

Don Agro International Limited

Company Registration No. 201835258H

Unaudited Financial Statement and Dividend Announcement

For the Half Year Ended 30 June 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		Change
	For the Half Year Ended	For the Half Year Ended	
	30 June 2020	30 June 2019	%
	S\$'000	S\$'000	
Revenue	6,916	11,640	(40.6)
Cost of sales	(5,137)	(9,624)	(46.6)
Gain from change in fair value of biological assets and agricultural produce	5,470	3,226	69.6
Gross profit	7,249	5,242	38.3
Administrative expenses	(1,317)	(949)	38.8
Other operating expenses, net	(1,364)	494	N.M
Results from operating activities	4,568	4,787	(4.6)
Finance income	211	63	234.9
Finance costs	(358)	(444)	(19.4)
Net finance costs	(147)	(381)	(61.4)
Profit before tax	4,421	4,406	N.M
Tax expense	(20)	(124)	(83.9)
Profit for the year	4,401	4,282	2.8
Profit attributable to:			
Owners of the Company	4,398	4,259	3.3
Non-controlling interests	3	23	N.M
Profit for the year	4,401	4,282	2.8
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	(3,520)	2,703	N.M
Other comprehensive income for the year, net of tax	881	6,985	(87.4)
Total comprehensive income for the year, net of tax	881	6,985	87.4
Total comprehensive income attributable to:			
Owners of the Company	878	6,962	(87.4)
Non-controlling interests	3	23	N.M
Total comprehensive income for the year	881	6,985	(87.4)

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

	30 June 2020 S\$'000	30 June 2019 S\$'000	Change %
Note 1			
The expenses are recognised in the cost of			
Depreciation of PPE and ROU assets	(593)	(393)	50.9
Operating lease expenses*	-	(579)	(100)
Note 2			
Finance income and finance costs			
Interest income	110	63	74.6
Interest expense	(107)	(131)	(18.3)
Foreign exchange differences	96	(4)	N.M
Lease expenses	(251)	(309)	(18.8)
Note 3			
Operating income and expenses			
<i>Administrative expenses</i>			
Information, consulting and other professional services	(434)	(31)	N.M
Depreciation	(10)	(14)	N.M
<i>Other operating income/(expenses)</i>			
Government grants received	256	330	(22.4)
Gain on disposal of property, plant and equipment	2	699	N.M
Tax reserve after on-site audit	(129)	-	100
Listing expenses	(1,296)	(403)	221.6

N.M denotes not meaningful

**Operating lease expenses were incurred in FY2018 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	
	30 June 2020 S\$'000	31 December 2019 S\$'000	30 June 2020 S\$'000	31 December 2019 S\$'000
ASSETS				
Property, plant and equipment	11,733	11,890	-	-
Biological assets	9,878	9,989	-	-
Right-of-use assets	3,788	4,584	-	-
Investment in subsidiaries	-	-	14,009	14,009
Other non-current assets	31	26	-	-
Non-current assets	25,430	26,489	14,009	14,009
Biological assets	19,522	6,747	-	-
Current tax assets	20	24	-	-
Inventories	4,351	6,555	-	-
Investments	783	3,162	-	-
Trade and other receivables	2,603	3,744	-	2,085
Cash and cash equivalents	6,259	4,646	5,348	3
Current assets	33,538	24,878	5,348	2,088
Total assets	58,968	51,367	19,357	16,097
Share capital	40,654	35,741	40,911	35,741
Capital reserves	(10,450)	(10,450)	(21,270)	(21,270)
Foreign currency translation reserve	(4,346)	(826)	-	-
Accumulated (losses)/profits	16,350	12,992	(1,529)	962
Equity attributable to owners of the Company	42,208	37,457	18,112	15,433
Non-controlling interests	35	32	-	-
Total equity	42,243	37,489	18,112	15,433
LIABILITIES				
Loans and borrowings	517	988	-	-
Trade and other payables	-	-	70	70
Lease liabilities	4,153	4,425	-	-
Deferred income	322	358	-	-
Non-current liabilities	4,992	5,771	70	70
Loans and borrowings	7,445	4,679	-	-
Lease liabilities	495	549	-	-
Current tax liabilities	2	109	-	-
Trade and other payables	3,091	1,728	1,175	594
Deferred income	101	106	-	-
Provisions	599	936	-	-
Current liabilities	11,733	8,107	1,175	594
Total liabilities	16,725	13,878	1,245	664
Total equity and liabilities	58,968	51,367	19,357	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 30 June 2020		As at 31 December 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
7,445	495	4,677	551

