executive Directors is appropriate to the level contribution, taking into account factors such as effort, time spent, responsibilities and reviewing the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subjected to the review and approval of the RC.
5. obtaining reliable, up-to-date information on the remuneration packages of other companies and the relevant market benchmarks through the appointment of external consultants. Such information can also be obtained by commissioning or purchasing any appropriate reports, surveys or information. These would be at the expense of the Company, subject to the budgetary constraints imposed by the Board.
6. overseeing any major changes in employee benefits or remuneration structures.
7. reviewing the design of all long-term and short-term incentive plans for approval by the Board and shareholders.
8. ensuring that the contractual terms and any termination payments are fair to the individual and the Company. Poor performance should not be rewarded.
9. setting performance measures and determining targets for any performance-related pay schemes operated by the Company.

Provisions 6.3 and 6.4 – Remuneration framework and engagement of remuneration consultants, if any

The scope of the RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind. The remuneration packages take into consideration the long-term interests of the Group, industry standards, and ensure that the interests of the Executive Directors are aligned with that of the shareholders. The recommendation of the RC for the Directors' remuneration would be submitted to the Board for endorsement. No Director or member of the RC is involved in deciding his/her own remuneration.

If required, the RC will seek expert advice inside and/or outside of the Company on remuneration of all Directors and Key Management Personnel. The Company did not engage any remuneration consultant for FY2022.

Mr. Hu Chao and Mr. Zhao Chichun had entered into Service Agreements as Executive Director and CEO and Executive Director ("**Executives**") respectively with the Company for an initial term of three (3) years commencing from 3 July 2021 ("**Initial Term**") subject to the terms and conditions of the Service Agreements. Upon the expiry of the Initial Term, the employment of the Executives shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree. The Service Agreements may be terminated by either party upon giving to the other party notice in writing of six (6) months' or by the Company paying the Executive an amount equal to six (6) months' salary in lieu of notice.

The Company does not have any contractual provisions which allow the Company to reclaim incentive components of remuneration from Executive Directors and/or Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company as such provisions will stifle the Company's ability to effectively attract and retain the right individuals.

CORPORATE GOVERNANCE REPORT

LEVEL AND MIX OF REMUNERATION

DISCLOSURE ON REMUNERATION

PRINCIPLE 7: THE LEVEL AND STRUCTURE OF REMUNERATION OF THE BOARD AND KEY MANAGEMENT PERSONNEL AND APPROPRIATE AND PROPORTIONATE TO THE SUSTAINED PERFORMANCE AND VALUE CREATION OF THE COMPANY, TAKING INTO ACCOUNT THE STRATEGIC OBJECTIVES OF THE COMPANY.

PRINCIPLE 8: THE COMPANY IS TRANSPARENT ON ITS REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION, THE PROCEDURE FOR SETTING REMUNERATION, AND THE RELATIONSHIPS BETWEEN REMUNERATION, PERFORMANCE AND VALUE CREATION.

Provisions 7.1 to 7.3 – Level and mix of remuneration

In reviewing and determining the remuneration packages of the Executive Directors and Key Management Personnel, the RC takes into consideration the prevailing economic situation, skills, expertise and contribution to the individual and Company's performance, the pay and employment conditions within the industry and in comparable companies. The remuneration packages are set such that the Directors and Key Management Personnel are adequately but not excessively remunerated.

Provisions 8.1 to 8.3 – Directors' remuneration/fees and remuneration of the Group CEO and remuneration of the top five key management personnel (who are not Directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel

Framework for remuneration of Executive Directors and Key Management Personnel

The remuneration packages of the Executive Directors and other Key Management Personnel consist of fixed components only. The fixed component consists of a basic salary and annual wage supplement. To ensure that the remuneration packages of Executive Directors and Key Management Personnel are consistent and comparable with market practice, the RC regularly compares this fixed component with those of companies in similar industries, while continuing to be mindful of the fact that there is a general correlation between increased remuneration and incentives, and improvement in performance.

A significant and appropriate proportion of the remuneration of Executive Directors and Key Management Personnel is structured so as to link rewards with the achievement of corporate and individual performance targets in an objective and equitable way and reflects the degree of responsibility held by each employee. The Group seeks to ensure that the variable component is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

To ensure that the level and structure of remuneration are proportionate to the sustained performance and value creation of the Group, the Company has put in place a framework of remuneration for its Executive Directors and Key Management Personnel. The key areas of focus of the remuneration framework and details of the implementation within the Group are set out below:

Main thrusts	Details
Pay for performance	<ul style="list-style-type: none"> • Instil and drive a pay-for-performance culture • Ensure that remuneration is closely linked to annual and long-term business objectives • Set, communicate and monitor key performance targets and indicators • Adjust the proportion of fixed and variable remuneration to emphasise sustainable performance that is aligned with the Group's strategic objectives, considering qualitative and quantitative factors
Competitive remuneration	<ul style="list-style-type: none"> • Benchmark total remuneration against other organisations of similar size and standing in the Group's industry
Accountability and Risk-taking	<ul style="list-style-type: none"> • Focus on achieving risk-adjusted returns that are consistent with prudent risk taking and capital management as well as emphasis on long-term sustainable outcomes

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Remuneration of Non-Executive Directors

The RC is of the view that the current remuneration of the Non-Executive Directors is appropriate, taking into account factors such as efforts and time spent, and responsibilities of the Directors, as well as attendance at meetings. They are not over-compensated to the extent that their independence may be compromised. Other than Directors' fees, which are subject to shareholders' approval at every AGM, the Non-Executive Directors do not receive any other forms of remuneration from the Company. The RC had recommended to the Board an amount of S\$193,757 for FY2023, payable half-yearly in arrears (FY2022: S\$193,025). This recommendation had been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval. The RC would also consider, if necessary, implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of shareholders.

The RC had carried out an annual review of the Executive Directors and Key Management Personnel's remuneration packages to ensure that their remuneration commensurate with their performance, giving due regard to the financial health and business needs of the Group. The review considers the Group and individual performance as well as relevant comparative remuneration in the market. For FY2022, the RC reviewed the remuneration packages of the Executive Directors and Key Management Personnel and had recommended the same for Board approval. The Board concurred with the RC's recommendations accordingly.

The annual remuneration band of each individual Director and Key Management Personnel for FY2022 are set out below:

Name	Fees	Salaries	Variable/ Performance- related Income/ Bonus	Benefits in kind	Other long-term incentives	Total
	%	%	%	%	%	%
Below S\$250,000						
<i>Executive Directors:</i>						
Hu Chao	-	100	-	-	-	100
Zhao Chichun	-	100	-	-	-	100
<i>Non-Executive Directors:</i>						
Huo Lei	100	-	-	-	-	100
Ho Teck Cheong	100	-	-	-	-	100
Zhang Lei	100	-	-	-	-	100
Yeo Teck Chuan	100	-	-	-	-	100
<i>Key Management Personnel:</i>						
Ho Hin Yip	-	100	-	-	-	100
Xiao Weibiao	-	100	-	-	-	100
Zhou Liyang	-	100	-	-	-	100

Notwithstanding the provisions of the Code, as there were only three (3) Key Management Personnel (who is not a Director or the CEO) during FY2022, disclosure is only made in respect of the remuneration of these three (3) Key Management Personnel. The aggregate remuneration paid to these three (3) Key Management Personnel for FY2022 is approximately RMB1.2 million.

There are no termination, retirement and post-employment benefits plan that may be granted to Directors and the top three (3) Key Management Personnel (who is not a Director or the CEO) for FY2022.

CORPORATE GOVERNANCE REPORT

Due to the confidentiality and commercial sensitivity attached to remuneration matters, in particular those of our Key Management Personnel, given the highly competitive environment the Group operates in, the Company does not fully disclose the remuneration of each individual Director and the Key Management Personnel. However, disclosures had been provided in applicable bands of S\$250,000 as above, with a breakdown in percentage of the remuneration earned through fees, salary, fixed component, variable component, benefits in kind, and/or other long term incentives. Despite having varied from Provision 8.1(a) of the Code, the Board believes that consistent with the intent of Principle 8 of the Code, sufficient information has been disclosed for shareholders' understanding with respect to the Group's level and mix of remuneration.

The remuneration packages of the Executive Directors and the Key Management Personnel of the Company and its subsidiaries comprise base salaries.

For FY2022, there are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000.

The Company currently does not have an employee share option scheme or performance share plan in place.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 9: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK AND ENSURES THAT MANAGEMENT MAINTAINS A SOUND SYSTEM OF RISK AND MANAGEMENT AND INTERNAL CONTROLS, TO SAFEGUARD THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS.

Provision 9.1 – Maintenance of a sound risk management system and internal controls

The Board acknowledges that it is responsible for the overall internal control framework and the maintenance of a sound system of internal controls and an effective risk management system to safeguard shareholders' interests and the Group's assets, including determining the Company's levels of risk tolerance and risk policies.

In particular, the Board, with support from the AC, is responsible for ensuring that the Company puts in place adequate safeguards to address and mitigate any financial, operating and compliance risks. The Board confirms that as at the date of this Annual Report, the Group is not at risk of becoming subject to, or violating, any sanctions-related law or regulation. The AC and the Board will assess the need to obtain independent legal advice or appoint a compliance adviser in relation to the sanctions-related risks applicable to the Group and continuous monitoring the validity of the information to shareholders and the SGX-ST, if required.

The Group's control environment provides the foundation upon which all other components of internal controls are built upon. It provides discipline and structure, setting the tone of the organisation and influencing the control consciousness of its staff. A weak control environment foundation hampers the effectiveness of even the best designed internal control procedures.

The adequacy and effectiveness of the internal control system and procedures at present are monitored by Management. The Company does not have a Risk Management Committee. However, Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the AC and the Directors. The Group's financial risk management is disclosed under Note 34 of the Notes to the Financial Statements on pages 117 to 122 of this Annual Report.

The AC, with the assistance of the internal and external auditors, reviews on an annual basis the adequacy and effectiveness of the Company's internal controls addressing financial, operational, compliance and informational technology risks, and risk management policies established by Management.

CORPORATE GOVERNANCE REPORT

The internal and external auditors have, during the course of their audit, carried out a review of the adequacy and effectiveness of key internal controls within the scope of their audit. Any material non-compliance or weaknesses in internal controls noted during their respective audits and their recommendations are reported to the AC. The AC also reviews the adequacy and effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect and ensures that there are adequate and effective internal controls in the Group and recommendations are implemented.

Provision 9.2 – Written assurance regarding (i) financial records and financial statements and (ii) adequacy and effectiveness of the Group’s risk management and internal control systems

The Board has received written assurance from Mr. Hu Chao, Executive Director and CEO, Mr. Ho Hin Yip, Financial Controller and Joint Company Secretary, and Mr. Xiao Weibiao, Accounting Director, who are also the Key Management Personnel having authority and responsibility for planning, directing and controlling the activities of the Group that as at 31 December 2022:-

- the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances;
- to the best of their knowledge, nothing had come to their attention as Management, which would render the interim financial statements to be false or misleading in any aspect;
- they are aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company;
- they are not aware of any known significant deficiencies in the risk management and internal control systems relating to preparation and reporting of financial data, or of any fraud; and
- the internal controls, including financial, operational, compliance and information technology control, and risk management systems are adequate and effective.

The Board aims to provide a balanced and understandable assessment of the Group’s financial performance, position and prospects to the shareholders. Half year and full year financial results are released to the shareholders within the timeline stipulated in the SGX-ST Listing Manual. All financial information presented in the results announcement or Annual Report have been prepared in accordance with the International Financial Reporting Standards and were reviewed and recommended by the AC and approved by the Board before being released through SGXNET.

In line with the SGX-ST Listing Manual, negative assurance statements were issued by the Board to accompany the Group’s interim financial results announcements, confirming to the best of the Board’s knowledge that nothing had come to their attention which would render the Company’s interim results announcements to be false or misleading in any material aspect. The Company is not required to issue negative assurance statements for its full year results announcement.

The Company has also procured undertakings from all its Directors and Executive Officers in compliance with Rule 720(1) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

Rule 1207(10) of the SGX-ST Listing Manual

Based on the internal controls including financial, operational, compliance and information technology controls, established and maintained by the Group, work performed by the internal and external auditors, and reviews undertaken by Management, the AC and the Board are of the opinion that the Group's internal controls addressing material financial, operational, compliance and information technology risks, and risk management systems are adequate and effective as at 31 December 2022 to meet the needs of the Group, taking into account the nature and scope of its operations. There were no material weaknesses identified by the Board or the AC for FY2022.

The Board recognises that no internal control system will preclude all errors and irregularities as a system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure to achieve the Group's objectives. The review of the Group's internal control system is a concerted and continuing process.

AUDIT COMMITTEE

PRINCIPLE 10: THE BOARD HAS AN AUDIT COMMITTEE WHICH DISCHARGES ITS DUTIES OBJECTIVELY.

Provisions 10.1 to 10.3 and 10.5 – Duties and composition of the AC

The AC is regulated by a set of written terms of reference, which are in line with the Code.

The terms of reference of the AC provide that the AC shall comprise at least three (3) members and all of whom shall be Non-Executive Directors. The AC comprises all Independent Directors and its composition is as follows:

Ho Teck Cheong (Non-Executive Chairman and Independent Director)	- AC Chairman
Zhang Lei (Independent Director)	- AC Member
Yeo Teck Chuan (Independent Director)	- AC Member

The AC meets at least two (2) times a year and, as and when deemed appropriate, to carry out its functions.

The AC has the authority to investigate any matter within its terms of reference. It has full access to and the co-operation of Management and also full discretion to invite any Director or Executive Officer to attend its meetings and give adequate resources to enable it to discharge its functions properly.

The Board is of the view that the AC members are appropriately qualified and have the necessary recent and relevant accounting or related financial management expertise and experience as the Board interprets such qualification in its business judgement, to discharge their duties and responsibilities. The AC members are not former partners or directors of or have any financial interest in the Company's existing audit firm or corporation.

The AC is regulated by a set of written terms of reference which are in line with the provisions of the Code. The AC is responsible for, including but not limited to, the following under its terms of reference:

1. reviewing the financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommending changes, if any, to the Board;
2. reviewing and reporting to the Board on the adequacy and effectiveness of the Company's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board);
3. reviewing the assurance from the Executive Chairman/Executive Director and CEO, the General Manager (Finance) and the Financial Controller and Joint Company Secretary on the financial records and financial statements;
4. reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;

CORPORATE GOVERNANCE REPORT

5. reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors (“**EA**”). It shall then recommend to the Board the appointment, reappointment and removal of the EA, and its remuneration and terms of engagement;
6. ensuring that the Company complies with the requisite laws and regulations;
7. ensuring that the Company has programmes and policies in place to identify and prevent fraud;
8. overseeing the establishment and operation of the whistleblowing process in the Company; and
9. reviewing all Interested Person Transactions (“**IPTs**”) and Related Party Transactions.

Summary of the AC’s activities in FY2022

The AC meets with the Group’s internal and external auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained. In performing its functions for FY2022, the AC had:

- (i) held four (4) meetings with Management;
- (ii) reviewed and recommended the appointment of Moore Advisory Services Limited as internal auditors of the Company;
- (iii) reviewed the internal and external audit plans, including the nature and scope of work before commencement of these audits;
- (iv) met with the Group’s internal and external auditors during the year under review without the presence of Management to discuss their findings set out in their respective reports to the AC. Both the internal and external auditors had confirmed that they had access to and received full cooperation and assistance from Management and no restrictions were placed on the scope of audits;
- (v) reviewed and approved the consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated cash flows and auditors’ report;
- (vi) conducted a review of the audit services provided by the external auditors and was satisfied before confirming their re-nomination. The aggregate amount of audit fees amounting to RMB1,410,000 paid to the external auditors for FY2022 was approved. There were no non-audit services or fees paid for non-audit services for FY2022;

The external auditors had also confirmed their independence in this respect;

- (vii) recommended the re-appointment of Messrs BDO Limited, Certified Public Accountants, Hong Kong (“**BDO-HK**”) and Messrs BDO LLP, Public Accountants and Chartered Accountants, Singapore (“**BDO-SG**”) to act jointly and severally as the Company’s external auditors.

BDO-HK is a member of BDO International Limited in Hong Kong and BDO-SG, which is registered with the Accounting and Corporate Regulatory Authority (“**ACRA**”) and approved under the Accountants Act 2004 of Singapore, is a member firm of BDO International Limited in Singapore.

The Board, with the concurrence of the AC, is of the view that the re-appointment of BDO-HK and BDO-SG to act jointly and severally as the Company’s external auditors have enabled the Company to comply with and meet the objective and spirit of Rule 712 of the SGX-ST Listing Manual; and

- (viii) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm to audit its accounts, foreign-incorporated subsidiaries and associated companies. The Group’s subsidiaries and associated companies are disclosed under Notes 14 and 15 of the Notes to the Financial Statements on pages 98 to 100 of this Annual Report respectively.

CORPORATE GOVERNANCE REPORT

The external auditors and/or the Group Financial Controller will keep the AC abreast of changes to accounting standards and issues, if any, which have a direct impact on the financial statements through updates and/or reports from time to time, where applicable or relevant. In addition, the AC is entitled to seek clarification from Management, the external auditors and/or internal auditors or seek independent professional advice, or attend relevant seminars at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

Whistle Blowing (Rules 1207(18A) and (18B) of the SGX-ST Listing Manual)

The Group has put in place a whistle-blowing policy ("**Whistle-Blowing Policy**") which provides well defined and accessible channels in the Group through which employees and any other persons may raise concerns about fraudulent activities, malpractices or improper conduct within the Group, in a responsible and effective manner.

