



DON AGRO INTERNATIONAL LIMITED
(Company Registration No. 201835258H)
(Incorporated in the Republic of Singapore)

**ENTRY INTO FRAMEWORK SALE AND PURCHASE AGREEMENT IN RELATION TO THE
PROPOSED DISPOSAL BY JSC TETRA OF DON AGRO LLC, VOLGO-AGRO LLC, HAPPY
COW, LLC AND JSC DON AGRO**

1. Introduction

The board of directors (the **"Board"**) of Don Agro International Limited (the **"Company"** and together with its subsidiaries, the **"Group"**) wishes to announce to shareholders of the Company (the **"Shareholders"**) that JSC Tetra, a wholly-owned subsidiary of the Company (**"Tetra"**) had, on 5 June 2023, entered into a framework sale and purchase agreement, which is conditional, (**"Agreement"**) with LLC Volgo-Don Agroinvest (**"Purchaser"**) to set out the key terms on which Tetra and the Purchaser will enter, subject to the satisfaction of the Conditions Precedent (as defined below), into sale and purchase agreements to be signed concurrently on the Completion Date (as defined below) for the disposal of the following shares (the **"Sale Shares"**) held by Tetra: (i) 99.99% of the shares in Don Agro LLC (**"Don Agro Shares"**); (ii) 99.99% of the shares in Volgo-Agro LLC (**"Volgo-Agro Shares"**); (iii) 99% of the shares in HAPPY COW, LLC (**"HAPPY COW Shares"**); and (iv) 99.99% of the shares in JSC Don Agro (**"Don Agro JSC Shares"**) (collectively, the **"Target Group"**) (the **"Proposed Disposal"**).

The Proposed Disposal is considered a "major transaction" of the Company as defined under Chapter 10 of the Listing Manual Section B: Rules of Catalist (the **"Catalist Rules"**) of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**). Accordingly, the Proposed Disposal will be subject to, amongst others, the approval of the Shareholders.

2. Information on the Purchaser

The Purchaser was incorporated on 2 December 2022 in Moscow, Russia.

The Purchaser is a company within the AGROINVEST Group, a well-known player in the Russian agribusiness controlling a land bank of more than 450,000 hectares in Volgograd, Lipetsk, Kursk, Voronezh, Tambov, Ryazan, and Samara regions, Russia. The AGROINVEST Group is engaged in crop production, vegetables, horticulture and animal husbandry. As at the date of this announcement, the Purchaser is not a subject of sanctions and is an independent third party and the Purchaser and its directors and shareholders do not hold any shares of the Company and are not related to the Company, the Group, the Directors or the controlling Shareholders of the Company and their respective associates.

3. Information on the Target Group

3.1. Corporate Information

The Target Group operates in the agricultural industry and focuses primarily on crop and milk production. The Target Group has under its control a land bank of approximately 67,000 hectares in Rostov and Volgograd regions, Russia.

Don Agro LLC is a company limited by shares incorporated in the Russian Federation. As at the date of this announcement, Don Agro LLC has an issued share capital of Russian Ruble (**"RR"**)

174,173,115 (equivalent to approximately S\$3,174,559¹). Don Agro LLC is principally in the business of crop and milk production.

Volgo-Agro LLC is a company limited by shares incorporated in the Russian Federation. As at the date of this announcement, Volgo-Agro LLC has an issued share capital of RR 94,474,577 (equivalent to approximately S\$1,721,936¹). Volgo-Agro LLC is principally in the business of crop production.

HAPPY COW LLC is a company limited by shares incorporated in the Russian Federation. As at the date of this announcement, HAPPY COW LLC has an issued share capital of RR 100,000 (equivalent to approximately S\$1,823¹). HAPPY COW LLC is a dormant entity.

JSC Don Agro is a joint stock company incorporated in the Russian Federation. As at the date of this announcement, JSC Don Agro has an issued share capital of RR 120,000,000 (equivalent to approximately S\$2,187,175¹) comprising 250,000,000 ordinary shares. JSC Don Agro is a holding company.

