

# 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  
2020



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 2020 together with the relevant comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2020

|  |   | Three months ended 31 December  |  |                        |   |  |                        |
|--|---|---|--|------------------------|---|--|------------------------|
|  |   | 2020  |  |                        | 2019  |  |                        |
|  |   | Results<br>before<br>biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Total                  | Results<br>before<br>biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Total                  |
| Note   |   | S\$'000<br>(unaudited)  | S\$'000<br>(unaudited)   | S\$'000<br>(unaudited) | S\$'000<br>(unaudited)  | S\$'000<br>(unaudited)   | S\$'000<br>(unaudited) |
| Revenue  | 3 | 14,186  | -  | 14,186                 | 12,251  | -  | 12,251                 |
| Cost of sales  | 7 | (10,772)  | (2,140)  | (12,912)               | (8,787)   | (1,488)  | (10,275)               |
| Gross profit   |   | 3,414   | (2,140)  | 1,274                  | 3,464   | (1,488)  | 1,976                  |
| Other income   | 4 | 385   | -  | 385                    | 317   | -  | 317                    |
| Other (losses)/gains – net   | 5 | (127)   | -  | (127)                  | (210)   | -  | (210)                  |
| Gain arising from initial recognition<br>of agricultural produce at fair value less<br>estimated point-of-sales costs<br>at point of harvest |   | -   | 2,199  | 2,199                  | -   | 1,505  | 1,505                  |
| Gain/(loss) arising from changes in<br>fair value of biological assets less<br>estimated point-of-sale costs                                 |   | -   | 990  | 990                    | -   | (246)  | (246)                  |
| Selling and distribution expenses  | 7 | (1,174)   | -  | (1,174)                | (891)   | -  | (891)                  |



Condensed Consolidated Statement of Comprehensive Income  
For the three months and nine months ended 31 December 2020

|      |  | Three months ended 31 December  |  |                        |   |  |                        |         |
|------|--|---|--|------------------------|---|--|------------------------|---------|
|      |  | 2020  |  |                        | 2019  |  |                        |         |
|      |  | Results<br>before<br>biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Total                  | Results<br>before<br>biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Total                  |         |
| Note |  | S\$'000<br>(unaudited)  | S\$'000<br>(unaudited)   | S\$'000<br>(unaudited) | S\$'000<br>(unaudited)  | S\$'000<br>(unaudited)   | S\$'000<br>(unaudited) |         |
|      | Administrative expenses  | 7   | (984)  | -                      | (984)   | (1,036)  | -                      | (1,036) |
|      | Finance costs  | 6   | (70)   | -                      | (70)  | (111)  | -                      | (111)   |
|      | Profit before tax  |   | 1,444  | 1,049                  | 2,493   | 1,533  | (229)                  | 1,304   |
|      | Income tax expense   | 8   | (531)  | -                      | (531)   | (261)  | -                      | (261)   |
|      | Profit after tax and total comprehensive<br>income for the period attributable to<br>equity holders of the company |   | 913  | 1,049                  | 1,962   | 1,272  | (229)                  | 1,043   |
|      | Earnings per share<br>Basic and diluted (S\$ – in cents)   | 9   |  |                        | 0.39  |  |                        | 0.21    |

Condensed Consolidated Statement of Comprehensive Income  
For the three months and nine months ended 31 December 2020

