



FOR IMMEDIATE RELEASE

China Shenshan Orchard achieves turnaround with RMB70.1 million and RMB57.4 million profit after income tax from kiwifruit business for 6M2021 and FP2021, respectively

- Registered revenue of RMB111.2 million with adjusted gross profit¹ of RMB105.6 million and adjusted gross profit margin of 95.0% for 6M2021 and FP2021
- China being the world's largest kiwifruit producer², domestic kiwifruit industry is rapidly growing and demonstrating bright prospects fueled by rising disposable income and burgeoning consumer demand
- Aims to become China's Zespri by commercialising its kiwifruit varieties and its expertise in kiwifruit planting to third-party kiwifruit growers

Singapore, 28 February 2022 – SGX-ST Mainboard-listed China Shenshan Orchard Holdings Co. Ltd. (中国神山果农控股有限公司) (“China Shenshan Orchard” or the “Company”, and together with its subsidiaries, the “Group”), a leading producer of kiwifruits in the People's Republic of China (“China”) is pleased to announce its financial results for six months ended 31 December 2021 (“6M2021”) and eighteen months ended 31 December 2021 (“FP2021”) following the completion of its acquisition of kiwifruit business and disposal of baijiu business on 3 July 2021.

Financial Highlights

(Six-month ended 31 December 2021 is a more accurate representation of the Group's kiwifruit business performance)

RMB'000	Six months ended 31 Dec 2021 ³ (6M2021)	Eighteen months ended 31 Dec 2021 ³ (FP2021)
Revenue	111,176	111,176
Cost of sales ⁴	(96,342)	(96,342)

¹ Calculated by including the gain arising from changes in fair value less costs to sell of biological assets, and the corresponding impact to cost of sales.

² The global kiwifruit market grows tangibly, driven by strong demand in China and Europe, <https://www.globaltrademag.com/the-global-kiwi-fruit-market-grows-tangibly-driven-by-strong-demand-in-china-and-europe/>

³ With the completion of the Company's acquisition of the kiwifruit business and the Company's disposal of the baijiu business on 3 July 2021, the consolidated statements of comprehensive income of the Group are presented in accordance with IFRS 5 “Non-current Assets Held for Sales and Discontinued Operations”.

⁴ The Group's cost of sales comprised inventory costs of kiwifruit, direct labour costs, factory overhead and costs of packaging materials incurred in the packaging process of kiwifruit. The inventory costs of kiwifruit mainly comprised the fair value of kiwifruits less costs to sell at the point of harvest, and accounted for 94.3% of the Group's cost of sales for 6M2021 and FP2021.



RMB'000	Six months ended 31 Dec 2021 ³ (6M2021)	Eighteen months ended 31 Dec 2021 ³ (FP2021)
Gain arising from changes in fair value less costs to sell of biological assets ⁵	90,814	90,814
Gross profit	14,834	14,834
Adjusted gross profit ⁶	105,648	105,648
Adjusted gross profit margin	95.0%	95.0%
Gain on bargain purchase	10,471	10,471
Profit/(loss) before income tax	67,205	54,499
Profit/(loss) after income tax from continuing operations	70,124	57,418

The Group recorded a revenue of RMB111.2 million for 6M2021 and FP2021 from the sales of about 3.8 million kg of kiwifruits at an average selling price of RMB29.5 per kg to food and fruits distributors, corporate distributors and corporate customers in China. Consequently, the Group registered an adjusted gross profit⁶ of RMB105.6 million and an adjusted gross profit margin of 95.0% for 6M2021 and FP2021.

Gain on bargain purchase of RMB10.5 million was recognized for 6M2021 and FP2021, which 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 as settlement consideration of both transactions.

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.

As a result, the Group achieved an earnings turnaround with RMB70.1 million and RMB57.4 million profit after income tax from its kiwifruit business for 6M2021 and FP2021, respectively.

⁵ A non-cash gain or loss arising from the difference between the fair value and the costs to sell the harvested kiwifruit is included as a line item in profit or loss for the period in which it arises. Such non-cash gain or loss arising from changes in fair value less costs to sell of the biological assets are recorded as part of cost of sales when the harvested kiwifruits are eventually sold.

⁶ Calculated by including the gain arising from changes in fair value less costs to sell of biological assets, and the corresponding impact to cost of sales.



Mr. Hu Chao, Executive Director and Chief Executive Officer of China Shenshan Orchard said, **“2021 was a remarkable year for us as we have completed our restructuring and successfully transformed into a horticultural marketing company and the first pure-play kiwifruit producer to be listed on the Mainboard of the SGX-ST.**

The kiwifruit industry in China is experiencing rapid growth and demonstrating bright prospects which is fueled by rising disposable income as well as burgeoning domestic consumer demand for premium-quality kiwifruits. Thus, the Group will continue to focus on strengthening its presence in China’s domestic market and expanding its market share in the premium kiwifruit market segment. The Group will continue to invest in research and development to cultivate premium grade varieties, modernise and digitalise the Group’s agriculture infrastructure and core processes as part of the Group’s ongoing innovative efforts and initiatives to expand its market share in China’s kiwifruit industry.