3.2. Financial Information

Based on the unaudited management accounts² of the Target Group, the Target Group's key financial figures for the financial year ended 31 December ("FY") 2021 and FY2022, are as follows:

Financial year/period	FY2021	FY2022
Revenue (S\$'000)	30,944	37,936
Profit before income tax (S\$'000)	12,623	399
Profit for the year (S\$'000)	12,217	207

4. **Rationale for the Proposed Disposal, Future Direction and Use of Proposed Disposal Proceeds**

The Proposed Disposal will unlock the value of the assets in the Target Group and re-strategise the financial and capital resources of the Group.

Upon completion of the Proposed Disposal, the remaining revenue generating business that the Group will continue to run will be that of flour milling. The Group intends to explore new suitable business opportunities in both the current and/or new industries.

The Company will review and determine the best use for the proceeds from the Proposed Disposal, including but not limited to potential acquisitions and/or distributions back to shareholders.

5. **Principal Terms of the Proposed Disposal**

5.1 Sale Shares

Subject to the terms and conditions of the Agreement, the Sale Shares shall, at Completion (as defined below) be free from all encumbrances and shall be sold to the Purchaser together with all rights, entitlements and benefits now and hereafter attaching thereto as of and including the date of Completion (including the right to receive all dividends or distributions declared, made or paid on or after Completion).

5.2 Aggregate Consideration

¹ Based on the exchange rate of S\$1.00 = RR 54.8653 as at 31 December 2022

² The management accounts of the Target Group have been reviewed by the auditors of the Company only for the purpose of consolidation of the Group's audited financial statements. The computation of the financial figures of the Target Group such as the revenue, PBIT, net profit have not been audited by the Company's auditors.

The total consideration payable by the Purchaser to Tetra comprises the Consideration and the Additional Payment (the “**Total Consideration**”). The Total Consideration was arrived at on a willing-buyer and willing-seller basis after arm’s length negotiations, taking into account, *inter alia*, (i) the market value of the key assets of the Target Group; (ii) the Valuation (as defined below) (iii) the net profits after tax recorded in the unaudited management accounts of the Target Group; and (iv) the prevailing economic conditions.

Consideration

Pursuant to the Agreement, the consideration for the Sales Shares is RR 6,200,000,000 (equivalent of approximate S\$113,003,969¹), to be satisfied fully in cash and in the form of a letter of credit (the “**Consideration**”).

The Consideration shall be payable by the Purchaser to Tetra in the following manner:

- (a) RR 150,000,000 (equivalent to approximately S\$2,733,967¹) (the “**Security Payment**”) shall be paid in the form of wire transfer to Tetra’s bank account within five (5) business days from the execution of the Agreement. As at the date of this announcement, Tetra has received the Security Payment; and
- (b) RR 6,050,000,000 (equivalent to approximately S\$110,270,002¹) (the “**Principal Payment**”) shall be paid in the following manner:
 - (i) payment for Don Agro Shares in the amount of RR 5,884,028,007 (equivalent to approximately S\$107,244,980¹) shall be paid in the form of a letter of credit;
 - (ii) payments for
 - (a) Volgo-Agro Shares in the amount of RR 48,790,323 (equivalent to approximately S\$889,274¹);
 - (b) HAPPY COW Shares in the amount of RR 96,605 (equivalent to approximately S\$1,760¹); and
 - (c) for Don Agro JSC Shares in the amount of RR 117,085,065 (equivalent to approximately S\$2,134,045¹),

shall be paid in the form of wire transfer to the Tetra’s bank account within five (5) days of the transfer of Sale Shares to the Purchaser;

In the event the Purchaser terminates the Agreement due to Tetra’s failure to satisfy the Conditions Precedent (as defined below) before the Long Stop Date (as defined below), the Security Payment shall be returned to the Purchaser.

Additional Payment

The Purchaser is required to make an additional payment to Tetra (the “**Additional Payment**”) to be calculated based on, among other things, the sale of goods produced by the Target Group from 30 June 2022 until the date of the transfer of the Sale Shares and receipt of cash from buyers of the harvest, size of the working capital in the Target Group, reasonableness of expenses (including sowing and field preparation) and other adjustments as set out in the Agreement.

