

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
2019



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This report, for which the directors (the “Directors”) of Eggriculture Foods Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 2019 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 2019

	Note	Three months ended 31 December					
		2019			2018		
		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	12,251	-	12,251	8,898	-	8,898
Cost of sales	7	(8,787)	(1,488)	(10,275)	(7,577)	(585)	(8,162)
Gross profit		3,464	(1,488)	1,976	1,321	(585)	736
Other income	4	317	-	317	117	-	117
Other (losses)/gains – net	5	(210)	-	(210)	11	-	11
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	1,505	1,505	-	573	573
(Loss)/gain arising from changes in fair value of biological assets less estimated point-of-sale costs		-	(246)	(246)	-	616	616
Selling and distribution expenses	7	(891)	-	(891)	(657)	-	(657)



Condensed Consolidated Statement of Comprehensive Income
For the three months and nine months ended 31 December 2019

		Three months ended 31 December						
		2019			2018			
		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							
	– Others	7	(1,036)	-	(1,036)	(568)	-	(568)
	Finance costs	6	(111)	-	(111)	(96)	-	(96)
	Profit before tax		1,533	(229)	1,304	128	604	732
	Income tax expense	8	(261)	-	(261)	(22)	-	(22)
	Profit after tax and total comprehensive income for the period attributable to equity holders of the company		1,272	(229)	1,043	106	604	710
	Earnings per share							
	Basic and diluted (S\$ – in cents)	9			0.21			0.14



Condensed Consolidated Statement of Comprehensive Income
For the three months and nine months ended 31 December 2019

		Nine months ended 31 December						
		2019			2018			
		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	35,063	-	35,063	23,964	-	23,964
	Cost of sales	7	(25,443)	(4,192)	(29,635)	(19,673)	(1,703)	(21,376)
	Gross profit		9,620	(4,192)	5,428	4,291	(1,703)	2,588
	Other income	4	612	-	612	328	-	328
	Other gains/(losses) – net	5	102	-	102	(133)	-	(133)
	Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	4,283	4,283	-	1,708	1,708
	(Loss)/gain arising from changes in fair value of biological assets less estimated point-of-sale costs		-	(836)	(836)	-	1,452	1,452
	Selling and distribution expenses	7	(2,749)	-	(2,749)	(1,928)	-	(1,928)
	Administrative expenses							
	– Listing expenses	7	-	-	-	(1,605)	-	(1,605)
	– Others	7	(2,685)	-	(2,685)	(1,482)	-	(1,482)
	Finance costs	6	(333)	-	(333)	(283)	-	(283)
	Profit before tax		4,567	(745)	3,822	(812)	1,457	645
	Income tax expense	8	(597)	-	(597)	(170)	-	(170)
	Profit after tax and total comprehensive income for the period attributable to equity holders of the company		3,970	(745)	3,225	(982)	1,457	475
	Earnings per share							
	Basic and diluted (S\$ – in cents)	9			0.65			0.11



Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2019

	Share capital	Share premium	Other reserve (Note)	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 April 2018 (audited)	10,000	-	-	1,657	11,657
Profit and total comprehensive income for the period	-	-	-	475	475
Distributions to previous shareholders	-	-	-	(800)	(800)
Acquisition pursuant of the Reorganisation	(10,000)	-	9,767	-	(233)
Shares issued pursuant to the Listing	222	10,904	-	-	11,126
Listing expense charged to share premium	-	(1,692)	-	-	(1,692)
Share issued pursuant to the Capitalisation	668	(668)	-	-	-
At 31 December 2018 (unaudited)	890	8,544	9,767	1,332	20,533
At 1 April 2019 (audited)	890	8,544	9,767	2,422	21,623
Profit and total comprehensive expense for the period	-	-	-	3,225	3,225
At 31 December 2019 (unaudited)	890	8,544	9,767	5,647	24,848

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 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 February 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island. 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 1308, 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 ultimate controlling party of the Group is Mr. Ma Chin Chew (“Mr. Ma”). 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”).

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 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, 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.



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

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.

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 2019 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 Group’s annual financial statements for the year ended 31 March 2019, 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 2019.