|  |   | Nine months ended 31 December   |  |                        |   |  |                        |
|--|---|---|--|------------------------|---|--|------------------------|
|  |   | 2020  |  |                        | 2019  |  |                        |
|  |   | Results<br>before<br>biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Total                  | Results<br>before<br>biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Biological<br>assets and<br>agricultural<br>produce<br>fair value<br>adjustments | Total                  |
| Note   |   | S\$'000<br>(unaudited)  | S\$'000<br>(unaudited)   | S\$'000<br>(unaudited) | S\$'000<br>(unaudited)  | S\$'000<br>(unaudited)   | S\$'000<br>(unaudited) |
| Revenue  | 3 | 37,764  | -  | 37,764                 | 35,063  | -  | 35,063                 |
| Cost of sales  | 7 | (28,786)  | (6,728)  | (35,514)               | (25,443)  | (4,192)  | (29,635)               |
| Gross profit   |   | 8,978   | (6,728)  | 2,250                  | 9,620   | (4,192)  | 5,428                  |
| Other income   | 4 | 1,576   | -  | 1,576                  | 612   | -  | 612                    |
| Other (losses)/gains – net   | 5 | (231)   | -  | (231)                  | 102   | -  | 102                    |
| Gain arising from initial recognition<br>of agricultural produce at fair value less<br>estimated point-of-sales costs<br>at point of harvest |   | -   | 6,802  | 6,802                  | -   | 4,283  | 4,283                  |
| Gain(loss) arising from changes in<br>fair value of biological assets less<br>estimated point-of-sale costs                                  |   | -   | 212  | 212                    | -   | (836)  | (836)                  |
| Selling and distribution expenses  | 7 | (2,733)   | -  | (2,733)                | (2,749)   | -  | (2,749)                |
| Administrative expenses  | 7 | (3,009)   | -  | (3,009)                | (2,685)   | -  | (2,685)                |
| Finance costs  | 6 | (234)   | -  | (234)                  | (333)   | -  | (333)                  |
| Profit before tax  |   | 4,347   | 286  | 4,633                  | 4,567   | (745)  | 3,822                  |
| Income tax expense   | 8 | (775)   | -  | (775)                  | (597)   | -  | (597)                  |
| Profit after tax and total comprehensive<br>income for the period attributable<br>to equity holders of the company                           |   | 3,572   | 286  | 3,858                  | 3,970   | (745)  | 3,225                  |
| Earnings per share<br>Basic and diluted (S\$ – in cents)   | 9 |   |  | 0.77                   |   |  | 0.65                   |



# Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2020

|   | Share capital | Share premium | Other reserve<br>(Note) | Retained earnings | Total equity  |
|---|---------------|---------------|-------------------------|-------------------|---------------|
|   | S\$'000       | S\$'000       | S\$'000                 | S\$'000           | S\$'000       |
| <b>At 1 April 2019 (audited)</b>                      | 890           | 8,544         | 9,767                   | 2,422             | 21,623        |
| Profit and total comprehensive income for the period  | -             | -             | -                       | 3,225             | 3,225         |
| <b>At 31 December 2019 (unaudited)</b>                | 890           | 8,544         | 9,767                   | 5,647             | 24,848        |
| <b>At 1 April 2020 (audited)</b>                      | <b>890</b>    | <b>8,544</b>  | <b>9,767</b>            | <b>7,580</b>      | <b>26,781</b> |
| Profit and total comprehensive expense for the period | -             | -             | -                       | <b>3,858</b>      | <b>3,858</b>  |
| <b>At 31 December 2020 (unaudited)</b>                | <b>890</b>    | <b>8,544</b>  | <b>9,767</b>            | <b>11,438</b>     | <b>30,639</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 2020

## 1. GENERAL INFORMATION

Eggiculture Foods Ltd. (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 Islands. The address of its registered office 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 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 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”).

## 2. BASIS OF PRESENTATION AND PREPARATION

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 2020 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.



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

The basis of preparation and accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020, 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 2020.

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

|  |  |
|--|--|
| Amendments to IFRS 3                       | Definition of a Business               |
| Amendments to IAS 1 and IAS 8              | Definition of Material                 |
| Amendments to IFRS 7,<br>IFRS 9 and IAS 39 | Interest rate benchmark reform         |
| Conceptual framework for 2018 Reporting    | Amendments to the Conceptual Framework |

The adoption of the above standards did not have any significant effects on the unaudited condensed consolidated financial statements of the Group.