Tetra shall provide the calculation of the Additional Payment to the Purchaser within 20 business days from the day on which the Sale Shares are transferred to the Purchaser (the “**Additional Payment Calculation Date**”). The Purchaser shall pay the Additional Payment in the following order: (i) at least 80% of the Additional Payment according to the calculation provided by Tetra, but not more than RR 650,000,000 (equivalent to approximately S\$11,847,190¹), to Tetra within

ten (10) business days from the Additional Payment Calculation Date; and (ii) upon agreeing the Additional Payment, the outstanding amount of the Additional Payment shall be paid by the Purchaser within thirty five (35) business days of agreement between Tetra and the Purchaser on the Additional Payment or such other time period as set out in the Agreement.

The Company estimates that the Additional Payment amount will be approximately RR 700,000,000 (equivalent to approximately S\$12,758,513¹) (together with the Consideration, the "**Calculated Consideration**").

5.3 Completion

According to the terms of the Agreement:

- (a) the date of completion of the Proposed Disposal shall be the date falling 15 business days after (and excluding) the date of notification from the Purchaser notifying Tetra to complete the Proposed Disposal which shall be sent by the Purchaser within three (3) business days of receipt by the Purchaser of Tetra's notification that the Conditions Precedent have been fulfilled. Tetra shall notify the Purchaser within three (3) business days of (but excluding) the date on which the last Condition Precedent (as defined below) is fulfilled, or such other date as Tetra and the Purchaser may agree in writing ("**Completion Date**");
- (b) the parties to the Agreement should make all reasonable efforts to ensure that the Conditions Precedent are fulfilled before 29 August 2023 ("**Long Stop Date**"). If the Condition Precedents are not fulfilled before the Long Stop Date, the Long Stop Date can be extended for a period of up to 60 days;
- (c) the Purchaser may, at any time prior to the Completion, waive Tetra's undertaking to fulfill or ensure the fulfillment of two (2) Conditions Precedent:
 - (i) there are no extraordinary, unavoidable circumstances beyond the control of Tetra and the Purchaser which have or are likely to have a material adverse effect on the business or operations of the assets of the Target Group and position of the Target Group ("**Extraordinary Exceptional Circumstances**"); and
 - (ii) Tetra's representations as set out in the Agreement ("**Representations**") remain accurate and reliable in all material respects; and the undertakings of Tetra to ensure economic activity of the Target Group are carried on according to the Agreement have been fully and duly observed and fulfilled in all material respects; and
- (d) at Completion, Tetra and the Purchaser, in accordance with the applicable laws of the Russian Federation, shall enter into short form sale and purchase agreements for each of Don Agro Shares, Volgo-Agro Shares, HAPPY COW Shares and Don Agro JSC Shares and sign an instrument of transfer regarding the transfer of the Don Agro JSC Shares to ensure the execution of the transactions contemplated under the Agreement after the Conditions Precedent are fulfilled and to facilitate the transfer of rights to the Sale Shares and the making of any required modifications in the Uniform State Registry of Legal Entities of the Russian Federation and in the Register of Shareholders of JSC Don Agro.

5.4 Conditions Precedent to the Proposed Disposal

Completion under the Agreement is conditional upon certain conditions precedent ("**Conditions Precedent**") having been satisfied, including but not limited to the following:

- (a) the restructuring of the Group which includes the consolidating of 100% shareholding of the Target Group in the direct and indirect control of Tetra by way of (i) sale and transfer of the Company's minority shareholding in Don Agro LLC, HAPPY COW LLC and JSC Don Agro to Volgo-Agro LLC (with regard to the Company's minority shareholding in Don Agro LLC), and to Don Agro LLC (with regard to the Company's minority shareholding in HAPPY COW LLC and JSC Don Agro), (ii) acquisition by Don Agro LLC of the minority shareholding of 0.01% of the shares in Volgo-Agro LLC, and (iii) acquisition by Volgo-Agro

LLC of the minority shareholding of 0.01% of the shares in Agro 34 LLC, the 99.99%-owned subsidiary of Volgo-Agro LLC;

