

EGGRICULTURE FOODS LTD. 永續農業發展有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8609



Interim
Report
2021



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 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 Interim 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 six months ended 30 September 2021 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended 30 September					
		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	31,858	-	31,858	23,578	-	23,578
Cost of sales	7	(25,917)	(5,530)	(31,447)	(17,137)	(4,588)	(21,725)
Gross profit		5,941	(5,530)	411	6,441	(4,588)	1,853
Other income	4	364	-	364	1,191	-	1,191
Other gains/(losses) – net	5	29	-	29	(104)	-	(104)
Gain arising from initial recognition of agricultural produce at fair value less estimated point-of-sales costs at point of harvest		-	5,576	5,576	-	4,603	4,603
Gain/(Loss) arising from changes in fair value of biological assets less estimated point-of-sale costs		-	488	488	-	(778)	(778)
Selling and distribution expenses	7	(3,079)	-	(3,079)	(2,318)	-	(2,318)



Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2021

		Six months ended 30 September						
		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)	
	Administrative expenses	7	(2,574)	-	(2,574)	(2,143)	-	(2,143)
	Finance costs	6	(214)	-	(214)	(164)	-	(164)
	Profit before tax		467	534	1,001	2,903	(763)	2,140
	Income tax expense	8	(165)	-	(165)	(244)	-	(244)
	Profit after tax and total comprehensive income for the period attributable to equity holders of the company		302	534	836	2,659	(763)	1,896
	Earnings per share Basic and diluted (\$\$ - in cents)	9			0.17			0.38



Condensed Consolidated Statement of Financial Position

As at 30 September 2021

		As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
ASSETS			
Non-current assets			
Biological assets	11	3,484	4,204
Property, plant and equipment	12	27,785	21,576
Intangible assets		1,338	1,429
Investments in insurance contracts		2,253	2,211
Other receivables	14	–	2,994
		34,860	32,414
Current assets			
Biological assets	11	3,952	2,896
Inventories		2,598	3,080
Trade and other receivables	14	13,572	9,447
Cash and cash equivalents		19,440	10,875
		39,562	26,298
Total assets		74,422	58,712
LIABILITIES			
Non-current liabilities			
Other payables	15	38	76
Lease liabilities	13	642	839
Bank borrowings		19,674	8,408
Deferred income tax liabilities		1,239	1,210
		21,593	10,533

Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	<i>Note</i>	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Current liabilities			
Trade and other payables	15	6,069	4,667
Deferred grant income		5,410	4,501
Current income tax liabilities		641	979
Lease liabilities	13	677	777
Bank borrowings		4,953	3,012
		17,750	13,936
Total liabilities		39,343	24,469
NET ASSETS		35,079	34,243
EQUITY			
Share capital	16	890	890
Share premium		8,544	8,544
Other reserves		9,767	9,767
Retained earnings		15,878	15,042
Total equity		35,079	34,243



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Share capital	Share premium	Other reserve <i>(Note)</i>	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	-	-	-	1,896	1,896
At 30 September 2020 (unaudited)	890	8,544	9,767	9,476	28,677
At 1 April 2021 (audited)	890	8,544	9,767	15,042	34,243
Profit and total comprehensive income for the period	-	-	-	836	836
At 30 September 2021 (unaudited)	890	8,544	9,767	15,878	35,079

Note:

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

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	1,837	3,529
Net cash used in investing activities	(5,799)	(233)
Net cash generated from financing activities	12,527	1,441
Net increase in cash and cash equivalents	8,565	4,737
Cash and cash equivalents at beginning of the period	10,875	9,011
Cash and cash equivalents at end of the period	19,440	13,748



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 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 six months ended 30 September 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 16

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 administration 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:

Six months ended 30 September 2021 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	22,402	9,456	31,858
Other income	107	-	107
Gain arising from initial recognition of agricultural produce at fair values less estimated point-of-sales costs at point of harvest – unrealised	158	-	158
Gain arising from changes in fair value of biological asset less estimated point-of-sale costs	224	264	488
Purchases of inventories	(16,621)	(4,788)	(21,409)
Changes in inventories	(606)	(34)	(640)
Impairment loss for trade receivables, net	(6)	(2)	(8)
Depreciation of property, plant and equipment	(955)	(353)	(1,308)
Employee benefits	(2,164)	(1,171)	(3,335)
Utilities	(250)	(247)	(497)
Repairs and maintenance of motor vehicles and transportation	(452)	(245)	(697)
Royalty expense	-	(26)	(26)
Chicken shed – medication and vaccination	(65)	(76)	(141)
Other expenses	(629)	(559)	(1,188)
Segment results	1,143	2,219	3,362
Unallocated finance cost			(214)
Unallocated other income			285
Unallocated corporate expenses			(2,432)
Profit before tax			1,001