## 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.



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

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

#### Three months ended 31 December 2020 (unaudited):

|   | Fresh eggs<br>S\$'000 | Processed<br>eggs<br>S\$'000 | Total<br>S\$'000 |
|---|-----------------------|------------------------------|------------------|
| Segment revenue   | 9,795                 | 4,391                        | 14,186           |
| Other income  | 42                    | -                            | 42               |
| Gain arising from initial recognition of agricultural produce at fair values less estimated point-of-sales costs at point of harvest – unrealised | 2                     | -                            | 2                |
| Gain arising from changes in fair value of biological asset less estimated point-of-sale costs  | 634                   | 356                          | 990              |
| Purchases of inventories  | (6,821)               | (1,996)                      | (8,817)          |
| Changes in inventories  | 70                    | 109                          | 179              |
| Impairment loss for trade receivables, net  | (24)                  | (11)                         | (35)             |
| Depreciation of property, plant and equipment   | (273)                 | (143)                        | (416)            |
| Depreciation of right-of-use assets   | (184)                 | (69)                         | (253)            |
| Employee benefits   | (284)                 | (525)                        | (809)            |
| Utilities   | (87)                  | (114)                        | (201)            |
| Repairs and maintenance of motor vehicles and transportation  | (120)                 | (43)                         | (163)            |
| Royalty expense   | -                     | (19)                         | (19)             |
| Chicken shed – medication and vaccination   | (19)                  | (34)                         | (53)             |
| Other expenses  | (321)                 | (308)                        | (629)            |
| Segment results   | 2,410                 | 1,594                        | 4,004            |
| Unallocated finance cost  |                       |                              | (70)             |
| Unallocated other income  |                       |                              | 353              |
| Unallocated corporate expenses  |                       |                              | (1,794)          |
| Profit before tax   |                       |                              | 2,493            |

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

#### Three months ended 31 December 2019 (unaudited):

|   | Fresh eggs<br>S\$'000 | Processed<br>eggs<br>S\$'000 | Total<br>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              |
| Impairment loss for trade receivables, net  | (36)                  | (20)                         | (56)             |
| Depreciation of property, plant and equipment   | (217)                 | (163)                        | (380)            |
| Depreciation of right-of-use assets   | (50)                  | (38)                         | (88)             |
| Employee benefits   | (262)                 | (491)                        | (753)            |
| 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  | (218)                 | (207)                        | (425)            |
| Segment results   | 1,719                 | 1,308                        | 3,027            |
| Unallocated finance cost  |                       |                              | (111)            |
| Unallocated other income  |                       |                              | 118              |
| Unallocated corporate expenses  |                       |                              | (1,730)          |
| Profit before tax   |                       |                              | 1,304            |

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

#### Nine months ended 31 December 2020 (unaudited):

|   | Fresh eggs<br>S\$'000 | Processed<br>eggs<br>S\$'000 | Total<br>S\$'000 |
|---|-----------------------|------------------------------|------------------|
| Segment revenue   | 26,441                | 11,323                       | 37,764           |
| Other income  | 145                   | -                            | 145              |
| Gain arising from initial recognition of<br>agricultural produce at fair value less<br>estimated point-of-sales costs at point<br>of harvest – unrealised | 74                    | -                            | 74               |
| Gain arising from changes in fair value<br>of biological asset less estimated<br>point-of-sale costs  | 121                   | 91                           | 212              |
| Purchases of inventories  | (18,554)              | (4,485)                      | (23,039)         |
| Changes in inventories  | 238                   | 339                          | 577              |
| Impairment loss for trade receivables, net  | (130)                 | (34)                         | (164)            |
| Depreciation of property, plant and equipment   | (908)                 | (318)                        | (1,226)          |
| Depreciation of right-of-use assets   | (610)                 | (162)                        | (772)            |
| Employee benefits   | (1,586)               | (1,196)                      | (2,782)          |
| Utilities   | (373)                 | (247)                        | (620)            |
| Repairs and maintenance of motor vehicles<br>and transportation   | (362)                 | (96)                         | (458)            |
| Royalty expense   | -                     | (40)                         | (40)             |
| Chicken shed – medication and vaccination   | (100)                 | (76)                         | (176)            |
| Other expenses  | (998)                 | (598)                        | (1,596)          |
| Segment results   | 3,398                 | 4,501                        | 7,899            |
| Unallocated finance cost  |                       |                              | (234)            |
| Unallocated other income  |                       |                              | 1,463            |
| Unallocated corporate expenses  |                       |                              | (4,495)          |
| Profit before tax   |                       |                              | 4,633            |