- (b) the increase of authorised capital of Don Agro LLC by way of additional contributions from other entities within the Group;
- (c) consent from the Federal Antimonopoly Service of the Russian Federation being received for the Proposed Disposal;
- (d) written consent from PJSC Sberbank (lender to Don Agro LLC) in relation to the change of member composition of Don Agro LLC;
- (e) the Company obtaining Shareholder approval for the Proposed Disposal;
- (f) there are no Extraordinary Exceptional Circumstances;
- (g) the Representations remain accurate and reliable in all material respects; and the undertakings of Tetra to ensure economic activity of the Target Group are carried on according to the Agreement;
- (h) receivables under a loan to Volgo-Agro LLC including interest accrued but not paid for the use of funds, acquired by Tetra on the basis of an assignment agreement entered into between Tetra and New Investment Group, LLC are assigned to JSC Don Agro as partial repayment by Tetra of debts before JSC Don Agro ("**Tetra Debts before JSC Don Agro**");
- (i) (A) Tetra, Don Agro LLC and the Company or (B) Don Agro LLC and the Company, entering into an agreement according to which Don Agro LLC transfers its debts owed to the Company to Tetra ("**Don Agro LLC Debts before Tetra**"); and
- (j) repayment of Tetra Debts before JSC Don Agro and Tetra debts before Degtevscoe LLC (98%-owned subsidiary of Don Agro LLC) by way of partial disposal of receivables under Don Agro LLC Debts before Tetra.

5.5 Other terms of the Agreement

The Agreement contains customary provisions relating to the Proposed Disposal, including representations and warranties, indemnities and pre-completion covenants regarding the operation of the business, limitations of Tetra's liabilities and other commercial terms.

5.6 **Valuation of the Target Group**

Pursuant to Rule 1014(5) of the Catalist Rules, the Company must appoint a competent and independent valuer to value the Target Group as one of the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 75%.

In connection with the Proposed Disposal, the Company has appointed LLC AAR (the "**Valuer**"), as the independent valuer to value the Target Group. The final valuation report will be prepared before the Company's extraordinary general meeting to be held to approve the Proposed Disposal, and the Company will include a summary of the independent valuation ("**Summary Valuation Letter**") in the shareholders' circular ("**Circular**") in respect of the Proposed Disposal. The Summary Valuation Letter will provide the shareholders an independent view of the market value of the Target Group.

Based on a preliminary valuation using income approach as the primary methodology conducted by the Valuer, the indicative 100% equity value of the Target Group is approximately RR 5,840,000,000 (equivalent to approximately S\$106,442,448¹) ("**Valuation**"). A final valuation report will be issued by the Valuer and the corresponding Summary Valuation Letter will be disclosed in the Circular.

Based on the preliminary valuation by the Valuer, the Calculated Consideration represents a premium of approximately 18.2% to the Valuation.

6. Relative Figures under Rule 1006 of the Catalyst Rules

The relative figures for the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Catalyst Rules, based on the latest announced audited consolidated financial statements of the Group for FY2022 (being the latest announced consolidated accounts of the Group), are as follows:

Rule	Bases of computation	Relative figure
1006(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value.	85.5% ⁽¹⁾
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits ⁽²⁾ .	-22.5% ⁽²⁾
1006(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	440.5% ⁽³⁾
1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the NAV of the Target Group being S\$62,285 compared with the Group's NAV of S\$72,828.
- (2) The relative figure for Rule 1006(b) has been computed based on the (a) net profit attributable to the Target Group of approximately RR 19,404,000 (or approximately S\$399,000 based on the average exchange rate of S\$1.00 = RR 48.6444) for FY2022; and (b) the Group's net loss of approximately S\$1,776,000 for FY2022.
- (3) Based on the Calculated Consideration of approximately RR 6,900,000,000 (or approximately S\$124,210,218³) and the market capitalisation of the Company of approximately S\$28,551,813. The market capitalisation is determined by multiplying 150,272,700 issued shares in the Company by S\$0.19, being the weighted average price of the Company's shares transacted on the market day preceding the date of the Agreement.
- (4) This basis is not applicable to the Proposed Disposal as no equity securities is to be issued as part of the consideration for the Proposed Disposal.
- (5) Rule 1006(e) of the Catalyst Rules is not applicable as the Company is not a mineral, oil and gas company.

