

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
2022



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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 2022 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2022

		Three months ended 31 December						
		2022			2021			
		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	24,633	-	24,633	17,047	-	17,047
	Cost of sales	7	(19,230)	(4,438)	(23,668)	(13,279)	(2,715)	(15,994)
	Gross profit		5,403	(4,438)	965	3,768	(2,715)	1,053
	Other income	4	199	-	199	207	-	207
	Other (losses)/gains – net							
	– Impairment loss on financial assets		(19)	-	(19)	(7)	-	(7)
	– Others	5	(55)	-	(55)	11	-	11
	Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	4,456	4,456	-	2,760	2,760
	(Loss)/gain arising from changes in fair value of biological assets less estimated point-of-sale costs		-	(1,141)	(1,141)	-	791	791
	Selling and distribution expenses	7	(1,709)	-	(1,709)	(1,548)	-	(1,548)



Condensed Consolidated Statement of Comprehensive Income
For the three months and nine months ended 31 December 2022

		Three months ended 31 December					
		2022			2021		
		Results before biological assets and agricultural produce fair value adjustments			Results before biological assets and agricultural produce fair value adjustments		
Note		\$S'000	\$S'000	Total \$S'000	\$S'000	\$S'000	Total \$S'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Administrative expenses	7	(1,645)	-	(1,645)	(1,156)	-	(1,156)
Finance costs	6	(157)	-	(157)	(131)	-	(131)
Profit before tax		2,017	(1,123)	894	1,144	836	1,980
Income tax expense	8	(233)	-	(233)	(264)	-	(264)
Profit after tax and total comprehensive income for the period		1,784	(1,123)	661	880	836	1,716
Profit after tax and total comprehensive income attributable to :							
Owners of the Company		1,824	(1,123)	701	880	836	1,716
Non-controlling interests		(40)	-	(40)	-	-	-
		1,784	(1,123)	661	880	836	1,716
Earnings per share							
Basic and diluted (\$S-in cents)	9			0.14			0.34

Condensed Consolidated Statement of Comprehensive Income
For the three months and nine months ended 31 December 2022

		Nine months ended 31 December						
		2022			2021			
		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	70,421	-	70,421	48,905	-	48,905
	Cost of sales	7	(55,932)	(12,587)	(68,519)	(39,196)	(8,245)	(47,441)
	Gross profit		14,489	(12,587)	1,902	9,709	(8,245)	1,464
	Other income	4	530	-	530	571	-	571
	Other (losses)/gains – net							
	– Impairment loss on financial assets		(37)	-	(37)	(15)	-	(15)
	– Others	5	(5)	-	(5)	40	-	40
	Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	12,665	12,665	-	8,336	8,336
	Gain arising from changes in fair value of biological assets less estimated point-of-sale costs		-	4,477	4,477	-	1,279	1,279
	Selling and distribution expenses	7	(5,279)	-	(5,279)	(4,627)	-	(4,627)
	Administrative expenses	7	(4,430)	-	(4,430)	(3,722)	-	(3,722)
	Finance costs	6	(440)	-	(440)	(345)	-	(345)
	Profit before tax		4,828	4,555	9,383	1,611	1,370	2,981
	Income tax expense	8	(1,407)	-	(1,407)	(429)	-	(429)
	Profit after tax and total comprehensive income for the period		3,421	4,555	7,976	1,182	1,370	2,552
	Profit after tax and total comprehensive income attributable to:							
	Owners of the Company		3,468	4,555	8,023	1,182	1,370	2,552
	Non-controlling interests		(47)	-	(47)	-	-	-
			3,421	4,555	7,976	1,182	1,370	2,552
	Earnings per share							
	Basic and diluted (S\$ – in cents)	9			1.60			0.51



Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2022

	Share capital	Share premium	Other reserve (Note)	Retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 April 2021 (audited)	890	8,544	9,767	15,042	34,243	-	34,243
Profit and total comprehensive expense for the period	-	-	-	2,552	2,552	-	2,552
At 31 December 2021 (unaudited)	890	8,544	9,767	17,594	36,795	-	36,795
At 1 April 2022 (audited)	890	8,544	9,767	18,575	37,776	-	37,776
Profit and total comprehensive expense for the period	-	-	-	8,023	8,023	(47)	7,976
Transactions with owners	-	-	-	-	-	207	207
Shares acquired by non-controlling interests	-	-	-	-	-	207	207
At 31 December 2022 (unaudited)	890	8,544	9,767	26,598	45,799	160	45,959

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 2022

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 2022 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 2022, 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 2022.