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

#### Nine months ended 31 December 2019 (unaudited):

|   | Fresh eggs<br>S\$'000 | Processed<br>eggs<br>S\$'000 | Total<br>S\$'000 |
|---|-----------------------|------------------------------|------------------|
| Segment revenue   | 22,203                | 12,860                       | 35,063           |
| Other income  | 344                   | –                            | 344              |
| Gain arising from initial recognition of<br>agricultural produce at fair value less<br>estimated point-of-sales costs at point<br>of harvest – unrealised | 91                    | –                            | 91               |
| Loss arising from changes in fair value<br>of biological asset less estimated<br>point-of-sale costs  | (343)                 | (493)                        | (836)            |
| Purchases of inventories  | (14,976)              | (5,340)                      | (20,316)         |
| Changes in inventories  | (67)                  | 192                          | 125              |
| Impairment loss for trade receivables, net  | (108)                 | (49)                         | (157)            |
| Depreciation of property, plant and equipment   | (646)                 | (446)                        | (1,092)          |
| Depreciation of right-of-use assets   | (432)                 | (194)                        | (626)            |
| Employee benefits   | (943)                 | (1,357)                      | (2,300)          |
| Utilities   | (214)                 | (308)                        | (522)            |
| Repairs and maintenance of motor vehicles<br>and transportation   | (342)                 | (154)                        | (496)            |
| Royalty expense   | –                     | (40)                         | (40)             |
| Chicken shed – medication and vaccination   | (93)                  | (135)                        | (228)            |
| Other expenses  | (672)                 | (569)                        | (1,241)          |
| Segment results   | 3,802                 | 3,967                        | 7,769            |
| Unallocated finance cost  |                       |                              | (333)            |
| Unallocated other income  |                       |                              | 309              |
| Unallocated corporate expenses  |                       |                              | (3,923)          |
| Profit before tax   |                       |                              | 3,822            |

#### 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<br>31 December |                                | Nine months ended<br>31 December |                                |
|----------------------------------|-----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                  | 2020<br>S\$'000<br>(unaudited)    | 2019<br>S\$'000<br>(unaudited) | 2020<br>S\$'000<br>(unaudited)   | 2019<br>S\$'000<br>(unaudited) |
| Government grants                | 157                               | 6                              | 1,136                            | 40                             |
| Income from sale of animal feeds | 42                                | 214                            | 145                              | 345                            |
| Interest income                  | -                                 | -                              | 21                               | 48                             |
| Others                           | 186                               | 97                             | 274                              | 179                            |
|                                  | <b>385</b>                        | 317                            | <b>1,576</b>                     | 612                            |

#### 5. OTHER (LOSSES)/GAINS – NET

|   | Three months ended<br>31 December |                                | Nine months ended<br>31 December |                                |
|---|-----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|   | 2020<br>S\$'000<br>(unaudited)    | 2019<br>S\$'000<br>(unaudited) | 2020<br>S\$'000<br>(unaudited)   | 2019<br>S\$'000<br>(unaudited) |
| Gain on investments<br>in insurance contracts               | 11                                | 15                             | 33                               | 42                             |
| (Loss)/gain on disposal of property,<br>plant and equipment | (44)                              | -                              | (22)                             | 3                              |
| Net currency exchange (losses)/gains                        | (94)                              | (225)                          | (242)                            | 57                             |
|   | <b>(127)</b>                      | (210)                          | <b>(231)</b>                     | 102                            |

## 6. FINANCE COSTS

|   | Three months ended<br>31 December<br>2020 |                                | Nine months ended<br>31 December<br>2020 |                                |
|---|---|--------------------------------|--|--------------------------------|
|   | S\$'000<br>(unaudited)                    | 2019<br>S\$'000<br>(unaudited) | S\$'000<br>(unaudited)                   | 2019<br>S\$'000<br>(unaudited) |
| Interest expense  |   |                                |  |                                |
| – Bank borrowings   | <b>62</b>                                 | 79                             | <b>206</b>                               | 237                            |
| – Lease liabilities   | <b>18</b>                                 | 28                             | <b>59</b>                                | 84                             |
| – Others  | <b>3</b>                                  | 4                              | <b>9</b>                                 | 12                             |
|   | <b>83</b>                                 | 111                            | <b>274</b>                               | 333                            |
| Less: Amount capitalised in property<br>plant and equipment | <b>(13)</b>                               | –                              | <b>(40)</b>                              | –                              |
| Amount recognised in profit or loss                         | <b>70</b>                                 | 111                            | <b>234</b>                               | 333                            |

