

# EGGRICULTURE FOODS LTD. 永續農業發展有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8609



Third  
Quarterly  
Report  
2018



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# Unaudited Third Quarterly Results

The Board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 December 2018 together with the relevant comparative figures. The information should be read in conjunction with the prospectus of the Company dated 23 August 2018 (the “Prospectus”). Capitalised terms used in this report shall have the same respective meaning as those defined in the Prospectus unless otherwise stated.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

	Note	Three months ended 31 December					
		2018			2017		
		Results before biological assets and agricultural produce fair value adjustments	Biological assets and agricultural produce fair value adjustments	Total	Results before biological assets and agricultural produce fair value adjustments	Biological assets and agricultural produce fair value adjustments	Total
		S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)
Revenue	3	8,898	-	8,898	6,313	-	6,313
Cost of sales	7	(7,577)	(585)	(8,162)	(5,000)	(528)	(5,528)
Gross profit		1,321	(585)	736	1,313	(528)	785
Other income	4	117	-	117	1,401	-	1,401
Other gains – net	5	11	-	11	86	-	86
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	573	573	-	541	541
Gain(loss) arising from changes in fair value of biological assets less estimated point-of-sale costs		-	616	616	-	(170)	(170)
Selling and distribution expenses	7	(657)	-	(657)	(583)	-	(583)



Condensed Consolidated Statement of Comprehensive Income  
For the three months and nine months ended 31 December 2018

		Three months ended 31 December						
		2018			2017			
		Results before biological assets and agricultural produce fair value adjustments	Biological assets and agricultural produce fair value adjustments	Total	Results before biological assets and agricultural produce fair value adjustments	Biological assets and agricultural produce fair value adjustments	Total	
Note		S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	
	Administrative expenses							
	– Listing expenses	7	-	-	(461)	-	(461)	
	– Others	7	(568)	(568)	(449)	-	(449)	
	Finance costs	6	(96)	(96)	(50)	-	(50)	
	Profit before tax		<b>128</b>	<b>604</b>	<b>732</b>	1,257	(157)	1,100
	Income tax expense	8	(22)	(22)	(234)	-	(234)	
	Profit after tax and total comprehensive income for the period attributable to equity holders of the company		<b>106</b>	<b>604</b>	<b>710</b>	1,023	(157)	866
	Earnings per share							
	Basic and diluted (S\$ – in cents)	9		<b>0.14</b>			<b>0.23</b>	



Condensed Consolidated Statement of Comprehensive Income  
For the three months and nine months ended 31 December 2018

		Nine months ended 31 December						
		2018			2017			
		Results before biological assets and agricultural produce fair value adjustments	Biological assets and agricultural produce fair value adjustments	Total	Results before biological assets and agricultural produce fair value adjustments	Biological assets and agricultural produce fair value adjustments	Total	
Note		S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	S\$'000 (unaudited)	
	Revenue	3	23,964	-	23,964	18,495	-	18,495
	Cost of sales	7	(19,673)	(1,703)	(21,376)	(14,191)	(1,998)	(16,189)
	Gross profit		4,291	(1,703)	2,588	4,304	(1,998)	2,306
	Other income	4	328	-	328	1,473	-	1,473
	Other (losses)/gains – net	5	(133)	-	(133)	153	-	153
	Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	1,708	1,708	-	2,019	2,019
	Gain(loss) arising from changes in fair value of biological assets less estimated point-of-sale costs		-	1,452	1,452	-	(550)	(550)
	Selling and distribution expenses	7	(1,928)	-	(1,928)	(1,673)	-	(1,673)
	Administrative expenses							
	– Listing expenses	7	(1,605)	-	(1,605)	(853)	-	(853)
	– Others	7	(1,482)	-	(1,482)	(1,003)	-	(1,003)
	Finance costs	6	(283)	-	(283)	(149)	-	(149)
	Profit before tax		(812)	1,457	645	2,252	(529)	1,723
	Income tax expense	8	(170)	-	(170)	(531)	-	(531)
	Profit after tax and total comprehensive income for the period attributable to equity holders of the company		(982)	1,457	475	1,721	(529)	1,192
	Earnings per share							
	Basic and diluted (S\$ – in cents)	9			0.11			0.32



# Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2018

	Share capital	Share premium	Other reserve (Note)	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1 April 2017 (audited)</b>	10,000	-	-	1,184	11,184
Profit and total comprehensive income for the period	-	-	-	1,192	1,192
<b>At 31 December 2017 (unaudited)</b>	10,000	-	-	2,376	12,376
<b>At 1 April 2018 (audited)</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>1,657</b>	<b>11,657</b>
Profit and total comprehensive expense for the period	-	-	-	475	475
Dividends declared prior to reorganisation	-	-	-	(800)	(800)
Group reorganisation	(10,000)	-	9,767	-	(233)
Issue of shares under share offer	222	10,904	-	-	11,126
Expenses incurred in connection with the issue of shares	-	(1,692)	-	-	(1,692)
Capitalisation of issue shares	668	(668)	-	-	-
<b>At 31 December 2018 (unaudited)</b>	<b>890</b>	<b>8,544</b>	<b>9,767</b>	<b>1,332</b>	<b>20,533</b>

Note:

Other reserve represents the difference between consideration paid and share capital of entities under common control acquired.

# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2018

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 February 2018 as an exempted company with limited liability. The registered address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman 1-1111, Cayman Islands and principal place of business in Hong Kong is Unit 1306, 13/F, Mirror Tower, 61 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The immediate and ultimate holding company of the Company is Radiant Grand International Limited (“Radiant Grand”), a company which was incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the production and sale of fresh eggs and processed egg products in Singapore (the “Listing Business”).

The shares of the Company were listed on GEM of the Stock Exchange (the “Listing”) on 7 September 2018 (the “Listing Date”).

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus.

## 2. BASIS OF PRESENTATION AND PREPARATION

Prior to the Reorganisation (the “Reorganisation”) as mentioned above, the Listing Business was carried out by N & N Agriculture Pte. Ltd. (“N&N”), The Pasteurized Egg Company Pte. Ltd. (“TPEC”) and Egg Story Limited now comprising the Group (collectively the “Existing Subsidiaries”) which were all under the control of Mr. Ma Chin Chew (“Mr. Ma”), the controlling shareholder of the Company. Chuan Seng Huat Eggs Pte. Ltd. and Golden Hoyo Pte Ltd (collectively the “Acquired Subsidiaries”) were acquired by N&N from third parties in May 2017.

Immediately prior to and after the Reorganisation, the Listing Business is conducted by the Existing Subsidiaries and the Acquired Subsidiaries which became subsidiaries of the Company pursuant to the Reorganisation. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the financial information of the Existing Subsidiaries now comprising the Group is presented using their carrying values for the comparative period presented. For the Acquired Subsidiaries acquired from third parties, they are included in the comparative financial information of the Group from the date of acquisition.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies now comprising the Group are eliminated.

The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which comprise all standards and interpretations) issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of the GEM Listing Rules.



## 2. BASIS OF PRESENTATION AND PREPARATION *(Continued)*

The unaudited condensed consolidated financial statements are presented in Singapore dollar (“S\$”) and all values are rounded to the nearest thousand (“S\$’000”) except when otherwise indicated. The comparative financial information has been prepared under the historical cost convention, as modified by the revaluation of biological assets and agricultural produce. The investments in insurance contracts are subsequently stated at the cash surrender value. The condensed consolidated financial statements for the nine months ended 31 December 2018 have not been audited by the Company’s independent auditor, but have been reviewed by the audit committee of the Board (the “Audit Committee”).