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 September 2020 (unaudited):

	Fresh eggs S\$'000	Processed eggs S\$'000	Total S\$'000
Segment revenue	16,646	6,932	23,578
Other income	103	–	103
Gain arising from initial recognition of agricultural produce at fair values less estimated point-of-sales costs at point of harvest – unrealised	72	–	72
Loss arising from changes in fair value of biological asset less estimated point-of-sale costs	(513)	(265)	(778)
Purchases of inventories	(11,733)	(2,489)	(14,222)
Changes in inventories	168	230	398
Impairment loss for trade receivables, net	(106)	(23)	(129)
Depreciation of property, plant and equipment	(1,061)	(268)	(1,329)
Employee benefits	(2,125)	(671)	(2,796)
Utilities	(286)	(133)	(419)
Repairs and maintenance of motor vehicles and transportation	(242)	(53)	(295)
Royalty expense	–	(21)	(21)
Chicken shed – medication and vaccination	(81)	(42)	(123)
Other expenses	(677)	(290)	(967)
Segment results	165	2,907	3,072
Unallocated finance cost			(164)
Unallocated other income			1,110
Unallocated corporate expenses			(1,878)
Profit before tax			2,140

Geographical information

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

Information about major customers

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (six months ended 30 September 2020: Nil).



4. OTHER INCOME

	Six months ended	
	30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Government grants	162	979
Income from sale of animal feeds	107	103
Interest income	20	21
Others	75	88
	364	1,191

5. OTHER GAINS/(LOSSES) – NET

	Six months ended	
	30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Gain on investments in insurance contracts	21	22
Gain on disposal of property, plant and equipment	7	22
Net currency exchange gains/(losses)	1	(148)
	29	(104)

6. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Interest expense		
– Bank borrowings	197	144
– Lease liabilities	30	41
– Others	4	6
	231	191
Less: Amount capitalised in property, plant and equipment	(17)	(27)
Amount recognised in profit or loss	214	164

7. EXPENSES BY NATURE

	Six months ended 30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Auditor's remuneration	127	130
Purchases of inventories	21,409	14,222
Changes in inventories	640	(398)
Depreciation of property, plant and equipment	1,425	1,465
Amortisation of intangible assets	131	58
Employee benefits	4,806	3,787
Utilities	496	419
Repairs and maintenance of motor vehicles and transportation	764	295
Chicken shed – medication and vaccination	141	123
Royalty expense	26	21
Agricultural produce recorded in cost of sales	5,530	4,588
Other expenses	1,605	1,476
	37,100	26,186



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.

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.

	Six months ended 30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Singapore current tax	136	184
Deferred income tax expense	29	60
Tax expense for the period	165	244

9. EARNINGS PER SHARE

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
Profit attributable to equity holders of the Company (S\$'000)	836	1,896
Weighted average number of ordinary shares in issue (thousands)	500,000	500,000
Basic and diluted earnings per share (S\$ – in cents)	0.17	0.38

The diluted earnings per share is the same as the basic earnings per share as the Group does not have potentially dilutive ordinary shares in issue during the periods ended 30 September 2021 and 2020.

10. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

11. BIOLOGICAL ASSETS

	30 September 2021 S\$'000 (unaudited)	30 September 2020 S\$'000 (unaudited)
Movement in biological assets are as follows:		
At 1 April 2021/1 April 2020	7,100	4,270
Purchases of immature hens	171	85
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	488	(778)
Sales of mature hens	(323)	(296)
	7,436	3,281
At 30 September 2021/30 September 2020	7,436	3,281
	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Biological assets comprise: <i>(Note)</i>		
– Mature hens	3,952	4,632
– Immature hens	3,484	2,468
	7,436	7,100
Current	3,952	2,896
Non-current	3,484	4,204
	7,436	7,100

Note:

Biological assets are used in the production of eggs. Mature hens represent batches of hens that start to produce eggs.