## 7. EXPENSES BY NATURE

|  | Three months ended<br>31 December<br>2020 |                                |
|--|---|--------------------------------|
|  | S\$'000<br>(unaudited)                    | 2019<br>S\$'000<br>(unaudited) |
| Audit fee  | <b>60</b>                                 | 58                             |
| Purchases of inventories   | <b>8,817</b>                              | 7,293                          |
| Changes in inventories   | <b>(179)</b>                              | (241)                          |
| Depreciation of property, plant and equipment  | <b>483</b>                                | 508                            |
| Amortisation of intangible assets  | <b>29</b>                                 | 13                             |
| Depreciation of right-of-use assets  | <b>253</b>                                | 108                            |
| Impairment loss for trade receivables, net   | <b>35</b>                                 | 56                             |
| Employee benefits  | <b>2,168</b>                              | 1,742                          |
| Utilities  | <b>201</b>                                | 214                            |
| Repairs and maintenance of motor vehicles<br>and transportation  | <b>163</b>                                | 175                            |
| Chicken shed – medication and vaccination  | <b>53</b>                                 | 80                             |
| Royalty expense  | <b>19</b>                                 | 17                             |
| Fair value adjustments arising from initial<br>recognition of agricultural produce at fair<br>value less estimated point-of-sales cost at<br>point of harvest – charged to cost of sales | <b>2,140</b>                              | 1,488                          |
| Other expenses   | <b>828</b>                                | 691                            |
|  | <b>15,070</b>                             | 12,202                         |



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

|  | Nine months ended<br>31 December |                                |
|--|----------------------------------|--------------------------------|
|  | 2020<br>S\$'000<br>(unaudited)   | 2019<br>S\$'000<br>(unaudited) |
| Audit fee  | 190                              | 178                            |
| Purchases of inventories   | 23,039                           | 20,316                         |
| Changes in inventories   | (577)                            | (125)                          |
| Depreciation of property, plant and equipment  | 1,429                            | 1,331                          |
| Amortisation of intangible assets  | 87                               | 34                             |
| Depreciation of right-of-use assets  | 772                              | 646                            |
| Impairment loss for trade receivables, net   | 164                              | 157                            |
| Employee benefits  | 5,955                            | 5,145                          |
| Utilities  | 620                              | 609                            |
| Repairs and maintenance of motor vehicles<br>and transportation  | 458                              | 496                            |
| Chicken shed – medication and vaccination  | 176                              | 228                            |
| Royalty expense  | 40                               | 40                             |
| Fair value adjustments arising from initial<br>recognition of agricultural produce at fair<br>value less estimated point-of-sales cost at<br>point of harvest – charged to cost of sales | 6,728                            | 4,192                          |
| Other expenses   | 2,175                            | 1,822                          |
|  | <b>41,256</b>                    | <b>35,069</b>                  |

## 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<br>31 December<br>2020 |                                | Nine months ended<br>31 December<br>2020 |                                |
|-----------------------------|---|--------------------------------|--|--------------------------------|
|                             | 2020<br>S\$'000<br>(unaudited)            | 2019<br>S\$'000<br>(unaudited) | 2020<br>S\$'000<br>(unaudited)           | 2019<br>S\$'000<br>(unaudited) |
| Singapore current tax       | <b>474</b>                                | 172                            | <b>658</b>                               | 367                            |
| Deferred income tax expense | <b>57</b>                                 | 89                             | <b>117</b>                               | 230                            |
| Tax expense for the period  | <b>531</b>                                | 261                            | <b>775</b>                               | 597                            |

## 9. EARNINGS PER SHARE

|   | Three months ended<br>31 December<br>2020 |                     | Nine months ended<br>31 December<br>2020 |                     |
|---|---|---------------------|--|---------------------|
|   | 2020<br>(unaudited)                       | 2019<br>(unaudited) | 2020<br>(unaudited)                      | 2019<br>(unaudited) |
| Profit attributable to equity holders of the Company (S\$'000)  | <b>1,962</b>                              | 1,043               | <b>3,858</b>                             | 3,225               |
| Weighted average number of ordinary shares in issue (thousands) | <b>500,000</b>                            | 500,000             | <b>500,000</b>                           | 500,000             |
| Basic and diluted earnings per share (S\$ – in cents)           | <b>0.39</b>                               | 0.21                | <b>0.77</b>                              | 0.65                |

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 2020 and 2019.



