

Don Agro International Limited

Company Registration No. 201835258H

Unaudited Financial Statement and Dividend Announcement

For the Full Year Ended 31 December 2020

Background

Don Agro International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) (Registration Number: 201835258H) was incorporated in Singapore on 16 October 2018 under the Companies Act.

The Group is one of the largest agricultural companies in the Rostov region of Russia, principally engaged in the cultivation of agricultural crops and the production of raw milk. The principal operating subsidiary is Don Agro LLC which operates three production divisions in the Rostov region, namely the Northern production division, the Western production division and the Eastern production division. All of these production divisions undertake both crop production and milk production and each production division has its own storage facilities and dedicated parking area for our machinery.

The Group’s crop production is one of the core businesses and all of our arable land is located in the Rostov region, which is one of the most fertile regions in Russia, and is approximately 220 km away from the Azov Sea and Don River international ports. This allows our customers, who are mainly traders and exporters, to save on transportation costs and, as a result, be able to offer higher prices for our crops. The Group is primarily engaged in the farming of commercial crops such as winter wheat, sunflower, sorghum, corn and flax. The Group sells its agricultural produce primarily to international and local grain traders and exporters on an invited tender basis. The Group’s grain production employs modern agricultural machinery and equipment mainly from John Deere, New Holland and Claas Jaguar to optimise our efficiency and productivity.

The Group also produces and sells raw milk to dairy processing companies for the production of fresh milk and other high-end processed dairy products. The customers compete for raw milk and the Group generally chooses to sell to a single large dairy processing company in any given year based on the highest price terms and conditions offered. While the Group typically enters into a general supply agreement with such customer, such supply agreement will allow for price negotiations on a regular basis based on market conditions.

The Group has facilities to house our dairy herd, our calves and heifers as well as for fodder storage on each of our farms. In general, our milk is sold at our dairy farms and transportation of the raw milk is undertaken by our customers.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) **An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group		
	For the Full Year Ended		
	31 December	31 December	
	2020	2019	
	(Unaudited)	(Audited)	Change
	S\$'000	S\$'000	%
Revenue	30,996	35,431	(12.5)
Cost of sales	(25,587)	(33,354)	(23.3)
Gain from change in fair value of biological assets and agricultural produce	9,217	6,512	41.5
Gross profit	14,626	8,589	70.3
Administrative expenses	(3,117)	(2,122)	46.9
Other operating expenses, net	(1,807)	(282)	540.8
Results from operating activities	9,702	6,185	56.9
Finance income	90	249	(63.9)
Finance costs	(781)	(908)	(14.0)
Net finance costs	(691)	(659)	4.9
Profit before tax	9,011	5,526	63.1
Tax expense	(315)	(303)	4.0
Profit for the year	8,696	5,223	66.5
Profit attributable to:			
Owners of the Company	8,696	5,209	66.9
Non-controlling interests	-	14	N.M
Profit for the year	8,696	5,223	66.5
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences arising from functional and presentation currency	(6,670)	3,163	N.M
Other comprehensive income for the year, net of tax	(6,670)	3,163	N.M
Total comprehensive income for the year, net of tax	2,026	8,386	(75.8)
Total comprehensive income attributable to:			
Owners of the Company	2,026	8,372	(75.8)
Non-controlling interests	-	14	N.M
Total comprehensive income for the year	2,026	8,386	(75.8)

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income:-

	Group For the Full Year Ended		
	31 December 2020 S\$'000	31 December 2019 S\$'000	Change %
Note 1			
The expenses are recognised in the cost of sales			
Depreciation of PPE and ROU assets	(1,877)	(2,124)	(11.6)
Operating lease expenses*	(172)	(747)	(77.0)
Note 2			
Finance income and finance costs			
Interest income	223	204	9.3
Interest expense	(635)	(642)	(1.1)
Foreign exchange differences	40	(19)	N.M
Lease expenses	(556)	(641)	(13.3)
Note 3			
Operating income and expenses			
<i>Administrative expenses</i>			
Information, consulting and other professional services	(1,238)	(262)	372.5
Depreciation	(19)	(25)	(24.0)
<i>Other operating income/(expenses)</i>			
Impairment loss on trade and other receivables and short-term investments reversed	219	4	N.M
Government grants received	631	420	50.2
(Loss)/gain on disposal of property, plant and equipment	(60)	722	N.M
Reversal of Withholding tax expense on interest payments in relation to promissory notes payable to Vallerd Investments Limited	-	311	N.M
Listing expenses	(1,295)	(1,365)	(5.1)
<i>N.M denotes not meaningful</i>			