The preparation of unaudited condensed consolidated results in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The basis of preparation and accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the accountant’s report included in Appendix I of the Prospectus, except for those that relate to new standards or interpretations effective for the first time for the annual period beginning on or after 1 April 2018.

The IASB has issued a number of new or amended IFRSs that become effective for the first time for the current accounting period. Of these, the followings are relevant to the Group’s unaudited condensed consolidated financial statements:

### (a) IFRS 9, Financial Instruments

This is to replace IFRS 39 that relates to recognition, classifications and measurements of financial assets and financial liabilities, recognition of financial instruments and impairment of financial assets. The main impact of adopting the above on the Group’s accounting policies is as follows:

From 1 April 2018, the Group classifies its financial assets into those to be measured subsequently at fair value (either through other comprehensive income or profit or loss) and those to be measured at amortised costs.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. At initial recognition, financial assets are measured at fair value plus transactions costs for those financial assets not at fair value through profit or loss. Transactions costs relating to financial assets at fair value through profit and loss are expensed to profit or loss. For trade receivables, the Group assesses on a forward-looking basis using the expected lifetime credit losses for impairment. The accounting policy is adopted retrospectively with no financial impact from its adoption.

### (b) IFRS 15, Revenue from contracts with customers

This is to replace IFRS 18, Revenue and IFRS 11, Constructions Contracts. The main impact of adopting the above on the Group’s accounting policies is as follows:

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products. No element of financing is deemed present as the sales are made with a credit term ranged up to 65 days. The accounting policy is adopted retrospectively with no financial impact from its adoption.

The Group has not adopted any new and revised IFRSs, which have been issued but are not yet effective.



### 3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the chief executive of the Company ("CODM"). The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports.

The CODM considers that the Group has two operating and reporting segments which are fresh eggs and processed eggs. CODM assesses the performance of these single segments based on revenue, segment results and income/expenses arriving the segment results. Segment result represents the profit earned by each segment without allocation of finance costs, unallocated other income and unallocated corporate expenses are mainly including general administration expense.

Information relating to segment assets and segment liabilities is not disclosed as such information is not regularly reported to the CODM.

Segment information about these reportable and operating segments is presented below:

#### Three months ended 31 December 2018 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	5,455	3,443	8,898
Other income	86	-	86
Loss arising from initial recognition of agricultural produce at fair values less estimated point-of-sales costs at point of harvest – unrealised	(13)	-	(13)
Gain arising from changes in fair value of biological asset less estimated point-of-sale costs	151	465	616
Purchases of inventories	(4,094)	(1,585)	(5,679)
Changes in inventories	31	61	92
Amortisation of land lease payment	(9)	(28)	(37)
Depreciation of property, plant and equipment	(265)	(232)	(497)
Employee benefits	(214)	(704)	(918)
Utilities	(38)	(128)	(166)
Repairs and maintenance of motor vehicles and transportation	(86)	(66)	(152)
Royalty expense	-	(52)	(52)
Chicken shed – medication and vaccination	(15)	(58)	(73)
Other expenses	(153)	(198)	(351)
Segment results	836	918	1,754
Unallocated finance cost			(96)
Unallocated other income			42
Listing expenses			-
Unallocated corporate expenses			(968)
Profit before tax			732

### 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Three months ended 31 December 2017

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	3,425	2,888	6,313
Other income	2	-	2
Waiver of royalty expense	-	1,057	1,057
Gain arising from initial recognition of agricultural produce at fair values less estimated point-of-sales costs at point of harvest – unrealised	13	-	13
Loss arising from changes in fair value of biological asset less estimated point-of-sale costs	(69)	(101)	(170)
Purchases of inventories	(1,974)	(1,488)	(3,462)
Changes in inventories	194	166	360
Depreciation of property, plant and equipment	(368)	(362)	(730)
Employee benefits	(302)	(398)	(700)
Rental on operating leases	(24)	(37)	(61)
Utilities	(53)	(76)	(129)
Repairs and maintenance of motor vehicles and transportation	(61)	(43)	(104)
Royalty expense	-	(16)	(16)
Chicken shed – medication and vaccination	(29)	(39)	(68)
Other expenses	(10)	(407)	(417)
Segment results	744	1,144	1,888
Unallocated finance cost			(50)
Unallocated other income			429
Listing expenses			(461)
Unallocated corporate expenses			(706)
Profit before tax			1,100