Amount repayable after one year

As at 30 June 2020		As at 31 December 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
513	4,157	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 Half Year Ended 30 June 2020	30 June 2019
	S\$'000	S\$'000
Cash flows from operating activities		
Profit for the year	4,401	4,282
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	1,052	1,114
Gain on disposal of property, plant and equipment	(2)	(635)
Finance costs	358	444
Finance income	(211)	(63)
Tax expense	20	124
Gain from change in fair value of biological assets and agricultural produce	(5,470)	(3,226)
Revaluation of sold biological assets recognised in cost of sales	223	2,576
Impairment loss on trade and other receivables and short-term investments made	-	(7)
Impairment loss on inventories relating to agricultural produce	(49)	(30)
Impairment loss on other inventories (reversed)/made	33	108
	355	4,687
Changes in:		
Trade and other receivables	(137)	(674)
Inventories	1,391	4,740
Biological assets	(9,004)	(9,248)
Trade and other payables and provisions	838	1,349
Deferred income	3	(55)
Cash from operations	(6,554)	799
Tax paid	(116)	(81)
Net cash used in operating activities	(6,670)	718

	Group	
	For the Half Year Ended	
	30 June 2020	30 June 2019
	S\$'000	S\$'000
Investing activities		
Purchase of property, plant and equipment	(1,462)	(786)
Proceeds from sale of property, plant and equipment	2	17
Deposits returned	2,900	-
Deposits placed	(795)	(375)
Interest received	205	63
Net cash generated from investing activities	<u>850</u>	<u>(1,081)</u>
 Cash flows from financing activities		
Proceeds from borrowings	4,672	2,913
Repayment of borrowings	(1,791)	(1,948)
Proceeds from placement shares issued	5,060	-
Repayment of lease liabilities	-	(43)
Interest paid	(110)	(136)
Net cash generated from financing activities	<u>7,831</u>	<u>786</u>
 Net increase/(decrease) in cash and cash equivalents	2,011	423
Cash and cash equivalents at 1 January	4,646	1,263
Effect of exchange rate fluctuations on cash held	(398)	123
Cash and cash equivalents at 31 December	<u><u>6,259</u></u>	<u><u>1,809</u></u>

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	Share Capital	Capital reserves	Foreign Currency translation reserve	Accumulated profits	Total	Non-Controlling Interests	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 period	-	-	-	4,398	4,398	3	4,401
Other comprehensive income							
Foreign currency translation differences	-	-	(3,520)	-	(3,520)	-	(3,520)
Total comprehensive income for the period	-	-	(3,520)	4,398	878	3	881
Transaction with owners, recognised directly in equity							
Dividends				(1,040)	(1,040)		(1,040)
Shares issued of PPCF	500	-	-	-	500	-	500
Placement shares issued	5,060	-	-	-	5,060	-	5,060
Offset of listing expenses	(647)	-	-		(647)	-	(647)
Total transactions with owners	4,913	-	-	(1,040)	3,873	-	3,873
Total transactions with owners	4,913	-	-	(1,040)	3,873	-	3,873
Balance as at 30 June 2020	40,654	(10,450)	(4,346)	16,350	42,208	35	42,243
Group							
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 period	-	-	-	4,259	4,259	23	4,282
Other comprehensive income							
Foreign currency translation differences	-	-	2,703	-	2,703	-	2,703
Total comprehensive income for the period	-	-	2,703	4,259	6,962	23	6,985
Transaction with owners, recognised directly in equity							
Dividends				(594)	(594)	-	(594)
Total transactions with owners	-	(53)	-	-	(53)	-	(53)
Total transaction with owners		(53)		(594)	(647)	-	(647)
At 30 June 2019	14,007	10,971	(1,286)	12,049	35,741	41	35,782