The Whistle-Blowing Policy has been updated in accordance to Rules 1207(18A) and (18B) of the SGX-ST Listing Manual with effect from 1 January 2022.

To ensure that the identity of any whistleblower is kept confidential, the Company will treat all information received with utmost confidentiality. Anonymous disclosures will be accepted and anonymity honoured.

Furthermore, the Company is committed to ensure protection of the whistleblower against detrimental or unfair treatment. While the policy is meant to protect the whistleblower from any detrimental or unfair treatment as a result of their report or disclosure, it strictly prohibits frivolous and untrue reports or disclosures. No adverse action will be taken against any director, officer, employee or other individual for making a report or disclosing information in good faith under this policy. The Company will not tolerate the harassment or victimisation of anyone reporting a genuine concern. Where a report or disclosure has been made, the Company will take all reasonable steps to ensure that no other person harasses or victimises the whistleblower.

The Company has designated an independent function to investigate whistleblowing reports made in good faith. The Administrator, Mr. Huo Lei and/or the Chairman of the AC shall promptly initiate an independent investigation of the whistleblowing reports made in good faith and with the advice and the assistance of the Chief Financial Officer (or any other individual equivalent to that of the Chief Financial Officer) and/or such other officers of the Company as appropriate, oversee such investigation. Such investigation shall ensure as far as possible that the privacy of the parties involved is maintained during the investigation.

The AC is responsible for oversight and monitoring of whistleblowing. Following the investigation of the whistleblowing report, the Administrator, Mr. Huo Lei or such other appropriate officer shall promptly provide detailed information of the investigation to the AC. Appropriate and corrective action will be taken if warranted by the investigation. External parties or professional advisors can be enlisted at the Group's expense, to assist in conducting any investigation and/or to provide appropriate advice.

The AC shall, at its discretion, advise the Group's Executive Directors, CEO and Chief Financial Officer (or any other individual equivalent to that of the foregoing persons) and/or the AC to carry out the corrective and disciplinary action if applicable. For serious or criminal offences, the AC may, at its discretion, report the matter to the relevant authorities for further investigation.

A summary of all the whistleblowing reports shall be reported to the AC at least annually by the Administrator, Mr. Huo Lei. There were no whistleblowing reports received for FY2022.

CORPORATE GOVERNANCE REPORT

Provision 10.4 – Internal Audit Rule 1207(10C) of the SGX-ST Listing Manual

The Group's internal audit function was outsourced to Moore Advisory Services Limited. The internal auditors are staffed with persons of relevant qualifications and experience, and guided by the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. They report to the chairman of the AC and have unrestricted access to the AC. The internal auditors also have unfettered access to all the Group's documents, records, properties and personnel.

For FY2022, the AC had reviewed the findings of the internal auditors and the independence, adequacy and effectiveness of the internal audit function to ensure that the internal audit function is independent, adequately resourced and able to perform its function effectively and objectively.

Based on the foregoing and taking into account the Group's operations and needs, the AC is of the view that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

PRINCIPLE 11: THE COMPANY TREATS ALL SHAREHOLDERS FAIRLY AND EQUITABLY IN ORDER TO ENABLE THEM TO EXERCISE SHAREHOLDERS' RIGHTS AND HAVE THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON MATTERS AFFECTING THE COMPANY. THE COMPANY GIVES SHAREHOLDERS A BALANCED AND UNDERSTANDABLE ASSESSMENT OF ITS PERFORMANCE, POSITION AND PROSPECTS.

The Board ensures that all the Company's shareholders are treated equitably for them to exercise their shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance position and prospects.

Provisions 11.1 to 11.5 – Participation and voting at general meetings of shareholders

General meetings are the principal forum for dialogue with shareholders. Shareholders are invited and encouraged to attend general meetings to put forth any questions they may have on the motions to be debated and decided upon. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. Nonetheless, shareholders can vote at the general meetings in person or by appointing up to two (2) proxies, through proxy forms which are sent together with the Annual Reports or circulars, as the case may be. The duly completed and original proxy form is required to be submitted not less than seventy-two (72) hours before the general meeting and deposited at the Company Share Transfer Agent's office.

The notices of the general meetings are dispatched to shareholders, together with explanatory notes at least fourteen (14) clear days before each meeting for ordinary resolutions and at least twenty-one (21) clear days for special resolutions to be passed. The notice is also advertised in a national newspaper.

Every matter requiring shareholders' approval is proposed as a separate resolution. The Company does not "bundle" resolutions, unless the resolutions are interdependent and linked as to form one significant proposal. Where the Company considers it warranted to "bundle" the resolutions, the Company will explain the reasons and material implications.

The Company welcomes shareholders to voice their views and seek clarification on issues relating to the Group's business as outlined in the agenda of the AGM notice and encourages shareholders' participation at general meetings.

CORPORATE GOVERNANCE REPORT

The Chairman of the Board and the Chairmen of the AC, NC and RC will endeavour to attend if they are available, or otherwise their representatives will attend the AGM to attend to queries raised by the shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders about the conduct of audit and the preparation and content of the auditors' report. The Company Secretary(ies) record(s) minutes of every general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management. The Company published its minutes of AGM held on 28 April 2022 ("**FP2021 AGM**") on SGXNET and its corporate website. The minutes are available to shareholders upon request. The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company would conduct its votings in general meetings by poll (whether by paper polling or electronic polling) where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board believes that this will enhance transparency of the voting process and encourage greater shareholder participation. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be released via the SGXNET after the meeting.

Alternative arrangements for the conduct of general meetings by electronic means

To minimise the spread of COVID-19 transmission, the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time) ("**Alternative Arrangements Order**") came into force in 2020. The Alternative Arrangements Order provides for alternative arrangements for, amongst others, listed companies in Singapore to hold their general meetings other than physical means.

Subsequent to the amendment of the Company's Bye-Laws on 30 December 2021, the current Bye-laws of the Company permit a general meeting to be held electronically. Specifically, Bye-law 56 provides that a general meeting may be held as a physical meeting, an electronic meeting or as a hybrid meeting, as may be determined by the Board in its absolute discretion.

Accordingly, the Company's FP2021 AGM was held via electronic means pursuant to the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period and checklist jointly issued by the ACRA, Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020, which is based on the Alternative Arrangements Order and Joint Issued Checklist and last updated on 4 February 2022 to provide that the 16 December 2021 Regulator's Column will form part of the Checklist ("**Updated Checklist**").

Notwithstanding that shareholders of the Company were not allowed to attend the FP2021 AGM in person, the Company had put in place arrangements for shareholders to participate in the meeting by submitting questions ahead of the meeting, voting by proxy and/or watching or listening to the proceedings via a "live" webcast ("**Live Webcast**"). The submission of questions and proxy forms was done electronically by sending to an electronic mail address, or by depositing the same at the registered office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. The shareholders were also able to ask questions "live" during the Live Webcast by clicking on the Q&A icon in the Live Webcast. The Company also addressed the substantial and relevant questions submitted by shareholders during the FP2021 AGM.

The Company has taken reasonable steps to ensure that the requirements of holding general meetings by electronic means, if applicable, are complied with. In particular, shareholders will have at least seven (7) calendar days to submit their questions to the Company and the Company will respond to substantial and relevant questions at least forty-eight (48) hours prior to the deadline for shareholders to submit their proxy forms. This is to ensure that shareholders will have the benefit of the Company's responses to their substantial and relevant questions before they cast their votes through the lodgement of proxy forms.

CORPORATE GOVERNANCE REPORT

Physical meeting with alternative arrangements

The forthcoming AGM for FY2022 will be held physically in Singapore ("**Physical Meeting**"). Shareholders who are feeling unwell on the date of the AGM should refrain from attending the Physical Meeting.

The Company had also put in place arrangements to allow authenticated shareholders and proxy(ies) to be able to ask questions in person at the Physical Meeting. Arrangements have also been put in place to permit shareholders to submit their questions ahead of the AGM. Live question and answer session and live voting by poll will be conducted during the AGM for shareholders and proxy(ies) attending the Physical Meeting. Please refer to the Notice of AGM dated 11 April 2023 as set out in this Annual Report for more information on how shareholders may participate in the forthcoming AGM.

Provision 11.6 – Dividend Policy

The Company does not have a policy on payments of dividends. Nonetheless, consistent with the intent of Principle 11 of the Code, the form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

No dividend was declared for FY2022 as the funds are retained for working capital purposes.

ENGAGEMENT WITH SHAREHOLDERS

PRINCIPLE 12: THE COMPANY COMMUNICATES REGULARLY WITH ITS SHAREHOLDERS AND FACILITATES THE PARTICIPATION OF SHAREHOLDERS DURING GENERAL MEETINGS AND OTHER DIALOGUES TO ALLOW SHAREHOLDERS TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

Provisions 12.1 to 12.3 – Interaction/engagement with shareholders

The Group continues to keep all shareholders/stakeholders informed of its corporate activities on a timely and consistent basis. In line with continuous disclosure obligations, the Company is mindful of the need for regular and proactive communication with its shareholders and to facilitate the exercise of ownership rights by all shareholders. Communication with shareholders is done via announcements and/or press releases on a timely basis through:

- (i) major developments of the Group;
- (ii) financial statements containing a summary of the financial information and affairs of the Group for the half year and full year via SGXNET;
- (iii) annual reports and circulars that are sent to all shareholders; and
- (iv) notices of and explanatory notes for general meetings.

The Company does not practise selective disclosure, and in the event of any inadvertent disclosure is made to a select group, the Company will make the same disclosure publicly to all others as promptly as possible.

The Company values dialogue sessions with its shareholders and is committed to hearing shareholders' views and addressing their concerns. During general meetings of the Company, the Board devotes time and attention to address questions from and concerns raised by shareholders and the Directors are generally present for the entire duration of the meetings. The chairman of the meeting will also endeavour to facilitate constructive dialogue between shareholders and the Board. In addition, members of the Board and Key Management Personnel make themselves available to interact with shareholders both before and after general meetings (where such meetings are held physically).

CORPORATE GOVERNANCE REPORT

Although the Company does not have an investor relations policy, other than communicating with Shareholders at AGMs, the Company has engaged an external Investor Relations (“IR”) Manager to assist with its investor relations matters. Media, analysts, investors and shareholders may also contact the IR Manager or the Group Financial Controller and/or the Directors through the Company on any investor relations matters. The IR Manager can be contacted at jingwen@woodnoteconsulting.com.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

PRINCIPLE 13: THE BOARD ADOPTS AN INCLUSIVE APPROACH BY CONSIDERING AND BALANCING THE NEEDS AND INTERESTS OF MATERIAL STAKEHOLDERS, AS PART OF ITS OVERALL RESPONSIBILITY TO ENSURE THAT THE BEST INTERESTS OF THE COMPANY ARE SERVED.

Provisions 13.1 and 13.2 – Identification and engagement with material stakeholder groups, including managing relationships with such groups

The Group believes that forging good relationships with its stakeholders is crucial for the sustainable growth of its business and its key stakeholders include customers, suppliers, employees, investors and shareholders, local communities, and government and regulators.

To understand stakeholders’ expectations, the Group engages and fosters trusted relationships through listening to their views and responding to their concerns. The frequency of ongoing engagement with various stakeholders depends on mutual needs and expectations.

The key areas of focus in relation to the management of stakeholder relationships are set out in the Company’s annual Sustainability Report for FY2022, which is contained in this Annual Report.

Provision 13.3 – Corporate website

The Company maintains a current corporate website, www.ddhlimited.com, to communicate and engage with stakeholders.

All materials on the Company’s financial results, as well as the latest annual report of the Company, are announced and available on the SGXNET and its corporate website.

DEALINGS IN SECURITIES

The Group had adopted an internal compliance code of conduct to provide guidance to its Directors, key officers and employees regarding dealings in the Company’s securities and implications of Insider Trading (the “**Securities Code**”) in compliance with Rule 1207(19) of the SGX-ST Listing Manual.

In line with the Group’s internal compliance code, Directors, key officers and employees of the Group are prohibited from dealing in securities of the Company during the period commencing one (1) month before the date of the release of its half year and full year results until after the release of the announcement. Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group at all times.

The Company confirms that it had adhered to its Securities Code for FY2022.

In addition, Directors and key officers are encouraged not to deal in the Company’s securities on short-term considerations.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the AC at its half-yearly meetings to ensure that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the minority shareholders. The AC, with the concurrence of the Board, confirmed that there were no interested person transactions for FY2022 pursuant to the disclosure under Rule 920 of the SGX-ST Listing Manual:

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than \$100,000)
Nil	Nil	Nil	Nil

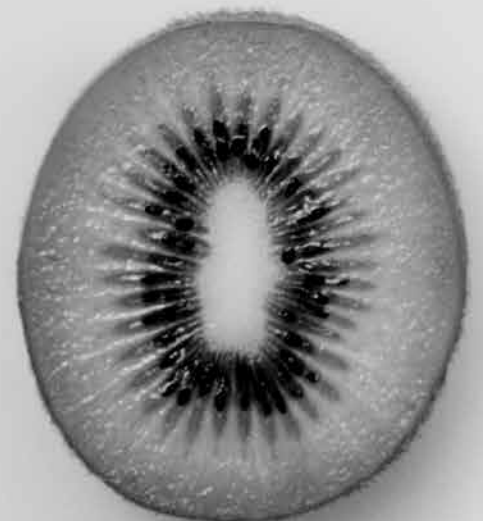
The Group does not have a general mandate from the shareholders for interested person transactions.

MATERIAL CONTRACTS

Save as disclosed in the Company's circular to shareholders dated 31 March 2021, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting as at the end of FY2022 or if not then subsisting, entered into since the end of the previous financial year.

SUSTAINABILITY REPORT

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SUSTAINABILITY REPORT 2022

MESSAGE FROM THE BOARD

Dear Stakeholders,

On behalf of the Board of Directors of China Shenshan Orchard Holdings Co. Ltd. ("**China Shenshan**" or the "**Company**", together with its subsidiaries, the "**Group**") (the "**Board**"), I am pleased to announce the publication of our sustainability report for the reporting period from 1 January 2022 to 31 December 2022 ("**FY2022**") ("**Sustainability Report**").

In a world that is experiencing the effects of climate change, which will bring extreme weather patterns such as increased drought and rising temperatures, China Shenshan remains committed to corporate sustainability to ensure the longevity of our kiwifruit business. Our business must keep abreast of innovative technology and leverage our extensive experience so as to improve the quality of our products while reducing the environmental impacts. We have responded well to disruptive climate conditions such as droughts and strong winds with measures such as developing irrigation solutions, building canals and windbreak nets.

I am proud of the resilience that China Shenshan has shown in weathering the COVID-19 pandemic. This would not have been possible without all the committed people working in the Company, who were steadfast in implementing relevant measures to manage the pandemic. We believe that a holistic and family-friendly working environment is crucial in retaining experienced and dedicated management and staff. Hence we have included information on our extensive employee benefits in this Sustainability Report. Staff welfare and well-being are critical pillars of our sustainability strategy.

In order to grow and sell the best kiwifruit to consumers all over the world, we continue to update our agricultural technology, research and development, and agricultural methods. This is demonstrated through our most recent awards in 2021 and 2022, such as the "Agricultural Technology Promotion and Cooperation Award" issued by the Ministry of Agriculture. Another crucial part in our business's success involves exercising good corporate social responsibility as shown by ongoing engagement with various stakeholders such as customers, community groups, research partners and government. These engagements help us to develop a learning organisation and build up positive reputation, as well as raise our productivity and increase our market presence.

In this Sustainability Report, we provide detailed information on our material environmental, social and governance ("**ESG**") issues. Just like cultivation of kiwifruit, corporate sustainability is a long-term process of learning, doing and improving. We will continue our sustainability journey and look forward to harvesting the benefits of being a robust, responsible and productive company that contributes to a sustainable society.

For and on behalf of
China Shenshan Orchard Holdings Co. Ltd.

Ho Teck Cheong
Non-Executive Chairman and Independent Director

SUSTAINABILITY REPORT 2022

ABOUT THIS REPORT

This report is the second Sustainability Report published by the Group in relation to the kiwifruit business. By reporting the policies, practices, applicable targets and performances of the Group in terms of its material sustainability issues, it allows all stakeholders to understand the progress and development direction of the Group.

Report Scope

This report covers the period of FY2022. It details the management approaches and sustainability performance of the kiwifruit cultivation and related activities located in China over which the Group has direct operational control.

The “Sustainability Performance” section of this report summarises the Group’s performance for the financial period from 1 July 2021 to 31 December 2021 (“**FP2021**”) as the restructuring exercise whereby the Group acquired the kiwifruit cultivation and distribution business was completed in July 2021, and FY2022 performance on key sustainability indicators and the targets for financial year ending 31 December 2023 (“**FY2023**”). We aim to progressively upgrade our internal data collection procedures and expand the level of disclosure and target setting in our subsequent sustainability reports.

Reporting Standard

This report is prepared in accordance with the “comply or explain” provisions pursuant to Rule 711A of the Singapore Exchange Securities Trading Limited Listing Manual (“**Listing Manual**”), as well as the guidelines set out in the Practice Note 7.6: Sustainability Reporting Guide of the Listing Manual. The five reporting components (save for climate-related disclosures) prescribed by Rule 711B of the Listing Manual underline the key structure of this report.