*Operating lease expenses were incurred in FY2019 and capitalised as part of Biological Assets. The amounts were released to the Income Statement upon sale of the biological assets.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31 December 2020 (Unaudited) S\$'000	31 December 2019 (Audited) S\$'000	31 December 2020 (Unaudited) S\$'000	31 December 2019 (Audited) S\$'000
ASSETS				
Property, plant and equipment	12,770	11,890	-	-
Biological assets	7,807	9,989	-	-
Right-of-use assets	4,820	4,584	-	-
Investment in subsidiaries	-	-	14,009	14,009
Goodwill	462	-	-	-
Other non-current assets	24	26	-	-
Non-current assets	25,883	26,489	14,009	14,009
Biological assets	7,444	6,747	-	-
Current tax assets	13	24	-	-
Inventories	9,879	6,555	-	-
Investments	4,246	3,162	-	-
Trade and other receivables	3,173	3,744	4,326	2,085
Cash and cash equivalents	9,992	4,646	3,713	3
Current assets	34,747	24,878	8,039	2,088
Total assets	60,630	51,367	22,048	16,097
Share capital	40,667	35,741	40,911	35,741
Capital reserves	(10,450)	(10,450)	(21,270)	(21,270)
Foreign currency translation reserve	(7,496)	(826)	-	-
Accumulated (losses)/profits	20,646	12,992	1,718	962
Equity attributable to owners of the Company	43,367	37,457	21,359	15,433
Non-controlling interests	32	32	-	-
Total equity	43,399	37,489	21,359	15,433
LIABILITIES				
Loans and borrowings	1,061	988	-	-
Trade and other payables	-	-	70	70
Finance lease liabilities	4,530	4,425	-	-
Deferred income	336	358	-	-
Non-current liabilities	5,927	5,771	70	70
Loans and borrowings	6,085	4,679	-	-
Finance lease liabilities	652	549	-	-
Current tax liabilities	238	109	-	-
Trade and other payables	3,520	1,728	619	594
Deferred income	109	106	-	-
Provisions	700	936	-	-
Current liabilities	11,304	8,107	689	594
Total liabilities	17,231	13,878	689	664
Total equity and liabilities	60,630	51,367	22,048	16,097

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 31 December 2020		As at 31 December 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,082	655	4,677	551

Amount repayable after one year

As at 31 December 2020		As at 31 December 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,058	4,533	984	4,429

Details of any collateral

The Group's bank loans are secured by (i) charges over fixed deposits and accounts maintained with banks; (ii) corporate guarantees given by subsidiary Tetra Joint-Stock Company ("JSC"); (iii) pledge of property, plant and equipment; and (iv) personal guarantees from the Chief Executive Officer and Executive Director.

Secured borrowings consist of bank loans. Unsecured borrowings comprise loans from third parties and lease liabilities.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Group	
	For the Full Year Ended	For the Full Year Ended
	31 December	31 December
	2020	2019
	(Unaudited)	(Audited)
	S\$'000	S\$'000
Cash flows from operating activities		
Profit for the year	8,696	5,223
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	2,139	2,283
Gain/(loss) on disposal of property, plant and equipment	60	(722)
Finance costs	780	908
Finance income	(90)	(249)
Tax expense	315	303
Withholding tax expense	-	(311)
Gain from change in fair value of biological assets and agricultural produce	(9,217)	(6,512)
Revaluation of sold biological assets recognised in cost of sales	7,847	8,789
Impairment loss on trade and other receivables and short-term investments made	(219)	(4)
Impairment loss on inventories relating to agricultural produce	83	216
Impairment loss on other inventories (reversed)/made	(54)	40
	10,340	9,964
Changes in:		
Trade and other receivables	(405)	(2,901)
Inventories	(13,647)	(2,911)
Biological assets	8,304	4,874
Trade and other payables and provisions	1,596	1,025
Deferred income	66	215
Cash generated from operations	6,254	10,266
Tax paid	(144)	(200)
Net cash generated from operating activities	6,110	10,066

	Group	
	For the Full Year Ended	
	31 December 2020 (Unaudited) S\$'000	31 December 2019 (Audited) S\$'000
Investing activities		
Purchase of property, plant and equipment	(4,072)	(1,742)
Proceeds from sale of property, plant and equipment	287	760
Deposits returned	2,751	-
Deposits placed	(4,481)	(3,077)
Purchase of non-current assets	-	-
Interest received	223	204
Loans issued	-	-
Acquisition of subsidiary, net of cash disposed	(747)	-
Net cash used in investing activities	(6,039)	(3,855)
Cash flows from financing activities		
Proceeds from borrowings	8,848	5,755
Repayment of borrowings	(6,293)	(7,620)
Repayment of finance lease liabilities	(86)	(150)
Proceeds from placement shares issued	5,060	-
Interest paid	(313)	(429)
Dividends paid	(990)	(601)
Net cash generated from/(used in) financing activities	6,226	(3,045)
Net increase in cash and cash equivalents	6,297	3,166
Cash and cash equivalents at 1 January	4,646	1,263
Effect of exchange rate fluctuations on cash held	(951)	217
Cash and cash equivalents at 31 December	9,992	4,646