The Group has applied the following new and amendments to IFRSs for the first time in the current accounting period:

Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
(IFRIC) – INT23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in an Associate of Joint Venture
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle

2. BASIS OF PRESENTATION AND PREPARATION *(Continued)* **IFRS 16 Leases**

The Group has adopted IFRS 16 from 1 April 2019, but has not restated comparatives for the nine months ended 31 December 2019 as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

There are no other standards that are not yet effective and would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 administrative 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 2019 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	7,691	4,560	12,251
Other income	213	-	213
Gain arising from initial recognition of agricultural produce at fair values less estimated point-of-sales costs at point of harvest – unrealised	16	-	16
Loss arising from changes in fair value of biological asset less estimated point-of-sale costs	(83)	(163)	(246)
Purchases of inventories	(5,284)	(2,009)	(7,293)
Changes in inventories	155	86	241
Amortisation of land lease payment	(13)	(23)	(36)
Amortisation of right-of-use assets	(18)	(9)	(27)
Impairment loss for trade receivables, net	(36)	(20)	(56)
Depreciation of property, plant and equipment	(262)	(194)	(456)
Employee benefits	(262)	(491)	(753)
Rental on operating leases	(5)	(2)	(7)
Utilities	(64)	(117)	(181)
Repairs and maintenance of motor vehicles and transportation	(114)	(61)	(175)
Royalty expense	-	(17)	(17)
Chicken shed – medication and vaccination	(28)	(52)	(80)
Other expenses	(213)	(205)	(418)
Segment results	1,693	1,283	2,976
Unallocated finance cost			(111)
Unallocated other income			118
Unallocated corporate expenses			(1,679)
Profit before tax			1,304

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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
Unallocated corporate expenses			(968)
Profit before tax			732

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Nine months ended 31 December 2019 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	22,203	12,860	35,063
Other income	344	-	344
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest – unrealised	91	-	91
Loss arising from changes in fair value of biological asset less estimated point-of-sale costs	(343)	(493)	(836)
Purchases of inventories	(14,976)	(5,340)	(20,316)
Changes in inventories	(67)	192	125
Amortisation of land lease payment	(45)	(64)	(109)
Amortisation of right-of-use assets	(40)	(18)	(58)
Impairment loss for trade receivables, net	(108)	(49)	(157)
Depreciation of property, plant and equipment	(951)	(583)	(1,534)
Employee benefits	(943)	(1,357)	(2,300)
Rental on operating leases	(17)	(7)	(24)
Utilities	(214)	(308)	(522)
Repairs and maintenance of motor vehicles and transportation	(342)	(154)	(496)
Royalty expense	-	(40)	(40)
Chicken shed – medication and vaccination	(93)	(135)	(228)
Other expenses	(655)	(562)	(1,217)
Segment results	3,844	3,942	7,786
Unallocated finance cost			(333)
Unallocated other income			309
Unallocated corporate expenses			(3,940)
Profit before tax			3,822



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

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		Nine months ended 31 December	
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Government grants	6	–	40	31
Income from sale of animal feeds	214	86	345	173
Interest income	–	1	48	6
Others	97	30	179	118
	317	117	612	328

5. OTHER (LOSSES)/GAINS – NET

	Three months ended 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on investments in insurance contracts	15	12	42	24
(Loss)/gain on disposal of property, plant and equipment	–	3	3	(8)
Net currency exchange (losses)/gains	(225)	(4)	57	(149)
	(210)	11	102	(133)



6. FINANCE COSTS

	Three months ended 31 December 2019		Nine months ended 31 December 2019	
	S\$'000 (unaudited)	2018 S\$'000 (unaudited)	S\$'000 (unaudited)	2018 S\$'000 (unaudited)
Interest expense				
– Bank borrowings	79	74	237	204
– Finance lease liabilities	21	18	68	66
– Lease liabilities	7	–	16	–
– Others	4	4	12	13
	111	96	333	283

7. EXPENSES BY NATURE

	Three months ended 31 December 2019	
	S\$'000 (unaudited)	2018 S\$'000 (unaudited)
Audit fee	58	25
Purchases of inventories	7,293	5,679
Changes in inventories	(241)	(92)
Depreciation of property, plant and equipment	547	582
Amortisation of intangible assets	13	3
Amortisation of land lease payment	43	37
Amortisation of right-of-use assets	27	–
Impairment loss for trade receivables, net	56	–
Employee benefits	1,742	1,549
Rental on operating leases	7	–
Utilities	214	192
Repairs and maintenance of motor vehicles and transportation	175	153
Chicken shed – medication and vaccination	80	73
Royalty expense	17	52
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	1,488	585
Other expenses	683	549
	12,202	9,387