³ Based on the exchange rate of S\$1.00 = RR 55.55 as at 26 June 2023

Rule 1007(1) of the Catalist Rules states, inter alia, that if any of the relative figures computed pursuant to Rule 1006 of the Catalist Rules involves a negative figure, Chapter 10 of the Catalist Rules may still be applicable to the transaction in accordance with the applicable circumstances. Under paragraph 4.4(d) of Practice Note 10A, an issuer must immediately announce the information required in Rule 1010, Rule 1011, Rule 1012 and Rule 1013 of the Catalist Rules. As the relative figures in Rule 1006(a) and Rule 1006(c) are more than 50%, paragraph 4.4(d) of Practice Note 10A will not apply and Rule 1014 of the Catalist Rules shall apply to the transaction. Under Rule 1014 of the Catalist Rules, if any of the relative figures computed on the bases set out in Rule 1006 exceeds fifty per cent (50%), the transaction is classified as a major transaction that must be made conditional upon approval by Shareholders in general meeting.

As the relative figures for the Proposed Disposal as computed on the bases set out in Rules 1006(a) and 1006(c) exceeds 50%, the Proposed Disposal will be classified as a major transaction under Chapter 10 of the Catalist Rules. The Company will seek Shareholders' approval for the major transaction in due course.

7. Financial Effects of the Proposed Disposal

The unaudited pro forma financial effects of the Proposed Disposal set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group following completion of the Proposed Disposal. The unaudited pro forma financial effects are prepared based on (i) the Group's audited financial statements for FY2022; and (ii) the following assumptions:

- (a) that the Proposed Disposal had been completed on 31 December 2022 for the purposes of the pro forma financial effect on the net tangible assets (the "NTA") per share of the Group:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	72,828	150,449
Number of issued shares	150,272,700	150,272,700
NTA per share (cents)	48.46	100.12

- (b) that the Proposed Disposal had been completed on 1 January 2022 for the purposes of the pro forma financial effect on loss/ earnings per share (the "LPS" or "EPS") of the Group:

	Before the Proposed Disposal	After the Proposed Disposal
Net (loss)/profit after tax (S\$'000)	(1,776)	61,701
Weighted average number of shares	150,272,700	150,272,700
(LPS)/EPS (cents)	(1.18)	41.06

Based on the audited consolidated financial statements of the Group for FY2022, the book value and net tangible asset value of the Target Group is approximately RR 3,417,311,000 (equivalent to approximately S\$62,285,437¹) as at 31 December 2022. There is no open market value for the Target Group as they are not publicly traded. The Calculated Consideration (being the

proceeds of the Proposed Disposal) amounts to RR 6,900,000,000 (equivalent to approximately S\$125,762,482¹) and is an excess of approximately RR 3,482,689,000 (equivalent to approximately S\$63,477,045¹) over the book value of the Target Group as at 31 December 2022. Accordingly, the Group will record a gain on disposal of RR 3,482,689,000 (equivalent to approximately S\$63,477,045¹) from the Proposed Disposal.

8. Interests of Directors and Substantial Shareholders

Save as disclosed in this announcement, none of the Directors and substantial shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their shareholdings in the Company, if any.

9. Directors' Service Contracts

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal and no service contracts in relation thereto is proposed to be entered into by the Company.

10. Circular to Shareholders

The Circular setting out further information on, *inter alia*, the Proposed Disposal will be despatched to Shareholders in due course.

In compliance with the Catalist Rules, the Circular containing, *inter alia*, further details on the Proposed Disposal, the Summary Valuation Letter, and a notice of EGM to be held, will be issued to Shareholders in due course.

11. Documents Available for Inspection

A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315, for a period of three (3) months commencing from the date of this announcement. A copy of the Summary Valuation Letter will be similarly made available for inspection for up to three (3) months from the date of the Circular.

12. Cautionary Statement

Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that concluding sales and purchase agreements referred to in section 5.3(d) for the sale of the Target Group will be entered into and the Proposed Disposal will be completed.

Should the Completion of the Proposed Disposal result in the Company being deemed a cash company, the securities of the Company will normally be suspended pursuant to Rule 1017 of the Catalist Rules.

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Marat Devlet-Kildyev
Chief Executive Officer and Executive Director

27 June 2023

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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.*

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