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity

Group (Unaudited)	Share Capital	Capital reserves	Foreign Currency translation reserve	Accumul ated profits	Equity attributable to owners of the parent	Non- Controlling Interest	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2020	35,741	(10,450)	(826)	12,992	37,457	32	37,489
Total comprehensive income for the year							
Profit for the year	-	-	-	8,696	8,696	-	8,696
Other comprehensive income							
Foreign currency translation differences	-	-	(6,670)	-	(6,670)	-	(6,670)
Total comprehensive income for the year	-	-	(6,670)	8,696	2,026	-	2,026
Transaction with owners, recognised directly in equity							
Dividends	-	-	-	(1,042)	(1,042)	-	(1,042)
Placement shares issued	5,060	-	-	-	5,060	-	5,060
Shares issued of PPCF	500	-	-	-	500	-	500
Offset of listing expenses	(634)	-	-	-	(634)	-	(634)
Transactions with owners	-	-	-	-	-	-	-
Total transactions with owners	4,926	-	-	(1,042)	3,884	-	3,884
Balance as at 31 December 2020	40,667	(10,450)	(7,496)	20,646	43,367	32	43,399
Group (Audited)							
At 1 January 2019	14,007	11,024	(3,989)	8,384	29,426	18	29,444
Total comprehensive income for the year							
Profit for the year	-	-	-	5,209	5,209	14	5,223
Other comprehensive income							
Foreign currency translation differences	-	-	3,163	-	3,163	-	3,163
Total comprehensive income for the year	-	-	3,163	5,209	8,372	14	8,386
Dividends	-	-	-	(601)	(601)	-	(601)
Merger reserves arising from the Restructuring exercise	21,734	(21,734)	-	-	-	-	-
Transactions with owners	-	260	-	-	260	-	260
Total transaction with owners	21,734	(21,474)	-	(601)	(341)	-	(341)
Balance as at 31 December 2019	35,741	(10,450)	(826)	12,992	37,457	32	37,489

Statement of Changes in Equity

Company (Unaudited)	Share Capital	Capital reserve	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 January 2020	35,741	(21,270)	962	15,433
Profit for the period	-	-	1,798	1,798
Transaction with owners, recognised directly in equity				
Dividends	-	-	(1,042)	(1,042)
Shares issued to PPCF	500	-	-	500
Placement shares issued	5,060	-	-	5,060
Offset of listing expenses	(390)	-	-	(390)
Balance as at 31 December 2020	40,911	(21,270)	1,718	21,359

Company (Audited)	Share Capital	Capital reserve	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 January 2019	-*	150	(149)	1
Profit for the period	-	-	1,111	1,111
Transaction with owners, recognised directly in equity				
Transactions with owners	-	314	-	314
Issuance of 9,999,900 ordinary shares pursuant to the Restructuring Exercise [^]	35,741	-	-	35,741
Merger reserves	-	(21,734)	-	(21,734)
Balance as at 31 December 2019	35,741	(21,270)	962	15,433

Notes:

* Less than \$1,000

[^] The Company was incorporated on 16 October 2018 in accordance with the Companies Act as a private company limited by shares under the name of "Don Agro International Private Limited". On 4 February 2020, our Company changed its name to "Don Agro International Limited" in connection with its conversion into a public company limited by shares.

At the date of incorporation, our issued and paid-up share capital was S\$100, comprising 100 ordinary shares. Pursuant to a share swap agreement dated 21 November 2019 entered into between our Company and Vallerd Investments, our Company acquired from Vallerd Investments the entire issued and paid-up share capital of Tetra JSC held by it, comprising an aggregate of 62,403,000 ordinary shares for a total consideration of S\$35,741,000 based on the unaudited NTA of Tetra JSC and its subsidiaries as at 30 June 2019. The purchase consideration was satisfied by the issue and allotment of an aggregate of 9,999,900 shares in the capital of the Company credited as fully paid-up on 23 December 2019 and was arrived at on a willing buyer willing seller basis.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital – Ordinary Shares

	Number of shares	Issued and paid-up Share Capital (S\$)
Balance at 30.06.2020	150,272,700	40,654,100
Offset of listing expenses	-	12,900 ¹
Balance at 31.12.2020	150,272,700	40,667,000

Notes:

1) In the second half year ended 31 December 2020, the Group has not recognised the listing expenses incurred pursuant to the IPO. S\$12,900 represents the exchange difference (gain) between share capital as at 30 June 2020 and 31 December 2020 due to depreciation of the Russian rouble.