## 10. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2020 (nine months ended 31 December 2019: Nil).

## 11. COMMITMENTS

### Capital Commitments

As at the reporting date, 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 is as follows:

|                               | <b>As at<br/>31 December<br/>2020<br/>S\$'000<br/>(unaudited)</b> | As at<br>31 March<br>2020<br>S\$'000<br>(audited) |
|-------------------------------|---|---|
| Property, plant and equipment | <b>20,347</b>   | 5,447   |

As at 31 December 2020, apart from the above commitments, the Group is expected to expend another \$16m to complete the expansion.

# 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 approximately 7% from approximately S\$35.1 million for the nine months ended 31 December 2019 to approximately S\$37.7 million for the nine months ended 31 December 2020. Additional revenue was mainly due to increase in customer base.

For the nine months ended 31 December 2020, the Group's profit before tax increased by approximately S\$0.8 million from approximately S\$3.8 million for the nine months ended 31 December 2019 to approximately S\$4.6 million for the nine months ended 31 December 2020, primarily due to governmental grant as a result of the ongoing pandemic.

The planned expansion of its chicken eggs laying facilities at the current farm and processing facilities have been affected by the ongoing pandemic as construction is taking longer than scheduled. Construction costs are expected to escalate as the pandemic has affected work practices, operating costs and supply chains leading to higher operating costs for its contractors and suppliers.

The construction of the quail farm is scheduled to be completed by the end of 2021.

Given the above, the Group would have to explore avenues to seek the additional resources to fund the expansion. With these planned expansions, the Group is expected to consolidate its market presence as a leading eggs distributor in Singapore.

The impact of Covid 19 has resulted in the government diversifying its eggs supply sources to strengthen Singapore food resilience. Accordingly, eggs importers have to diversify its supply sources and there have been an influx of eggs for suppliers located in countries different from the traditional sources in Malaysia. This has resulted in periodic disruptions in the Singapore eggs market, leading to price volatility. In the quarter under review, it has depressed our gross margins as we increase our sales.

## **BUSINESS REVIEW AND OUTLOOK***(Continued)*

The egg market in Singapore will continue to be challenging going forward as demand may be affected by the difficult economic conditions caused by the ongoing pandemic and the gradual withdrawals of governmental support for business and the public.

As part of its plan to diversify its business risks from just eggs in Singapore, the Group is exploring into other related businesses in different geographical areas.

## **FINANCIAL REVIEW**

### **Revenue**

#### **(i) Fresh eggs**

For the nine months ended 31 December 2020 and 2019, approximately 70% and approximately 63% of the revenue was derived from the sales of fresh egg, respectively. Revenue increased by approximately S\$4.2 million from approximately S\$22.2 million for the nine months ended 31 December 2019 to approximately S\$26.4 million for the nine months ended 31 December 2020, primarily driven by the increase in the customer base and revenue from supermarkets.

#### **(ii) Processed eggs**

For the nine months ended 31 December 2020 and 2019, approximately 30% and approximately 37% of the revenue was derived from the sales of processed eggs, respectively. Revenue decreased by approximately S\$1.6 million from approximately S\$12.9 million for the nine months ended 31 December 2019 to approximately S\$11.3 million for the nine months ended 31 December 2020. Such decrease was primarily due to the decrease in sales to Food & Beverages customers due to lockdown period during the outbreak of COVID-19 in Singapore which commenced on 7 April 2020.

### **Cost of Sales**

The Group's total cost of sales increased by approximately S\$5.9 million, or approximately 20% from approximately S\$29.6 million for the nine months ended 31 December 2019 to approximately S\$35.5 million for the nine months ended 31 December 2020 primarily due to the increase in sourced eggs as a result of increase in the customer base.

