

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

RESPONSES TO QUERIES REGARDING THE ANNOUNCEMENT OF THE FINANCIAL STATEMENTS FOR THE FULL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (“**Board**”) of China Shenshan Orchard Holdings Co. Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) regarding the Company’s announcement dated 28 February 2023 of its unaudited condensed interim consolidated financial statements for the six months and full year ended 31 December (“**FY**”) 2022.

The SGX-ST’s queries and the Company’s responses are set out below:

Query 1

“Please explain why interest income amounted to only RMB271,000 during the financial period ended 31 December 2022 when the Group has significant cash and bank balance amounting to RMB125,992,000.”

Company’s response to Query 1

As at 31 December 2022, the Group’s cash and bank balances were mainly denominated in RMB, majority of which were deposited with banks in the People’s Republic of China (“**PRC**”) and the balance were cash on hand. 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 FY2022 was 0.25% per annum. Please refer to Note 22 of the audited financial statements of the Group for FY2022 (pages 108 to 109 of the Company’s annual report for FY2022) for more information.

Query 2

“Please disclose a breakdown of the Group’s accrued liabilities and other payables amounting to RMB12,724,000 as at 31 December 2022. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.”

Company’s response to Query 2

The breakdown of the Group’s accrued liabilities and other payables as at 31 December 2022 are as follows:

Items	Note	RMB’000
Accrued liabilities and provision for daily operations		4,272
Payables to contractors		928
Value-added tax and other tax payables		195
Other payables	1	7,329
		<hr/> <u>12,724</u>

Note 1: As at 31 December 2022, the Group’s other payables comprised mainly an amount of RMB6,631,000 (representing approximately 90.5% of the Group’s other payables of RMB7,329,000) due to a director of the Company for certain expenses mainly in relation to offshore professional fees paid on behalf of the Group by the director since 2021. This amount is unsecured, interest-free and repayable on demand. The balance of the Group’s other payables amounting to RMB698,000 (representing approximately 9.5% of the Group’s other payables of RMB7,329,000) comprised mainly expenditure due to labour union, which is not a related party to the Group, with aging within 30 days.

Query 3

“Please provide the reason(s) for the borrowings of RMB13,600,000 by the Group when the Group recorded a cash and cash equivalents of RMB125,992,000 as at 31 December 2022.

Please disclose:

- (i) details of the loan, including the terms of the loan, interest on loans and maturity dates;**
- (ii) a breakdown of the lenders and their identities;**
- (iii) when were the loans obtained and approved by the Board including the Audit Committee; and**
- (iv) the use of proceeds from the loan.”**

Company’s response to Query 3

- (i) Please disclose details of the loan, including the terms of the loan, interest on loans and maturity dates.**

The balance of the bank loans of RMB13,600,000 as at 31 December 2022 consists of two separate bank loans with respective balances of RMB8,500,000 and RMB5,100,000 (collectively, the “Loans”). The Loans were borrowed from Hubei Chibi Rural Commercial Bank Co., Limited during FY2018 and FY2019 by Chibi Shenshan Xingnong Agriculture Technology Co., Ltd (“Chibi Shenshan”), amounting to RMB22,000,000 and RMB13,000,000 respectively. Chibi Shenshan became an indirect wholly-owned subsidiary of the Company on 3 July 2021 after the completion of the acquisition of the kiwifruit business by the Company.

The Loans bear interest at a fixed rate of 8.28% per annum, and are due in March 2023. The Loans are secured by charges over the leasehold buildings, prepaid land lease payments, and forest use right certificates of the woodlands of the Group. As at the date of this announcement, the Group has fully repaid the Loans.

- (ii) Please disclose a breakdown of the lenders and their identities.**

As mentioned in point (i) above, the lender of the Loans is a local bank from Hubei, the PRC, namely Hubei Chibi Rural Commercial Bank Co., Limited.

- (iii) Please disclose when were the loans obtained and approved by the Board including the Audit Committee.**

As mentioned in point (i) above, the Loans were obtained during FY2018 and FY2019 by Chibi Shenshan, which became an indirect wholly-owned subsidiary of the Company on 3 July 2021 after the completion of the acquisition of the kiwifruit business by the Company. As the Loans were obtained prior to Chibi Shenshan becoming an indirect wholly-owned subsidiary of the Company, approval by the Board, including the Audit Committee, is not necessary.

- (iv) Please disclose the use of proceeds from the loan and provide the reason(s) for the borrowings of RMB13,600,000 by the Group when the Group recorded a cash and cash equivalents of RMB125,992,000 as at 31 December 2022.**

The Loans obtained in FY2018 and FY2019 were to finance the purchase of property, plant and equipment for the orchards of Chibi Shenshan, as well as for working capital requirements. For reference, Chibi Shenshan recorded cash and cash equivalents of RMB7,153,000 and RMB53,860,000 as at 31 December 2018 and 31 December 2019 respectively.

Query 4

“Please provide an explanation for the decreased volume of harvested kiwifruit and decrease in market prices of kiwifruit in the PRC.”

Company’s response to Query 4

The lower volume of harvested kiwifruits was caused by severe drought conditions in many parts of the PRC from May to August of 2022 that adversely affected the ripening stage of the kiwifruit and impacted the Group’s annual harvest volume.

The decrease in the selling price of kiwifruits in the PRC was mainly due to two factors. Firstly, the selling price of kiwifruits is influenced by several factors, including the ongoing development of the COVID-19 pandemic and concerns over the continuity of related restrictions in the PRC. The Chinese economy experienced a slowdown due to COVID-19 pandemic-related restrictive measures implemented in several major cities in the PRC. Additionally, the COVID-19 pandemic created uncertainty for consumers, resulting in decreased demand for kiwifruits. Consequently, the market was unable to command a higher price and the Group took a proactive approach by offering discounts to customers to clear its inventories of kiwifruits.

Secondly, the Group used to bear the cost of transportation of the kiwifruits from the Group’s orchards to its customers which allowed the Group to command higher selling prices of the kiwifruits from its customers. However, starting from 2022, customers are required to arrange for their own transportation of the kiwifruits from the Group’s orchards as the Group dedicates its resources to focus on improving its business operations, instead of dedicating its resources to transportation logistics.

By Order of the Board

Hu Chao
Executive Director and Chief Executive Officer
5 May 2023