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FORM 10-Q

Sino Agro Food, Inc. - N/A

Filed: May 16, 2016 (period: March 31, 2016)

Quarterly report with a continuing view of a company's financial position

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

OR

☐ TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **000-54191**

SINO AGRO FOOD, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State of Other Jurisdiction of Incorporation or
Organization)

**Room 3801, Block A, China Shine Plaza
No. 9 Lin He Xi Road
Tianhe District, Guangzhou City, P.R.C.**

(Address of Principal Executive Offices)

33-1219070

(I.R.S. Employer Identification Number)

510610

(Zip Code)

(860) 20 22057860

(Registrant's Telephone Number, Including Area Code)

Copies to:

Sichenzia Ross Friedman Ference LLP

61 Broadway, 32nd Floor

New York, NY 10006

Attn: Marc J. Ross, Esq.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 16, 2016, there were 21,356,859 shares of our common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SINO AGRO FOOD, INC. AND SUBSIDIARIES

QUARTERLY FINANCIAL REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2016

INDEX TO QUARTERLY FINANCIAL REPORT

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To the Board of Directors and Stockholders of
Sino Agro Food, Inc.
(Incorporated in the State of Nevada, United States of America)

INDEPENDENT ACCOUNTANT'S REPORT

We have reviewed the consolidated balance sheets of Sino Agro Food, Inc. and subsidiaries as of March 31, 2016 and December 31, 2015, the related consolidated statements of income and other comprehensive income for the three-month periods ended March 31, 2016 and 2015, and cash flows for the three-month periods ended March 31, 2016 and 2015. This interim financial information is the responsibility of the company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

s/ECOVIS ECOVIS David Yeung Hong Kong
ECOVIS David Yeung Hong Kong

Hong Kong
May 10, 2016

SINO AGRO FOOD, INC.
CONSOLIDATED BALANCE SHEETS

		March 31, 2016	December 31, 2015
	Note		
ASSETS			
Current assets			
Cash and cash equivalents	5	\$ 2,576,297	\$ 7,229,197
Inventories	6	62,219,185	62,848,707
Costs and estimated earnings in excess of billings on uncompleted contracts	18	1,306,885	1,306,885
Deposits and prepayments	7	96,012,012	83,811,929
Accounts receivable, net of allowance for doubtful accounts	8	125,140,625	135,674,418
Other receivables	9	62,832,483	59,780,587
Total current assets		<u>350,087,487</u>	<u>350,651,723</u>
Plant and equipment			
Plant and equipment, net of accumulated depreciation	10	106,059,022	104,259,079
Construction in progress	11	89,110,182	72,788,769
Land use rights, net of accumulated amortization	12	58,331,766	58,485,675
Total plant and equipment		<u>253,500,970</u>	<u>235,533,523</u>
Other assets			
Goodwill	13	724,940	724,940
Proprietary technologies, net of accumulated amortization	14	10,644,565	10,784,358
Long term investment	15	773,994	769,941
Temporary deposits paid to entities for investments in Sino joint venture companies	16	41,109,708	41,109,708
Total other assets		<u>53,253,207</u>	<u>53,388,947</u>
Total assets		<u>\$ 656,841,664</u>	<u>\$ 639,574,193</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses		\$ 8,432,026	\$ 9,345,559
Billings in excess of costs and estimated earnings on uncompleted contracts	18	9,127,254	8,700,706
Due to a director		621,587	211,247
Other payables	19	7,621,409	4,792,579
Borrowings - Short term bank loan	20	4,184,378	4,466,040
Negotiable promissory notes	21	872,644	865,968
		<u>30,859,298</u>	<u>28,382,099</u>
Non-current liabilities			
Other payables	19	4,797,332	4,797,332
Borrowings - Long term debts	20	1,388,377	1,554,902
Convertible note payables	22	35,560,989	34,904,739
		<u>41,746,698</u>	<u>41,256,973</u>
Commitments and contingencies	26	-	-
Stockholders' equity			
Preferred stock: \$0.001 par value (10,000,000 shares authorized, 100 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively)			
Series A preferred stock: \$0.001 par value (100 shares designated, 100 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively)	23	\$ -	\$ -
Series B convertible preferred stock: \$0.001 par value (10,000,000 shares designated, 0 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively)	23	-	-
Series F Non-convertible preferred stock: \$0.001 par value (1,000,000 shares designated, 0 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively)	23	-	-
Common stock: \$0.001 par value (22,727,273 shares authorized, 20,133,757 shares issued and outstanding as of March 31, 2016 and December 31, 2015)	23	20,134	20,134
Additional paid - in capital		142,882,173	142,882,173
Retained earnings		348,223,322	339,616,638
Accumulated other comprehensive income		2,077,283	1,427,638
Treasury stock	23	(1,250,000)	(1,250,000)
Total Sino Agro Food, Inc. and subsidiaries stockholders' equity		<u>491,952,912</u>	<u>482,696,583</u>
Non - controlling interest		92,282,756	87,238,538
Total stockholders' equity		<u>584,235,668</u>	<u>569,935,121</u>
Total liabilities and stockholders' equity		<u>\$ 656,841,664</u>	<u>\$ 639,574,193</u>