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

IFRS 3	Amendments to IFRS 3: Reference to the Conceptual Framework
IAS 16	Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use
IAS 37	Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

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 2022 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	17,621	7,012	24,633
Other income	9	-	9
Gain arising from initial recognition of agricultural produce at fair values less estimated point-of-sales costs at point of harvest – unrealised	18	-	18
Loss arising from changes in fair value of biological asset less estimated point-of-sale costs	(400)	(741)	(1,141)
Purchases of inventories	(14,038)	(3,037)	(17,075)
Changes in inventories	667	(90)	577
Impairment loss for trade receivables, net	(18)	(1)	(19)
Depreciation of property, plant and equipment	(562)	(303)	(865)
Employee benefits	(1,219)	(710)	(1,929)
Utilities	(192)	(215)	(407)
Repairs and maintenance of motor vehicles and transportation	(268)	(108)	(376)
Royalty expense	-	7	7
Chicken shed – medication and vaccination	(49)	(70)	(119)
Other expenses	(379)	(516)	(895)
Segment results	1,190	1,228	2,418
Unallocated finance cost			(157)
Unallocated other income			136
Unallocated corporate expenses			(1,503)
Profit before tax			894

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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)*

Nine months ended 31 December 2022 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	49,793	20,628	70,421
Other income	36	-	36
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest – unrealised	223	-	223
Gain arising from changes in fair value of biological asset less estimated point-of-sale costs	1,791	2,686	4,477
Purchases of inventories	(38,944)	(10,489)	(49,433)
Changes in inventories	520	88	608
Impairment loss for trade receivables, net	(31)	(6)	(37)
Depreciation of property, plant and equipment	(1,406)	(708)	(2,114)
Employee benefits	(3,533)	(2,265)	(5,798)
Utilities	(552)	(635)	(1,187)
Repairs and maintenance of motor vehicles and transportation	(963)	(547)	(1,510)
Royalty expense	-	(25)	(25)
Chicken shed – medication and vaccination	(118)	(177)	(295)
Other expenses	(813)	(1,176)	(1,989)
Segment results	6,003	7,374	13,377
Unallocated finance cost			(440)
Unallocated other income			490
Unallocated corporate expenses			(4,044)
Profit before tax			9,383

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

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		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Government grants	80	133	248	295
Income from sale of animal feeds	7	17	23	124
Interest income	-	9	15	29
Others	112	48	244	123
	199	207	530	571

5. OTHER (LOSSES)/GAINS – NET

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on investments in insurance contracts	25	11	44	32
(Loss)/gain on disposal of property, plant and equipment	-	-	(6)	7
Net currency exchange (losses)/gains	(80)	-	(43)	1
	(55)	11	(5)	40

6. FINANCE COSTS

	Three months ended 31 December 2022		Nine months ended 31 December 2022	
	S\$'000 (unaudited)	2021 S\$'000 (unaudited)	S\$'000 (unaudited)	2021 S\$'000 (unaudited)
Interest expense				
– Bank borrowings	161	127	430	324
– Lease liabilities	1	10	19	40
– Others	(1)	1	7	5
	161	138	456	369
Less: Amount capitalised in property plant and equipment	(4)	(7)	(16)	(24)
Amount recognised in profit or loss	157	131	440	345

7. EXPENSES BY NATURE

	Three months ended 31 December 2022	
	S\$'000 (unaudited)	2021 S\$'000 (unaudited)
Auditor's remuneration	44	74
Purchases of inventories	17,075	11,584
Changes in inventories	(577)	(21)
Depreciation of property, plant and equipment	983	699
Amortisation of intangible assets	76	70
Employee benefits	2,857	2,462
Utilities	407	297
Repairs and maintenance of motor vehicles and transportation	376	211
Chicken shed – medication and vaccination	119	111
Royalty expense	(7)	9
Agricultural product recorded in cost of sales	4,438	2,715
Other expenses	1,231	487
	27,022	18,698



7. EXPENSES BY NATURE *(Continued)*

	Nine months ended 31 December	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Auditor's remuneration	127	201
Purchases of inventories	49,433	32,993
Changes in inventories	(608)	619
Depreciation of property, plant and equipment	2,378	2,124
Amortisation of intangible assets	203	201
Employee benefits	8,402	7,268
Utilities	1,187	793
Repairs and maintenance of motor vehicles and transportation	1,512	975
Chicken shed – medication and vaccination	295	252
Royalty expense	25	35
Agricultural product recorded in cost of sales	12,587	8,245
Other expenses	2,687	2,084
	78,228	55,790

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	
	2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)
Singapore current tax	163	218	1,206	354
Deferred income tax expense	70	46	201	75
Tax expense for the period	233	264	1,407	429

9. EARNINGS PER SHARE

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Profit attributable to equity holders of the Company (S\$'000)	701	1,716	8,023	2,552
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)	0.14	0.34	1.60	0.51

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 2022 and 2021.

10. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2022 (nine months ended 31 December 2021: 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 2022 S\$'000 (unaudited)	As at 31 March 2022 S\$'000 (audited)
Property, plant and equipment	6,046	8,212

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 44% from approximately S\$48.9 million for the nine months ended 31 December 2021 to approximately S\$70.4 million for the nine months ended 31 December 2022. The additional revenue arose from sales to more customers and an increase in egg prices.

