

EGGRICULTURE FOODS LTD. 永續農業發展有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8609



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2021 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2021

		Three months ended 31 December						
		2021			2020			
		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	17,047	-	17,047	14,186	-	14,186
	Cost of sales	7	(13,279)	(2,715)	(15,994)	(11,289)	(2,140)	(13,429)
	Gross profit		3,768	(2,715)	1,053	2,897	(2,140)	757
	Other income	4	207	-	207	385	-	385
	Other gains/(losses) – net	5	11	-	11	(127)	-	(127)
	Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	2,760	2,760	-	2,199	2,199
	Gain arising from changes in fair value of biological assets less estimated point-of-sale costs		-	791	791	-	990	990
	Selling and distribution expenses	7	(1,548)	-	(1,548)	(582)	-	(582)



Condensed Consolidated Statement of Comprehensive Income
For the three months and nine months ended 31 December 2021

		Three months ended 31 December					
		2021			2020		
		Results before biological assets and agricultural produce fair value adjustments			Results before biological assets and agricultural produce fair value adjustments		
		biological assets and agricultural produce fair value adjustments	Biological assets and agricultural produce fair value adjustments	Total	biological assets and agricultural produce fair value adjustments	Biological assets and agricultural produce fair value adjustments	Total
		\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Note							
Administrative expenses	7	(1,163)	-	(1,163)	(1,059)	-	(1,059)
Finance costs	6	(131)	-	(131)	(70)	-	(70)
Profit before tax		1,144	836	1,980	1,444	1,049	2,493
Income tax expense	8	(264)	-	(264)	(531)	-	(531)
Profit after tax and total comprehensive income for the period attributable to equity holders of the company		880	836	1,716	913	1,049	1,962
Earnings per share Basic and diluted (\$S – in cents)	9			0.34			0.39

Condensed Consolidated Statement of Comprehensive Income
For the three months and nine months ended 31 December 2021

		Nine months ended 31 December					
		2021			2020		
		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	48,905	-	48,905	37,764	-	37,764
Cost of sales	7	(39,196)	(8,245)	(47,441)	(28,426)	(6,728)	(35,154)
Gross profit		9,709	(8,245)	1,464	9,338	(6,728)	2,610
Other income	4	571	-	571	1,576	-	1,576
Other gains/(losses) – net	5	40	-	40	(231)	-	(231)
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	8,336	8,336	-	6,802	6,802
Gain arising from changes in fair value of biological assets less estimated point-of-sale costs		-	1,279	1,279	-	212	212
Selling and distribution expenses	7	(4,627)	-	(4,627)	(2,900)	-	(2,900)
Administrative expenses	7	(3,737)	-	(3,737)	(3,202)	-	(3,202)
Finance costs	6	(345)	-	(345)	(234)	-	(234)
Profit before tax		1,611	1,370	2,981	4,347	286	4,633
Income tax expense	8	(429)	-	(429)	(775)	-	(775)
Profit after tax and total comprehensive income for the period attributable to equity holders of the company		1,182	1,370	2,552	3,572	286	3,858
Earnings per share Basic and diluted (S\$ – in cents)	9			0.51			0.77



Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2021

	Share capital	Share premium	Other reserve (Note)	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 April 2020 (audited)	890	8,544	9,767	7,580	26,781
Profit and total comprehensive income for the period	-	-	-	3,858	3,858
At 31 December 2020 (unaudited)	890	8,544	9,767	11,438	30,639
At 1 April 2021 (audited)	890	8,544	9,767	15,042	34,243
Profit and total comprehensive expense for the period	-	-	-	2,552	2,552
At 31 December 2021 (unaudited)	890	8,544	9,767	17,594	36,795

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 2021

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 1104, 11/F, Keybond Commercial Building, 38 Ferry Street, Jordan, 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 2021 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 2021, 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 2021.