11. BIOLOGICAL ASSETS *(Continued)*

The biological assets were valued at their fair values less point-of-sale costs using the discounted cash flow method. The management's major key assumptions used in the valuation are as follows:

	As at 30 September 2021 (unaudited)	As at 31 March 2021 (audited)
Selling price of mature hens	2.15	2.15
Selling price of agriculture produce (fresh eggs)	0.19	0.19
Mortality rate	17.3%	17.3%
Discount rate	10.6%	10.6%
Estimated egg laying period	89 weeks	89 weeks

As at 30 September 2021, the number of hens held by the Group were 571,800 (31 March 2021: 564,853), out of which 245,687 (31 March 2021: 168,958) were immature hens. During the six months ended 30 September 2021, the Group harvested 67,866,494 (six months ended 30 September 2020: 68,706,822) eggs.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021 and 2020, the Group acquired property, plant and equipment, net of grants of approximately S\$7,640,000 (six months ended 30 September 2020: S\$5,115,000). The breakdown of the additions are as follows:

	Six months ended 30 September 2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Leasehold buildings and improvements	8	198
Plant and machinery	92	620
Equipment and furniture	39	138
Motor vehicles	125	64
Assets under construction	7,376	4,095
	7,640	5,115

13. LEASES

(i) Amounts recognised in the consolidated statement of financial position

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Right-of-use assets		
Leasehold land	2,874	2,959
Leasehold premises	796	902
	3,670	3,861
Lease liabilities		
Current	677	777
Non-current	642	839
	1,319	1,616

(ii) Amounts recognised in the consolidated statement of comprehensive income

	Six months ended 30 September 2021 S\$'000 (unaudited)	2020 S\$'000 (audited)
Depreciation charge of right-of-use assets		
Leasehold land	86	86
Leasehold premises	106	98
	192	519
Interest expense (included in finance cost)	30	41



13. LEASES *(Continued)*

(iii) The Group's leasing activities and how these are accounted for

Leasehold land

The Group has made an upfront payment for land use rights of the current poultry farm and a quail egg farm. The land lease payments are amortised on a straight-line basis over lease term of 20 years.

There are no externally imposed covenant on these lease arrangements.

Leasehold premises

The Group leases premises for the purpose of inventory storage, back office operation and employees' accommodation.

The Group has made an upfront payment to secure the right-of-use of a 30-year leasehold premise, which is used by the Group for inventory storage and back office operations. The Group also makes annual lease payments for this premise.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

A storage building lease contains variable payment terms that vary on a yearly basis to reflect changes in market rental rates.

(v) Extension and termination option

The lease for certain storage building contains extension period, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise the extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension option is exercisable by the Group and not by the lessor.

13. LEASES *(Continued)*

Nature of the Group's leasing activities – Group as an intermediate lessor

Subleases – classified as finance leases

During the six months ended 30 September 2021, the Group sub-leased its right-of-use of a leasehold premise. It is classified as finance lease because the sub-lease is for the entire remaining lease term of the head lease.

Right-of-use assets relating to the head leases with sub-leases classified as finance lease is derecognised. The net investment in the sub-lease is recognised under "Trade and other receivables" (Note 14).

Finance income on the net investment in sub-lease during the reporting period is S\$1,000.

The following table shows the maturity analysis of the undiscounted lease payments to be received:

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Less than one year	37	34
One to two years	–	20
Total undiscounted lease payments	37	54
Less: Unearned finance income	(1)	(2)
Net investment in finance lease <i>(Note 14)</i>	36	52
Current <i>(Note 14)</i>	36	33
Non-current <i>(Note 14)</i>	–	19
	36	52



14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Trade receivables	8,821	8,241
Less:		
Allowance for impairment of receivables	(181)	(176)
	8,640	8,065
Other receivable	846	555
Finance lease receivables	36	33
Deposits	182	91
Prepayments	3,868	703
	13,572	9,447
Non-current		
Prepayments	–	2,975
Finance lease receivables	–	19
	–	2,994

The credit period of trade receivables ranged up to 60 days. No interest was charged on the outstanding balances. The ageing analysis of trade receivables as at 30 September 2021 and 31 March 2021 based on invoice date is as follows:

14. TRADE AND OTHER RECEIVABLES *(Continued)*

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Less than 30 days	4,943	4,539
31 to 60 days	3,186	2,462
61 to 90 days	434	480
More than 90 days	258	760
	8,821	8,241

The carrying amounts of trade receivables approximate their fair values.