Statement of Changes in Equity

Company	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
Loss for the period	-		(1,451)	(1,451)
Transaction with owners, recognised directly in equity				
Dividends			(1,040)	(1,040)
Shares issued to PPCF	500	-	-	500
Placement shares issued	5,060	-	-	5,060
Offset of listing expenses	(390)	-	-	(390)
As at 30 June 2020	40,911	(21,270)	(1,529)	18,112

Company	Share Capital	Capital reserve	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 January 2019	-*	150	(149)	1
Loss for the period		-	(3)	(3)
Transaction with owners, recognised directly in equity	-	-	-	-
Balance as at 30 June 2019	-*	150	(152)	(2)

Notes:

* Less than \$1,000

- 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 01.01.2020	125,000,000	35,741,100
Issue of PPCF Shares ⁽¹⁾	2,272,700	500,000
Placement Shares issued pursuant to the Placement	23,000,000	4,413,000 ⁽²⁾
Balance at 30.06.2020	150,272,700	40,654,100

Notes:

- (1) Shares to PPCF were issued as part of the management fee as Sponsor and Issue Manager pursuant to the Management Agreement dated 6 February 2020.
- (2) Listing expenses incurred pursuant to the IPO amounted to approximately S\$4.4 million, of which S\$0.7 million has been capitalised against share capital in accordance with the SFRS(I) while the remaining approximate amount of S\$3.7 million has been included in our Group's statements of profit or loss and other comprehensive income.

The Company did not have any outstanding options, convertibles or treasury shares, and there were no subsidiary holdings as at 30 June 2020 and 30 June 2019. The Company was incorporated on 16 October 2018.

The issuance and allotment of PPCF Shares (2,272,700) and the placement shares (23,000,000) occurred on 6 February 2020 and 12 February 2020 respectively.

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 30 June 2020	As at 31 December 2019
Total number of issued shares	150,272,700	125,000,000

The Company did not have any treasury shares as at 31 December 2019 and 30 June 2020.

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 Group's latest financial statements were 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**

Earnings per share ("EPS")	Group	
	For the Half Year Ended 30 June 2020	30 June 2019
Profit attributable to shareholders of the Company (S\$'000)	4,398	4,259
Weighted average number of shares	145,198,780	125,000,000 ⁽¹⁾
Basic and fully diluted EPS ⁽²⁾ (cents)	3.03	3.41

Notes:-

(1) *The weighted average number of shares as at 30 June 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 30 June 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 periods.*

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 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
Net asset value (S\$'000)	42,208	37,457	18,112	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)	28.09	29.97	12.05	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 Half year ended 30 June 2020 ("HY2020") as compared to the full year ended 31 December 2019 ("FY2019") and half year ended 30 June 2019 ("HY2019")

(a) Consolidated Statement of Comprehensive Income

Revenue

The revenue for HY2020 decreased by approximately S\$4.7 million or 40.6%, from approximately S\$11.6 million in HY2019 to approximately S\$6.9 million in HY2020. The decrease is mainly attributable to decrease in the revenue from sale of crop production of approximately S\$5.0 million mainly due to higher volume in sale of sunflower sold in HY 2019; which was partly offset by the increase in the revenue from sale of livestock and milk in HY2020 of approximately S\$0.3 million due to an increase in the milk yield per cow per day from 19.53 litres to 20.84 litres and slightly higher price of raw milk from 29.29 RUB/litre to S\$29.70 RUB/litre.