Last but not least, the Group will continue to invest in branding and marketing development to unlock greater demand for its products while catering to the consumer’s tastes and nutritional needs.”

Industry leader from orchard-to-market

The Group has a well-established track record with more than 10 years’ experience in kiwifruit planting and cultivation in China. The Group also has strong research and development (“**R&D**”) capabilities where its in-house technology department is complemented by a team of external technology advisory and research partners.

The Group currently holds 83 trademarks and 56 patents for grafting and harvesting methods and devices such as fertilisation mechanism and windproof device for kiwifruit planting, artificial pollination device, cutting device for grafting branches of fruit trees, etc. The Group has also developed more than 60 kiwifruit varieties and has been granted 6 premium kiwifruit variety rights, sealing its status as the company with the most premium kiwifruit variety rights in China.

The use of advanced technology, automated systems and proprietary kiwifruit cultivars and breeds for its operations have allowed the Group to differentiate itself from other industry players and stand out from the competition in China. Not resting on its laurels, the Group set up its R&D centre in November 2021 to further the push for technology adoption in the development of new kiwifruit varieties and innovation of planting techniques.



Taking reference from Zespri, the world's largest marketer of kiwifruit, the Group intends to scale up its business during the year via the commercialisation of its kiwifruit varieties and its expertise in kiwifruit planting to third-party kiwifruit growers, which will eventually generate additional revenue stream and spur the next phase of growth for the Group.

On 5 July 2021, the Company's wholly-owned subsidiary, Chibi Shenshan Xingnong Agriculture Technology Co., Ltd ("Chibi Shenshan") has entered into a non-binding memorandum of understanding with Chibi Green Industry Development Investment Co., Ltd. for the joint development and cooperation of a land area spanning up to 5,000 mu (or 3.33 km²) located in Chibi City, Hubei Province, the People's Republic of China for kiwifruit planting and cultivation. Stemming from the government's favorable policy to promote agriculture, the joint development and cooperation covers a 30-year period commencing from 1 January 2022, with a total investment amount of approximately RMB150 million. Chibi Shenshan is responsible for the construction and development of the kiwifruit plantation, and the day-to-day management and operation over planting and cultivation of the kiwifruit plantation.

Favourable government policies and growth prospects

The government of China has set itself the goal of eradicating total poverty by modernising its agricultural industry by 2035⁷. The plan to advance agricultural and rural modernisation during the 14th Five-Year Plan period called for upgrading of farm machinery, accelerating the development of modern crops and the development of digital agriculture. The government is also granting higher subsidies for large scale landholders and accelerating rural land transfer process. These favourable policies and support by the government are expected to bode well for the kiwifruit cultivation industry in China.

Kiwifruit industry in China offers huge growth potential as the market has expanded from RMB17.8 billion in 2013 to RMB25.6 billion in 2018, representing a CAGR of 6.2% during the period. In addition, China's kiwifruit planting area and production volume reached 4.4 million mu and 3.0 million tonnes respectively in 2019, being the world's largest kiwifruit producer with planting area accounts for 72% of the world's total kiwifruit planting area and production volume accounts for 55% of the world's total kiwifruit production⁸. On the demand side, China's kiwifruit apparent consumption has grown by 27.3% from 2.09 million tonnes in 2014 to 2.66 tonnes in 2018. China is also a major importer of kiwifruit, ranking second globally in 2020. This demonstrated that

⁷ Road to agricultural modernisation, <http://epaper.chinadaily.com.cn/a/202104/14/WS6076367ba31099a234355658.html>

⁸ China Kiwifruit Industry Development Report (2020), <https://mp.weixin.qq.com/s/VQWVG6VWf5pvBaCz6FwXlpQ>



premium kiwifruits are highly demanded by consumers in China owing to their superior flavor and texture⁹.

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Notes:

- (1) *This press release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions.*
- (2) *This press release is to be read in conjunction with China Shenshan Orchard's results announcement for FP2021 released on 28 February 2022, which can be downloaded via www.sgx.com.*

About China Shenshan Orchard Holdings Co. Ltd.

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 the 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 February 2022, 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 Jade Green (翠玉) 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 –

⁹ 2021 Industry Report: Kiwi,
https://cdn.tridge.com/market_report_report/a8/7c/b2/a87cb2cf61fd6ce41a4d27655f31b7f279f4c8a3/Tridge_Kiwi_Market_Report_2021.pdf

China Shenshan Orchard Holdings Co. Ltd.
(Formerly known as Dukang Distillers Holdings Limited)
(Incorporated in Bermuda)
(Company Registration No. 41457)



Outstanding Contribution Award, Key Leading Enterprise of Agricultural Industrialisation in Hubei Province in 2019, and Certificate of Good Agricultural Practice in 2020.

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