The closing loss allowances for trade receivable reconcile to the opening loss allowance as follows:

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
At beginning of period	176	188
Increase in loss allowance recognised in profit or loss during the period/year	8	6
Utilisation of loss allowance	(3)	(18)
At end of period	181	176

The Group recognises a loss allowance for expected credit loss on trade and other receivables. The amount of expected credit loss is updated at each reporting date to reflect the changes in credit risk since initial recognition in the respective financial instruments.

The expected credit loss on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.



14. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group's trade and other receivables (excluding prepayments and goods and services tax) are denominated in the following currencies:

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
SGD	9,580	8,580
USD	124	124
	9,704	8,704

15. TRADE AND OTHER PAYABLES

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Current		
Trade payables	4,157	3,241
Other payables	311	181
Other accruals	1,382	1,043
Accrued royalty expense	219	202
	6,069	4,667
Non-current		
Accrued royalty expense	38	76
	6,107	4,743

The credit term granted by the Group's suppliers were usually ranged up to 60 days.

15. TRADE AND OTHER PAYABLES *(Continued)*

The ageing analysis of trade payables based on invoice date was as follows:

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Less than 30 days	3,007	2,368
31 to 60 days	997	718
More than 60 days	153	155
	4,157	3,241

The Group's trade and other payables are denominated in the following currencies:

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
SGD	5,843	4,287
USD	304	278
HKD	40	16
MYR	–	7
	6,187	4,588



16. SHARE CAPITAL

The share capital as at 30 September 2021 represented the issued share capital of the Company.

	Number of shares	Amount HK\$'000	Amount S\$'000
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Ordinary shares of HK\$0.01 each

Authorised:

At 30 September 2021 and 31 March 2021	10,000,000,000	100,000	–
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	Number of shares	Amount HK\$'000	Amount S\$'000
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Issued and fully paid:

At 30 September 2021 and 31 March 2021	500,000,000	5,000	890
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17. 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 financial statements is as follows:

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Property, plant and equipment	14,406	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 35% from approximately S\$23.6 million for the six months ended 30 September 2020 to approximately S\$31.9 million for the six months ended 30 September 2021. The additional revenue arose from an enlargement in the customer base arising from the acquisitions made last year.

The impact of Coronavirus Disease 2019 ("COVID-19") has resulted in the government diversifying its egg supply sources to strengthen Singapore food resilience. Accordingly, egg importers have to diversify its supply sources and there have been an influx of eggs for suppliers from countries other than Malaysia. This has resulted in periodic disruptions in the Singapore egg market, leading to price volatility. In the financial period under review, it has depressed our gross margins as we increased our sales.

For the six months ended 30 September 2021, the Group's net profit decreased by approximately S\$1.1 million from approximately S\$2.1 million for the six months ended 30 September 2020 to approximately S\$1.0 million for the six months ended 30 September 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 eggs 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 in end of 2021.

Given the above, the Group is currently exploring various options to fund the expansion. With the planned expansions, the Group is expected to consolidate its market presence as a leading eggs distributor in Singapore.

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 six months ended 30 September 2021 and 2020, approximately 70% and approximately 71% of the revenue was derived from the sales of fresh eggs. Revenue increased by approximately S\$5.8 million from approximately S\$16.6 million for the six months ended 30 September 2020 to approximately S\$22.4 million for the six months ended 30 September 2021, primarily driven by the enlargement in the customer base arising from the acquisitions made last year.

(ii) Processed eggs

For the six months ended 30 September 2021 and 2020, approximately 30% and approximately 29% of the revenue was derived from the sales of processed eggs. Revenue increased by approximately S\$2.6 million from approximately S\$6.9 million for the six months ended 30 September 2020 to approximately S\$9.5 million for the six months ended 30 September 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\$9.7 million, or approximately 45% from approximately S\$21.7 million for the six months ended 30 September 2020 to approximately S\$31.4 million for the six months ended 30 September 2021 primarily due to the increase in sourced eggs as a result of enlargement in the customer base arising from the acquisitions made last year.