The Company did not have any outstanding options, convertibles or treasury shares, and there were no subsidiary holdings as at 31 December 2020 and 31 December 2019. The Company was incorporated on 16 October 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

As at 31 December 2020 As at 31 December 2019

Total number of issued shares	150,272,700	125,000,000
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The Company did not have any treasury shares as at 31 December 2020 and 31 December 2019.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial year reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial year reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable, as the Company's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has adopted the same accounting policies and methods of computation as those in the audited combined financial statements for the financial year ended 31 December 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

There was no change in the accounting policies and methods of computation for the current financial period reported on.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	For the Full Year Ended	
Earnings per share (“EPS”)	31 December	31 December
	2020	2019
Profit attributable to shareholders of the Company (S\$'000)	8,696	5,209
Weighted average number of shares ⁽¹⁾	147,749,603	125,000,000
Basic and fully diluted EPS ⁽²⁾ (cents)	5.89	4.17

Notes:-

(1) *The weighted average number of shares as at 31 December 2019 includes the estimated shares issued to effect the acquisition of interests in common control entities pursuant to the Group’s Restructuring Exercise (as defined in the Company’s Offer Document) on the basis the transfer had taken effect as at 1 January 2016, or the dates of incorporation/establishments of subsidiaries under common control, if later.*

(2) *The fully diluted EPS of the Group for the full year ended 31 December 2020 and 2019 is the same as the basic EPS because there were no potentially dilutive ordinary shares in issue during and as at the end of the respective financial year.*

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) Current period reported on; and
(b) Immediately preceding financial year.

	Group		Company	
	As at 31 December 2020 (Unaudited)	As at 31 December 2020 (Audited)	As at 31 December 2020 (Unaudited)	As at 31 December 2019 (Unaudited)
Net asset value (S\$'000)	43,367	37,457	21,359	15,433
Number of ordinary shares in issue	150,272,700	125,000,000	150,272,700	125,000,000
Net asset value per ordinary share (cents)	28.86	29.97	14.21	12.35

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review for the performance of the Group for the full year ended 31 December 2020 ("FY2020") as compared to the full year ended 31 December 2019 ("FY2019")

Consolidated Statement of Comprehensive Income

Revenue

The revenue for FY2020 decreased by approximately S\$4.4 million or 12.5%, from approximately S\$35.4 million in FY2019 to approximately S\$31.0 million in FY2020. The decrease is mainly attributable to a decrease in the revenue from sale of crops and a decrease in production output of our crops as a result of lower yield per hectare of land amounting to approximately S\$4.6 million. The decrease in the revenue from sale of crops was mainly due to lower sales of prior year sunflower harvest as a significant yield of sunflower harvested in FY2018 was sold in FY2019.

The decrease in revenue is partially offset by an increase in the revenue from sale of livestock and milk of approximately S\$0.2 million due to an increase in the milk yield per cow per day from 19.5 litres to 20.1 litres.

Cost of sales

The cost of sales decreased by approximately S\$7.8 million or 23.3% from approximately S\$33.3 million in FY2019 to approximately S\$25.5 million in FY2020. The decrease in the cost of sales is mainly attributable to (i) a decrease in biological assets sold of approximately S\$5.0 million mainly due to a higher volume in sale of sunflower which were harvested in FY2018 and sold in FY2019 and decrease in sales of other agricultural produce harvested in FY2020 such as winter wheat, sunflower and corn due to decrease in a crop yield; (ii) a decrease in wages and salaries of approximately S\$1.2 million mainly due to lesser manpower required due to lower yield of our crops; and the absence of bonus for crop's segment employees in FY2020 as a result of non-achievement of necessary crop yield; (iii) decrease in growing and harvesting services of approximately S\$0.3 million mainly due to decrease in agriculture produce sold; iv) a decrease in operating lease expenses of approximately S\$0.5 million mainly due to the application of SFRS(I) 16 Leases from 1 January 2019, which resulted in operating expenses being capitalised in inventory and recognised in cost of sales in FY2019.

Gain/(loss) from change in fair value of biological assets and agricultural produce

The gain from change in fair value of biological assets and agricultural produce increased by approximately S\$2.7 million or 41.5% from approximately S\$6.5 million in FY2019 to approximately S\$9.2 million in FY2020. The increase is mainly attributable to a gain from change in fair value of crops of approximately S\$10.9 million due to increase in the agricultural produce's prices in line with world economic trend. The increase was partly offset by a decrease in the fair value of livestock in FY2020 of approximately S\$1.7 million mainly due to the increase in herd management expenses due to i) higher volume of feed consumption, in accordance with protein diet of the main herd; and ii) higher prices of agricultural produce used as feeds for the cows.