7. EXPENSES BY NATURE *(Continued)*

	Nine months ended 31 December	
	2019	2018
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Audit fee	178	76
Purchases of inventories	20,316	14,210
Changes in inventories	(125)	(88)
Depreciation of property, plant and equipment	1,791	1,730
Amortisation of intangible assets	34	9
Amortisation of land lease payment	129	97
Amortisation of right-of-use assets	58	–
Impairment loss for trade receivables, net	157	–
Employee benefits	5,145	4,177
Rental on operating leases	24	44
Utilities	609	512
Repairs and maintenance of motor vehicles and transportation	496	432
Chicken shed – medication and vaccination	228	218
Royalty expense	40	140
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	4,192	1,703
Listing expenses	–	1,605
Other expenses	1,797	1,526
	35,069	26,391

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 2019		Nine months ended 31 December 2019	
	S\$'000 (unaudited)	2018 S\$'000 (unaudited)	S\$'000 (unaudited)	2018 S\$'000 (unaudited)
Singapore current tax	157	18	352	199
Deferred income tax expense/(credit)	89	4	230	(29)
Under provision in respect of prior years	15	–	15	–
Tax expense for the period	261	22	597	170

9. EARNINGS PER SHARE

	Three months ended 31 December 2019		Nine months ended 31 December 2019	
	(unaudited)	2018 (unaudited)	(unaudited)	2018 (unaudited)
Profit attributable to equity holders of the Company (S\$'000)	1,043	710	3,225	475
Weighted average number of ordinary shares in issue (thousands)	500,000	500,000	500,000	427,727
Basic and diluted earnings per share (S\$ – in cents)	0.21	0.14	0.65	0.11

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 2019 and 2018.

10. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: Nil).

11. COMMITMENTS

Capital commitments

As at 31 December 2019, there are capital commitments in respect of the expansion of the current farm and quail eggs farming of the Group which had been contracted for but not provided in the unaudited condensed consolidated financial statements amounted to approximately \$5,446,000 (31 December 2018: Nil).

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 revenue has increased by 46% from approximately S\$24.0 million for the nine months ended 31 December 2018 to approximately S\$35.1 million for the nine months ended 31 December 2019. Such increase was primarily due to the increase in customer base.

Net profit after tax has increased by S\$2.7 million to S\$3.2 million for the nine months ended 31 December 2019 as compared to nine months ended 31 December 2018. The increase in net profit after tax was mainly due to increased in sales, increased in gross profit margin, and the absence of listing expenses which were incurred during the nine months ended 31 December 2018, offsetted by increased in selling and distribution expenses and other administrative expenses.

The revenue and cost structure of the Group have remained stable during the nine months ended 31 December 2019. As at the date of this report, there has been no material adverse change in the general economic and market conditions in Singapore which has affected or will affect, materially and adversely, the Group's business operations or financial condition.

With the planned expansion of the chicken eggs laying facilities at the current farm and expansion into quail eggs farming, the Group is expected to strengthen its market position as a leading eggs distributor in Singapore.



FINANCIAL REVIEW

Revenue

(i) Fresh eggs

For the nine months ended 31 December 2019 and 2018, approximately 63% and approximately 61% of the revenue was derived from the sales of fresh eggs. Revenue increased by approximately S\$7.7 million from approximately S\$14.5 million for the nine months ended 31 December 2018 to approximately S\$22.2 million for the nine months ended 31 December 2019, primarily driven by the increase in the customer base.

(ii) Processed eggs

For the nine months ended 31 December 2019 and 2018, approximately 37% and approximately 39% of the revenue was derived from the sales of processed eggs. Revenue increased by approximately S\$3.5 million from approximately S\$9.4 million for the nine months ended 31 December 2018 to approximately S\$12.9 million for the nine months ended 31 December 2019. Such increase was primarily due to the increase in sales of the pasteurised hard boiled and peeled eggs and salted eggs.

Cost of Sales

The Group's total cost of sales increased by approximately S\$8.2 million, or approximately 38% from approximately S\$21.4 million for the nine months ended 31 December 2018 to approximately S\$29.6 million for the nine months ended 31 December 2019 primarily due to the increase in the purchase of fresh egg due to higher sales.