The accompanying notes are an integral part of these consolidated financial statements.

SINO AGRO FOOD, INC.
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

	Note	Three months ended March 31, 2016	Three months ended March 31, 2015
Revenue			
- Sale of goods	3	\$ 58,787,003	\$ 85,572,543
- Consulting and service income from development contracts	3	12,719,097	29,369,839
- Commission income	3	406,954	534,068
		<u>71,913,054</u>	<u>115,476,450</u>
Cost of goods sold	3	(43,546,764)	(63,289,988)
Cost of services	3	(9,510,872)	(16,608,011)
Gross profit		<u>18,855,418</u>	<u>35,578,451</u>
General and administrative expenses		(4,568,733)	(4,565,907)
Net income from operations		<u>14,286,685</u>	<u>31,012,544</u>
Other income (expenses)			
Government grant		312,468	83,180
Other income		114,871	62,646
Interest expense		(1,188,776)	(783,606)
Net income (expenses)		<u>(761,437)</u>	<u>(637,780)</u>
Net income before income taxes		13,525,248	30,374,764
Provision for income taxes	4	-	-
Net income		13,525,248	30,374,764
Less: Net (income) loss attributable to non - controlling interest		(4,918,564)	(6,619,923)
Net income from continuing operations attributable to Sino Agro Food, Inc. and subsidiaries		8,606,684	23,754,841
Other comprehensive income (loss) - Foreign currency translation income (loss)		775,299	(29,361)
Comprehensive income		9,381,983	23,725,480
Less: other comprehensive (income) loss attributable to non - controlling interest		(125,654)	13,255
Comprehensive income attributable to Sino Agro Food, Inc. and subsidiaries		<u>\$ 9,256,329</u>	<u>\$ 23,738,735</u>
Earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders:			
Basic	28	\$ 0.43	\$ 1.39
Diluted	28	\$ 0.39	\$ 1.33
Weighted average number of shares outstanding:			
Basic	28	20,032,747	17,114,989
Diluted	28	<u>23,624,766</u>	<u>17,822,059</u>

The accompanying notes are an integral part of these consolidated financial statements.