### 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Nine months ended 31 December 2018 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	14,546	9,418	23,964
Other income	173	-	173
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest – unrealised	30	-	30
Gain arising from changes in fair value of biological asset less estimated point-of-sale costs	468	984	1,452
Purchases of inventories	(10,070)	(4,140)	(14,210)
Changes in inventories	29	59	88
Amortisation of land lease payment	(32)	(65)	(97)
Depreciation of property, plant and equipment	(834)	(653)	(1,487)
Employee benefits	(762)	(1,602)	(2,364)
Rental on operating leases	(9)	(15)	(24)
Utilities	(140)	(295)	(435)
Repairs and maintenance of motor vehicles and transportation	(252)	(177)	(429)
Royalty expense	-	(140)	(140)
Chicken shed – medication and vaccination	(70)	(148)	(218)
Other expenses	(579)	(559)	(1,138)
Segment results	2,498	2,667	5,165
Unallocated finance cost			(283)
Unallocated other income			178
Listing expenses			(1,605)
Unallocated corporate expenses			(2,810)
Profit before tax			645

### 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Nine months ended 31 December 2017

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	10,452	8,043	18,495
Other income	5	–	5
Waiver of royalty expense	–	1,057	1,057
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest – unrealised	40	–	40
Loss arising from changes in fair value of biological asset less estimated point-of-sale costs	(284)	(266)	(550)
Purchases of inventories	(5,612)	(3,457)	(9,069)
Changes in inventories	105	98	203
Depreciation of property, plant and equipment	(1,226)	(894)	(2,120)
Employee benefits	(947)	(889)	(1,836)
Rental on operating leases	(103)	(97)	(200)
Utilities	(205)	(192)	(397)
Repairs and maintenance of motor vehicles and transportation	(180)	(110)	(290)
Royalty expense	–	(70)	(70)
Chicken shed – medication and vaccination	(100)	(93)	(193)
Other expenses	(321)	(593)	(914)
Segment results	1,624	2,537	4,161
Unallocated finance cost			(149)
Unallocated other income			565
Unallocated corporate expenses			(2,854)
Profit before tax			1,723

#### Geographical information

The Group's operations are principally in Singapore and hence no further disclosure is made on the geographical information.

#### 4. OTHER INCOME

	Three months ended 31 December 2018		Nine months ended 31 December 2018	
	S\$'000 (unaudited)	2017 S\$'000 (unaudited)	S\$'000 (unaudited)	2017 S\$'000 (unaudited)
Government grants	-	3	31	27
Income from sale of animal feeds	86	2	173	5
Interest income	1	1	6	1
Waiver of royalty expense	-	1,057	-	1,057
Others	30	338	118	383
	<b>117</b>	1,401	<b>328</b>	1,473

#### 5. OTHER (LOSSES)/GAINS – NET

	Three months ended 31 December 2018		Nine months ended 31 December 2018	
	S\$'000 (unaudited)	2017 S\$'000 (unaudited)	S\$'000 (unaudited)	2017 S\$'000 (unaudited)
Gain on investments in insurance contracts	12	39	24	39
(Loss)/gain on disposal of property, plant and equipment	3	-	(8)	48
Net currency exchange (losses)/gains	(4)	47	(149)	66
	<b>11</b>	86	<b>(133)</b>	153