Cost of sales

The cost of sales decreased by approximately S\$4.5 million or 46.6% from approximately S\$9.6 million in HY2019 to approximately S\$5.1 million in HY2020. The decrease in the cost of sales is mainly attributable to (i) a decrease in biological assets sold of approximately S\$3.5 million mainly due to an higher volume in sale of sunflower which had been harvested in FY2018 and sold in HY2019; (ii) a decrease in operating lease expenses of approximately S\$0.6 million mainly due to application of SFRS(I) 16 and (iii) operating expenses which as at 1 January 2019 have been capitalised in the inventory and recognised in the cost of sales in FY2019. Depreciation recognised in cost of sales increased from S\$0.4 million in HY2019 to S\$0.6 million in HY2020, due to additions of Property, plant and equipment in HY 2020.

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\$2.2 million or 69.6% from a gain from change in fair value of approximately S\$3.2 million in HY2019 to a gain from change in fair value of approximately S\$5.4 million in HY2020. The increase is mainly attributable to (i) an

increase in the gain from change in fair value of crops in HY2020 of approximately S\$1.8 million due to increase in the prices of agricultural produce in line with world economic trend; and (ii) a slight increase in the gain from change in fair value of livestock in HY2020 of approximately S\$0.4 million mainly due to an increase in the milk yield per cow per day from 19.53 litres to 20.84 litres and slightly higher price of raw milk from 29.29 RUB/litre to S\$29.70 RUB/litre.

Gross profit and gross profit margin

	HY2020	HY2019	Change (%)
Gross profit (S\$'000)	7,249	5,242	38.3
Gross profit margin (%)	104.8	45.0	

The gross profit increased by approximately S\$2.0 million from approximately S\$5.2 million in HY2019 to approximately S\$7.2 million in HY2020. The increase is mainly attributable to an increase in the gain from change in fair value of biological assets and agricultural produce of approximately S\$2.2 million due to increase in prices of agricultural produce.

Administrative expenses

Total administrative expenses increased by approximately S\$0.4 million or 38.8% from approximately S\$0.9 million in HY2019 to approximately S\$1.3 million in HY2020. The increase is mainly attributable to an increase in costs related to information, consulting and other professional services of approximately S\$0.4 million as a result of fees incurred for the audit of the Group's financial statements for FY2019, the preparation of the Company's annual report for FY2019, and the conducting of the Company's annual general meeting for FY2019.

Other operating expenses, net

The other operating expenses, net increased by approximately S\$1.9 million or 376.1% from a net other operating income of approximately S\$0.5 million in HY2019 to a net operating expense of approximately S\$1.4 million in HY2020. This increase in operating expense 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 in HY2019 (please refer to page 220 to 221 of the Company's Offer Document for further details); (ii) increase in listing expenses of approximately S\$0.9 million due to professional fees of Sponsor and other professionals and (iii) the recognition of tax reserve in HY2020 after onsite audit in Don Agro LLC for assessment period 2016-2017 of approximately S\$0.1 million.

Finance income

The finance income increased by approximately S\$0.1 million or 234.9% from approximately S\$0.1 million in HY2019 to approximately S\$0.2 million in HY2020. The increase is due to gain from foreign currency exchange differences of bank account in

US dollar.

Tax expense

Tax expenses decreased by approximately S\$0.1 million or 83.9% from approximately S\$0.1 million in HY2019 to approximately S\$20,000 in HY2020. Our effective income tax rate in HY2019 was approximately 2.8% and approximately 0.5% in HY2020. The decrease in income tax rate was due mainly to higher share of the Group's profits being generated from qualifying agriculture production which are not taxed.

(b) Consolidated Statement of Financial Position

Non-current assets

Property, plant and equipment

PPE has not changed significantly in HY2020 due to the Group's acquisitions of agricultural equipment, motor vehicles, computers, construction of warehouses, and land plots from land owners, of approximately S\$1.4 million, being offset by (i) depreciation of approximately S\$0.7 million; and (ii) loss on movements in exchange rate amounting to approximately S\$0.7 million.