The Group has selected the Global Reporting Initiative (“**GRI**”) Standards as its reporting framework as the Group believes that it provides robust guidance and is widely accepted as a global standard for sustainability reporting. This report has been prepared in accordance with the GRI Universal Standards 2021.

The Singapore Exchange (“**SGX**”) has mandated that effective for the financial year commencing on or after 1 January 2022, all issuers must include climate-related disclosures on a “comply or explain” basis in their annual sustainability reports. Such disclosures must follow the Task Force on Climate-related Financial Disclosures’ recommendations. For issuers in the Agriculture, Food and Forest Products industry, climate reporting will become mandatory for all financial years commencing 1 January 2023 onwards.

During FY2022, the Group had to cope with the strict COVID-19 restrictions and a severe drought in China. The Group had devoted its resources to manage the business impact, and as such, it was difficult to initiate the preparatory work and data collection for climate reporting for FY2022. In this regard, the Company will only adopt a phased approach to climate risk assessment and commence climate reporting in the FY2023 Sustainability Report.

Confirmation and Approval

Information documented in this report is sourced from official documents, statistical data, as well as management and operation information collected according to the policies of the Group. This report was approved by the Board in March 2023. Internal review on sustainability reporting process has been conducted by the internal auditor of the Company.

No external assurance has been sought for this report.

Feedback

The Group values the opinions of stakeholders. If you have any questions or suggestions regarding the content or format of this report, please email your feedback or comments to: Raymond@shenshanorchard.com.

SUSTAINABILITY REPORT 2022

SUSTAINABILITY PERFORMANCE

The table below summarises our FP2021 and FY2022 performance on key sustainability indicators and the targets for FY2022 and FY2023:

Disclosures	FP2021 Performance	FY2022 Targets	FY2022 Performance	FY2023 Targets
Human Resource	<ul style="list-style-type: none"> 233 permanent staff and 138 contract workers. For permanent staff, gender ratio of 44% female to 56% male, and 45% of the workforce were aged 50 and above. 	<ul style="list-style-type: none"> Sustain the gender and age diversity of the workforce. 	<ul style="list-style-type: none"> 221 permanent staff and 190 contract workers. For permanent staff, gender ratio of 43% female to 57% male, and 35% of the workforce were aged 50 and above. Target for FY2022 met. 	<ul style="list-style-type: none"> Sustain the gender and age diversity of the workforce.
Governance and Safety	<ul style="list-style-type: none"> No reported cases of violations, misconduct, fraud or any other form of wrongdoing or concerns. No serious or fatal incidents at the Group's workplaces. 	<ul style="list-style-type: none"> Maintain zero reported cases of violations, misconduct, fraud or any other form of wrongdoing or concerns. Maintain zero serious or fatal incidents at the Group's workplaces. 	<ul style="list-style-type: none"> No reported cases of violations, misconduct, fraud or any other form of wrongdoing or concerns. No serious or fatal incidents at the Group's workplaces. Target for FY2022 met. 	<ul style="list-style-type: none"> Maintain zero reported cases of violations, misconduct, fraud or any other form of wrongdoing or concerns. Maintain zero serious or fatal incidents at the Group's workplaces.
Resource Usage	<ul style="list-style-type: none"> 11,081 tonnes of water. 343,500 kWh of electricity. 56,623 litres of fuel. 	<ul style="list-style-type: none"> Reduce resource usage by 3-5%. 	<ul style="list-style-type: none"> 11,472 tonnes of water. 353,300 kWh of electricity. 57,190 litres of fuel. Target for FY2022 not met. 	<ul style="list-style-type: none"> Reduce resource usage by 3-5%.

SUSTAINABILITY REPORT 2022

SUSTAINABILITY APPROACH AND GOVERNANCE

China Shenshan aims to develop a balanced approach towards sustainability by carefully considering the ESG aspects of our business. This includes optimising the use of our resources, reducing adverse environmental impacts at our orchards, taking care of our workforce's health and wellness, compliance with all applicable rules and regulations, and having a comprehensive system to manage our operational and corporate risks.

Corporate and Sustainability Governance

The Board is committed to setting and maintaining high standards of corporate governance within the Group by adopting and complying with the principles and provisions of Code of Corporate Governance 2018 (the "**Code**") with the aim to preserve and enhance the interests of all stakeholders.

Certain functions have been delegated by the Board to various Board Committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), which operate under clearly defined terms of reference. All Board Committees are constituted by and chaired by Independent Directors.

The Board incorporates sustainability considerations, which include specific ESG-related risks, issues and opportunities, as part of the Group's strategic formulation. All Board Members have attended sustainability training. The Board also provides ongoing guidance to the Chief Executive Officer and the senior management team of the Company on effective implementation and monitoring of the relevant sustainability-related programmes. Senior management ensures that the ESG factors are monitored on an ongoing basis and properly managed, and provides regular updates to the Board, which includes urgent sustainability-related issues of critical concern.

The Group has set up a Sustainability Task Force, comprising the Operation Department and Technical Department, which is responsible for the implementation of various sustainability-related measures and initiatives.

Conflict of Interest Policy

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are reviewed and approved by senior executives, AC and/or the Board, as the case may be, based on the transaction amount and that the transactions have been conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders, in accordance with the prescribed procedures. When a potential conflict of interest arises, the Director concerned will not participate in discussions and will abstain from voting on such transactions.

Whistleblowing and Fraud

The Group has in place a whistleblowing policy to highlight any wrongdoing and inappropriate behavior among its employees in order to maintain high ethical standards of accountability, reliability and honesty for its stakeholders at all times.

The whistleblowing policy instituted by the Group aims to:

- provide a trusted avenue for employees, vendors, customers and other stakeholders to report any violations, misconduct, wrongdoing or concerns or suspected violations, misconduct, wrongdoing or concerns, particularly in relation to fraud, controls or ethics, relating to the Company, the Group and its employees without fear of reprisals when whistleblowing in good faith; and
- ensure that robust arrangements are in place to facilitate independent investigation of the reported concern and for the appropriate follow up actions to be taken.

For FY2022, we met our target with no reported cases of violations, misconduct, fraud or any other form of wrongdoing or concerns, or suspected violations, misconduct, fraud or any other form of wrongdoing or concerns.

SUSTAINABILITY REPORT 2022

SUSTAINABILITY APPROACH AND GOVERNANCE

Supply Chain Management

The Group's suppliers are extensively sourced and stringently evaluated to ensure that they are able to meet the relevant specific procurement policies and guidelines. The Group aims to source from consistent, reliable and cost-effective suppliers and minimise potential disruptions in its supply chain. The Group also ensures that no Directors and Executive Officers are materially involved in or dependent on any industrial, commercial or financial contract with any supplier. Altogether, there were 65 suppliers in FY2022.

The Group has a structured process to review and approve new suppliers:

- Suppliers will be required to fill in a form/questionnaire.
- The purchasing department will evaluate based on the information submitted and the manager of the purchasing department will shortlist a few qualified suppliers for further evaluation.
- This list will be further evaluated and approved by the general manager.
- The approved suppliers will be added to the list of qualified suppliers.
- A team, comprising representatives from the purchasing department, quality control department and technical department, will be formed to review the list of qualified suppliers every year.

SUSTAINABILITY REPORT 2022

STAKEHOLDERS ENGAGEMENT

The Group engages stakeholders on an ongoing basis to understand their concerns and incorporate their feedback into the corporate and sustainability strategies. Annual shareholder and extraordinary shareholder meetings are conducted in accordance with the requirements of the SGX. The following table summarises the key stakeholders that we identified, modes of communication and areas of concern.

Stakeholders	Modes of Communication	Areas of Concerns
Employees	Regular dialogues, internal memos, direct mails and messages	<ul style="list-style-type: none"> • Staff welfare • Learning and career progression opportunities • Health and safety • Job stability
Shareholders, analysts and investors	Regular investor meetings, direct mails and annual general meetings (online and offline) Announcements, annual reports and sustainability reports	<ul style="list-style-type: none"> • Financial and operational performance • Dividends • Sound business strategies • Risk management • Governance and transparency
Customers	Regular meetings, direct mails, phone calls, visits, study trips, use of electronic communication applications such as WeChat and QQ	<ul style="list-style-type: none"> • Product safety and quality • Variety of products • Pricing and value for money • Stable and long-term business relationships
Suppliers	Regular meetings, direct mails, phone calls, visits and use of electronic communication applications such as WeChat and QQ	<ul style="list-style-type: none"> • Short credit terms • Punctual payment for supplies • Stable and long-term business relationships
Local communities, governments and regulatory bodies	Regular meetings, community activities, direct mails, phone calls and visits	<ul style="list-style-type: none"> • Sound management of environmental impact such as minimising pollution • Assistance provided to local residents • Sustainable sourcing • Food safety • Compliance with industry standards and hygiene practices • Compliance with relevant rules and regulations

External Initiatives

The Group is committed to the highest food and product standards and quality management systems so as to meet and exceed the requirements of customers and other stakeholders. To achieve this objective, we maintain ongoing collaborations with various research institutions and experts in the agricultural industry in the PRC, which include the following:

- Zhengzhou Fruit Research Institute Chinese Academy of Agricultural Sciences;
- Wuhan Botanical Garden of Chinese Academy of Sciences;
- Hubei Academy of Agricultural Sciences;
- Huazhong Agriculture University; and
- Other domestic industry experts to share and develop technology and expertise.

SUSTAINABILITY REPORT 2022

MATERIALITY ASSESSMENT

The Group believes that long-term sustainable growth is dependent on meeting and exceeding the needs and expectations of our key stakeholders, particularly for material factors that influence the stakeholders' assessments and decisions. We also take into consideration how these material factors could have significant environmental and social impacts in the locations where we operate. We adopt a multi-step approach in our materiality assessment, as described in the table below.

Identification	Prioritisation	Validation	Review
Identification of the material factors relevant to the Group's activities and data points for performance reporting.	Prioritisation of the material factors and identification of key sustainability factors to be reported.	Validation involves the verification of information and data gathered on material factors as well as assessment on the completeness of key sustainability factors to finalise the report content.	Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, as well as organisational and external developments.

Material Factors

For FY2022, the Group has assessed that FP2021's material factors remain relevant and appropriate for the Group's sustainability reporting:

- **Food Quality and Safety** – The Group takes great care in ensuring that the kiwifruit we grow and sell is of the highest quality possible. This safeguards customers' health and satisfaction, protects our brand in the market, and generates steady income to sustain the business in the long term.
- **Human Resource** – People are the Group's most precious asset. They make sure that the entire value chain runs smoothly, innovate and improve on our products and processes, and keep us a step ahead of the competition. The Group complies with the applicable labour, social insurance and housing fund laws and regulations in the PRC.
- **Environmental Conservation** – The Group minimises environmental impacts and protects natural assets so that our orchards continue to be productive, and our workers and communities can enjoy a clean and healthy environment.

SUSTAINABILITY REPORT 2022

FOOD QUALITY AND SAFETY

Product Overview

Since its establishment in April 2009, the Group has been principally engaged in the business of planting, cultivating and sale of kiwifruits. From our 8 orchards located in Chibi City, Hubei, the PRC, the Group currently produces and sells several varieties of kiwifruits, which are classified under 4 commercial names, namely Fairy Gold (精灵果), Sunshine Kiwi (阳光金果), Jade Green (翠玉) and Red Heart (红心).

The kiwifruits marketed as Fairy Gold constitute a significant portion of the Group's overall kiwifruit production. This variety of kiwifruit has yellow flesh with a sweetness of 18°.

Quality Assurance

We adopt an end-to-end value chain approach to ensuring the quality and freshness of the kiwifruit that we sell.

We start with careful site assessment of where the kiwifruit orchards are located. We consider key factors such as arability of the soil, gentle terrain to facilitate irrigation, low variability in weather conditions and availability of transport infrastructure. We continually look to secure new plant variety rights to expand our product range. In FY2022, applications for 5 plant variety rights were pending approval.

The in-house horticultural team will use the latest techniques to improve the resilience and yield of the bearer plants. Each bearer plant is tagged with global positioning system ("GPS") coordinates and identified by its individual Quick Response Code ("QR Code"), allowing data collection and monitoring of each individual bearer plant's location, breed, planting date, yield, irrigation, weeding frequency, details of the plant diseases contracted and its staff in-charge.

While the growing season for kiwifruit typically lasts up to 240 days a year, the cultivation processes are adjusted to accommodate seasonal and climatic factors such as weather conditions, level of rainfall and temperature, to ensure consistency in quality and overall yield of kiwifruits during each harvest season.

During harvest season, the kiwifruits are picked by hand when they are sufficiently softened, with the necessary care and expertise to ensure that such kiwifruits are not harvested prematurely and are handled with care.

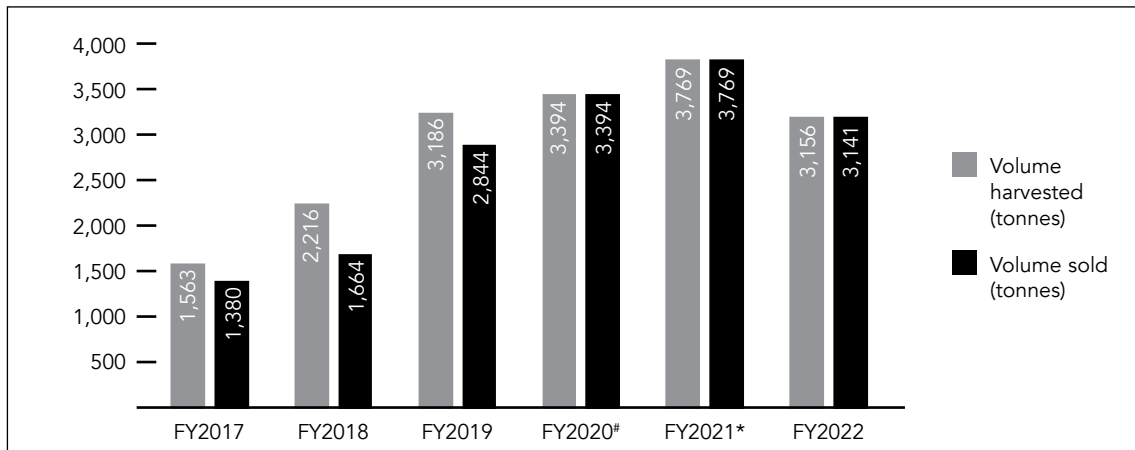
Packing and storage of the harvested kiwifruits are carried out at the centralised Packing Facilities located in Chibi City, Hubei Province in the PRC with a gross floor area of approximately 12,605 square metres. We adopt an integrated automated assembly line with a sensor-enabled system to process, monitor and control the inventory flow of the harvested kiwifruits. Upon harvest, the kiwifruits are delivered to the Packing Facilities to undergo processing, including sterilisation, cleaning, quality control, sorting, cool storage and fresh-packing, in accordance with customers' demands and specifications. The kiwifruits are inspected carefully by quality control staff to ensure that they meet our strict internal standards.

Our kiwifruits are sold through three primary channels, -- distributorship, wholesale, and ecommerce platforms such as Tmall.com, Taobao, and JD.com. The sales and marketing activities are handled by a dedicated sales team comprising 15 staff members, who are in charge of customer liaison activities, distribution and overall coordination of the marketing efforts across the different provinces in the PRC. The sales team also plays a critical role in gathering customers' feedback and understanding market trends.

SUSTAINABILITY REPORT 2022

FOOD QUALITY AND SAFETY

The volume of kiwifruit harvested and sold during the last six months in the past five years is shown in the chart below.

**Notes:**

Unaudited financial results

* Six months ended 31 December 2021 with respect to the continued operations of the Group in the kiwifruit business.

Research and Certification

We have an in-house research laboratory with full-time university graduates and diploma holders conducting intensive research on the different kiwifruit breeds. The laboratory also works with external PRC agricultural institutions and experts on specific projects such as evaluating the regional suitability for kiwifruit cultivation, enhancing the quality of kiwifruit pollen, developing solutions to treat bacterial canker, evaluating the disease resistance of kiwifruit varieties, and reducing the use of pesticide applications.

In addition to full compliance with applicable food safety laws in the PRC such as the Agricultural Product Quality Safety Law and the Food Safety Law, the Group's planting and production processes adhere to the Green Food Grade A standards to ensure food safety. Our food safety management system is certified in accordance with the international ISO 22000 standard. Furthermore, a new utility model patent for a hot air compensation device for kiwifruit cultivation was added in FY2022. This hot air compensation device is meant to heat up the orchard when ambient temperatures hit freezing point. In FY2022, there were no incidents of non-compliance concerning the health and safety impacts of our kiwifruit produce and we aim to maintain this for FY2023.