For the nine months ended 31 December 2022, the Group's net profit increased by approximately S\$5.0 million from approximately S\$3.0 million for the nine months ended 31 December 2021 to approximately S\$8.0 million for the nine months ended 31 December 2022. Such increase was largely due to our ability to pass on the impact of inflation on the input costs through increased selling prices and an increase in the fair values of our biological assets resulting from the expansion of our layer population following the completion of one pullet house and three layer houses as at 31 December 2022.

The first phase of the planned expansion having been completed as at 31 December 2022, the Group will commence the next phase of its expansion, comprising the construction of the three additional layer houses, with an anticipated completion by the end of 2023.

With the increased egg laying capacity, the Group is expanding its existing egg sorting, packing and processing facilities accordingly.

The construction of quail egg farm continued during the financial period and is expected to be fully operational in 2023, including all necessary regulatory approvals.

With these planned expansions, the Group is expected to further consolidate its status as a leading egg distributor in Singapore.

We anticipate that our operating costs and anticipated capital expenditures will continue to be impacted by global inflationary pressures, brought on by prevailing uncertainties in the world economies and the conflict in Europe. To the extent that we will be unable to translate these increases into our selling prices, our profitability will be affected, though the extent of this is uncertain.

FINANCIAL REVIEW

Revenue

(i) Fresh eggs

For the nine months ended 31 December 2022 and 2021, approximately 70% of the revenue was derived from the sales of fresh eggs. Revenue increased by approximately S\$15.4 million from approximately S\$34.4 million for the nine months ended 31 December 2021 to approximately S\$49.8 million for the nine months ended 31 December 2022, primarily driven by an expansion of our customer base.

(ii) Processed eggs

For the nine months ended 31 December 2022 and 2021, approximately 30% of the revenue was derived from the sales of processed eggs. Revenue increased by approximately S\$6.1 million from approximately S\$14.5 million for the nine months ended 31 December 2021 to approximately S\$20.6 million for the nine months ended 31 December 2022. Such increases were 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\$21.1 million, or approximately 45% from approximately S\$47.4 million for the nine months ended 31 December 2021 to approximately S\$68.5 million for the nine months ended 31 December 2022 primarily due to the increase in the costs of sourced eggs to meet the increased sales of the Group.

FINANCIAL REVIEW *(Continued)*

Gross Profit and Gross Profit Margin

The gross profit before agriculture produce fair value adjustments increased by approximately S\$4.8 million or approximately 49%, from approximately S\$9.7 million for the nine months ended 31 December 2021 to approximately S\$14.5 million for the nine months ended 31 December 2022. The gross profit after agricultural produce fair value adjustments increased by approximately S\$0.4 million or approximately 27%, from approximately S\$1.5 million for the nine months ended 31 December 2021 to approximately S\$1.9 million for the nine months ended 31 December 2022. Separately, gross profit margin after agricultural produce fair value adjustments is approximately 3% for the nine months ended 31 December 2022 and 2021. The gross profit margin before agricultural produce fair value adjustments increased to approximately 21% for the nine months ended 31 December 2022 from approximately 20% for the nine months ended 31 December 2021.

Other (Losses)/Gains – Net – Others

The other (losses)/gains – net – others changed by approximately S\$45,000 from net gains of approximately S\$40,000 for the nine months ended 31 December 2021 to net losses of approximately S\$5,000 for the nine months ended 31 December 2022 primarily due to net currency exchange losses incurred during the nine months ended 31 December 2022.

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\$4.4 million, or approximately 53% from approximately S\$8.3 million for the nine months ended 31 December 2021 to approximately S\$12.7 million for the nine months ended 31 December 2022 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 2022 as compared to 31 December 2021.

FINANCIAL REVIEW *(Continued)*

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\$3.2 million from gain of approximately S\$1.3 million for the nine months ended 31 December 2021 to gain of approximately S\$4.5 million for the nine months ended 31 December 2022. Such changes are primarily due to higher number of growers and increase in selling price as at 31 December 2022 as compared to the period ended 31 March 2022.

Selling and distribution expenses

Selling and distribution expenses increased by approximately S\$0.7 million or approximately 15% from S\$4.6 million for the nine months ended 31 December 2021 to approximately S\$5.3 million for the nine months ended 31 December 2022. These increases are in line with the increase in our sales to an enlarged customer base.

Administrative expenses

Administrative expenses increased from approximately S\$3.7 million for the nine months ended 31 December 2021 to approximately S\$4.4 million for the nine months ended 31 December 2022, primarily due to an increase in employee benefits during the nine months ended 31 December 2022, as a result of increases in our head count and staff salaries.

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 (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 2022.

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 2022.

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 2022, 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' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, 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 required 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. Lew Chern Yong. 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 2022, 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
Eggiculture Foods Ltd.
Mr. Ma Chin Chew
Chairman and Chief Executive Officer

Singapore, 6 February 2023

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. Lew Chern Yong.