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

### **Gross Profit and Gross Profit Margin**

The gross profit before agriculture produce fair value adjustments decreased by approximately S\$0.6 million or approximately 6%, from approximately S\$9.6 million for the nine months ended 31 December 2019 to approximately S\$9.0 million for the nine months ended 31 December 2020. The gross profit after agricultural produce fair value adjustments decreased by approximately S\$3.1 million or approximately 57%, from approximately S\$5.4 million for the nine months ended 31 December 2019 to approximately S\$2.3 million for the nine months ended 31 December 2020. Separately, gross profit margin before agricultural produce fair value adjustments decreased to approximately 24% for the nine months ended 31 December 2020 from approximately 27% for the nine months ended 31 December 2019. The gross profit margin after agricultural produce fair value adjustments decreased to approximately 6% for the nine months ended 31 December 2020 from approximately 15% for the nine months ended 31 December 2019.

The gross profits for the current quarter have been affected by volatile selling prices of fresh eggs due to the uneven supply conditions as eggs suppliers are mandated to diversify their supply sources to faraway countries to strengthen the country's food resilience. Such uneven supplies situations have resulted in excess eggs in the market at different times.

### **Other Income**

The other income increased by approximately \$964,000, from approximately S\$612,000 for the nine months ended 31 December 2019 to approximately S\$1,576,000 for the nine months ended 31 December 2020 primarily due to COVID-19 job support grant received from Singapore government.

### **Other (Losses)/Gains – Net**

The other gains/(losses) changed by approximately S\$333,000, from net gains of approximately S\$102,000 for the nine months ended 31 December 2019 to net losses of approximately S\$231,000 for the nine months ended 31 December 2020 primarily due to net currency exchange losses incurred during the nine months ended 31 December 2020 as a result of the weakening of the HKD and USD against SGD.

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

### **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\$2.5 million, or approximately 58% from approximately S\$4.3 million for the nine months ended 31 December 2019 to approximately S\$6.8 million for the nine months ended 31 December 2020 primarily due to the increase in total number of fresh eggs produced, and wholesale price of agricultural produce at the point of harvest during the nine months ended 31 December 2020 as compared to the corresponding period of the previous year.

### **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\$1.0 million from loss of approximately S\$0.8 million for the nine months ended 31 December 2019 to gain of approximately S\$0.2 million for the nine months ended 31 December 2020 primarily due to a higher number of hens as at 31 December 2020 as compared to 31 March 2020.

### **Selling and Distribution Expenses**

Selling and distribution expenses remained stable at approximately S\$2.7 million for the nine months ended 31 December 2020 and 2019.

### **Administrative Expenses**

Administrative expenses increased from approximately S\$2.7 million for the nine months ended 31 December 2019 to approximately S\$3 million for the nine months ended 31 December 2020. The increase was primarily due to increase in professional fees and employee benefits during the nine months ended 31 December 2020.

# Corporate Governance and Other Information

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value. To accomplish this, the Company has adopted the principles and the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) set out in Appendix 15 of the GEM Listing Rules. In particular, the Company regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Board will review at least annually the corporate governance practices of the Company to ensure its continuous compliance with the CG Code, and make appropriate changes if considered necessary.

Save for the deviation from code provision A.2.1 of the CG Code as mentioned below, the Company, to the best knowledge of the Board, has complied with all applicable code provisions 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 2020.



## **INTERESTS OF COMPLIANCE ADVISER**

As at 31 December 2020, 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**

Radiant Grand (the controlling shareholder of the Company) and Mr. Ma Chin Chew (the sole director and shareholder of Radiant Grand and chairman of the Board) have entered into the deed of non-competition (the "Non-Compete Undertakings") in favour of the Group dated 15 August 2018.

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 2020.

## **SHARE OPTION SCHEME**

The Company has adopted the share option scheme (the "Scheme") pursuant to a resolution of the shareholders of the Company passed on 15 August 2018. The purpose of the Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group. The terms of the Scheme are in compliance 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 2020, 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 and 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 2020, 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 <sup>(1)</sup> | Approximate Percentage |
|--|------------------------------------|--------------------------------------|------------------------|
| 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. Sneddon Donald William, Mr. Yuen Ka Lok Ernest and Mr. Tan Jia Kien. Mr. Sneddon Donald William 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 2020, 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, 4 February 2021

*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. Sneddon Donald William, Mr. Yuen Ka Lok Ernest and Mr. Tan Jia Kien.*