## 6. FINANCE COSTS

	Three months ended 31 December 2018		Nine months ended 31 December 2018	
	S\$'000 (unaudited)	2017 S\$'000 (unaudited)	S\$'000 (unaudited)	2017 S\$'000 (unaudited)
Interest expense				
– Bank borrowings	74	14	204	48
– Finance lease liabilities	18	25	66	71
– Others	4	11	13	30
	<b>96</b>	50	<b>283</b>	149

## 7. EXPENSES BY NATURE

	Three months ended 31 December 2018	
	S\$'000 (unaudited)	2017 S\$'000 (unaudited)
Purchases of inventories	5,679	3,462
Changes in inventories	(92)	(360)
Depreciation of property, plant and equipment	582	786
Provision for doubtful debt	–	73
Amortisation of intangible assets	3	3
Amortisation of land lease payment	37	–
Employee benefits	1,549	1,161
Rental on operating leases	–	70
Utilities	192	148
Repairs and maintenance of motor vehicles and transportation	153	114
Chicken shed – medication and vaccination	73	68
Royalty expense	52	16
Fair value adjustments arising from initial recognition of agricultural produce at fair value less estimated point-of-sales cost at point of harvest – charged to cost of sales	585	528
Listing expenses	–	461
Other expenses	574	491
	<b>9,387</b>	7,021

## 7. EXPENSES BY NATURE *(Continued)*

	Nine months ended 31 December	
	2018 S\$'000 (unaudited)	2017 S\$'000 (unaudited)
Purchases of inventories	14,210	9,069
Changes in inventories	(88)	(203)
Depreciation of property, plant and equipment	1,730	2,292
Provision for doubtful debt	–	73
Amortisation of intangible assets	9	8
Amortisation of land lease payment	97	–
Employee benefits	4,177	3,299
Rental on operating leases	44	219
Utilities	512	416
Repairs and maintenance of motor vehicles and transportation	432	300
Chicken shed – medication and vaccination	218	193
Royalty expense	140	70
Fair value adjustments arising from initial recognition of agricultural produce at fair value less estimated point-of-sales cost at point of harvest – charged to cost of sales	1,703	1,998
Listing expenses	1,605	853
Other expenses	1,602	1,131
	<b>26,391</b>	19,718

## 8. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liabilities under the Company Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

## 8. INCOME TAX EXPENSE *(Continued)*

Tax arising from Singapore has been provided at the rate of 17% on the estimated assessable profits during the reporting periods. No provision for Hong Kong Profits Tax is provided in the condensed consolidated financial statements as the Group did not have assessable profit in Hong Kong during the reporting periods.

	Three months ended 31 December 2018		Nine months ended 31 December 2018	
	S\$'000 (unaudited)	2017 S\$'000 (unaudited)	S\$'000 (unaudited)	2017 S\$'000 (unaudited)
Singapore current tax	18	(25)	199	10
Deferred income tax (credit)/expense	4	217	(29)	479
Under provision in respect of prior years	-	42	-	42
Tax expense for the period	22	234	170	531

## 9. EARNINGS PER SHARE

	Three months ended 31 December 2018		Nine months ended 31 December 2018	
	(unaudited)	2017 (unaudited)	(unaudited)	2017 (unaudited)
Profit attributable to equity holders of the Company (S\$'000)	710	866	475	1,192
Weighted average number of ordinary shares in issue (thousands)	500,000	375,000	427,727	375,000
Basic and diluted earnings per share (S\$ – in cents)	0.14	0.23	0.11	0.32

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share for the period has been determined based on the assumption that the Reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, had been effective on 1 April 2017.

The diluted earnings per share is the same as the basic earnings per share as the Group had no potentially dilutive ordinary shares in issue during the periods ended 31 December 2018 and 2017.



## **10. DIVIDENDS**

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: Nil).

## **11. SUBSEQUENT EVENTS**

Subsequent to the period end, the Group incorporated a wholly-owned subsidiary Qualico Eggs Pte. Ltd. in Singapore.

