

DON AGRO INTERNATIONAL LIMITED

Registration No. 201835258H

(Incorporated in the Republic of Singapore)

EMPHASIS OF MATTER BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

In compliance with Rule 704(4) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist (“Catalist Rules”), the Board of Directors (the “Board” or “Directors”) of Don Agro International Limited (the “Company”, and together with its subsidiaries, the “Group”) would like to announce that the Company’s independent auditors, KPMG LLP, have included an emphasis of matter, without modifying their audit opinion, with respect to the uncertain financial and economic impact on the Group arising from the armed conflict between Russia and Ukraine (“Conflict”) in their report (the “Independent Auditor’s Report”) on the audited financial statements of the Group for the financial year ended 31 December 2021 (the “Audited Financial Statements”).

In the opinion of the Directors, the Conflict has not caused any immediate concern to the Group’s operations as outlined in Note 33 of the Independent Auditor’s Report. An extract of the Independent Auditor’s Report together with the extract of the relevant note to the Audited Financial Statements is annexed to this announcement.

The Independent Auditor’s Report and a complete set of the Group’s Audited Financial Statements form part of the Company’s annual report for the financial year ended 31 December 2021, which was released on the SGXNet on 14 April 2022. Shareholders of the Company are advised to read this announcement in conjunction with the abovementioned annual report in their entirety.

BY ORDER OF THE BOARD

Marat Devlet-Kildeev
Chief Executive Officer and Executive Director

19 April 2022

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.

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

DON AGRO INTERNATIONAL LIMITED

Registration No. 201835258H
(Incorporated in the Republic of Singapore)

Appendix

Extract: Independent Auditor's Report

Emphasis of Matter

We draw attention to Note 33 of the financial statements, which describes the uncertain financial and economic impact on the Group arising from the armed conflict between Russia and Ukraine. Our opinion is not modified in respect of this matter.

DON AGRO INTERNATIONAL LIMITED

Registration No. 201835258H
(Incorporated in the Republic of Singapore)

Appendix (continued)

Extract: Note 33 to the Audited Financial Statements

In February 2022, following the commencement of special military operations in Ukraine by the Russian Federation, additional severe sanctions were imposed by the United States of America, the European Union and numerous other countries on the Russian government, major financial institutions and certain other entities and individuals in Russia. In addition, restrictions were introduced on the supply of various goods and services to Russian entities. These events have led to depreciation of the Russian rouble, increased volatility of financial markets and significantly increased the level of economic uncertainty in the Russian business environment.

As far as the Group's businesses are concerned, the conflict has not caused any immediate concern to its operations as outlined below:

Operations

For the current seeding and harvesting season, the Group has all the necessary key raw materials to allow the business to continue its operations in a normal way. The stock of raw materials includes: fertilizers, seeds, chemicals, and other items, including spare parts to facilitate the maintenance support of agricultural equipment needed in the immediate future. However, given the international sanctions imposed by various countries on the Russian Federation, which have resulted in disruption in logistics and supply chain, it is uncertain at present whether the Group is able to obtain new supply of seeds of sunflower and corn that it used to plant in recent years, agricultural equipment and machinery spare parts. The Group expects to incur higher cost of machinery maintenance and supplies for foreign machinery for the coming year.

Correspondingly, prices of the Group's agricultural produce have increased in average by 19% (Winter wheat by 9%, sunflower by 34%, corn by 15%) as compared to previous year, given the food shortage within the Group's operating markets. Therefore, the Group believes that the demand for the produce, such as winter wheat, sunflower, and milk will continue to be high in the near term.

As the situation is volatile and fast evolving, the effect of the conflict is subject to significant levels of uncertainty, with the full range of possible financial effects still unknown. Based on the information available and the Group's current financial position and resources, the Group has assessed that the use of going concern assumption remains appropriate at the date of this financial statements.

Currency risk

The depreciation of Russian rouble against foreign currencies has no immediate impact to the Group's financial performance. The Group has minimal direct exposure to foreign currency risk as its transactions and agreements are predominantly denominated in Russian rouble.

The Group has business relationships with Russian retailers of the overseas suppliers for the replacement of machinery (when necessary) and purchase of raw materials (such as seeds). However, the Group has no immediate needs for such transactions to be made currently.

DON AGRO INTERNATIONAL LIMITED

Registration No. 201835258H
(Incorporated in the Republic of Singapore)

Appendix (continued)

Extract: Note 33 to the Audited Financial Statements (continued)

Liquidity risk

As at 31 December 2021, the Group had approximately 266,000 Russian rouble, an insignificant amount to the Group, placed with a financial institution that was later included in the Specially Designated Nationals And Blocked Persons list. This bank account is no longer used and is in the process of closure.

The Group has significant transactions with two other financial institutions; these are mostly of borrowings and placement of fixed-term deposits. Fixed-term deposits made up 71% of the Group's total cash and cash equivalent as at 31 December 2021. The management has assessed that the Group has sufficient cash and cash equivalents for redemption of existing loans as at the 31 December 2021 if necessary.

Management believes it is able to replace and refinance its placed deposits and existing loans with other financial institutions, should the need arise.

Given the restriction on the access to international financial markets, there may be difficulties for the Group to transfer funds out of the Russian Federation due to sanctions against its financial system. Presently, the Company has sufficient funds in Singapore to meet its ongoing obligations as and when they fall due for at least the next 12 months from the date of these financial statements.

Interest rate risk

The Central Bank of the Russian Federation increased its key interest rate from 9.5% to 20% per annum on 28 February 2022. On 8 April 2022, key interest rate decreased from 20% to 17%. As a result, commercial banks increased the cost of borrowings up to approximately 18-25% per annum. However, this does not affect existing borrowings of the Group as the interest rate of existing borrowings is fixed.

With the significant increase in the cost of borrowing, the Government of Russia continues to support agricultural business and is subsidizing the interest rates of loans for agricultural activities. In March 2022 the Group received a subsidised 100 million Russian rouble loan at 4.2%. In the event that this subsidy program is not forthcoming, management has assessed that the Group would still be able to service bank loans with interest rates higher than 20% per annum, if the need arises.

Credit risk

As at 31 December 2021 and date of these financial statements, the Group has no concern over any overdue receivables as the harvested crops for FY 2021 had been sold and payments have been settled on time.

DON AGRO INTERNATIONAL LIMITED

Registration No. 201835258H
(Incorporated in the Republic of Singapore)

Appendix (continued)

Extract: Note 33 to the Audited Financial Statements (continued)

Impairment

Given the intensifying concerns of a supply shortage due to the Russia-Ukraine conflict, raising the spectre of soaring global food inflation, the Group expects the significant increase in agricultural produce's prices for the next year's harvest. As such, the Group has no concern over impairment arising from the valuation of its biological assets.