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

Amendments to IFRS 9, IAS 39, IFRS 7, Interest Rate Benchmark Reform-Phase 2
IFRS 4 and IFRS 6

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 2021 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	11,978	5,069	17,047
Other income	17	-	17
Gain arising from initial recognition of agricultural produce at fair values less estimated point-of-sales costs at point of harvest – unrealised	45	-	45
Gain arising from changes in fair value of biological asset less estimated point-of-sale costs	288	503	791
Purchases of inventories	(8,999)	(2,585)	(11,584)
Changes in inventories	165	(144)	21
Impairment loss for trade receivables, net	(5)	(2)	(7)
Depreciation of property, plant and equipment	(440)	(202)	(642)
Employee benefits	(985)	(710)	(1,695)
Utilities	(105)	(191)	(296)
Repairs and maintenance of motor vehicles and transportation	(161)	(95)	(256)
Royalty expense	-	(9)	(9)
Chicken shed – medication and vaccination	(35)	(76)	(111)
Other expenses	(53)	(273)	(326)
Segment results	1,710	1,285	2,995
Unallocated finance cost			(131)
Unallocated other income			202
Unallocated corporate expenses			(1,086)
Profit before tax			1,980

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Three months ended 31 December 2020 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total 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	(457)	(212)	(669)
Employee benefits	(805)	(764)	(1,569)
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	1,889	1,355	3,244
Unallocated finance cost			(70)
Unallocated other income			353
Unallocated corporate expenses			(1,034)
Profit before tax			2,493

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Nine months ended 31 December 2021 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	34,380	14,525	48,905
Other income	124	-	124
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest – unrealised	203	-	203
Gain arising from changes in fair value of biological asset less estimated point-of-sale costs	512	767	1,279
Purchases of inventories	(25,620)	(7,373)	(32,993)
Changes in inventories	(441)	(178)	(619)
Impairment loss for trade receivables, net	(11)	(4)	(15)
Depreciation of property, plant and equipment	(1,395)	(555)	(1,950)
Employee benefits	(3,149)	(1,881)	(5,030)
Utilities	(355)	(438)	(793)
Repairs and maintenance of motor vehicles and transportation	(613)	(340)	(953)
Royalty expense	-	(35)	(35)
Chicken shed – medication and vaccination	(100)	(152)	(252)
Other expenses	(682)	(832)	(1,514)
Segment results	2,853	3,504	6,357
Unallocated finance cost			(345)
Unallocated other income			487
Unallocated corporate expenses			(3,518)
Profit before tax			2,981

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Nine months ended 31 December 2020 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	26,441	11,323	37,764
Other income	145	–	145
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest – unrealised	74	–	74
Gain arising from changes in fair value of biological asset less estimated 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	(1,518)	(480)	(1,998)
Employee benefits	(2,930)	(1,435)	(4,365)
Utilities	(373)	(247)	(620)
Repairs and maintenance of motor vehicles 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	2,054	4,262	6,316
Unallocated finance cost			(234)
Unallocated other income			1,463
Unallocated corporate expenses			(2,912)
Profit before tax			4,633

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	
	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Government grants	133	157	295	1,136
Income from sale of animal feeds	17	42	124	145
Interest income	9	–	29	21
Others	48	186	123	274
	207	385	571	1,576

5. OTHER GAINS/(LOSSES) – NET

	Three months ended 31 December		Nine months ended 31 December	
	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Gain on investments in insurance contracts	11	11	32	33
(Loss)/gain on disposal of property, plant and equipment	–	(44)	7	(22)
Net currency exchange (losses)/gains	–	(94)	1	(242)
	11	(127)	40	(231)

6. FINANCE COSTS

	Three months ended 31 December 2021		Nine months ended 31 December 2021	
	S\$'000 (unaudited)	2020 S\$'000 (unaudited)	S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Interest expense				
– Bank borrowings	127	62	324	206
– Lease liabilities	10	18	40	59
– Others	1	3	5	9
	138	83	369	274
Less: Amount capitalised in property plant and equipment	(7)	(13)	(24)	(40)
Amount recognised in profit or loss	131	70	345	234