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

The Group's principal activities continue to be the production and sale of chicken egg products, including fresh chicken eggs and processed egg products in Singapore. The Group operates its own egg laying farm in Singapore and sources fresh chicken eggs from third party suppliers. There have been no changes to its business model.

The Group's plan to expand its egg laying capacity utilising its net proceeds from the initial public offer is in progress. As the Group finalises its plans before commencement of construction, based on latest information available, it is anticipated that the overall capital outlay and timelines for the completion would be reduced. These reductions arose from lower prices offered for the facilities and equipment to be installed and changes in the farm layout. Barring unforeseen circumstances, the construction is expected to be substantially completed by late 2021. Production of fresh chicken eggs to augment the Group's supplies from these expanded egg laying facilities is, however, expected to commence in early 2020, as originally advised.

In December 2018, a Singapore subsidiary of the Group has been offered a land parcel located at Lim Chu Kang (the "Land") by the Singapore Government for a tenure of 20 years for the construction and operation a quail farm. The Group plans to construct growing, breeding and processing facilities for quail eggs on the Land. The capital investment is estimated to be approximately S\$4.5 million. This investment will be funded by a combination of internal resources and bank borrowings.

The Group's expansion into quail eggs farming is merely an extension of its existing business. Currently, the Group trades in fresh and processed quail eggs through its existing sales channels. In owning a quail egg farm, the Group will be able to reduce the Group's reliance on third-party suppliers and control product quality and supply more effectively. It will enable the Group to capture the profits of the entire value chain and expands its footprint in the quail egg market. With capabilities to process quail eggs, the Group intends to expand its local and export markets for quail eggs.

The construction phase is estimated to take two years and the first sales contribution from the expanded quail eggs business is expected to be in 2021.

## FINANCIAL REVIEW

### Revenue

The Group's total revenue increased by approximately S\$5.5 million, or approximately 30% from approximately S\$18.5 million for the nine months ended 31 December 2017 to approximately S\$24.0 million for the nine months ended 31 December 2018.

#### (i) Fresh eggs

For the nine months ended 31 December 2018 and 2017, approximately 61% and approximately 57% of the revenue was derived from the sales of fresh eggs. Revenue increased by approximately S\$4.0 million from approximately S\$10.5 million for the nine months ended 31 December 2017 to approximately S\$14.5 million for the nine months ended 31 December 2018, primarily driven by the increase in the sales of the Group's sourced eggs.

#### (ii) Processed eggs

For the nine months ended 31 December 2018 and 2017, approximately 39% and approximately 43% of the revenue was derived from the sales of processed eggs. Revenue increased by approximately S\$1.4 million from approximately S\$8.0 million for the nine months ended 31 December 2017 to approximately S\$9.4 million for the nine months ended 31 December 2018. Such increase was primarily due to the increase in sales of the pasteurised liquid eggs and pasteurised hard boiled and peeled eggs.

### Cost of Sales

The Group's total cost of sales increased by approximately S\$5.2 million, or approximately 32% from approximately S\$16.2 million for the nine months ended 31 December 2017 to approximately S\$21.4 million for the nine months ended 31 December 2018 primarily due to the increase in sourced eggs as a result of commencement of the Guan Sing Egg's operation.

### Gross Profit and Gross Profit Margin

The gross profit before agriculture produce fair value adjustments approximately S\$4.3 million for the nine months ended 31 December 2018 and 2017. The gross profit after agricultural produce fair value adjustments increased by approximately S\$0.3 million or approximately 13%, from approximately S\$2.3 million for the nine months ended 31 December 2017 to approximately S\$2.6 million for the nine months ended 31 December 2018. Separately, gross profit margin before agricultural produce fair value adjustments decreased to approximately 18% for the nine months ended 31 December 2018 from approximately 23% for the nine months ended 31 December 2017. The gross profit margin after agricultural produce fair value adjustments decreased to approximately 11% for the nine months from approximately 12% for the nine months ended 31 December 2017.