SUSTAINABILITY REPORT 2022

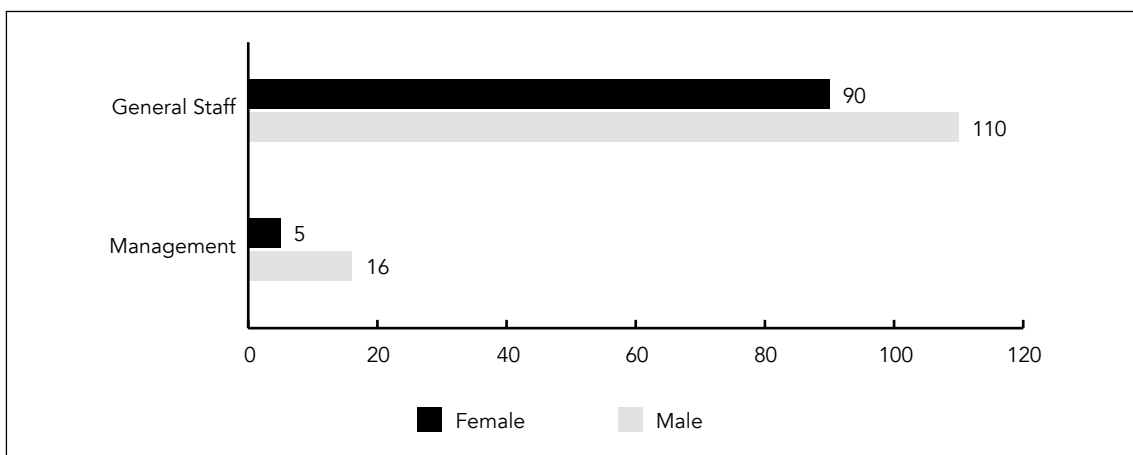
HUMAN RESOURCE

Staff Profile

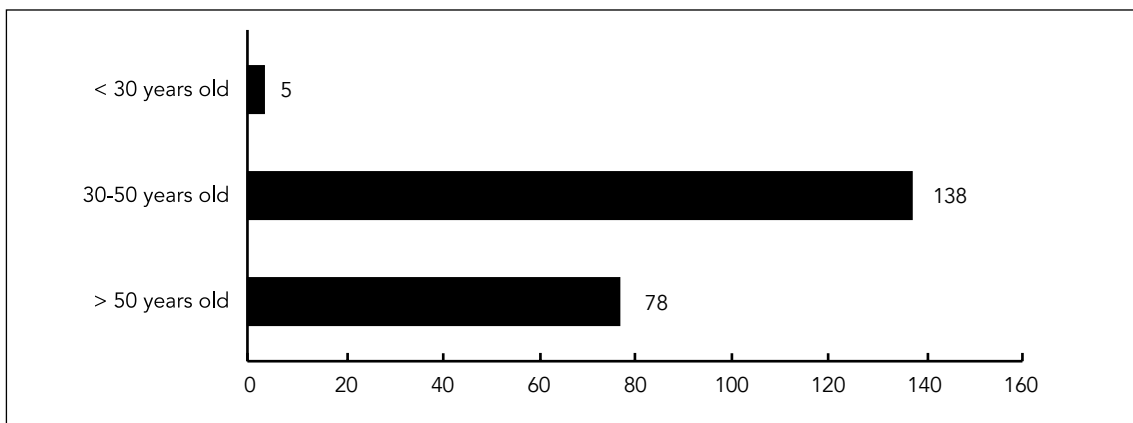
For FY2022, we employed 221 permanent staff and 190 contract workers. These contract workers were mostly hired to supplement the existing workforce during the peak kiwifruit cultivation and harvesting periods between September and October. We hired 25 new employees and had turnover of 33 employees during the reporting period.

We met the FY2022 target of sustaining gender and age diversity of the workforce, as shown in the charts below.

Grade and Gender



Age Distribution



We believe in diversity and fair practices and are committed to the principles of equality and non-discrimination. The Group strives to employ on the basis of merit regardless of gender, age, race or religion. The Group encourages two-way communication with all its employees and appreciates any feedback or suggestions to make the working environment more conducive. In addition, a union has been established within the Group to safeguard labour protections and equality.

SUSTAINABILITY REPORT 2022

HUMAN RESOURCE

Staff Remuneration

To ensure that all employees are remunerated fairly and competitively, we provide salaries that are commensurate with the employee's education, working experience and skillsets. Given that wage levels vary across seniority and job scope, we do not track the annual total compensation ratio between the organisation's senior management and the median compensation for all employees.

The employees' work performance are assessed regularly based on the evaluation of their peers and management. Upon which, a performance grade of either general, good or excellent will be accorded.

The salaries of employees are determined by the following formula: employees' payable salary = base salary + years of service salary + other allowances. The actual salary received by each employee may not be equivalent to their payable salary in view of deductions such as the employee's portion of social insurance and personal income tax. Allowances will be paid for mobile phone, housing, gas and petrol expenses for eligible staff. There are also allowances paid for working during the hot summer season (typically June to September) each year and night shift work.

Staff Benefits

The Group provides a robust and extensive range of employee benefits to ensure good staff welfare and well-being, as well as promote a family-friendly work environment. There is an on-the-job physical examination for all employees once a year, with the company bearing the cost. There are company benefits for employees' birthdays and on traditional holidays.

Annual leave entitlement for each employee is based on the length of service for each individual with a minimum of 5 days and up to a maximum of 15 days. Other forms of leave are spelt out in the table below.

Marriage	3 days of marriage leave	Specific to employees who are of legal marriage age (22 years old for men, 20 years old for women)
Maternity	128 days of maternity leave	Other maternity benefits include 1 hour of breastfeeding allowance per day before the child is 1 year old. In the event of multiple babies, the mother receives an additional hour per day for each additional child.
Bereavement	4 days of bereavement leave	Can be applied in the event of the death of parent, spouse or child (including biological, adoptive, step, parents-in-law or grandparents)
Abortion	15 days of leave for employees who have an abortion (induced or not) within less than 4 months of the pregnancy. 42 days of leave for employees who have an abortion (induced or not) who are more than 4 months into pregnancy	

SUSTAINABILITY REPORT 2022

HUMAN RESOURCE

Training and Development

The Group places strong emphasis on training its employees to equip them with the requisite technical skills and knowledge, and to enhance their operational capabilities and productivity. All new employees undergo a 48 hours training programme. To ensure continuous professional development, the Group engages its employees through on-site training sessions as well as multiple technology and technical-related seminars throughout the year.

The training provided by the Group covered various functional, compliance and skill-based topics such as kiwifruit grafting and pollination, planting process, seasonal pruning, kiwifruit sorting, winter maintenance, food safety management, food hygiene, health and safety, fire drill and first aid, and packaging storage management.

Occupational Safety and Health

Pursuant to the labour laws of the PRC (中华人民共和国劳动法), the Group is required to establish and implement a system to safeguard occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents, and reduce occupational hazards.

The Group provides the necessary training to its staff on matters relating to occupational health and safety. Such training includes on-job training involving the transferring of skills and knowledge from senior personnel to junior personnel and new hires covering standard operating procedures, safe work procedures and proper handling of machinery and equipment. The Group also conducts internal safety checks on a periodic basis to ensure organisation-wide compliance.

We met the FY2022 target of having no serious or fatal incidents at the Group's workplaces. The Group aims to maintain zero serious or fatal incidents at its workplaces for FY2023 and beyond.

In view of the ongoing COVID-19 pandemic, the Group has formulated and implemented a comprehensive suite of preventive and response measures according to the principle of "early detection, early reporting, early isolation, early diagnosis and early treatment". This includes:

- Strict adherence to the national and local government's pandemic control policies and regulations. Employees are encouraged to be vaccinated.
- Preventive measures such as daily temperature taking at the company gate, not allowing staff and other personnel who are unwell from entry, equipping all premises with handwashing facilities and disinfection supplies, equipping employees with personal protective equipment ("PPE") such as masks and gloves, promoting use of non-contact modes of communication, and encouraging staff to adopt healthy lifestyles and be responsible for their own well-being.
- Responsive measures for confirmed COVID-19 cases such as providing isolation facilities, screening and medical observation of close contacts, cleaning and disinfection of rooms and equipment, and temporary closure of work premises if necessary.

SUSTAINABILITY REPORT 2022

HUMAN RESOURCE

Corporate Social Responsibility

The Group has focused its corporate social responsibility (“CSR”) efforts on the engagement of local communities where our orchards and other operations are based. The Group spearheads initiatives to improve the livelihood of these communities, such as providing technical training and skills upgrading programmes for employees. There is an ongoing collaboration with the Xianning Profession and Technology Training College to offer students a platform for research and development training, as well as technical training opportunities.

Most importantly, our business creates jobs and improves the lives of our workers and their families. In FY2022, the Group contributed to the reconstruction and repair of a road in Xiwan Village, thereby improving the public infrastructure and accessibility in the community.

The Group has received various awards in recognition of our ongoing CSR efforts in recent years. In FY2022, it received the “Agricultural Technology Promotion and Cooperation Award” issued by the Ministry of Agriculture.



SUSTAINABILITY REPORT 2022

ENVIRONMENTAL CONSERVATION

Minimising Environmental Impacts

The Group carries out its cultivation activities in a manner consistent with industry practice and applicable environmental laws and regulations. The Group recognises the environmental impact of kiwifruit cultivation, which may lead to land becoming barren. Thus, we have adopted the following measures to mitigate such consequences:

- Use of organic fertilisers and practising organic recycling so as to minimise any undesirable impact to the environment.
- Installation of water treatment systems and adoption of the necessary measures to control the disposal of waste gases, waste water and other environmental waste materials.
- Implementation of procedures to ensure the efficient use of electricity in the Packing Facilities, as well as ongoing monitoring and periodic checks on the coolant systems and temperature readings.
- Periodic training of staff on compliance with the applicable environmental regulations.

Resource Usage

The Group tracks and optimises the use of water, electricity and fuel to enhance business efficiency and reduce the environmental footprint. Our usage of such resources for year 2021 and FY2022 were as follows:

Resource	2021	2022	Year-on-Year Change
	(1 Jan to 31 Dec)	(1 Jan to 31 Dec)	
Water (tonnes)	11,081	11,472	+3.5%
Electricity (10,000 kWh)	34.35	35.33	+2.9%
Fuel (litres)	56,624	57,191	+1.0%

We did not meet the FY2022 target of reducing resource usage by 3% to 5%. The year-on-year increases in resource consumption was driven by growth in our operations. Due to the drought experienced in FY2022, this increased the use of electricity and fuel. Additional fuel was required for farm machinery and transporting agricultural supplies.

The Group continues to maintain various resource conservation measures such as reminding all employees to turn off lights and equipment when not in use, setting indoor air-conditioned temperatures within a sensible nature (i.e. not too low in summer and not too high in winter), and inspecting and maintaining equipment regularly. The Group aims to reduce resource usage by 3% to 5% in FY2023 by improving on existing conservation measures.

SUSTAINABILITY REPORT 2022

GRI CONTENT INDEX

China Shenshan Orchard Holdings Co. Ltd. has reported in accordance with the GRI Standards 2021 for the period from 1 January 2022 to 31 December 2022.

GRI Standard	Disclosure	Location
GRI 2: General Disclosures 2021		
2-1	Organisational details	Corporate Profile, Annual Report
2-2	Entities included in the organisation's sustainability reporting	Report Scope
2-3	Reporting period, frequency and contact point	Report Scope
2-4	Restatements of information	Nil
2-5	External assurance	Nil
2-6	Activities, value chain and other business relationships	Corporate Profile, Annual Report
2-7	Employees	Staff Profile
2-8	Workers who are not employees	Staff Profile
2-9	Governance structure and composition	Corporate and Sustainability Governance
2-10	Nomination and selection of the highest governance body	Corporate Governance Report, Annual Report
2-11	Chair of the highest governance body	Corporate Governance Report, Annual Report
2-12	Roles of the highest governance body in overseeing the management of impacts	Corporate and Sustainability Governance
2-13	Delegation of responsibility for managing impacts	Corporate and Sustainability Governance
2-14	Roles of the highest governance body in sustainability reporting	Corporate and Sustainability Governance
2-15	Conflicts of interest	Corporate Governance Report, Annual Report
2-16	Communication of critical concerns	Corporate and Sustainability Governance
2-17	Collective knowledge of the highest governance body	Corporate Governance Report, Annual Report
2-18	Evaluation of the performance of the highest governance body	Corporate Governance Report, Annual Report
2-19	Remuneration policies	Staff Remuneration
2-20	Process to determine remuneration	Staff Remuneration
2-21	Annual total compensation ratio	Staff Remuneration
2-22	Statement on sustainable development strategy	Corporate and Sustainability Governance
2-23	Policy commitments	Corporate and Sustainability Governance
2-24	Embedding policy commitments	Corporate and Sustainability Governance
2-25	Processes to remediate negative impacts	Corporate and Sustainability Governance
2-26	Mechanisms for seeking advice and raising concerns	Corporate and Sustainability Governance

SUSTAINABILITY REPORT 2022

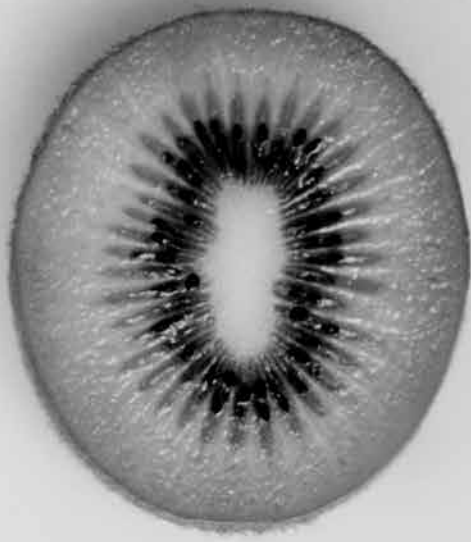
GRI CONTENT INDEX

GRI Standard	Disclosure	Location
2-27	Compliance with laws and regulations	Corporate and Sustainability Governance
2-28	Membership associations	External Initiatives
2-29	Approach to stakeholder engagement	Stakeholders Engagement
2-30	Collective bargaining agreements	Staff Profile
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	Materiality Assessment
3-2	List of material topics	Materiality Assessment
3-3	Management of material topics	Materiality Assessment
Food Quality and Safety		
<u>GRI 416: Customer Health and Safety</u>		
416-1	Assessment of the health and safety impacts of product and service categories	Quality Assurance
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Research and Certification
Human Resource		
<u>GRI 401: Employment</u>		
401-1	New employee hires and employee turnover	Staff Profile
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Staff Benefits
401-3	Parental leave	Staff Benefits
<u>GRI 403: Occupational Health and safety</u>		
403-1	Occupational health and safety management system	Occupational Safety and Health
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Safety and Health
403-5	Worker training on occupational health and safety	Occupational Safety and Health
403-9	Work-related injuries	Occupational Safety and Health
<u>GRI 404: Training and Education</u>		
404-1	Average hours of training per year per employee	Training and Development
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Development
<u>GRI 405: Diversity and Equal Opportunity</u>		
405-1	Diversity of governance bodies and employees	Staff Profile

SUSTAINABILITY REPORT 2022

GRI CONTENT INDEX

GRI Standard	Disclosure	Location
<u>GRI 413: Local Communities</u>		
413-1	Operations with local community engagement, impact assessments, and development programs	Corporate Social Responsibility
Environmental Conservation		
<u>GRI 302: Energy</u>		
302-1	Energy consumption within the organisation	Resource Usage
302-4	Reduction of energy consumption	Resource Usage
<u>GRI 303: Water and Effluents</u>		
303-5	Water consumption	Resource Usage



FINANCIAL CONTENTS

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DIRECTORS' REPORT

Directors' Report

The Directors present their report together with the audited consolidated financial statements of China Shenshan Orchard Holdings Co. Ltd. (the "**Company**") and its subsidiaries (collectively known as the "**Group**") for the financial year ended 31 December 2022 ("**FY2022**").

Directors

The Directors of the Company in office at the date of this report are:

Hu Chao (Executive Director and Chief Executive Officer)
Zhao Chichun (Executive Director)
Zhang Lei (Independent Director)
Yeo Teck Chuan (Independent Director)
Huo Lei (Non-Executive and Non-Independent Director)
Ho Teck Cheong (Non-Executive Chairman and Independent Director)

Share Options

The Company does not have any share option scheme.

Arrangements to enable Directors to acquire Shares or Debentures

During and at the end of FY2022, neither the Company nor any of its subsidiaries was a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Direct Interests in Shares or Debentures

According to the Register of Directors' shareholdings, none of the Directors holding office (i) at the end of FY2022; and (ii) as at the 21st day after the end of FY2022, had any direct interest in the share capital or debentures of the Company.

Directors' Contractual Benefits

Except for the Service Agreements detailed above and transactions disclosed in note 33 to the financial statements, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest since the end of the previous financial period from 1 July 2020 to 31 December 2021.

DIRECTORS' REPORT

Material contracts involving the interests of Chief Executive Officer, each Director or Controlling Shareholder

Save for the Service Agreements entered into with the Executive Directors, there are no material contracts entered into by the Group involving the interests of the CEO, any Director or controlling shareholder subsisting for FY2022.

Audit Committee, Nominating Committee and Remuneration Committee

Details of the Company's Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") are set out in the Corporate Governance Report on pages 13 to 41 of this Annual Report.

The AC has recommended to the Board of Directors the re-appointment of BDO Limited, Certified Public Accountants, Hong Kong ("**BDO Limited**") and BDO LLP, Public Accountants and Chartered Accountants, Singapore ("**BDO LLP**") to act jointly and severally as the auditors of the Company at the forthcoming AGM.

Auditors

BDO Limited and BDO LLP have expressed their willingness to accept the re-appointment to act jointly and severally as auditors of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS

Hu Chao
Director

Zhao Chichun
Director

3 April 2023

STATEMENT BY DIRECTORS

We, Hu Chao and Zhao Chichun, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors:

- (i) the accompanying consolidated statements of financial position, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with the notes thereto, set out on pages 68 to 125, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2022 and the results of the business, changes in equity and cash flows of the Group for the financial period then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors authorised these financial statements for issue on 3 April 2023.