Gross profit and gross profit margin

	FY2020	FY2019	Change (%)
	Unaudited	Audited	
Gross profit (S\$'000)	14,626	8,589	70.3
Gross profit margin (%)	47.2	24.2	

The gross profit increased by approximately S\$6.1 million from approximately S\$8.5 million in FY2019 to approximately S\$14.6 million in FY2020. The increase is mainly attributable to i) a decrease in the cost of sales of approximately S\$7.8 million due to decrease in agricultural produce offset by the decrease in revenue of approximately S\$4.4 million as result of a decrease in production output of crops and (ii) an increase in

the gain from change in fair value of biological assets and agricultural produce of approximately S\$2.7 million due to increase in prices of agricultural produce.

Administrative expenses

Total administrative expenses increased by approximately S\$1.0 million or 46.9% from approximately S\$2.1 million in FY2019 to approximately S\$3.1 million in FY2020. The increase is mainly attributable to an increase in costs related to information, consulting and other professional services.

Other operating expenses, net

The other operating expenses, net increased by approximately S\$1.5 million or 540.8% from approximately S\$0.3 million in FY2019 to approximately S\$1.8 million in FY2020. This increase is mainly attributable to (i) absence of the gain in the disposal of a land plot and compensation by the Russian Railways in accordance with Court decision of approximately S\$0.6 million recognised in FY2019 (please refer to page 220 to 221 of the Company's Offer Document for further details); (ii) the accrual of directors' remuneration and withholding tax from the remuneration of approximately S\$0.5 million in FY2020; iii) the absence of the reversal of withholding tax provision on interest payments in relation to promissory notes payable to Vallerd Investments Limited. of approximately S\$0.3 million recognised in FY2019; and iv) the recognition of tax reserve in FY2020 after onsite audit in Don Agro LLC for assessment period 2016-2017 of approximately S\$0.1 million.

Finance income

Finance income decreased by approximately S\$0.1 million or 63.9 % from approximately S\$0.2 million in FY2019 to approximately S\$0.1 million in FY2020 due to change in lease liabilities as result of increase in prices of agricultural produce given to the landlords as a rent-in –kind.

Finance costs

Finance costs decreased by approximately S\$0.1 million or 14.0% from S\$0.9 million in FY2019 to S\$0.8 million in FY2020. The decrease is a result of a decrease in the finance lease expenses of approximately S\$0.1 million due to the acquisition of a previously rented land plots from the landlords by Don Agro LLC, resulting in lesser finance lease expenses incurred.

Tax expense

Tax expense remained constant at approximately S\$0.3 million for FY2019 and FY2020.

Consolidated Statement of Financial Position

Non-current assets

Property, plant and equipment

The Group's property, plant and equipment increased by approximately S\$0.9 million or 7.6% from approximately S\$11.9 million as at 31 December 2019 to approximately S\$12.8 million as at 31 December 2020. This is attributable to the purchase of new machineries, buildings and land plots of approximately S\$2.3 million and the acquisition of 99.99% stake in Volgo-Agro LLC ("Volgo-Agro") on 27 October 2020 of approximately S\$0.9 million. This was partially offset by i) the loss on movements in exchange rate of approximately S\$2.2 million; and ii) the write –off construction in progress of approximately S\$0.1 million

Right-of-use assets

Right-of-use assets increased by approximately S\$0.2 million or 4.3% from approximately S\$4.6 million as at 31 December 2019 to approximately S\$4.8 million as at 31 December 2020. The increase is mainly due to increase in agricultural produce prices which was partly offset to the depreciation of right-of-use assets.

Goodwill

Goodwill amounting to S\$0.5 million is a result of the acquisition of Volgo-Agro.

Biological assets

Non-current biological assets comprised mainly livestock and permanent grasses. Non-current biological assets decreased by approximately S\$2.2 million as at 31 December 2020 mainly due to the decrease in fair value of livestock due to an increase in management herd costs.

Current assets

Biological assets

Current biological assets comprised mainly unharvested crops. Current biological assets increased by approximately S\$0.7 million in FY2020, mainly due to an increase in fair value of our crops due to an increase in agricultural produce's prices in line with world economic trend.

Inventories

Inventories increased by approximately S\$3.4 million or 52.3% in FY2020 as a result of an increase in finished goods due to increase in crop prices.

Investments

Short term investments represent bank deposits placed with tenures not exceeding 3 months.

Investments increased by approximately S\$1.0 million or 31.2% in FY2020, compared to the balance outstanding as at 31 December 2019 due to the Group depositing some of its cash into short-term bank deposits.