Right-of-use assets

Right-of-use assets decreased by approximately S\$0.8 million or 17.4% from approximately S\$4.6 million as at 31 December 2019 to approximately S\$3.8 million as at 30 June 2020. The decrease was mainly due to depreciation of right-of-use assets.

Current assets

Biological assets

Current biological assets comprised mainly unharvested crops. Current biological assets increased by approximately S\$12.8 million in HY2020, mainly due to increase in fair value of our crops as a result of higher prices for agricultural produce in line with world economic trend.

Inventories

Group's inventories decreased by approximately S\$2.2 million or 33.8% from approximately S\$6.5 million as at 31 December 2019 to approximately S\$4.3 million as at 30 June 2020 as result of the sale of most of the Group's agricultural produce.

Investments

Short term investments represent bank deposits placed with tenures not exceeding 3 months. Investments decreased by approximately S\$2.3 million or 74.2% in HY2020,

compared to the balance outstanding as at 31 December 2019, due to the using of the short-term bank deposits for purposes of the Group's working capital.

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\$1.1 million or 29.7% from approximately S\$3.7 million as at 31 December 2019 to approximately S\$2.6 million as at 30 June 2020. This was mainly due to (i) decrease in trade receivable from LLC AMILCO and LLC Grain Service which were paid in HY2020; (ii) decrease in advance for supplier, FosAgro-Don LLC as result of the purchase of the fertilisers for spring sowing in HY2020; and (iii) decrease in prepaid listing expenses as such expenses had been capitalised against share capital in accordance with the SFRS(I) in HY2020.

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\$1.6 million or 34.7% from approximately S\$4.6 million as at 31 December 2019 to approximately S\$6.2 million as at 30 June 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 30 June 2020	As at 31 December 2019	Change (%)
Non-Current	517	988	(47.7)
Current	7,445	4,679	59.1
Total	7,962	5,667	40.5

The Group's borrowings increased by approximately S\$2.3 million or 40.5% from approximately S\$5.7 million as at 31 December 2019 to approximately S\$8.0 million as at 30 June 2020. This is mainly attributable to an increase in new borrowings of approximately S\$4.7 million in HY2020 for acquisition of supplies and new agriculture equipment, for construction of the warehouses for the storage of the agricultural produce, and for working capital financing. This was partially offset by (i) the repayments of

approximately S\$1.8 million by the Group; and (ii) loss from effect of movements in exchange rate of approximately S\$0.6 million.

Lease liabilities

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

	As at 30 June 2020	As at 31 December 2019	Change (%)
	S\$'000	S\$'000	
Current	495	549	(9, 8%)
Non-current	4,153	4,425	(6.1%)
Total	4,648	4,974	(6.5%)

The Group's lease liabilities decreased by approximately S\$0.4 million from approximately S\$5.0 million as at 31 December 2019 to approximately S\$4.6 million as at 30 June 2020. This is attributable to the acquisition of land plots by the Group from landlords.

Trade and other payables

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

The trade and other payables increased by approximately S\$1.4 million or 82.3% from approximately S\$1.7 million as at 31 December 2019 to approximately S\$3.1 million as at 30 June 2020. The increase is mainly attributable to increase in trade payables of approximately S\$1.4 million due to (i) increase in payables for JSC Firma August for fertilisers with delay in payment in agreement; (ii) increase in another trade payables in HY2020, which has been fully paid in July 2020; and (iii) accrual of dividends of approximately S\$1.04 million for FY2019. This was partially offset by (i) decrease in tax payables of approximately S\$0.3 million due to payment of the VAT for the period as at 31 December 2019, which was paid in HY2020; and (ii) decrease in accrued listing expenses of approximately S\$0.5 million due to full repayment to service providers.