## **FINANCIAL REVIEW** *(Continued)*

### **Other (losses)/gains – net**

The other (losses)/gains changed by approximately S\$286,000, from net gains of approximately S\$153,000 for the nine months ended 31 December 2017 to net losses of approximately S\$133,000 for the nine months ended 31 December 2018 primarily due to net currency exchange losses incurred during the nine months ended 31 December 2018.

### **Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest**

The gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales cost at point of harvest decreased by approximately S\$0.3 million, or approximately 18% from approximately S\$2.0 million for the nine months ended 31 December 2017 to approximately S\$1.7 million for the nine months ended 31 December 2018 primarily due to the decrease in total number of fresh eggs produced during the nine months ended 31 December 2018.

### **Gain/(loss) arising from changes in fair value of biological assets less estimated point-of-sale costs**

The gain/(loss) arising from changes in fair value of biological assets less estimated point-of-sale costs changed by approximately S\$2.1 million from loss of approximately S\$0.6 million for the nine months ended 31 December 2017 to gain of approximately S\$1.5 million for the nine months ended 31 December 2018 primarily due to a higher number of growers as at 31 December 2018 as compared to that as at 31 December 2017.

### **Selling and distribution expenses**

Selling and distribution expenses increased by approximately S\$0.2 million or approximately 12% from approximately S\$1.7 million for the nine months ended 31 December 2017 to approximately S\$1.9 million for the nine months ended 31 December 2018 primarily due to the increase in employee benefits and repair and maintenance of motor vehicles during the nine months ended 31 December 2018.

### **Other administrative expenses**

Other administrative expenses increased from approximately S\$1.0 million for the nine months ended 31 December 2017 to approximately S\$1.5 million for nine months ended 31 December 2018. The increase was primarily due to the general increase in salaries and related cost and utilities during the nine months ended 31 December 2018.

# Corporate Governance and Other Information

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders and to enhance corporate value. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 15 to the GEM Listing Rules. Save for the deviation from code provision A.2.1 of the CG Code as mentioned below, the Board is satisfied that the Company had complied with the code provisions in the CG Code from the Listing Date to the date of this report.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ma currently holds both positions. As Mr. Ma has been leading the Group as the Group's chief executive officer and actively involving in the core business of the Group since 2006, the Board believes that it is in the best interest of the Group to continue to have Mr. Ma acting as the chairman of the Board and chief executive officer of the Company for effective management and business planning of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired as all major decisions are made in consultation with the Board members and the senior management of the Company. Therefore, the Board considers that the deviation from code provision A.2 of the CG code is appropriate in such circumstances.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed elsewhere in the Prospectus, based on the information available to the Company and within the knowledge and belief of the Directors, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete either directly or indirectly, with the business of the Group or has any other conflict of interest with the Group during the nine months ended 31 December 2018.

## INTERESTS OF COMPLIANCE ADVISER

As at 31 December 2018, as notified by the Company's compliance adviser, Central China International Capital Limited ("CCIC"), except for the compliance advisor agreement dated 15 February 2018 entered into between the Company and CCIC, neither CCIC nor any of its directors, employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## DEED OF NON-COMPETITION

As disclosed in the section headed ("Relationship with Controlling Shareholders — Non-Competition undertakings") in the Prospectus, the controlling shareholders of the Company have entered into a deed of non-competition dated 15 August 2018, which contains certain non-compete undertakings (the "Non-Compete Undertakings") in favour of the Company (for itself and as trustee for each member of the Group).



### **DEED OF NON-COMPETITION** *(Continued)*

Pursuant to these Non-Compete Undertakings, the controlling shareholders of the Company have unconditionally and irrevocably undertaken to the Company (for itself/himself and for the benefits of members of our Group) that it/he would not, and would procure that its/his close associates (other than any members of our Group) would not, directly or indirectly, either on its/his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of our Group from time to time.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the nine months ended 31 December 2018.