Trade and other receivables

Trade and other receivables comprised mainly trade receivables from external parties, advances paid to suppliers, tax receivable and prepaid listing expenses. Trade and other receivables decreased by approximately S\$0.6 million or 15.2% as at 31 December 2020. This was mainly due to (i) decrease in trade receivable from LLC AMILCO and LLC Grain Service which were paid in FY2020; (ii) decrease in prepaid listing expenses as such expenses had been capitalised against share capital in accordance with SFRS(I) 32 in FY2020. This was partly offset by an increase in advances for suppliers, EvroHim Trading Rus LLC, for the purchase of the fertilisers for spring sowing; and Avers Torgovii dom LLC for seeds purchase.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash, bank balances and short-term bank deposits. Cash and cash equivalents increased by approximately S\$5.3 million or 115.2% as at 31 December 2020.

Please refer the section entitled “Consolidated Statement of Cash Flow” below for further information.

Non-current liabilities and Current liabilities

Loans and borrowings

The borrowings mainly relate to the amount borrowed by our Group from banks and loans from third parties.

S\$'000	As at 31 December 2020	As at 31 December 2019	Change (%)
Non-Current	1,061	988	7.4
Current	6,085	4,679	30.0
Total	7,146	5,667	26.1

The Group's borrowings increased by approximately S\$1.5 million or 26.1% as at 31 December 2020. This is mainly attributable to proceeds from new borrowings of approximately S\$8.8 million by the Group for the purchase of seeds, gas and fertilisers, which was partly offset by i) the repayment of bank borrowings of approximately S\$6.3 million; and ii) the loss on movements in exchange rate of approximately S\$1.0 million.

Lease liabilities

The lease liabilities mainly relate to the lease arrangements for agricultural equipment and land plots.

	As at 31 December 2020	As at 31 December 2019	Change (%)
	S\$'000	S\$'000	
Current	652	549	18.8
Non-current	4,530	4,425	2.4
Total	5,182	4,974	4.2

The group's lease liabilities increased by approximately S\$0.3 million from approximately S\$4.9 million as at 31 December 2019 to approximately S\$5.2 million as at 31 December 2020. This is attributable to the increase in agricultural produce prices.

Trade and other payables

Trade and other payables comprised advances received from customers, taxes payables other than on income tax, accrued listing expenses and payables to employees.

The trade and other payables increased by approximately S\$1.8 million or 103.7% as at 31 December 2020. The increase is mainly attributable to increase in other payable due to the Volgo Agro's debt from New Invest Group. The outstanding debt will be paid in the financial year ending 31 December 2021 ("FY2021").

Provisions

The provisions decreased by S\$0.2 million from S\$0.9 million as at 31 December 2019 to S\$0.7 million as at 31 December 2020. This decrease is due to the absence of bonus for crop's segment employees as a result of non-achievement of necessary crop yield in FY2020.

Shareholder's equity

The Group's equity increased by approximately S\$5.9 million or 15.7% from approximately S\$37.5 million as at 31 December 2019 to approximately S\$43.4 million as at 31 December 2020. This is mainly attributable to (i) an increase in share capital of approximately S\$4.9 million due to proceeds from issuance of placement shares and PPCF shares of approximately S\$5.1 million and S\$0.5 million respectively, which were partly offset by the prepaid listing expenses of approximately S\$0.7 million; and (ii) increase in accumulated profits of approximately S\$8.7 million due to profit for FY2020.

This was partially offset by (i) a decrease in foreign currency translation reserve of approximately S\$6.7 million due to loss on movements in exchange rates; and (ii) accrual of dividends for FY2019 amounting to \$1.04 million.

Consolidated Statement of Cash Flow

Net cash flows from operating activities

Cash flows generated from operating activities of S\$6.1 million in FY2020 was mainly due to changes in biological assets as result of the adjustment from the revaluation of winter wheat which will be harvested in FY 2021 amounting to S\$8.3 million as result of higher agricultural prices.

Net cash flows used in investing activities

Cash flows used in investing activities of S\$6.0 million was mainly due to i) the purchase of property, plant and equipment of S\$ 4.0 million; ii) change in the deposit placed/returned in the banks of S\$1.7 million; and iii) acquisition of Volgo-Agro of S\$0.7 million.

Net cash flows from financing activities

Net cash generated from financing activities amounted to approximately S\$6.2 million, which was mainly attributable to (i) repayment of borrowings of approximately S\$6.3 million in relation to the bank loans; (ii) interest paid of approximately S\$0.3 million; (iii) dividends paid of approximately S\$1.0 million; and (iv) repayment of lease liabilities of approximately S\$0.1 million. This was offset by proceeds from borrowings of approximately S\$8.8 million from the banks and proceeds from placement shares issued of S\$5.1 million.