ON BEHALF OF THE BOARD OF DIRECTORS

Hu Chao
Director

Zhao Chichun
Director

3 April 2023

INDEPENDENT JOINT AUDITORS' REPORT

To the shareholders of China Shenshan Orchard Holdings Co. Ltd. (incorporated in Bermuda with limited liability)



Opinion

We have audited the financial statements of China Shenshan Orchard Holdings Co. Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 125, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022;
- the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended;
- the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at 31 December 2022, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and the changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT JOINT AUDITORS' REPORT

To the shareholders of China Shenshan Orchard Holdings Co. Ltd. (incorporated in Bermuda with limited liability)

Key audit matter	Audit response
<p>1 Valuation of biological assets</p> <p>For the year ended 31 December 2022, a gain arising from change in fair value less costs to sell of biological assets of approximately RMB67,911,000 was recorded in the consolidated statement of comprehensive income. To support management's estimation of the fair value, the Group engaged an independent professional valuer as the management's expert to assist the management in assessing the fair value effect arising from the biological assets.</p> <p>This area is identified as a key audit matter due to the significant management judgement required in the valuation of the Group's biological assets which are dependent on certain key assumptions and estimations. The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the biological assets.</p> <hr/> <p>Refer to notes 4.6, 5(iii) and 18 of the accompanying financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> (i) Assessing the appropriateness of the methodology used by management in valuation of biological assets; (ii) Assessing the reasonableness of the underlying key assumptions and estimations used; (iii) Checking the appropriateness of key input data used by management in the valuation of biological assets; (iv) Evaluating the competency, capabilities and objectivity of the management's expert; and (v) Evaluating the adequacy of disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information included in the Company's 2022 annual report, but does not include the financial statements and our joint auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT JOINT AUDITORS' REPORT

To the shareholders of China Shenshan Orchard Holdings Co. Ltd. *(incorporated in Bermuda with limited liability)*

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our joint auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT JOINT AUDITORS' REPORT

To the shareholders of China Shenshan Orchard Holdings Co. Ltd. (incorporated in Bermuda with limited liability)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

The engagement partners on the audit resulting in this independent joint auditors' report are Aw Vern Chun Philip from BDO LLP, and Cheung Or Ping from BDO Limited.

BDO LLP

Public Accountants and Chartered Accountants
Singapore

3 April 2023

BDO Limited

Certified Public Accountants
Hong Kong

3 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	Eighteen- month period from 1 July 2020 to 31 December 2021 RMB'000
Continuing operations			
Revenue	6	85,010	111,176
Cost of sales		(74,003)	(96,342)
Gross profit		11,007	14,834
Gain arising from changes in fair value less costs to sell of biological assets		67,911	90,814
Gain on bargain purchase	31	-	10,471
Other income	7	8,073	412
Selling and distribution expenses		(4,125)	(4,620)
Administrative expenses		(29,100)	(38,315)
Other operating expenses		(33,403)	(19,046)
Operating profit	9	20,363	54,550
Finance costs	10	(64)	(51)
Profit before income tax		20,299	54,499
Income tax credit	12	4,084	2,919
Profit after income tax for the year/period from continuing operations		24,383	57,418
Discontinued operations			
Profit for the period from discontinued operations	8	-	34,779
Profit for the year/period, attributable to owners of the Parent		24,383	92,197
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(2,479)	(1,961)
Release of exchange reserve upon disposal of subsidiaries	31	-	(22,798)
Other comprehensive income for the year/period, net of tax amounting to RMBnil (2021: RMBnil)		(2,479)	(24,759)
Total comprehensive income for the year/period, attributable to owners of the Parent		21,904	67,438
Profit per share for profit attributable to owners of the Parent during the year/period			
	13		
From continuing and discontinued			
- Basic and diluted		RMB0.31	RMB1.16
From continuing operations			
- Basic and diluted		RMB0.31	RMB0.72
From discontinued operations			
- Basic and diluted		NIL	RMB0.44

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Notes	Group		Company	
		As at 31 December		As at 31 December	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2022					
Non-current assets					
Interests in subsidiaries	14	-	-	952,120	952,120
Property, plant and equipment	16	1,136,324	1,156,004	-	-
Deposit paid for property, plant and equipment		332	326	-	-
Intangible assets	17	5,871	6,376	-	-
		1,142,527	1,162,706	952,120	952,120
Current assets					
Inventories and consumables	20	1,162	1,437	-	-
Trade receivables	21	40,410	55,863	-	-
Prepayments, deposits and other receivables	19	1,846	957	-	-
Cash and cash equivalents	22	125,992	98,266	5	5
		169,410	156,523	5	5
Current liabilities					
Trade payables		2,895	3,162	-	-
Amounts due to subsidiaries	24	-	-	26,128	20,074
Accrued liabilities and other payables	23	12,724	30,880	2,049	2,544
Bank loans, secured	25	13,600	4,400	-	-
Lease liabilities	26	37	35	-	-
Deferred government grants	27	478	478	-	-
Provision for income tax		253	253	-	-
		29,987	39,208	28,177	22,618
Net current assets/(liabilities)		139,423	117,315	(28,172)	(22,613)
Total assets less current liabilities		1,281,950	1,280,021	923,948	929,507

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Notes	Group		Company	
		As at 31 December		As at 31 December	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities					
Bank loans, secured	25	-	13,600	-	-
Lease liabilities	26	9,207	9,244	-	-
Deferred government grants	27	12,046	12,524	-	-
Deferred tax liabilities	28	225,618	231,478	-	-
		246,871	266,846	-	-
Net assets		1,035,079	1,013,175	923,948	929,507
EQUITY					
Equity attributable to owners of the Parent					
Share capital	29	279,499	279,499	279,499	279,499
Reserves	30	755,580	733,676	644,449	650,008
Total equity		1,035,079	1,013,175	923,948	929,507

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

GROUP

	Share capital	Share premium* (Note 30)	Merger reserve* (Note 30)	Statutory reserves* (Note 30)	Translation reserve* (Note 4.16)	(Accumulated losses)/ Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 July 2020	279,499	656,811	(150,101)	169,567	741	(10,780)	945,737
Profit for the period	-	-	-	-	-	92,197	92,197
Other comprehensive income							
- Exchange differences on translation of foreign operations	-	-	-	-	(1,961)	-	(1,961)
- Release of exchange reserve to profit or loss upon disposal of subsidiaries	-	-	-	-	(22,798)	-	(22,798)
Total comprehensive income for the period	-	-	-	-	(24,759)	92,197	67,438
Transfer to statutory reserves	-	-	-	8,454	-	(8,454)	-
Disposal of subsidiaries	-	-	150,101	(169,567)	-	19,466	-
Balance as at 31 December 2021 and 1 January 2022	279,499	656,811	-	8,454	(24,018)	92,429	1,013,175
Profit for the year	-	-	-	-	-	24,383	24,383
Other comprehensive income							
- Exchange differences on translation of foreign operations	-	-	-	-	(2,479)	-	(2,479)
Total comprehensive income for the year	-	-	-	-	(2,479)	24,383	21,904
Transfer to statutory reserves	-	-	-	4,255	-	(4,255)	-
Balance as at 31 December 2022	279,499	656,811	-	12,709	(26,497)	112,557	1,035,079

* These reserve accounts comprise the consolidated reserves of RMB755,580,000 (2021: RMB733,676,000) in the consolidated statement of financial position.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

COMPANY

	Share capital	Share premium** (Note 30)	Contributed surplus** (Note 30)	Translation reserve* (Note 4.16)	(Accumulated losses)/ Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 July 2020	279,499	656,811	120,523	(24,954)	(240,153)	791,726
Profit for the period	-	-	-	-	136,912	136,912
Other comprehensive income						
- Exchange differences on translation of financial statements	-	-	-	869	-	869
Total comprehensive income for the period	-	-	-	869	136,912	137,781
Disposal of subsidiaries	-	-	(120,523)	-	120,523	-
Balance as at 31 December 2021 and 1 January 2022	279,499	656,811	-	(24,085)	17,282	929,507
Loss for the year	-	-	-	-	(3,566)	(3,566)
Other comprehensive income						
- Exchange differences on translation of financial statements	-	-	-	(1,993)	-	(1,993)
Total comprehensive income for the year	-	-	-	(1,993)	(3,566)	(5,559)
Balance as at 31 December 2022	279,499	656,811	-	(26,078)	13,716	923,948

** These reserve accounts comprise the Company's reserves of RMB644,449,000 (2021: RMB650,008,000) in the Company's statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	Eighteen- month period from 1 July 2020 to 31 December 2021 RMB'000
Cash flows from operating activities			
Profit before income tax			
Continuing operations		20,299	54,499
Discontinued operations		-	34,972
Total		20,299	89,471
Adjustments for:			
Bank interest income		(271)	(348)
Interest expenses		64	7,604
Depreciation of property, plant and equipment		29,522	45,539
Property, plant and equipment written off	16	523	504
Amortisation of intangible assets	9	505	285
Amortisation of deferred government grants	9	(478)	(239)
Share of profit of an associate	15	-	(591)
Gain on disposal of property, plant and equipment		(1)	(121)
Gain on disposal of subsidiaries	31	-	(99,909)
Gain on bargain purchase	31	-	(10,471)
Gain arising from changes in fair value less costs to sell of biological assets	18	(67,911)	(90,814)
Operating loss before working capital changes		(17,748)	(59,090)
Decrease in inventories		68,186	112,268
Decrease/(increase) in trade receivables		15,453	(55,860)
(Increase)/decrease in prepayments, deposits and other receivables		(895)	3,666
Decrease in trade payables		(267)	(43,782)
(Decrease)/increase in accrued liabilities and other payables		(2,363)	11,184
Increase in amount due to an associate		-	1,567
Cash generated from/(used in) operations		62,366	(30,047)
Income taxes paid		(1,776)	(351)
Net cash generated from/(used in) operating activities		60,590	(30,398)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	Eighteen- month period from 1 July 2020 to 31 December 2021 RMB'000
Cash flows from investing activities			
Net cash outflows from the Transactions completed	31	-	(8,248)
Purchases of property, plant and equipment		(4,838)	(2,660)
Payments for bearer plants		(3,442)	(3,810)
Proceed from disposal of property, plant and equipment		2	212
Interest received		271	348
Net cash used in investing activities		(8,007)	(14,158)
Cash flows from financing activities			
Proceeds from bank loan	36	-	115,000
Repayments of bank loan	36	(4,400)	(120,200)
Repayment of principal on lease liabilities	36	(35)	-
Repayment of interest on lease liabilities	36	(754)	-
Interest paid	36	(1,238)	(8,487)
(Repayment to)/advance from a director	36	(18,443)	34,635
Net cash (used in)/generated from financing activities		(24,870)	20,948
Net increase/(decrease) in cash and cash equivalents		27,713	(23,608)
Cash and cash equivalents at beginning of year		98,266	121,877
Effect of foreign exchange rate changes		13	(3)
Cash and cash equivalents at end of year		125,992	98,266

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL CORPORATE INFORMATION

China Shenshan Orchard Holdings Co. Ltd. (the "Company") was incorporated in Bermuda on 12 February 2008 under the Bermuda Companies Act as an exempted company with limited liability. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business of the Company is located at 12 Guanghua Road, Chi Ma Port Industrial Zone, Chibi, Hubei Province, the People's Republic of China ("PRC").

The transactions (the "Transactions") in relation to the acquisition of all the issued and paid-up shares in the capital of Great Resolute Limited ("Great Resolute") and disposal of all the issued and paid-up shares in the capital of Sea Will International Limited ("Sea Will") have been completed on 3 July 2021 (the "Completion"). Great Resolute therefore became a wholly-owned subsidiary of the Company while Sea Will ceased to be a subsidiary of the Company since then (note 31). Accordingly, during the eighteen-month period ended 31 December 2021, the Company has entirely disposed of its business of manufacture and sale of baijiu products (the "Baijiu Business") and its business now comprises wholly of the business of planting, cultivating and sale of kiwifruits (the "Kiwifruit Business") since then.

The Company's shares are listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. The Company and its subsidiaries are referred to as the "Group" hereinafter.

The consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2022 were approved for issue by the Board of Directors on 3 April 2023.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") of the IASB. The financial statements also include the applicable disclosure requirements of the Listing Manual of the SGX-ST.

The financial statements have been prepared under the historical cost basis except for biological assets excluding bearer plants. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5 to the financial statements.

During the eighteen-month period ended 31 December 2021, the reporting period end date of the Group was changed from 30 June to 31 December in connection with the Transactions and following the approval of the key resolutions by the shareholders at the special general meeting held on 6 May 2021. Accordingly, the consolidated financial statements and the related notes presented for the current period cover the twelve-month period from 1 January 2022 to 31 December 2022 whereas the corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the eighteen-month period from 1 July 2020 to 31 December 2021 and therefore may not be comparable with amounts shown for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 ADOPTION OF International Financial Reporting Standards

3.1 Adoption of new and revised IFRSs

The Group has adopted the following amendments to IFRSs which are relevant to the Group's operations for the first time in the current year:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

The new or amended IFRSs that are effective from 1 January 2022 did not have any significant impact on the Group's accounting policies.

3.2 Issued but not effective IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued and are potentially relevant to the Group's operations but are not yet effective, in these financial statements.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented.

4.1 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up from 1 January 2022 to 31 December 2022 for the current period and from 1 July 2020 to 31 December 2021 for the preceding period.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries together with advances from the Company which are neither planned nor likely to be settled in foreseeable future are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial year in which they are incurred.

Depreciation is provided to write off the cost of property, plant and equipment, less any estimated residual values, using the straight-line method, over the following estimated useful lives:

Right-of-use assets	Over the lease term and 46 – 50 years
Leasehold buildings	Over the shorter of lease terms and useful lives of 20 – 50 years
Plant and machinery	2 - 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	3 - 5 years
Transportation equipment	10 years
Farmland infrastructure and equipment	20 to 40 years
Bearer plants	40 years

A bearer plant is a living plant that:

- (i) is used in the production or supply of agricultural produce;
- (ii) is expected to bear produce for more than one period; and
- (iii) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants comprise fruit trees of kiwifruits ("Fruit Trees") in the woodlands, of which the forest use rights certificates have been issued to the Group for the purpose of the plantation of kiwifruits in the agricultural activities of the biological transformation of bearer plants for production of agricultural produce for sale or further processing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property, plant and equipment (Continued)

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment. No depreciation is provided for in respect of bearer plants until they are in the location and condition necessary to be capable of operating in the manner intended by the management, which is the point of maturity of bearer plants.

Bearer plants are stated at cost less impairment losses before they reach maturity. Depreciation of bearer plants is started from the stage that bearer plants reach stage of maturity.

CIP, which represents buildings under construction, is stated at cost less accumulated impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.4 Leases

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at depreciated cost less accumulated impairment losses.

The Group accounts for leasehold land and buildings which is held for own use under IAS 16 and are carried at depreciated cost less accumulated impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Leases (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- (i) If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- (ii) In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- (iii) (iii) If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative and other expenses.

Licensing rights	10 to 20 years
Trademark	Indefinite

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (note 4.7).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

The trademark was regarded as having an indefinite useful life because the trademark legal right is capable of being renewed indefinitely at insignificant cost and the trademarked products are expected to generate net cash inflows indefinitely. The trademark is stated at cost less any impairment losses.

4.6 Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. The biological assets of the Group relate to the following:

Agricultural produce — Harvested Kiwifruit (the “Fresh Fruits”)

Agricultural produce harvested from bearer plants is measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Impairment of non-financial assets

Property, plant and equipment, intangible assets, prepayments and the Company's interests in subsidiaries are subject to impairment testing.

Intangible assets with indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss recognised for cash-generating unit is charged on a pro rata basis to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable), whichever is the higher.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash-generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

4.8 Inventories and consumables

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis and comprise all costs of purchase and other costs incurred in bringing the inventories to their current location and condition. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

Consumables for own consumption are stated at cost. Cost is determined using the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial assets

The Group's and the Company's financial assets include trade receivables, deposits and other receivables, amounts due from a subsidiary and cash and cash equivalents.

A financial asset (unless it is an account receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on the financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial assets (Continued)

Impairment loss on financial assets (Continued)

The Group considers a financial asset to be default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4.10 Financial liabilities

The Group's and the Company's financial liabilities include trade payables, accrued liabilities and other payables, amounts due to subsidiaries, bank loans and lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial liabilities (Continued)

Borrowings

Borrowings include bank loans and are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Other financial liabilities

These include trade payables, accrued liabilities and other payables are recognised initially at their fair values net of transaction costs and subsequently measured at amortised costs, using the effective interest method.

4.11 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.12 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Revenue recognition (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Sale of agricultural produce - kiwifruits

Revenue from planting, cultivation and sale of agricultural produce is recognised at a point in time when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectability of the related receivables is reasonably assured.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(ii) Interest income

Interest income is accrued on a time basis on the principal outstanding using the effective interest rate method.

4.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to agriculture activities and land use rights are included in non-current liabilities as deferred government grants and are recognised in profit or loss on straight line method over the expected lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.15 Employee benefits

Retirement benefits

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries operating in Mainland China have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred. There are no provisions under the Schemes whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Foreign currency translation

The functional currency of the Company is Hong Kong dollars (“HK\$”). The financial statements are presented in RMB, which is the functional currency of the principal subsidiaries of the Group whose operations are principally conducted in Mainland China.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group’s presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.18 Cash and cash equivalents

Cash and cash equivalents include cash at banks (including financial institution) and in hand and short-term bank deposits with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.19 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

During the eighteen-month period ended 31 December 2021, the Group has completed the disposal of Baijiu Business and its business now comprises wholly of the Kiwifruit Business. In accordance with IFRS 5, the segment of Baijiu Business for the eighteen-month period ended 31 December 2021 was presented as discontinued operations in the Group's consolidated financial statements. Further details regarding the results of the discontinued operations are set out in note 8 to the consolidated financial statements.