7. EXPENSES BY NATURE

	Three months ended 31 December 2021	
	S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Auditor's remuneration	74	60
Purchases of inventories	11,584	8,817
Changes in inventories	(21)	(179)
Depreciation of property, plant and equipment	699	736
Amortisation of intangible assets	70	29
Employee benefits	2,462	2,168
Utilities	297	201
Repairs and maintenance of motor vehicles and transportation	211	163
Chicken shed – medication and vaccination	111	53
Royalty expense	9	19
Agricultural product recorded in cost of sales	2,715	2,140
Other expenses	494	863
	18,705	15,070



7. EXPENSES BY NATURE *(Continued)*

	Nine months ended 31 December	
	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Auditor's remuneration	201	190
Purchases of inventories	32,993	23,039
Changes in inventories	619	(577)
Depreciation of property, plant and equipment	2,124	2,201
Amortisation of intangible assets	201	87
Employee benefits	7,268	5,955
Utilities	793	620
Repairs and maintenance of motor vehicles and transportation	975	458
Chicken shed – medication and vaccination	252	176
Royalty expense	35	40
Agricultural product recorded in cost of sales	8,245	6,728
Other expenses	2,099	2,339
	55,805	41,256

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. The applicable Hong Kong profits tax rate is 16.5%. 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		Nine months ended 31 December	
	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Singapore current tax	218	474	354	658
Deferred income tax expense	46	57	75	117
Tax expense for the period	264	531	429	775

9. EARNINGS PER SHARE

	Three months ended 31 December		Nine months ended 31 December	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Profit attributable to equity holders of the Company (S\$'000)	1,716	1,962	2,552	3,858
Weighted average number of ordinary shares in issue (thousands)	500,000	500,000	500,000	500,000
Basic and diluted earnings per share (S\$ – in cents)	0.34	0.39	0.51	0.77

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 2021 and 2020.

10. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2021 (nine months ended 31 December 2020: Nil).

11. COMMITMENTS

Capital Commitments

As at the reporting date, capital expenditure to expand the Group's farming operations contracted for but not provided for in the unaudited condensed consolidated financial statements is as follows:

	As at 31 December 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Property, plant and equipment	11,532	17,546

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group continues to focus on its core business of egg production and distribution 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 29% from approximately S\$37.8 million for the nine months ended 31 December 2020 to approximately S\$48.9 million for the nine months ended 31 December 2021. The additional revenue arose from an enlargement in the customer base arising from the acquisitions made in the previous financial year.

The ongoing Covid pandemic has continued to impact our business. Generally, our production and operating costs have increased due to hikes in animal feeds costs, disruptions to supply chains and increases in manpower costs. Our purchase costs of sourced eggs have also increased.

Due to travel and dining out restrictions imposed by the Singapore government to contain the pandemic, our customers in the food & beverage have been adversely affected. Our ability to pass on these costs increases to our customers on a timely basis have been constrained. This has depressed our gross margins although our sales have increased.

For the nine months ended 31 December 2021, the Group's net profit decreased by approximately S\$1.6 million from approximately S\$4.6 million for the nine months ended 31 December 2020 to approximately S\$3.0 million for the nine months ended 31 December 2021, primarily due to governmental grant as a result of COVID-19.

The planned expansion of its chicken eggs laying facilities at the current farm and processing facilities is currently underway. Based on current projections and barring any unforeseen circumstances, the facilities will progressively be completed and production of fresh chicken egg is expected to start in the second quarter of 2022.

The construction of quail egg farm is currently underway and is expected to be completed and production of quail egg is expected to start in the second quarter of 2022.



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 businesses and the public.

FINANCIAL REVIEW

Revenue

(i) Fresh eggs

For the nine months ended 31 December 2021 and 2020, approximately 70% of the revenue was derived from the sales of fresh egg. Revenue increased by approximately S\$8.0 million from approximately S\$26.4 million for the nine months ended 31 December 2020 to approximately S\$34.4 million for the nine months ended 31 December 2021, primarily driven by the enlargement in the customer base arising from the acquisitions made last year.