Gross Profit and Gross Profit Margin

The gross profit before agricultural produce fair value adjustments decreased by approximately S\$0.5 million or from approximately S\$6.4 million for the six months ended 30 September 2020 to S\$5.9 million for the six months ended 30 September 2021. The gross profit after agricultural produce fair value adjustments decreased by approximately S\$1.5 million or approximately 78%, from approximately S\$1.9 million for the six months ended 30 September 2020 to approximately S\$0.4 million for the six months ended 30 September 2021. Separately, gross profit margin after agricultural produce fair value adjustments decreased to approximately 1% for the six months ended 30 September 2021 from approximately 8% for the six months ended 30 September 2020. The gross profit margin before agricultural produce fair value adjustments decreased to approximately 19% for the six months ended 30 September 2021 from approximately 27% for the six months ended 30 September 2020 primarily due to higher operating costs such as animal feeds.

The gross profit margin has decreased for the six months ended 30 September 2021 as compared to the six months ended 30 September 2020 primarily due to increase in price of sourced eggs and employee benefits for the six months ended 30 September 2021.

FINANCIAL REVIEW *(Continued)*

Other gains/(losses) – net

The other gains/(losses) changed by approximately S\$133,000, from net losses of approximately S\$104,000 for the six months ended 30 September 2020 to net gains of approximately S\$29,000 for the six months ended 30 September 2021 primarily due to net currency exchange gains incurred during the six months ended 30 September 2021 as a result of the weakening of the USD against SGD.

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\$1.0 million, or approximately 22% from approximately S\$4.6 million for the six months ended 30 September 2020 to approximately S\$5.6 million for the six months ended 30 September 2021 primarily due to the increase in price of agricultural produce at the point of harvest during the six months ended 30 September 2021 as compared to 30 September 2020.

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\$1.3 million from approximately loss of S\$0.8 million for the six months ended 30 September 2020 to gain of approximately S\$0.5 million for the six months ended 30 September 2021. Such changes primarily due to a higher number of growers as at 30 September 2021 as compared to the period ended 31 March 2021.

Selling and distribution expenses

Selling and distribution expenses increased by approximately S\$0.9 million or approximately 41% from approximately S\$2.2 million for the six months ended 30 September 2020 to approximately S\$3.1 million for the six months ended 30 September 2021 was primarily due to the 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\$2.1 million for the six months ended 30 September 2020 to approximately S\$2.6 million for six months ended 30 September 2021, primarily due to increase in employee benefits during the six months ended 30 September 2021.



LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 September 2021, the Group financed its operations by cash flow generated from operating activities and banking facilities.

The current ratio, being the ratio of current assets to current liabilities, was approximately 2.2 times as at 30 September 2021 (31 March 2021: 1.9 times). The gearing ratio, being the ratio of net debt to total capital, was approximately 16% as at 30 September 2021 (31 March 2021: 6%).

As at 30 September 2021 and 31 March 2021, the Group had cash and cash equivalents of approximately S\$19.4 million and S\$10.9 million, respectively.

As at 30 September 2021, total borrowings amounted to approximately S\$25.9 million (31 March 2021: S\$13.0 million). There was no material seasonality in relation to the borrowing requirements of the Group. Below is a breakdown of the total borrowings:

	30 September 2021 S\$'000 (unaudited)	31 March 2021 S\$'000 (audited)
Non-current		
Lease liabilities	642	839
Bank borrowings	19,674	8,408
	20,316	9,247
Current		
Lease liabilities	677	777
Bank borrowings	4,953	3,012
	5,630	3,789
Total borrowings	25,946	13,036
Maturity of Bank Borrowings		
Within 1 years	4,952	3,012
Between 1 and 2 years	6,174	2,907
Between 2 and 5 years	13,427	5,320
Over 5 years	74	181
	24,627	11,420

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

As at 30 September 2021, the Group had undrawn borrowing facilities of approximately S\$7.7 million (31 March 2021: S\$7.7 million) which included unutilised loan facilities, trade facilities and non-revolving hire purchase facilities.

PLEDGE OF ASSETS

The borrowings amounting to approximately S\$1,360,000 as at 30 September 2021 (31 March 2021: S\$1,453,000) are secured by assignment over the investments in insurance contracts with a carrying amount of approximately S\$2,253,000 (31 March 2021: S\$2,211,000).