The Group's revenue, assets and capital expenditure are principally attributable to a single geographical region, which is Mainland China.

Accordingly, no separate analysis of segment information by business or geographical segments is presented.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful life of property, plant and equipment (other than bearer plants)

The Group depreciates its property, plant and equipment in accordance with the accounting policy stated in note 4.3. The Group determines the estimated useful lives and related depreciation method for the Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of the Group's property, plant and equipment as at the end of the financial year is disclosed in note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history and financial conditions of the Group's debtors, the current market condition and forward looking information. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments to the Group, allowance for impairment are estimated. The Group's management reassesses the impairment of receivables at each reporting date. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. The carrying amounts of trade and other receivables are disclosed in Notes 19 and 21 to the financial statements.

(iii) Fair value measurement

The fair value measurement of the Group's non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures biological assets except for bearer plants at fair value less cost of sell.

For more detailed information in relation to the fair value measurement of the item above, please refer to the note 18.

(iv) Bearer plants and depreciation

The Group determines the estimated point of maturity, useful lives and related depreciation method for the Group's bearer plants. This estimate is based on the historical experience of the point of maturity and actual useful lives of bearer plants of particular species. The Group will revise the depreciation charge where point of maturity and useful lives are different to those previously estimated, or it will write-off or write-down biologically obsolete or non-strategic assets that have been abandoned. The carrying amounts of bear plants are disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. REVENUE

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table which is intended to depict the nature, amount, timing and uncertainty of revenue and cash flows. Revenue from contracts with customers within the scope of IFRS 15 recognised is as follows:

	Group	
	Year ended 31 December 2022	Eighteen- month period from 1 July 2020 to 31 December 2021
	RMB'000	RMB'000
Continuing operations:		
Sales of Fresh Fruits	85,010	111,176
Timing of revenue recognition		
Point in time	85,010	111,176

There are no customers with whom transactions exceeded 10% of the Group's revenue during the year ended 31 December 2022 and the eighteen-month period ended 31 December 2021.

7. OTHER INCOME

	Group	
	Year ended 31 December 2022	Eighteen- month period from 1 July 2020 to 31 December 2021
	RMB'000	RMB'000
Continuing operations		
Bank interest income	271	70
Government grants		
- relating to property, plant and equipment, and prepaid land lease for own use	478	239
- other grants (note)	7,243	44
Others	81	59
	8,073	412

Note: The amounts mainly represented unconditional cash subsidies from government for subsidising enterprises involving in specific industry in the local region.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. DISCONTINUED OPERATIONS

On 3 July 2021, the Company has completed the disposal of the Baijiu Business.

Baijiu Business represented the single line of business of the Group, prior to the completion of the Transactions, and is classified as discontinued operations for the eighteen-month period ended 31 December 2021.

The results and cash flows of the Baijiu Business for the eighteen-month period ended 31 December 2021 are as follows:

	Eighteen-month period from 1 July 2020 to 31 December 2021 RMB'000
Revenue	107,286
Cost of sales	<u>(66,052)</u>
Gross profit	41,234
Other income	5,758
Selling and distribution expenses	(48,261)
Administrative expenses	(55,848)
Other expenses	<u>(858)</u>
Operating loss	(57,975)
Finance costs	(7,553)
Share of profit of an associate	<u>591</u>
Loss before income tax	(64,937)
Income tax expense	<u>(193)</u>
Loss after income tax for the period from discontinued operations	(65,130)
Gain on disposal of subsidiaries (note 31)	<u>99,909</u>
Profit for the period from discontinued operations	<u><u>34,779</u></u>
Operating cash outflows	(25,918)
Investing cash inflows	302
Financing cash outflows	<u>(3,854)</u>
Net cash outflows	<u><u>(29,470)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting):

	Group	
	Year ended 31 December 2022	Eighteen- month period from 1 July 2020 to 31 December 2021
	RMB'000	RMB'000
Continuing operations		
(a) Employee benefit expenses		
Directors' remuneration	1,896	2,747
Salaries, wages and other benefits	16,991	8,818
Retirement benefits scheme contributions	3,378	1,006
	22,265	12,571
The employee benefit expenses are recognised in the following line items:		
Cost of sales	607	352
Selling	1,605	618
Administrative	14,869	8,061
Other operating expenses	5,184	3,540
	22,265	12,571
(b) Cost of sales		
Cost of inventories recognised as an expense	73,376	95,961
(c) Other items:		
Depreciation of property, plant and equipment		
- owned assets	29,148	14,899
- right-of-use assets	374	187
	29,522	15,086
Amortisation of intangible assets	505	285
Amortisation of deferred government grants	(478)	(239)
Plantation cost of mature bearer plants	9,016	6,679

Depreciation of property, plant and equipment is recognised in the following line items:

Selling	843	422
Administrative	4,814	2,614
Other operating expenses	23,865	12,050
	29,522	15,086

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. FINANCE COSTS

	Group	
	Year ended 31 December 2022	Eighteen- month period from 1 July 2020 to 31 December 2021
	RMB'000	RMB'000
Continuing operations		
Interest on lease liabilities	754	379
Interest on bank loans	1,238	934
	1,992	1,313
Less: Amounts capitalised on property, plant and equipment	(1,928)	(1,262)
	64	51

11. DIRECTORS' REMUNERATION

For the year ended 31 December 2022 and the eighteen-month period ended 31 December 2021, the remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with paragraph 1207(11) of Chapter 12 of the Listing Manual of SGX-ST:

	Executive directors	Non- executive directors	Total
For the year ended 31 December 2022			
Below S\$250,000 (equivalent to RMB1,271,000)	2	4	6
For the eighteen-month period ended 31 December 2021			
Below S\$250,000 (equivalent to RMB1,271,000)	4*	6**	10

* The executive directors included two ex-executive directors of the Company, Mr. Zhou Tao and Mr. Huo Lei, who have resigned and redesignated to non-executive director of the Company upon the completion of the Transactions during the eighteen-month period ended 31 December 2021, respectively.

** The non-executive directors included three ex-non-executive directors of the Company, Mr. Jia Guobiao, Mr. Chia Seng Hee and Mr. Tan Siok Sing, who have resigned on 3 July 2021, 2 October 2021 and 2 December 2021, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. INCOME TAX CREDIT

	Year ended 31 December 2022			Eighteen-month period from 1 July 2020 to 31 December 2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax						
- Tax for the year/ period	1,776	-	1,776	11	-	11
- Under-provision in respect of prior years	-	-	-	-	478	478
	1,776	-	1,776	11	478	489
Deferred tax (note 28)						
- Current year/period	(5,860)	-	(5,860)	(2,930)	(285)	(3,215)
Income tax (credit)/ expense (credited)/ charged to profit or loss	(4,084)	-	(4,084)	(2,919)	193	(2,726)

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under these jurisdictions during the year/period presented.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year/period presented.

The provision for Mainland China income tax has been made at the statutory income tax rate of 25% (2021: 25%) on the assessable profits of the PRC subsidiaries of the Group in accordance with the PRC Enterprise Income Tax Law. Enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption on profits derived from agricultural business. The Group located in the PRC engaged in qualifying agricultural business is entitled to full exemption of enterprise income tax on profits derived from agricultural business.

The one-off unconditional government grants received are subject to the PRC income tax with tax rate of 25%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. INCOME TAX CREDIT (Continued)

Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rate is as follows:

	Year ended 31 December 2022			Eighteen-month period from 1 July 2020 to 31 December 2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) before income tax	20,299	-	20,299	54,499	(64,937)	(10,438)
Tax at the applicable tax rate of 25%	5,075	-	5,075	13,625	(16,234)	(2,609)
Effect of non-taxable and non-deductible items, net	149	-	149	3,567	2,486	6,053
Effect of temporary difference not recognised	-	-	-	-	13,463	13,463
Effect of tax exemption granted	(9,308)	-	(9,308)	(20,111)	-	(20,111)
Under-provision in respect of prior years	-	-	-	-	478	478
Income tax (credit)/ expense	(4,084)	-	(4,084)	(2,919)	193	(2,726)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. PROFIT PER SHARE

Year ended 31 December 2022	Group	
	Year ended 31 December 2022	Eighteen-month period from 1 July 2020 to 31 December 2021
RMB'000	RMB'000	RMB'000

Earnings

Profit attributable to the owners of the Company

- Continuing operations

24,383 57,418

- Discontinued operations

- 34,779

Profit from continuing operations and discontinued operations

24,383 92,197

Number of shares

Weighted average number of shares for the purpose of basic earnings per share **79,828,927** 79,828,927

There were no dilutive potential ordinary share in issue for the year ended 31 December 2022 and for the eighteen-month period from 1 July 2020 to 31 December 2021. Accordingly, the diluted profit per share presented are the same as the basic profit per share.

14. INTERESTS IN SUBSIDIARIES

2022	Company	
	2022	2021
RMB'000	RMB'000	RMB'000

At beginning of year/period

952,120 793,606

- Unquoted equity shares, at cost

952,120 284,253

- Capital contribution to subsidiaries

- 509,353

Disposal during the period

- (793,606)

Acquisition of subsidiaries

- 952,120

- Unquoted equity shares, at cost

- 952,120

At end of year/period

952,120 952,120

The directors of the Company had assessed for impairment in value of interests in subsidiaries. In the opinion of the directors, no allowance for impairment in value of interests in subsidiaries is required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries at 31 December 2022 are set out below:

Name	Date and place of incorporation/ establishment	Principal activities and place of business	Issued/registered and paid-up capital	Equity interest held by the Group
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Directly held:

Great Resolute Limited	21 November 2017, BVI	Investment holdings, BVI	US\$100	100%
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Indirectly held:

Go National Limited	5 January 2018, Hong Kong	Investment holdings, Hong Kong	HK\$100	100%
Chibi Shenshan Xingnong Agriculture Technology Co., Ltd ("Xingnong Agriculture") 赤壁神山兴农科技有限公司	27 April 2009, the PRC	Planting, cultivating and sale of Fresh Fruits, the PRC	RMB115,990,000	100%
Hubei Shenshan Orchard Technology Co. Ltd. 湖北神山果农科技有限公司	16 November 2021, the PRC	Researching and developing new kiwifruit varieties, the PRC	RMB5,000,000	100%

Note: The financial statements of the above subsidiaries were audited by BDO Limited for statutory purpose or group consolidation purpose.

15. INTEREST IN AN ASSOCIATE

	Group	
	2022	2021
	RMB'000	RMB'000
At beginning of year/period	-	11,123
Share of profit of an associate	-	591
Disposal during the period (note 31.B)	-	(11,714)
Impairment loss	-	-
At end of year/period	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. INTEREST IN AN ASSOCIATE (Continued)

The following are the particulars of the associate as at 3 July 2021, which is an unlisted corporate entity.

Name of associate	Place of establishment and business	Principal activities	Registered and paid-up capital	Equity interest held by the Group 2021
Yichuan Dukang Jiuzu Asset Management Limited ("Yichuan Jiuzu") 伊川杜康酒祖资产管理有限公司	The PRC/ Mainland China	Trademarks management	RMB100,000	(2020: 49%)

The Group's associate is accounted for using the equity method in the consolidated financial statements. The financial statements of the associate are coterminous with those of the Group.

The Transactions have been completed on 3 July 2021 and Yichuan Jiuzu ceased to be an associate of the Group. The details of the Transactions are disclosed in note 1.

The following table illustrates the summarised financial information of the Group's associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	N/A	N/A
Non-current asset	N/A	N/A
Current liabilities	N/A	N/A
Net assets	N/A	N/A

Reconciliation to the Group's interest in an associate:

Proportion of the Group's ownership	N/A	49%
Group's share of net assets of associate	-	151,002
Accumulated impairment	-	(139,288)
Disposal during the period (note 31.B)	-	(11,714)
Carrying amount of the investment	-	-

Other disclosures

Revenue	-	1,609
Profit and total comprehensive income for the period	-	1,206
Dividends received from associate	-	-

The Group has not incurred any contingent liabilities or other commitments relating to its interest in an associate.

The financial statements of the Group's associate were audited by BDO Limited for group consolidation purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	CIP	Transportation equipment	Farmland infrastructure and equipment	Bearer plants	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note (ii))								(Note (iii), (iv))	
Eighteen-month period ended 31 December 2021										
Opening net carrying amount	236,345	8,516	52	315	-	-	-	-	128,614	373,842
Acquisition of subsidiaries (note 31)	24,032	28,277	2,245	-	986	467	41,097	1,047,087	18,198	1,162,389
Additions	-	1,150	51	-	2,831	254	-	5,849	-	10,135
Written off	-	(128)	(15)	-	-	(2)	(15)	(344)	-	(504)
Disposal	-	(91)	-	-	-	-	-	-	-	(91)
Depreciation	(24,622)	(5,224)	(405)	-	-	(137)	(1,380)	(10,340)	(4,208)	(46,316)
Disposal during the period (note 31)	(212,573)	(5,889)	(35)	(315)	-	-	-	-	(124,639)	(343,451)
Closing net carrying amount	23,182	26,611	1,893	-	3,817	582	39,702	1,042,252	17,965	1,156,004
At 31 December 2021										
Cost	24,032	29,169	2,258	-	3,817	719	41,082	1,052,592	18,198	1,171,867
Accumulated depreciation and impairment	(850)	(2,558)	(365)	-	-	(137)	(1,380)	(10,340)	(233)	(15,863)
Net carrying amount	23,182	26,611	1,893	-	3,817	582	39,702	1,042,252	17,965	1,156,004

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	CIP RMB'000	Transportation equipment and infrastructure RMB'000	Farmland RMB'000	Bearer plants RMB'000	Right-of-use assets RMB'000	Total RMB'000
	(Note (ii))							(Note (iii), (iv))	
Year ended 31 December 2022									
Opening net carrying amount	23,182	26,611	1,893	3,817	582	39,702	1,042,252	17,965	1,156,004
Additions	-	4,319	312	324	-	40	7,855	-	12,850
Written off	-	-	-	-	-	-	(523)	-	(523)
Transfer	-	2,626	-	(2,626)	-	-	-	-	-
Depreciation	(1,580)	(5,540)	(727)	-	(250)	(2,762)	(20,681)	(466)	(32,006)
Disposal	-	-	(1)	-	-	-	-	-	(1)
Closing net carrying amount	21,602	28,016	1,477	1,515	332	36,980	1,028,903	17,499	1,136,324
At 31 December 2022									
Cost	24,032	36,114	2,564	1,515	719	41,122	1,059,924	18,198	1,184,188
Accumulated depreciation and impairment	(2,430)	(8,098)	(1,087)	-	(387)	(4,142)	(31,021)	(699)	(47,864)
Net carrying amount	21,602	28,016	1,477	1,515	332	36,980	1,028,903	17,499	1,136,324

During the financial year, the Group acquired property, plant and equipment as follows:

	2022 RMB'000	2021 RMB'000
Additions of property, plant and equipment	12,850	10,135
Less:		
Other payables	(158)	(1,626)
Finance cost capitalised to bearer plants	(1,928)	(1,262)
Depreciation of right-of-use assets capitalised to bearer plants	(92)	(47)
Depreciation of other property, plant and equipment capitalised to bearer plants	(2,392)	(730)
Cash payments made to acquire property, plant and equipment	8,280	6,470

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (i) The Group had written off bearer plants of approximately RMB523,000 due to the withered trees.
- (ii) As at 31 December 2022, certificates of ownership in respect of certain buildings of the Group in Mainland China with an aggregate net carrying amount of RMB2,101,000 (2021: RMB2,259,000) had not been issued by the relevant authorities. The directors anticipate that these certificates, based on the advice from the Group's legal advisors, will be issued in the near future and are of the opinion that the Group legally owns the buildings and the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2022.
- (iii) Right-of-use assets represent the prepaid land lease payments and woodlands in which plantations are situated. The leases for the plantation bases are expired in 2058 to 2061. The prepaid land lease payments represent up-front payments to acquire interest in the usage of land situated in the PRC, which are held under medium-term leases and are amortised over 50 years on a straight-line basis. The depreciation of right-of-use assets in respect to woodland was capitalised into the cost of bearer plants. For the year ended 31 December 2022, the capitalised depreciation of right-of-use assets were approximately RMB92,000 (2021: RMB47,000).
- (iv) Bearer plants represent Fruit Trees on the woodlands located in Chibi City, the PRC. Forest use rights certificates are issued to the Group for the purpose of plantation of kiwifruit. The Group entered into forest use rights transfer agreements and obtained forest use rights in respect of 179 parcels of woodlands, which entitled the Group to use the woodlands until 31 December 2058 to 2061. However, the forest use rights under the relevant forest use rights certificates have not been obtained for certain area of woodland located in Luzhuang. As such, the Group followed the advice of the relevant government bureaus, has applied for the certification of land management rights, in order to obtain an official confirmation on the nature and usage of the land and the accompanying forest use rights (the "Land Management Certification"). In the opinion of the directors of the Group, based on the legal advice issued by the PRC legal advisor, the risk of being penalised by the government bureaus in respect of the failure to obtain the forest use right certificates is remote, and it is further confirmed by the government bureaus that the occupation and usage rights of the land by Xingnong Agriculture is in compliance with PRC Laws and Xingnong Agriculture has the right to possess, use and benefit from the land and its agriculture products and other fixtures.
- (v) The depreciation of plant and machinery, office equipment, transportation equipment and farmland infrastructure and equipment was capitalised into the cost of bearer plants. For the year ended 31 December 2022, the capitalised depreciation was approximately RMB2,392,000 (2021: RMB730,000).
- (vi) As at 31 December 2022, the Group's leasehold buildings at the net carrying amount of RMB20,271,000 (2021: RMB21,754,000) were pledged to secure bank loans (note 25).
- (vii) The Group is exposed to a number of risks related to fruits trees plantation. Details are as set out in note 18.
- (viii) Prepaid land lease payment represented the Group's leasehold interests under operating leases in land located in Mainland China. As at 31 December 2022, the Group's prepaid land lease payment at the carrying amount RMB9,404,000 (2021: RMB9,651,000) were pledged to secure bank loans (note 25).
- (ix) The Group's forest use right certificates of woodlands are pledged as security for the bank loan, of which the aggregate net carrying amount of approximately RMB321,493,000 (2021: RMB325,664,000) as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. INTANGIBLE ASSETS