As a result of the above, cash and cash equivalents increased by approximately S\$5.3 million during FY2020. Cash and cash equivalents amounted to S\$10.0 million as at 31 December 2020.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

There was no specified forecast or prospect statement previously disclosed to the shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

World prices for agricultural produce, especially for sunflower and wheat, have shown a stable growth in 2020. In order to mitigate the impact of this growing trend on local market, the Russian Government introduced higher export duties in the beginning of 2021. The State announced that proceeds from export duties will be used to support the agricultural producers. For details, please refer Wheat Outlook: February 2021 (usda.gov). In this case, the Group does not expect any significant impact on the Group's margin and expect it to remain in line with previous financial years.

The Group expects harvest yield for FY2021 to be in line with the average yield of previous financial years.

In the dairy segment, the Group expects a further increase in milk yield and in total production due to constant improvement of production processes and genetics of the dairy herd. The Group forecasts a slight increase in average milk prices as a result of a growth in milk consumption in Russia, which will be compensated by higher feed prices.

11. Dividends

If a decision regarding dividend has been made: -

(a) Whether an interim (final) dividend has been declared (recommended); and

The Directors are pleased to recommend a tax exempt one-tier final dividend of S\$0.01157363 per ordinary share in respect of FY2020, which is subject to the approval of shareholders at the forthcoming annual general meeting to be convened.

Total amount of dividends to be recommended for approval is S\$1.74 million, which is 20% of the Group's net profit for FY2020 of S\$8.7 million. This is in line with the intention of the Directors to recommend and distribute dividends of up to 20% of the Group's profit after tax attributable to Shareholders for FY2020 subject to, inter-alia, the Group's earnings, financial performance, capital expenditure, working capital requirements and other factors deemed relevant by our Directors as disclosed in the Offer Document.

(b)(i) Amount per share (cents)

1.157363 Singapore cents per ordinary share

(b)(ii) Previous corresponding period (cents)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

The dividend is one-tier tax exempt.

(d) The date the dividend is payable.

To be announced at a later date. The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting.

(e) The date on which Registrable Transfers receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

To be announced at a later date.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

Not applicable.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for recurrent interested person transactions.

As at 31 December 2020 and 31 December 2019, the Group received a number of guarantees from a related party-Chief Executive Officer and Executive Director in connection with certain bank loans obtained by the Group in the amount of S\$5.7 million and S\$7.1 million, respectively.

As no compensation, fees or other benefits have been paid or are payable by our Group to Marat Devlet-Kildejev for the provision of the sureties, our Directors are of the view that such sureties provided were not on an arm's length basis and not on normal commercial terms, but were not prejudicial to the interest of our Group and our minority Shareholders.

Please refer to pages 170 to 172 of the Company's Offer Document for further details.

14. Use of IPO proceeds

Pursuant to the IPO on 14 February 2020, the Company received net proceeds of S\$1.3 million (after deducting listing and processing fees, professional fees and placement commission and other expenses) from the placement of new shares.

As at the date of this Announcement, there was no utilisation of the IPO proceeds.

The proposed use of IPO proceeds, as set out in the Company's Offer Document, is as below:

Use of IPO proceeds	Amount allocated
	S\$'000
Expansion of arable land bank	400
Acquisition of new equipment and machinery	400
To explore opportunities in mergers and acquisitions, joint ventures and strategic alliances	400
General working capital	110
Total	1,310

Pending the deployment of the unutilised IPO proceeds as set out above, the IPO proceeds have been placed in current account in DBS bank in Singapore. At the appropriate juncture, our Group will deploy the IPO Proceeds towards the uses stated above. The Company will make periodic announcements on the utilisation of the IPO Proceeds as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its half year and full year financial statements.

15. **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Business segments

	Reportable Segments		Total reportable segments S\$'000	All other segments S\$'000
	Crops S\$'000	Livestock S\$'000		
2020				
External revenue	21,059	9,834	30,893	103
Inter-segment revenue	2,505	—	2,505	—
Segment revenue	<u>23,564</u>	<u>9,834</u>	<u>33,398</u>	<u>103</u>
Segment profit/(loss) before tax	10,000	408	10,408	(102)
Other (expenses)/income	(593)	82	(511)	(1)
Finance income	64	30	94	(4)
Finance costs	(759)	(23)	(782)	1
Depreciation	(1,596)	(220)	(1,816)	(80)
Unallocated expenses:				
Listing expenses	—	—	—	(1,295)
Segment assets	45,220	15,363	60,583	47
Unallocated assets:				
Prepaid listing expenses	—	—	—	—
Capital expenditure	3,945	127	4,072	—
Acquisition of subsidiary	952	—	952	—
Segment liabilities	15,331	1,836	17,167	12
Unallocated liabilities:				
Dividend payable	—	—	—	52
2019				
External revenue	25,666	9,662	35,328	103
Inter-segment revenue	2,142	—	2,142	—
Segment revenue	<u>27,808</u>	<u>9,662</u>	<u>37,470</u>	<u>103</u>
Segment profit/(loss) before tax	3,707	3,293	7,000	(109)
Other (expenses)/income	554	526	1,080	3
Finance income	181	68	249	—
Finance costs	(850)	(58)	(908)	—
Depreciation	(2,045)	(18)	(2,063)	(86)
Unallocated expenses:				
Listing expenses	—	—	—	(1,365)