Provisions

The provisions decreased by S\$0.3 million from S\$0.9 million as at 31 December 2019 to S\$0.6 million as at 30 June 2020. This increase is mainly attributable to payment of the annual bonus to the employees of the crop segment for FY2019 of approximately S\$0.4 million which was partly offset by the recognition of tax reserve of approximately S\$0.1 million in HY2020 as a result of on-site tax audit of LLC Don Agro for assessment periods 2016-2017.

Shareholder's equity

The Group's equity increased by approximately S\$4.7 million or 12.5% from approximately S\$37.5 million as at 31 December 2019 to approximately S\$42.2 million as at 30 June 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\$4.4 million due to profit for HY2020.

This was partially offset by (i) decrease in foreign currency translation reserve of approximately S\$3.5 million due to loss on movements in exchange rates; and (ii) accrual of dividends for FY2019 in amount of \$1.04 million.

(c) Consolidated Statement of Cash Flow

Net cash flows used in operating activities

Cash flows used in operating activities of S\$6.7 million in HY2020 was mainly due to (i) adjustment for the revaluation of biological assets and agricultural produce in amount of S\$5.5 million; and (ii) the relatively higher value of biological assets as at 30 June 2020 compared to that as at 30 June 2019, as all crops had not been harvested as at 30 June 2020, and majority of the crops are expected to be harvested and sold in the second half of FY2020 .

Net cash flows generated from investing activities

Cash flows generated from investing activities of S\$0.9 million was mainly due to (i) proceeds from deposit returned of S\$2.9 million; (ii) proceeds from interest received of S\$0.2 million; (iii) outflow from deposit placed of S\$0.8 million; and (iv) outflow from purchase of property, plant and equipment of S\$1.4 million.

Net cash flows generated from financing activities

Net cash generated from financing activities amounted to approximately S\$7.8 million, which was mainly attributable to (i) borrowings of approximately S\$4.7 million from the banks; and (ii) proceeds from placement shares issued of S\$5.1 million. This was partially offset by (i) repayment of borrowings of approximately S\$1.8 million in relation to the bank loans; and (ii) interest paid of approximately S\$0.1 million.

As a result of the above, cash and cash equivalents increased by approximately S\$2.0 million during HY2020. Cash and cash equivalents as at 30 June 2020 were S\$6.3 million.

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.

Entire production of winter wheat in Russia suffered unfavorable weather conditions in 2020 causing lower crop yields and thus higher prices for winter wheat. The Group expects a slightly lower winter wheat yield than in previous financial year because of unusually low temperatures in April and May and continuous heat in June than previously expected. Due to expected lower harvest, we expect the prices to be higher than forecasted in the next reporting period. The Group does not expect any significant changes in the livestock segment in the next reporting period and the next 12 months.

11. Dividends

If a decision regarding dividend has been made:

None

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

None.

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

Not applicable.

(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).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(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.

Not applicable.

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

No dividend has been declared or recommended for the half year ended 30 June 2020 as the Group is not in the practice of declaring interim dividends.

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 30 June 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\$8.0 million and S\$5.7 million, respectively.

As no compensation, fees or other benefits have been paid or are payable by our Group to Marat Devlet-Kildeev 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 interest-bearing deposits with licenced banks 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. 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.

16. Negative confirmation pursuant to Rule 705(5)

The Board of Directors (the "Board") of the Company hereby confirm that to the best of its knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the half year ended 30 June 2020 for the Company and the Group set out above to be false or misleading in any material aspect.

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

Not applicable, as the Company did not acquire or dispose of any shares in HY2020 which would require disclosure under Catalist Rule 706A.

BY ORDER OF THE BOARD

Marat Devlet-Kildeev

Chief Executive Officer and Executive Director

14 August 2020

Don Agro International Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") 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 prepared by the Company and its contents have been reviewed by the Sponsor in accordance with Rules 226(2)(b) and 753(2) of the the SGX-ST Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, and E-mail: sponsorship@ppcf.com.sg).