	Group		
	Licensing rights RMB'000	Trademark RMB'000	Total RMB'000
Eighteen-month period ended 31 December 2021			
Opening net carrying amount	-	-	-
Addition through acquisition of subsidiaries (note 31)	6,661	-	6,661
Disposal during period (note 31)	-	-	-
- Cost	-	(40,000)	(40,000)
- Accumulated impairment	-	40,000	40,000
Amortisation	(285)	-	(285)
Closing net carrying amount	6,376	-	6,376
At 31 December 2021			
Cost	6,661	-	6,661
Accumulated amortisation and impairment	(285)	-	(285)
Net carrying amount	6,376	-	6,376
Year ended 31 December 2022			
Opening net carrying amount	6,376	-	6,376
Amortisation	(505)	-	(505)
Closing net carrying amount	5,871	-	5,871
At 31 December 2022			
Cost	6,661	-	6,661
Accumulated amortisation and impairment	(790)	-	(790)
Net carrying amount	5,871	-	5,871

As at 31 December 2022 and 2021, the licensing rights related to trademark and plant variety rights for kiwifruits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. BIOLOGICAL ASSETS

	Fresh Fruits RMB'000
At 1 July 2020	-
Gain arising from changes in fair value less costs to sell	90,814
Transfer of harvested fresh fruit to inventories	(90,814)
At 31 December 2021 and 1 January 2022	-
Gain arising from changes in fair value less costs to sell	67,911
Transfer of harvested fresh fruit to inventories	(67,911)
At 31 December 2022	-

The values of agricultural produce harvested measured at fair value less costs to sell during the reporting period were as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
Estimated fair value less costs to sell (RMB'000)		
Fresh fruits	67,911	90,814
Estimated quantity (kg)		
Fresh fruits	3,156,014	3,768,920

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professional valuer, was engaged to determine the fair value less cost to sell of biological assets at the point of harvest. The valuation methodology used to determine the fair value less cost to sell of biological assets is in compliance with both IAS 41, Agriculture, and the "International Valuation Standards (2017)" published by the International Valuation Standards Council with aims to determine the fair value of a biological asset in its present location and condition.

The fair value measurement of the biological assets for the Group is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement.

During the year, there was no transfer occurred between levels in the hierarchy.

The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

	Group	
	2022	2021
Opening balance (level 3 recurring fair value)	-	-
Gain arising from changes in fair value less costs to sell	67,911	90,814
Transfer to inventories	(67,911)	(90,814)
Closing balance (level 3 recurring fair value)	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. BIOLOGICAL ASSETS (Continued)

The following unobservable inputs were used to measure the Group's biological assets:

Description	Valuation technique	Unobservable inputs	Range		Inter-relationship between key unobservable inputs and fair value measurement
			Eighteen-month period from 1 July 2020 to 31 December 2021	Year ended 31 December 2022	
Biological asset (i.e. Fresh Fruits)	Market approach	Prices of similar transactions	RMB9.55 – RMB34.13 per kg	RMB10.49 – RMB28.06 per kg	The higher of unobservable inputs, the higher of the fair value less costs to sell determined

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

The higher of market price, the higher the fair value measurement of the biological assets.

The valuation of Fresh Fruits was determined by market approach by reference to prices of similar transactions.

The major assumptions of the valuations of biological assets were made as follows:

- (i) The biological assets were in good and saleable condition;
- (ii) The growth condition and specification (i.e. size and weight) of biological assets are under similar level of the nutritional treatment, soil conditions or sunlight coverage; and
- (iii) No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the biological assets may be impaired.

The Group is exposed to a number of risks related to its plantations:

- (i) Microeconomic consideration

The biological assets can be directly or indirectly affected by characteristics and changing forces of supply and demand for the contributing inputs and/or the produced goods and services associated with the biological assets. These forces work to impact the magnitude of the gap between inflows and outflows regarding the biological assets and thus its value. Variations in the degree of competition or in barriers to entry are key drivers of changes to supply whilst consumption preferences, income levels or the availability of substitutes are key drivers of changes to demand.

- (ii) Technological change

Changes in the rate of advancement of technology, the propensity for any particular technology to have an effect on the biological assets and the degree to which technological advancement is impacting and will continue to impact the biological assets can disrupt its desirability, competitiveness, efficiency and/or indirectly impact the products and services considered substitutes or complements for it and thus its value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. BIOLOGICAL ASSETS (Continued)

(iii) Social, political and macroeconomic consideration

International or nationwide policy and/or legislative changes that alter existing rights and obligations may directly or indirectly influence the biological assets. Macroeconomic circumstances including inflation, interest rate fluctuations and existing and forecast levels of growth in the broader economy may also have an effect. Societal factors encompassing the perception and preferences of people in general may swing rendering the biological assets more or less desirable and thus more or less valuable.

(iv) Environmental conditions

Phenomena within the physical environment can severely impact the factors of production and demand factors within an economy for the biological assets. The occurrence of natural disasters, resource depletion and variations in climate conditions may influence resource availability and prices for inputs on the supply side or may influence market access and preferences for products and services associated to the biological assets from end-user demand. Such phenomena will ultimately influence the value of the biological assets.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2022	2021
	RMB'000	RMB'000
Prepayments	1,610	736
Other receivables	217	195
VAT receivables	19	26
	1,846	957

As at 31 December 2022, the other receivables were considered to have low credit risks. Based on management assessment, no impairment provision has been made for the year ended 31 December 2022.

20. INVENTORIES AND CONSUMABLES

	Group	
	2022	2021
	RMB'000	RMB'000
Consumables	1,162	1,437

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. TRADE RECEIVABLES

	Group	
	2022	2021
	RMB'000	RMB'000
Trade receivables	40,410	55,863
Less: allowance for impairment of trade receivables	-	-
	40,410	55,863

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 90 days or based on the terms agreed in the relevant sales agreements.

The board of directors considers that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The aging analysis of trade receivables, based on invoice date, is as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
0 to 30 days	-	1,824
31 to 60 days	2	1,643
61 to 90 days	30,641	32,368
91 to 180 days	9,767	20,028
	40,410	55,863

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 34.4.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at banks and in hand. The Group had cash and bank balances denominated in RMB amounting to RMB125,798,000 (2021: RMB98,085,000) which were deposited with banks in Mainland China and held in hand. RMB is not freely convertible into foreign currencies. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The Company did not have cash and bank balances denominated in RMB at the reporting date.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate on cash placed with banks for the year ended 31 December 2022 was 0.25% (2021: 0.35%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. CASH AND CASH EQUIVALENTS (Continued)

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies:

	2022	2021
	RMB'000	RMB'000
HKD	189	175
USD	5	6

23. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued liabilities and provisions	4,272	4,670	2,049	2,544
VAT and other payables	8,452	26,210	-	-
	12,724	30,880	2,049	2,544

As at 31 December 2022, the Group's other payables include an amount of RMB6,631,000 (2021: RMB23,396,000) due to a director of the Company. The amount, which mainly represented certain expenses paid on behalf of the Group by the director, is unsecured, interest-free and repayable on demand.

- (i) Included in accruals and other payables of the Group and the Company are the following amounts denominated in currencies other than the functional currencies:

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	8,886	11,079	1,805	1,875
SGD	191	8,240	190	644
TWD	-	579	-	-
USD	-	5,866	-	-

24. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

25. BANK LOANS, SECURED

	Group	
	2022	2021
	RMB'000	RMB'000
Bank loans	13,600	18,000
Less: Current portion	(13,600)	(4,400)
Non-current portion	-	13,600

Based on the schedule repayment dates set out in the bank loan agreement, the borrowings are repayable as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
Within one year	13,600	4,400
More than one year, but not exceeding two years	-	13,600
	13,600	18,000

The Group's interest-bearing bank loans are secured by the Group's leasehold buildings, prepaid land lease payment and forest use right certificates of woodlands (2021: leasehold buildings, prepaid land lease payment and forest use right certificates of woodlands).

The abovementioned bank loans incur interest at a fixed rate of 8.28% per annum (2021: 8.28% per annum).

26. LEASE LIABILITIES

The Group leases woodlands to operate its business. The leases for the plantation bases will expire between 2058 to 2061. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. The lease agreements do not impose any covenants.

	Woodlands
	RMB'000
At 1 July 2020	-
Acquisition of subsidiaries (note 31)	8,900
Interest expenses	379
Lease payments	-
At 31 December 2021 and 1 January 2022	9,279
Interest expenses	754
Lease payments	(789)
At 31 December 2022	9,244

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

26. LEASE LIABILITIES (Continued)

Future lease payments are due as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
Minimum lease payment due:		
- within one year	789	789
- more than one year, but not exceeding two years	789	789
- more than two years	26,664	27,453
	28,242	29,031
Less: future interest expenses	(18,998)	(19,752)
Present value of lease liabilities	9,244	9,279

The present value of future lease payments are analysed as:

	Group	
	2022	2021
	RMB'000	RMB'000
Current liabilities	37	35
Non-current liabilities	9,207	9,244
	9,244	9,279

The interest of lease liabilities was capitalised into the cost of bearer plants. For the year ended 31 December 2022, the interest of liabilities was approximately RMB754,000 (2021: RMB379,000). Please refer to note 10 for details of the interest on lease liabilities.

27. DEFERRED GOVERNMENT GRANTS

	Group	
	2022	2021
	RMB'000	RMB'000
At beginning of the year/period	13,002	-
Acquisition of subsidiaries (note 31)	-	13,241
Amortisation	(478)	(239)
At end of the year	12,524	13,002
Less: Current portion	(478)	(478)
Non-current portion	12,046	12,524

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

27. DEFERRED GOVERNMENT GRANTS (Continued)

The Group's deferred government grants mainly related to acquisition of property, plant and equipment and prepaid land lease payment.

The Group does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the end of reporting periods.

28. DEFERRED TAXATION

The movement of the deferred tax liabilities is as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
At beginning of year/period	231,478	11,021
Credited to profit or loss (note 12)	(5,860)	(3,215)
Disposal during the period (note 31)	-	(10,738)
Acquisition of subsidiaries (note 31)	-	234,410
At end of year/period	225,618	231,478

As at 31 December 2022 and 2021, the deferred tax liabilities represented the taxable temporary differences arising from fair value adjustments from the acquisition of subsidiaries during the eighteen-month period ended 31 December 2021.

As at 31 December 2022, temporary differences relating to the undistributed profits of a subsidiary amounted to RMB110,321,000 (2021: temporary differences relating to the undistributed profits of a subsidiary amounted to RMB72,023,000). No deferred tax liabilities have been recognised as at 31 December 2022 and 2021 as the Group is in a position to control the dividend policies of these entities and it is probable that these profits will not be distributed to non-PRC entities in the foreseeable future.

29. SHARE CAPITAL

	Number of ordinary shares		
	Par value	(in '000)	RMB'000
Authorised:			
At 1 July 2020, 31 December 2021 and 2022 (HK\$4.00 per share)	HK\$4.0	100,000	371,239
Issued:			
At 1 July 2020, 31 December 2021 and 2022 (HK\$4.00 per share)	HK\$4.0	79,829	279,499

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. RESERVES

Group

(a) Share premium

The share premium account arises on shares issued at a premium.

(b) Statutory reserves

Statutory reserves comprise statutory surplus reserve and enterprise expansion reserve of the subsidiaries established in the PRC. In accordance with the relevant laws and regulations of the PRC, the Group may be required to transfer 10% of its profit after tax to the statutory surplus reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital. In addition, the Group may be required to make an allocation from its profit after tax to the enterprise expansion reserve. The enterprise expansion reserve may be used for expansion of production facilities or increase in registered capital.

(c) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the issued capital of the Company and the nominal value of the issued capital and share premium of the subsidiaries acquired pursuant to the Company's group restructuring exercise on 10 July 2008 (the "Reorganisation").

Company

The contributed surplus of the Company arose as a result of the Reorganisation and represented the excess of the consolidated net assets of the subsidiaries then acquired over the nominal value of the Company's shares issued in exchange thereof.

31. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

A. Xingnong Acquisition

On 3 July 2021 (the "Completion Date"), the Transactions in relation to the acquisition of all the issued and paid-up shares in the capital of Great Resolute and disposal of all the issued and paid-up shares in the capital of Sea Will have been completed. Accordingly, the Company has entirely disposed of its Baijiu Business and its business now comprises wholly of the Kiwifruit Business. The Transactions were made considering the declining profitability and recent losses of the Baijiu Business and with the aim to enter into the fruit cultivation and planting industry with steady revenue stream. The Transactions were satisfied in form of swap of the identifiable assets and liabilities of Great Resolute and Sea Will.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

The fair value of identifiable assets and liabilities of Great Resolute as at the Completion Date were as follows:

	RMB'000
Property, plant and equipment	1,162,389
Intangible asset	6,661
Inventories	1,117
Trade and other receivables	373
Deposits and prepayments	1,365
Bank balances and cash	82,264
Trade and other payables	(11,235)
Deferred government grants	(13,241)
Bank loans, secured	(23,200)
Lease liabilities	(8,900)
Deferred taxation	(234,410)
Provision for income tax	(592)
	<hr/>
Total identifiable net assets at fair value attributable to the Group	962,591
Gain on bargain purchase	(10,471)
	<hr/>
Fair value of identifiable net assets of Sea Will	<u>952,120</u>

The fair value of trade receivables amounted to approximately RMB3,000. The gross amount of trade receivables is approximately RMB3,000. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

An analysis of the cash flows in respect of the Xingnong Acquisition is as follows:

	RMB'000
Cash and cash equivalents acquired	<hr/> 82,264
Net cash inflow arising from the Xingnong Acquisition	<hr/> <u>82,264</u>

Since the Completion Date, Great Resolute has contributed revenue of approximately RMB111,176,000 to Group's revenue and net profit of approximately RMB79,626,000 to Group's profit. If the Transactions had occurred on 1 July 2020, the Group's revenue and profit would have been approximately RMB221,773,000 and RMB128,188,000, respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2020, nor is it intended to be a projection of future performance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

B. Dukang Disposal

The assets and liabilities of Sea Will at carrying amount as at the Completion Date were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	343,451
Interest in an associate	11,714
Inventories	729,362
Deposits, prepayments and other receivables	14,199
Cash and cash equivalents	90,512
Trade payables	(43,695)
Accruals and other payables	(134,331)
Amount due to an associate	(10,454)
Bank loans, secured	(115,000)
Provision for income tax	(11)
Deferred taxation	(10,738)
	<u>875,009</u>
Add: Release of exchange reserve to profit or loss upon disposal	(22,798)
	<u>852,211</u>
Less: Fair value of identifiable assets and liabilities of Sea Will	(952,120)
	<u>(99,909)</u>

An analysis of the cash flows in respect of the Transactions is as follows:

	RMB'000
Cash and cash equivalents acquired	82,264
Cash and cash equivalents disposed	(90,512)
	<u>(8,248)</u>
Net cash outflows from the Transactions completed	<u>(8,248)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. COMMITMENTS - GROUP

Capital commitments

The Group had the following outstanding capital commitments:

	Group	
	2022	2021
	RMB'000	RMB'000
Contracted, but not provided for, in respect of:		
- Property, plant and equipment, including CIP	187	187

33. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with a related parties at rates and terms agreed by and between the parties:

	Year ended 31 December 2022	Eighteen- month period from 1 July 2020 to 31 December 2021
	RMB'000	RMB'000
Licence fees payable/paid to an associate	-	1,609
Expenses paid on behalf of the Group by directors of the Company*	4,423	24,514

* For the eighteen-month period from 1 July 2020 to 31 December 2021, the directors included an ex-director of the Company, Mr. Zhou Tao, who has resigned upon the completion of the Transactions. He has paid approximately RMB9,770,000 expenses on behalf of the Group prior to his resignation.

The amount represented licence fees payable/paid to an associate, Yichuan Jiuzu. The licence fees were made according to the terms of the licence agreement.

In relation to the Transactions (note 31) entered into between the Company and Keen Wind, Keen Wind is controlled by the substantial shareholder of the Company, Mr. Wang Peng.