Lease liabilities of the Group amounting to approximately S\$919,000 as at 30 September 2021 (31 March 2021: S\$1,145,000) are effectively secured over the leased machinery and motor vehicles with a carrying amount of approximately S\$1,752 (31 March 2021: S\$2,365,700).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the six months ended 30 September 2021. The share capital of the Company only comprises ordinary shares.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisitions or disposal of subsidiaries during the six months ended 30 September 2021.

SIGNIFICANT INVESTMENTS

As at 30 September 2021, the Group did not hold any significant investments other than disclosed.

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have any plans for material investment or acquisition of capital assets as at the date of this report. The Company will make further announcement in accordance with the GEM Listing Rules, where applicable, if any investments and acquisition opportunities materialise.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any significant contingent liabilities.



CAPITAL COMMITMENTS

As at 30 September 2021, the Group did not have material capital commitments other than disclosed in Note 17 of Notes to the Condensed Consolidated Financial Statements of this report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group had a total of 256 employees (31 March 2021: 255). Staff cost, including Directors' remuneration, of the Group were approximately S\$4.8 million for the six months ended 30 September 2021 (six months ended 30 September 2020: S\$3.8 million).

The remuneration package offered by the Group to our employees includes salary, bonus and staff benefits. In general, the Group determines the level of employee salaries based on each employee's qualification, experience, position, seniority and the prevailing market remuneration rate. The Group reviews its remuneration of employees annually and adjust them as needed to ensure that they are competitive to attract and retain talents and having regards to the Group's profitability.

FOREIGN CURRENCY EXPOSURE

Currency risk arises when transactions are denominated in a currency that is not the entity's functional currency. The Group's business is mainly exposed to the United States dollar ("USD") and Hong Kong dollar ("HKD"). The Group monitors exchange rate movements to ensure this risk is kept within an acceptable level. This exposure is not hedged by any financial instruments.

The Group's currency exposure to USD is as follows:

	30 September 2021 S\$'000 (unaudited)	31 March 2021 S\$'000 (audited)
Financial assets		
Cash and bank deposits	605	885
Trade and other receivables	124	124
	729	1,009
Financial liabilities		
Borrowings	(1,360)	(1,453)
Trade and other payables	(304)	(278)
	(935)	(722)
Less:		
Borrowings designated for insurance contracts	1,360	1,453
	425	731

FOREIGN CURRENCY EXPOSURE *(Continued)*

The sensitivity analysis of the exposure to USD, after taking into consideration the USD borrowings designated for the investments in insurance contracts are as follows:

As at 30 September 2021, if USD had strengthened/weakened by 1% (31 March 2021: 5%) against Singapore dollar (“SGD”) with all other variables including tax rate being held constant, the Group’s results would have been S\$3,500 higher/lower (31 March 2021: S\$30,000 higher/lower), respectively, as a result of currency translation gains/losses on the USD-denominated financial assets/liabilities and insurance contracts.

The Group’s currency exposure to HKD is as follows:

	30 September 2021 S\$’000 (unaudited)	31 March 2021 S\$’000 (audited)
Cash and bank deposits	2,136	2,205
Trade and other payables	(40)	(16)
	2,096	2,189

As at 30 September 2021, if HKD had strengthened/weakened by 1% (31 March 2021: 6%) against SGD with all other variables including tax rate being held constant, the Group’s results would have been S\$17,000 (31 March 2021: S\$109,000) higher/lower, respectively, as a result of currency translation gains/losses on the HKD-denominated assets/liabilities.

IMPACT OF COVID-19

The lingering effects of COVID-19 have disrupted the Group’s business operations and management has pivoted its efforts adapting to rapidly changing market conditions. The Group will continue to monitor its operations and the market as the effects COVID-19 create and prolong uncertainties on the Singapore economy. Management will evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19.



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 six months ended 30 September 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 six months ended 30 September 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 30 September 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:

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

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 30 September 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry made with all the Directors, all of them have confirmed that they have fully complied with the required standard of dealings and there is no incident of non-compliance noted by the Company throughout the six months ended 30 September 2021.

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 of 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 six months ended 30 September 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, 5 November 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.

