

**CHINA SHENSHAN ORCHARD HOLDINGS CO. LTD.**  
(Incorporated in Bermuda)  
(Company Registration No. 41457)

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**RESPONSE TO QUESTIONS RECEIVED FROM A SHAREHOLDER IN RESPECT OF THE  
ANNUAL GENERAL MEETING TO BE HELD ON 26 APRIL 2024**

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The board of directors (“**Board**”) of China Shenshan Orchard Holdings Co. Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the annual report of the Company for the financial year ended 31 December (“**FY**”) 2023 and the Notice of Annual General Meeting (“**AGM**”) dated 11 April 2024.

The Board would like to thank the shareholder of the Company (“**Shareholder**”) who submitted questions in advance of the AGM, which have been reproduced in the Appendix “as-is”. Please refer to the Appendix for the Company’s responses to the questions received from the Shareholder in relation to the AGM resolutions.

The Company looks forward to further engagement with Shareholders during the AGM.

By Order of the Board

Zhao Chichun  
Executive Director and Chief Executive Officer  
21 April 2024

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, ZICO Capital Pte. Ltd. (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms. Goh Mei Xian, Director, ZICO Capital Pte. Ltd., at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.*

## APPENDIX – RESPONSES TO QUESTIONS RECEIVED

1. Company’s “Administrative expenses” and “Other operating expenses” appeared to be significantly higher compared to “Gross Profit” for FY2023 as well for FY2022. Can the board provide break-down of these expenses to the shareholders and explain what initiatives it has taken to reduce these costs if any? **Note: Legal expense might have only added max 3.7mill in FY2023.**

### Company’s response:

#### **Breakdown for Administrative Expenses:**

	<b>FY2023</b>	<b>FY2022</b>
<b><u>Items</u></b>	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>
Employee benefits costs	15,981	14,869
Entertainment and travelling expenses	603	775
Amortisation and depreciation	5,615	5,415
Office expenses	636	379
Legal and professional fees	6,932	4,404
Others	2,992	3,258
	<b>32,759</b>	<b>29,100</b>

#### **Breakdown for Other Operating Expenses:**

	<b>FY2023</b>	<b>FY2022</b>
<b><u>Items</u></b>	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>
Depreciation	23,484	23,865
Plantation costs of mature bearer kiwifruit plants	8,957	9,016
Others	996	522
	<b>33,437</b>	<b>33,403</b>

The employee benefit costs as a percentage of revenue has been relatively constant, typically at around 20%. Meanwhile, amortisation and depreciation costs are fixed costs which will occur every year. Legal and professional fees increased by RMB2.5 million, due to the legal fees incurred in relation to a proceeding brought against the Company in Taiwan, and the court application fee for filing of an appeal to the Supreme Court of Taiwan against the Intellectual Property and Commercial Court of Taiwan’s decision in relation to abovementioned legal proceeding.

Depreciation expenses are the largest component within the Group’s Other Operating Expenses and are incurred annually as a fixed cost. The second largest component, which relates to the plantation costs of mature bearer kiwifruit plants, has shown relative stability over the years, with minimal fluctuations due to the absence of orchard expansions or increase in the number of mature bearer kiwifruit plants, which would typically result in higher plantation costs.

We wish to highlight that linking the aforementioned expenses directly to gross profit may not be meaningful, as the majority of the expenses, such as depreciation and administrative costs, are fixed and unrelated to gross profit. Gross profit is more directly tied to revenue and the cost of sales.

2. Following data provided by the company to the SGX portal. Company's Kiwi fruits business was growing very fast from both revenue and net profit prospective from FY2017 to FY2021. It started to go downhill from FY2022. Even in the midst of COVID-19, revenue was growing very fast. What were the factors that contributed to the growth then and what is contributing to the drop in revenue and net profit now?

	FY2023	FY2022	Eighteen months from 1 Jul 2020 to 31 Dec 2021 (FP2021)	Nine Months from 1 Jan 2020 to 30 Sep 2020	FY2019	FY2018	FY2017
Revenue (RMB'million)	73.2	85	111	90	99.5	61.7	49.5
Net Profit (RMB'million)	10.3	24.3	57.4	62.8	53.4	25.3	19.5

**Company's response:**

The demand for kiwifruit has been growing over the past few years in China, largely driven by the rising disposable income of the consumers as well as growing domestic consumer demand for premium-quality fruits such as kiwifruit owing to their superior flavour and texture.

However, China experienced a prolonged heatwave 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 China. Thus, the Group's revenue decreased by 23.5% from RMB111.2 million for FP2021 to RMB85.0 million for FY2022 largely due to lower average selling price and harvest volume of kiwifruit.

Similarly, the Group experienced a 13.8% decrease in revenue, dropping from RMB85.0 million in FY2022 to RMB73.2 million in FY2023. This was mainly attributable to a drop in the average selling price stemming from lower demand for premium kiwifruits amidst the soft economic conditions and weak consumer sentiments in China. Despite ongoing efforts, China's economic recovery remains gradual, hindered by various challenges encountered during the reopening phase. China's economy is currently grappling with deflation, an ongoing property crisis, mounting debt burden and foreign capital exodus. Domestically, Chinese consumers have exhibited caution in resuming spending patterns after almost two years of enduring lockdowns and border closures. Consequently, the average selling price and the volume of kiwifruits sold decreased in FY2023.

3. Can the board provide FY2023 “Underlying Net profit (loss)” attributable to owners of the Company excluding net effect of net gain or loss from changes in fair value of biological assets and depreciation of bearer plants, exceptional item and other non-operating items (foreign exchange gain or loss, net tax impact from tax-based asset revaluations, and other deferred tax income or expense)? If the Company is in “Underlying Net Loss” position now, what is the board plan or roadmap to take the company to “Underlying Net Profit” state?

Company’s response:

		<b>FY2023</b>
	<u>Items</u>	<u>RMB'000</u>
	Adjusted Gross Profit*	69,993
Add:	Depreciation and amortisation	29,941
	Property, plant and equipment written off	1,048
	Exchange loss	102
Less:	Amortisation of deferred government grants	(478)
	Gain arising from changes in fair value less costs to sell of biological assets	(59,881)
	Deferred tax credit	(5,860)
		<b>34,865</b>

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

The above table is the illustration of the Group’s underlying net profit after the adjustment of the components mentioned in the question. By removing the abovementioned components, the Group’s net profit would be RMB34.9 million which is much higher than the net profit of RMB10.3 million reported in the full year results for FY2023. However, this is not an accurate representation of the Group’s actual position.

The harvested kiwifruits are recognised as the biological assets which are accounted for under inventories. Harvested kiwifruits are measured at their fair value less costs to sell at the point of their harvest. Gain arising from changes in fair value less costs to sell of biological assets refers to the non-cash gain or loss arising from the difference between such 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. While such non-cash gain or loss items are recorded as part of cost of sales when the harvested kiwifruits are eventually sold, the Group could not exclude the net effect of the gain arising from changes in fair value less costs to sell of biological assets as the cost of sales had taken the kiwifruit’s fair value into consideration. For more information on the biological assets, please refer to Note 16 to the financial statements for FY2023 in the Company’s Annual Report for FY2023.