The outstanding balances as at 31 December 2022 and 2021 with related parties are disclosed in notes 15 and 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

33. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

Key management includes members of the board of directors and other members of senior management of the Group. The compensation paid or payable to key management personnel is shown below:

	Year ended 31 December 2022	Eighteen- month period from 1 July 2020 to 31 December 2021
	RMB'000	RMB'000
- Short term employee benefits	3,307	5,693
- Retirement scheme contributions	16	59
	3,323	5,752

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk, business risk and liquidity risk. Generally, the Group employs conservative strategies regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivative or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

34.1 Summary of financial assets and liabilities by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Amortised cost				
- Trade receivables	40,410	55,863	-	-
- Deposits and other receivables	217	195	-	-
- Cash and cash equivalents	125,992	98,266	5	5
	166,619	154,324	5	5
Financial liabilities				
Financial liabilities measured at amortised cost				
- Trade payables	2,895	3,162	-	-
- Accrued liabilities and other payables	12,529	30,685	2,049	2,544
- Amounts due to subsidiaries	-	-	26,128	20,074
- Bank loans, secured	13,600	18,000	-	-
- Lease liabilities	9,244	9,279	-	-
	38,268	61,126	28,177	22,618

34.2 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group does not have significant exposure to foreign currency risk as the Group's businesses are principally located in Mainland China and the Group's transactions are mainly conducted and denominated in RMB, which is the functional currency of majority of the Group's subsidiaries. The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant.

The Company does not have significant exposure to foreign currency risk as at 31 December 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

34.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates.

The Group's interest rate risk arises mainly from bank deposits and bank loans. Bank deposits at floating interest rate expose the Group to cash flow interest rate risk. Loans at fixed interest rate expose the Group to fair value interest rate risk. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

Sensitivity analysis - Group

The interest rates of the Group's bank deposits and bank loans are disclosed in notes 22 and 25 to the financial statements, respectively. At 31 December 2022 and 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, which was considered reasonably possible by management, with all other variables held constant, would increase/decrease the Group's profit for the year and increase/decrease the retained profits by RMB945,000 (2021: RMB737,000).

34.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers and other counterparties and deposits paid in the ordinary course of its operations and its investing activities.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's and the Company's substantial cash and bank balances as at 31 December 2022 (99%) and 31 December 2021 (99%) are mainly maintained with one (2021: one) authorised and reputable major banks in Mainland China. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and cash equivalents have been measured based on 12-month expected credit loss model. At the reporting date, the Group did not expect any material credit losses from non-performance by these banks which are assigned with investment grade ratings of generally at least Baa2 by international credit-rating agencies.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that financial instruments presented in the respective statements of financial position.

For trade receivables, the Group has no significant concentration of credit risk due to its large customer base. The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

34.4 Credit risk (Continued)

The aging analysis of trade receivables, based on due date, is as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
Current	30,643	35,835
1 to 3 months	9,767	20,028
	40,410	55,863

The Group considers the probability of default upon initial recognition of trade receivables which subsequently measured at amortised cost. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of debtors
- Significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors in the Group and changes in the operating results of the debtors

The Group considers the credit risk characteristics and the days past due of the trade receivables to measure the expected credit loss. For the past due trade receivables, the Group has assessed the expected credit loss by considering historical default rates, existing market conditions and forward-looking information. Based on the Group's assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material.

In respect of deposits, the management makes periodic as well as individual assessment on the recoverability based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management believes that there is no material credit risk inherent in the Group's outstanding balance of deposits.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

None of the Group's and Company's financial assets are secured by collateral or other credit enhancement.

34.5 Business risk

The business of the Company now comprises wholly of the Kiwifruits Business which is susceptible to the business risk arising from concentration on a single product, namely kiwifruits, in the PRC. The Group is exposed to a number of risks related to biological assets' plantations as disclosed in note 18. The Group's financial results may fluctuate due to increase or decrease in the fair value less costs to sell of the kiwifruits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)**34.6 Liquidity risk**

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, accrued liabilities and other payables, bank loans, lease liabilities, and also in respect of its cash flow management.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, trade financing and capital market financing. Liquidity risk is monitored on an on-going basis.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The tables below analyse the Group's and Company's financial liabilities into relevant maturity grouping based on the remaining contractual maturities at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Group

	Carrying amount	Within one year	More than one year	Total undiscounted amount
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022				
Trade payables	2,895	2,895	-	2,895
Accrued liabilities and other payables	12,529	12,529	-	12,529
Bank loans, secured	13,600	13,961	-	13,961
Lease liabilities	9,244	789	27,453	28,242
	38,268	30,174	27,453	57,627
As at 31 December 2021				
Trade payables	3,162	3,162	-	3,162
Accrued liabilities and other payables	30,685	30,685	-	30,685
Bank loans, secured	18,000	5,732	13,961	19,693
Lease liabilities	9,279	789	28,242	29,031
	61,126	40,368	42,203	82,571

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

34.6 Liquidity risk (Continued)

Company

	Carrying amount	Within one year	Total undiscounted amount
	RMB'000	RMB'000	RMB'000
As at 31 December 2022			
Accrued liabilities and other payables	2,049	2,049	2,049
Amounts due to subsidiaries	26,128	26,128	26,128
As at 31 December 2021			
Accrued liabilities and other payables	2,544	2,544	2,544
Amounts due to subsidiaries	20,074	20,074	20,074

34.7 Fair value measurements

The fair values of deposits, cash and cash equivalents, trade payables, accrued liabilities and other payables and bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods which commensurate with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group regards total equity presented on the face of the consolidated statement of financial position as capital, for capital management purpose. The amount of capital as at 31 December 2022 amounted to RMB1,035,079,000 (2021: RMB1,013,175,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is subject to the requirement to maintain statutory reserves as disclosed in note 30(b) to the financial statements. The Group is in compliance with this externally imposed capital requirement for the year ended 31 December 2022 and the eighteen-month period ended 31 December 2021.

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. *Major non-cash transactions*

The Transactions, as detailed in note 31, were satisfied in the form of swap of the identifiable assets and liabilities of Great Resolute and Sea Will. No cash transactions were involved.

The fair values of the identifiable assets and liabilities of Great Resolute and Sea Will, representing the disposal consideration and purchase consideration for the Transactions, respectively, were amounted to RMB962,591,000 and RMB952,120,000.

Addition of property, plant and equipment amounting to approximately RMB158,000 (2021: RMB1,626,000) was not yet settled and included in other payables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

b. *Changes in liabilities arising from financing activities*

	Bank loans	Amount due to a director	Lease liabilities	Interest payable
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25)	(Note 23)	(Note 26)	
At 1 July 2020	115,000	18,762	-	-
Changes from financing cash flows				
- Proceeds from bank loans	115,000	-	-	-
- Repayments of bank loans	(120,200)	-	-	-
- Advance from a director	-	34,635	-	-
- Interest paid	-	-	-	(8,487)
Acquisition of subsidiaries (note 31)	23,200	-	8,900	-
Disposal of subsidiaries (note 31)	(115,000)	(31,830)	-	-
Interest expenses recognised	-	-	-	7,604
Amount capitalised on property, plant and equipment	-	-	379	883
Foreign exchange movement	-	1,829	-	-
At 31 December 2021 and 1 January 2022	18,000	23,396	9,279	-
Changes from financing cash flows				
- Repayments of bank loans	(4,400)	-	-	-
- Repayment of principal on lease liabilities	-	-	(35)	-
- Repayment of interest on lease liabilities	-	-	(754)	-
- Repayment to a director	-	(18,443)	-	-
- Interest paid	-	-	-	(1,238)
Interest expenses recognised	-	-	-	64
Amount capitalised on property, plant and equipment	-	-	754	1,174
Foreign exchange movement	-	1,678	-	-
At 31 December 2022	13,600	6,631	9,244	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

37. SIGNIFICANT EVENT DURING THE YEAR

Since the outbreak of the 2019 Novel Coronavirus (“COVID-19”) began in January 2020 in PRC, the Group has actively taken measures to implement the regulations and requirements posted by the local governments on coronavirus epidemic prevention and control.

The Group will continuously monitor the development of the COVID-19 outbreak, market condition and adjust its strategy in response to the situation. Save as disclosed above, there are no other matters that would result in a significant adverse impact on the Group’s results and financial position as at the reporting date as result of the COVID-19.

SHAREHOLDERS' INFORMATION

AS AT 21 MARCH 2023

Class of shares	: Ordinary shares of HK\$4.00 each
Authorised share capital	: HK\$400,000,000.00
Issued and fully paid-up capital	: HK\$319,315,727.20
Number of Shares issued	: 79,828,927
Voting rights	: One vote per ordinary share

The Company does not hold any Treasury Shares and subsidiary holdings.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	11	1.11	368	0.00
100 - 1,000	298	30.16	194,040	0.24
1,001 - 10,000	536	54.25	2,119,991	2.66
10,001 - 1,000,000	136	13.77	11,675,499	14.63
1,000,001 and above	7	0.71	65,839,029	82.47
	988	100.00	79,828,927	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Easy Direct International Limited ⁽¹⁾	-	-	13,162,649	16.49
Zhao Chichun ⁽¹⁾	-	-	13,162,649	16.49
Hu Chao ⁽¹⁾	-	-	5,265,060	6.60
Treasure Winner Holdings Limited ⁽²⁾	23,551,551	29.50	-	-
Wang Peng ⁽²⁾	-	-	23,551,551	29.50
Keping Guo	8,635,560	10.82	-	-

Notes:

- (1) Easy Direct International Limited ("**Easy Direct**") is incorporated for the purpose of allowing the employees of China Shenshan Orchard Holdings Co. Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") to acquire and hold shares in the capital of the Company through Easy Direct. Mr Zhao Chichun is the sole shareholder of Easy Direct.

Through Easy Direct, Mr Zhao Chichun (Executive Director of the Company) and Mr Hu Chao (Executive Director and Chief Executive Officer of the Company) each acquired 5,265,060 Shares (representing approximately 6.60% of total number of issued Shares), and the remaining 2,632,529 Shares (representing approximately 3.30% of total number of issued Shares) were acquired by other employees of the Group.

Accordingly, Easy Direct and Mr Zhao Chichun are deemed to have an interest in the 13,162,649 Shares held through a nominee account with UOB Kay Hian Private Limited by virtue of Section 4 of the Securities and Futures Act 2001, and Mr Hu Chao is deemed to have an interest in the 5,265,060 Shares held through Easy Direct by virtue of Section 4 of the Securities and Futures Act 2001.

- (2) Treasure Winner Holdings Limited ("**Treasure Winner**") is wholly-owned by Mr Wang Peng and as such, Mr Wang Peng is deemed interested in 23,551,551 ordinary shares in the Company.

SHAREHOLDERS' INFORMATION

AS AT 21 MARCH 2023

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	Number of Shares	%
1.	UOB KAY HIAN PRIVATE LIMITED	27,670,718	34.66
2.	TREASURE WINNER HOLDINGS LIMITED	17,500,000	21.92
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	8,442,801	10.58
4.	TIGER BROKERS (SINGAPORE) PTE. LTD.	6,011,200	7.53
5.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,405,900	3.01
6.	ABN AMRO CLEARING BANK N.V.	1,988,820	2.49
7.	PHILLIP SECURITIES PTE LTD	1,819,590	2.28
8.	WANG CHUN-JYE	890,000	1.11
9.	DBS NOMINEES (PRIVATE) LIMITED	859,751	1.08
10.	OCBC SECURITIES PRIVATE LIMITED	750,410	0.94
11.	LIM KIM HONG	750,000	0.94
12.	MAYBANK SECURITIES PTE. LTD.	535,500	0.67
13.	LUO BAIWEN	450,000	0.56
14.	HAH TIING SIU	367,770	0.46
15.	WONG YONG CHYE	357,200	0.45
16.	LEOW BENG LEE (LIAO MINGLI)	355,000	0.44
17.	MOHAMMED HUMAYUN KABIR	325,500	0.41
18.	TAN PING	273,700	0.34
19.	RAFFLES NOMINEES (PTE.) LIMITED	237,800	0.30
20.	GOH BEE LAN	227,060	0.28

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 21 March 2023 and to the best of the knowledge of the Directors of the Company, approximately 43.19% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of China Shenshan Orchard Holdings Co. Ltd. (the "**Company**") will be held at Esplanade Room 1, Level 4, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Wednesday, 26 April 2023 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2022 ("**FY2022**") together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr. Huo Lei, a Director of the Company retiring pursuant to Bye-Law 86(1) of the Bye-Laws of the Company and who, being eligible, offers himself for re-election, as Director of the Company. **(Resolution 2)**
The information relating to Mr. Huo Lei as required under Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited is set out in the corporate governance report in the Annual Report.
3. To approve the payment of Directors' fees of S\$193,757 for the financial year ending 31 December 2023, to be paid half-yearly in arrears (FY2022: S\$193,025). **(Resolution 3)**
4. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore to act jointly and severally as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. **SHARE ISSUE MANDATE**

That pursuant to Bye-law 12(3) of the Company's Bye-Laws and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to issue shares of the Company ("**Shares**") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit, and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

- (a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below) at the time of the passing of this Resolution, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to all shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

NOTICE OF ANNUAL GENERAL MEETING

- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new Shares arising from the conversion or exercise of convertible securities which were issued and are outstanding or subsisting at the time of the passing of this Resolution;
 - (b) new Shares arising from the exercise of share options or vesting of share awards which were issued and are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws for the time being of the Company; and
- (d) that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in accordance with the terms of Instruments issued, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of such Instruments.

[See Explanatory Note (i)]

(Resolution 5)

By Order of the Board

Ho Hin Yip
Toh Li Ping, Angela
Company Secretaries

11 April 2023

Explanatory Note to Resolution to be passed -

- (i) The Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting of the Company until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and to make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to an amount not exceeding, in total, fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a *pro rata* basis to shareholders of the Company.

For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or the exercise of share options or the vesting of share awards which were issued and are outstanding or subsisting at the time of the passing of this Ordinary Resolution and any subsequent bonus issue, consolidation or subdivision of Shares.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

General

1. The AGM of the Company will be held at Esplanade Room 1, Level 4, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 ("**Physical Meeting**"). Shareholders and other attendees who are feeling unwell on the date of the AGM are advised not to attend the Physical Meeting.
2. Printed copies of this Notice of AGM and the relevant proxy forms will be sent to members, and the electronic copies of which will be posted on the Company's corporate website at the following URL: <https://www.ddhlimited.com> and the SGX-ST's website at the following URL: <https://www.sgx.com/securities/company-announcements>.
3. Authenticated shareholders and proxy(ies) will be able to ask questions in person at the Physical Meeting. Arrangements have also been put in place to permit shareholders to submit their questions ahead of the AGM. Please refer to Notes 12 and 13 below for further details.
4. Live voting by poll will be conducted during the AGM for shareholders and proxy(ies) attending the Physical Meeting.

Voting by proxy

5. A member of the Company (whether individual or corporate) who/which wishes to exercise his/her/its voting rights at the AGM must give specific instructions in the relevant proxy form ("**Proxy Form**") as to voting, or abstentions from voting, failing which the appointment will be treated as invalid. A proxy need not to be a member of the Company.
6. The Proxy Form is not valid for use by Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify his/her voting instructions. A SRS investor who wishes to vote should approach his/her SRS Operator at least 7 working days before the date of the AGM (i.e. by 5.00 p.m. on 14 April 2023) to submit his/her voting instructions.
7. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form lodged if such members are not shown to have shares entered against their names in the Depository Register (as defined in Part IIIAA of the Securities and Futures Act 2001 of Singapore), as at seventy-two (72) hours before the time appointed for holding this AGM as certified by The Central Depository (Pte) Limited to the Company.
8. The Proxy Form must be submitted through any one of the following means:
 - (a) by depositing a physical copy at the registered office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue #14-07 Keppel Bay Tower Singapore 098632; or
 - (b) if submitted electronically, be submitted via email to the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at ChinaShenshan-AGM2023@boardroomlimited.com,in each case, not later than 2.30 p.m. on 23 April 2023, and failing which, the Proxy Form will not be treated as valid.
9. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised, failing which the Proxy Form may be treated as invalid. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
10. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM.
11. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form.

Submission of Questions prior to the AGM

12. All members and SRS investors of the Company may submit substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations ahead of the AGM, or during the AGM. To submit questions before the AGM, all questions must be submitted by 9.00 a.m. on 19 April 2023 ("**Cut-Off Time**") through any of the following means:
 - (a) if submitted by email, be received by the Company at ChinaShenshan-AGM2023@boardroomlimited.com; or
 - (b) if submitted by post, be deposited at the registered office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue #14-07 Keppel Bay Tower Singapore 098632.

If the questions are submitted by post, be deposited at the registered office of the Company's Share Transfer Agent or sent via email, and in either case not accompanied by the completed and executed Proxy Form, the following details must be included with the submitted questions: (i) the member's full name; and (ii) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

13. The Company will address all substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations by publishing its responses to such questions, if any, on the Company's corporate website at the following URL: <https://www.ddhlimited.com> and on SGXNET at the following URL: <https://www.sgx.com/securities/company-announcements> at least forty-eight (48) hours prior to the deadline for submission of Proxy Forms (i.e. no later than 2.30 p.m. on 21 April 2023). Should there be subsequent clarification sought, or follow-up questions after the deadline of the submission of questions, the Company will address those substantial and relevant questions during the AGM. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed.
14. Persons who hold shares of the Company through relevant intermediaries (pursuant to Section 181(1C) read with Section 181(6) of the Companies Act 1967 of Singapore), such as SRS Investors, should approach their respective agents, such as SRS Operators, sufficiently in advance so that their respective agents may submit their substantial and relevant questions related to the resolutions to be tabled for approval at the AGM by the Cut-Off Time and have their substantial and relevant questions addressed.

Personal data privacy:

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



China Shenshan Orchard Holdings Co. Ltd.
(Company Registration No. 41457)

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Chibi, Hubei Province, PRC.