	Reportable Segments		Total reportable segments S\$'000	All other segments S\$'000
	Crops S\$'000	Livestock S\$'000		
Segment assets	34,664	16,238	50,902	25
Unallocated assets:				
Prepaid listing expenses	–	–	–	440
Capital expenditure	1,615	127	1,742	–
Segment liabilities	12,036	1,333	13,369	11
Unallocated liabilities:				
Accrued listing expenses	–	–	–	498

Reconciliations of information on reportable segments to SFRS(I) measures

	FY2019 S\$'000	FY2020 S\$'000
Revenue		
Total revenue for reportable segments	37,470	33,398
Revenue for other segments	103	103
Elimination of inter-segment revenue	(2,142)	(2,505)
Combined revenue	<u>35,431</u>	<u>30,996</u>
Profit before tax		
Total profit before tax for reportable segments	7,000	10,408
Profit before tax for other segments	(109)	(102)
Unallocated expenses: Listing expenses	(1,365)	(1,295)
Combined profit before tax	<u>5,526</u>	<u>9,011</u>
Assets		
Total assets for reportable segments	50,902	60,583
Assets for other segments	25	47
Unallocated assets: Prepaid listing expenses	440	-
Combined total assets	<u>51,367</u>	<u>60,630</u>
Liabilities		
Total liabilities for reportable segments	13,369	17,167
Liabilities for other segments	11	12
Unallocated liabilities: Accrued listing expenses	498	-
Unallocated liabilities: Dividend payable	-	52
Combined total liabilities	<u>13,878</u>	<u>17,231</u>

Other material items

	Reportable segment totals S\$'000	Adjustments S\$'000	Combined Totals S\$'000
FY2020			
Finance income	94	(4)	90
Finance costs	(782)	1	(781)
Capital expenditure	4,072	-	4,072
Depreciation	(1,816)	(80)	(1,896)
FY2019			
Finance income	249	-	249
Finance costs	(908)	-	(908)
Capital expenditure	1,742	-	1,742
Depreciation	(2,063)	(86)	(2,149)

Geographical information

External customers of the Group are located in Russian Federation. The Group carries out its operations in Russian Federation and all the Group's non-current assets are located in Russian Federation.

16. In the review of the performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to Paragraph 8 above for details.

17. Breakdown of Group's revenue and profit/(loss) after tax for first half year and second half year

	FY2020	FY2019	Increase/ (Decrease)
	S\$'000	S\$'000	%
(a) Revenue reported for first half year	6,916	11,640	(40.6)
(b) Profit after tax before deducting non-controlling interests reported for first half year	4,401	4,282	2.8
(c) Revenue reported for second half year	24,080	23,791	1.2
(d) Profit after tax before deducting non-controlling interest reported for second half year	4,295	941	356.4

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	FY2020	FY2019
	S\$'000	S\$'000
Ordinary shares (tax exempt 1- tier)		
- Interim	-	-
- Final (Proposed)	1,739	1,042
Total Annual Dividend	1,739	1,042

19. **Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

There are no persons occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(10).

20. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Catalist Rule 720(1)**

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

21. **Disclosure of acquisition (including incorporations) and sale of shares under Catalist Rule 706A**

Pursuant to the sale purchase agreement dated 27 October 2020, the Company acquired a subsidiary, Volgo-Agro, from New Investment Group LLC during FY2020. The details are set out below. Please refer to the Company's press release dated 2 February 2021 for more information.

S/N	Subsidiary	Date of acquisition	Country of incorporation	% acquired	Paid up capital	Principal activity
1.	Volgo-Agro LLC	27 October 2020*	Russia	99.9%	1,687	Crop activity

* The date of acquisition registered in the State Register of Russia is 5 November 2020.

BY ORDER OF THE BOARD

Marat Devlet-Kildeev
Chief Executive Officer and Executive Director
 1 March 2021

Don Agro International Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**Exchange**") on 14 February 2020. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**").

This announcement has been reviewed by the Company's Sponsor. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Joseph Au, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.