### **SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the "Scheme") on 15 August 2018, the principal terms of which are set out in the Appendix V to the Prospectus. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options have been granted or agreed to be granted under the Scheme.

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATION**

As at 31 December 2018, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests of short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.45 to 5.67 of the GEM Listing Rules, were as follows:

#### **Long positions in shares of the Company**

<b>Name of the Directors</b>	<b>Capacity/Nature of Interest</b>	<b>Number of Shares Held <sup>(1)</sup></b>	<b>Approximate Percentage</b>
Mr. Ma Chin Chew <sup>(2)</sup>	Interest of controlled corporation	294,800,000 (L)	58.96%
Ms. Lim Siok Eng <sup>(2)</sup>	Interest of spouse	294,800,000 (L)	58.96%



## **DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATION** *(Continued)*

### **Long positions in shares of the Company** *(Continued)*

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the shares of the Company.
- (2) Radiant Grand International Limited is held as to 100% by Mr. Ma. Therefore, Mr. Ma is deemed to be interested in the shares of the Company which Radiant Grand International Limited is interested in by virtue of the SFO. Ms. Lim Siok Eng is the spouse of Mr. Ma. Under the SFO, Ms. Lim Siok Eng is deemed to be interested in the shares of the Company held by Mr. Ma through Radiant Grand International Limited.

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31 December 2018, so far as is known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### **Long positions in shares of the Company**

<b>Name</b>	<b>Capacity/Nature of Interest</b>	<b>Number of Shares Held <sup>(1)</sup></b>	<b>Approximate Percentage</b>
Radiant Grand International Limited <sup>(2)</sup>	Beneficial owner	294,800,000 (L)	58.96%
Elite Ocean Ventures Limited <sup>(3)</sup>	Beneficial owner	80,200,000 (L)	16.04%
Mr. Lim Joo Boon <sup>(3)</sup>	Interest of controlled corporation	80,200,000 (L)	16.04%
Ms. Tan Bee Hong <sup>(4)</sup>	Interest of spouse	80,200,000 (L)	16.04%

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY** *(Continued)*

### **Long positions in shares of the Company** *(Continued)*

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the shares of the Company.
- (2) Radiant Grand International Limited is held as to 100% by Mr. Ma. Therefore, Mr. Ma is deemed to be interested in the shares of the Company which Radiant Grand International Limited is interested in by virtue of the SFO.
- (3) Elite Ocean Ventures Limited is held as to 100% by Mr. Lim Joo Boon. Therefore, Mr. Lim is deemed to be interested in the shares of the Company which Elite Ocean Ventures Limited is interested in by virtue of the SFO.
- (4) Ms. Tan Bee Hong is the spouse of Mr. Lim Joo Boon. Under the SFO, Ms. Tan Bee Hong is deemed to be interested in the shares of the Company held by Mr. Lim Joo Boon through Elite Ocean Ventures Limited.

Save as disclosed above, as at the date of this report, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which were acquired to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or were recorded in the register to be kept by the Company under section 336 of the SFO.

## **AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Teo Beng Fwee, Mr. Yuen Ka Lok Ernest and Mr. Sneddon Donald William. Mr. Teo Beng Fwee is the chairman of the Audit Committee. The primary duties of the Audit Committee are to assist the Board in providing an oversight of the financial reporting and disclosure processes, internal control and risk management systems of the Company, and to oversee the audit process.

The Audit Committee has discussed and reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018, and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board  
**Eggriculture Foods Ltd.**  
**Mr. Ma Chin Chew**

*Chairman and Chief Executive Officer*

Singapore, 1 February 2019

*As at the date of this report, the executive Directors are Mr. Ma Chin Chew, Ms. Lim Siok Eng and Mr. Tang Hong Lai; the non-executive Director is Mr. Teo Beng Fwee, Mr. Yuen Ka Lok Ernest and Mr. Sneddon Donald William.*