(ii) Processed eggs

For the nine months ended 31 December 2021 and 2020, approximately 30% of the revenue was derived from the sales of processed eggs. Revenue increased by approximately S\$3.2 million from approximately S\$11.3 million for the nine months ended 31 December 2020 to approximately S\$14.5 million for the nine months ended 31 December 2021. Such increase was primarily due to the increase in sales to Food & Beverages customers due to the gradual COVID-19 recovery in Singapore.

Cost of Sales

The Group's total cost of sales increased by approximately S\$12.3 million, or approximately 35% from approximately S\$35.2 million for the nine months ended 31 December 2020 to approximately S\$47.4 million for the nine months ended 31 December 2021 primarily due to the increase in the costs of sourced eggs. Arising from the enlargement of our customer base arising from the acquisitions made in last financial year, we have increased the purchases of sourced eggs to fulfil the sales to these customers.

FINANCIAL REVIEW *(Continued)*

Gross Profit and Gross Profit Margin

The gross profit before agriculture produce fair value adjustments increased by approximately S\$0.4 million or approximately 4%, from approximately S\$9.3 million for the nine months ended 31 December 2020 to approximately S\$9.7 million for the nine months ended 31 December 2021. The gross profit after agricultural produce fair value adjustments decreased by approximately S\$1.1 million or approximately 42%, from approximately S\$2.6 million for the nine months ended 31 December 2020 to approximately S\$1.5 million for the nine months ended 31 December 2021. Separately, gross profit margin after agricultural produce fair value adjustments decreased to approximately 3% for the nine months ended 31 December 2021 from approximately 7% for the nine months ended 31 December 2020. The gross profit margin before agricultural produce fair value adjustments decreased to approximately 20% for the nine months ended 31 December 2021 from approximately 25% for the nine months ended 31 December 2020 primarily due to higher operating costs such as animal feeds.

The gross profit margin has decreased for the nine months ended 31 December 2021 as compared to the same period last year. Eggs production costs and purchase costs of sourced eggs have increased and we have been constrained in passing the increases in these costs to our customers on a timely basis.

Other Gains/(Losses) – Net

The other gains/(losses) changed by approximately S\$271,000 from net losses of approximately S\$231,000 for the nine months ended 31 December 2020 to net gains of approximately S\$40,000 for the nine months ended 31 December 2021 primarily due to net currency exchange gains incurred during the nine months ended 31 December 2021 as a result of the weakening of the 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\$1.5 million, or approximately 22% from approximately S\$6.8 million for the nine months ended 31 December 2020 to approximately S\$8.3 million for the nine months ended 31 December 2021 primarily due to the increase in total number of fresh eggs produced, and price of agricultural produce at the point of harvest during the nine months ended 31 December 2021 as compared to 31 December 2020.

Gain arising from changes in fair value of biological assets less estimated point-of-sale costs

The gain arising from changes in fair value of biological assets less estimated point-of-sale costs increased by approximately S\$1.1 million from gain of approximately S\$0.2 million for the nine months ended 31 December 2020 to gain of approximately S\$1.3 million for the nine months ended 31 December 2021 primarily due to a higher number of hens as at 31 December 2021 as compared to 31 March 2021.

Selling and distribution expenses

Selling and distribution expenses increased by approximately S\$1.7 million or approximately 59% from S\$2.9 million for the nine months ended 31 December 2020 to approximately S\$4.6 million for the nine months ended 31 December 2021 was primarily due to increase in headcount and the enlargement of the delivery fleet to cater for the increase in sales.

Administrative expenses

Administrative expenses increased from approximately S\$3.2 million for the nine months ended 31 December 2020 to approximately S\$3.7 million for the nine months ended 31 December 2021. The increase was primarily due to increase in employee benefits during the nine months ended 31 December 2021.

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 C.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 C.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 C.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 2021.



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 2021.

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 2021, 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

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%

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 2021, 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%

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 D.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 2021, 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, 7 February 2022

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.