Gross Profit and Gross Profit Margin

The gross profit before agriculture produce fair value adjustments increased by approximately S\$5.3 million or approximately 123%, from approximately S\$4.3 million for the nine months ended 31 December 2018 to approximately S\$9.6 million for the nine months ended 31 December 2019. The gross profit after agricultural produce fair value adjustments increased by approximately S\$2.8 million or approximately 108%, from approximately S\$2.6 million for the nine months ended 31 December 2018 to approximately S\$5.4 million for the nine months ended 31 December 2019. Separately, gross profit margin before agriculture produce fair value adjustments increased to approximately 27% for the nine months ended 31 December 2019 from approximately 18% for the nine months ended 31 December 2018. The gross profit margin after agriculture produce fair value adjustments increased to approximately 15% for the nine months ended 31 December 2019 from approximately 11% for the nine months ended 31 December 2018.



FINANCIAL REVIEW *(Continued)*

Other gains/(losses) – net

The other gains/(losses) changed by approximately S\$235,000, from net losses of approximately S\$133,000 for the nine months ended 31 December 2018 to net gains of approximately S\$102,000 for the nine months ended 31 December 2019 primarily due to net currency exchange gains incurred during the nine months ended 31 December 2019.

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 increased by approximately S\$2.6 million, or approximately 153% from approximately S\$1.7 million for the nine months ended 31 December 2018 to approximately S\$4.3 million for the nine months ended 31 December 2019 primarily due to the increase in total number of fresh eggs produced.

(Loss)/gain arising from changes in fair value of biological assets less estimated point-of-sale costs

The (loss)/gain arising from changes in fair value of biological assets less estimated point-of-sale costs changed by approximately S\$2.3 million from gain of approximately S\$1.5 million for the nine months ended 31 December 2018 to loss of approximately S\$0.8 million for the nine months ended 31 December 2019 primarily due to a lower number of growers as at 31 December 2019 as compared to the immediate preceding quarter ended 31 March 2019.

Selling and distribution expenses

Selling and distribution expenses increased by approximately S\$0.8 million or approximately 42% from approximately S\$1.9 million for the nine months ended 31 December 2018 to approximately S\$2.7 million for the nine months ended 31 December 2019 primarily due to the increase in employee benefits and repair and maintenance of motor vehicles during the nine months ended 31 December 2019 as a result of increase in sales.

Other administrative expenses

Other administrative expenses increased from approximately S\$1.5 million for the nine months ended 31 December 2018 to approximately S\$2.7 million for nine months ended 31 December 2019. The increase was primarily due to increase in professional fees during the nine months ended 31 December 2019 as a result of higher compliance cost since the company was listed in September 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. Mr. Ma, a founder and an executive director, has served as the Group's chief executive officer since 2009 and was appointed the chairman of the Board in September 2018. Mr. Ma has been providing leadership to the Board and is responsible for overseeing the daily operations of the Group. 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 and efficient strategic planning and execution of plans for the Group. The Company has put in place a sound check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in the circumstances of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed elsewhere in this report, 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 2019.

INTERESTS OF COMPLIANCE ADVISER

As at 31 December 2019, as notified by the Company's compliance adviser, Lego Corporate Finance Limited ("Lego"), except for the compliance adviser agreement dated 19 September 2019 entered into between the Company and Lego, neither Lego nor any of its directors, employees and 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).

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 2019.

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 2019, 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 or 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

Name of the Directors	Capacity/Nature of Interest	Number of Shares Held ⁽¹⁾	Approximate Percentage
Mr. Ma Chin Chew ⁽²⁾	Interest of controlled corporation	294,800,000 (L)	58.96%
Ms. Lim Siok Eng ⁽²⁾	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 2019, 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

Name	Capacity/Nature of Interest	Number of Shares Held⁽¹⁾	Approximate Percentage
Radiant Grand International Limited ⁽²⁾	Beneficial owner	294,800,000 (L)	58.96%
Elite Ocean Ventures Limited ⁽³⁾	Beneficial owner	80,200,000 (L)	16.04%
Mr. Lim Joo Boon ⁽³⁾	Interest of controlled corporation	80,200,000 (L)	16.04%
Ms. Tan Bee Hong ⁽⁴⁾	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 2019, 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, 6 February 2020

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