SINO AGRO FOOD, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2016	Three months ended March 31, 2015
Cash flows from operating activities		
Net income for the period	\$ 13,525,248	\$ 30,374,764
Adjustments to reconcile net income for the year to net cash from operations:		
Depreciation	1,268,612	802,338
Amortization	596,687	514,121
Common stock issued for services	181,591	630,033
Other amortized cost	929,593	809,868
Changes in operating assets and liabilities:		
Decrease (increase) in inventories	629,522	(3,259,725)
Increase in cost and estimated earnings in excess of billings on uncompleted contracts	-	(1,306,885)
Increase in deposits and prepaid expenses	(12,381,674)	(597,390)
Increase in due to a director	410,340	6,340,525
(Increase) decrease in accounts payable and accrued expenses	(1,180,200)	988,421
Increase in other payables	2,828,830	4,186,029
Decrease in accounts receivable	10,533,793	728,700
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	426,548	(4,026,422)
Increase in other receivables	(3,051,896)	(8,639,293)
Net cash provided by operating activities	<u>14,716,994</u>	<u>27,545,084</u>
Cash flows from investing activities		
Purchases of property and equipment	(3,852,234)	(1,451,880)
Payment for construction in progress	(15,966,419)	(18,845,219)
Net cash used in investing activities	<u>(19,818,653)</u>	<u>(20,297,099)</u>
Cash flows from financing activities		
Long term debts repaid	(448,187)	-
Net cash provided by financing activities	<u>(448,187)</u>	<u>-</u>
Effects on exchange rate changes on cash	896,946	653,229
(Decrease) increase in cash and cash equivalents	(4,652,900)	7,901,214
Cash and cash equivalents, beginning of period	7,229,197	3,031,447
Cash and cash equivalents, end of period	<u>\$ 2,576,297</u>	<u>\$ 10,932,661</u>
Supplementary disclosures of cash flow information:		
Cash paid for interest	\$ 259,163	\$ 119,181
Cash paid for income taxes	\$ -	\$ -
Non - cash transactions		
Common stock issued	<u>\$ -</u>	<u>\$ 7,703,917</u>

The accompanying notes are an integral part of these consolidated financial statements.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Sino Agro Food, Inc. (the “**Company**” or “**SIAF**”) (formerly known as Volcanic Gold, Inc. and A Power Agro Agriculture Development, Inc.) was incorporated on October 1, 1974 in the State of Nevada, United States of America.

The Company was engaged in the mining and exploration business but ceased its mining and exploring business on October 14, 2005. On August 24, 2007, the Company entered into a Merger and Acquisition Agreement with Capital Award Inc., a Belize corporation (“**CA**”) and its subsidiaries Capital Stage Inc. (“**CS**”) and Capital Hero Inc. (“**CH**”). Effective the same date, CA completed a reverse merger transaction with SIAF. SIAF acquired all the outstanding common stock of CA from Capital Adventure, a shareholder of CA, for 3,232,323 shares of the Company’s common stock.

On August 24, 2007 the Company changed its name from Volcanic Gold, Inc. to A Power Agro Agriculture Development, Inc. On December 8, 2007, the Company changed its name to Sino Agro Food, Inc.

On September 5, 2007, the Company acquired three existing businesses in the People’s Republic of China (the “**P.R.C.**”):

- (a) Hang Yu Tai Investment Limited (“**HYT**”), a company incorporated in Macau, the owner of 78% equity interest in ZhongXingNongMu Ltd (“**ZX**”), a company incorporated in the P.R.C.;
- (b) Tri-way Industries Limited (“**TRW**”), a company incorporated in Hong Kong; and
- (c) Macau Eiji Company Limited (“**MEIJI**”), a company incorporated in Macau, the owner of 75% equity interest in Enping City Juntang Town Hang Sing Tai Agriculture Co. Ltd. (“**HST**”), a P.R.C. corporate Sino-Foreign joint venture. HST was dissolved in 2010.

On November 27, 2007, MEIJI and HST established a corporate Sino - Foreign joint venture, Jiang Men City Heng Sheng Tai Agriculture Development Co. Ltd. (“**JHST**”), a company incorporated in the P.R.C. with MEIJI owning a 75% interest and HST owning a 25% interest.

On November 26, 2008, SIAF established Pretty Mountain Holdings Limited (“**PMH**”), a company incorporated in Hong Kong with an 80% equity interest. On May 25, 2009, PMH formed a corporate Sino-Foreign joint venture, Qinghai Sanjiang A Power Agriculture Co. Ltd. (“**SJAP**”), incorporated in the P.R.C., of which PMH owns a 45% equity interest. At the time, the remaining 55% equity interest in SJAP was owned by the following entities:

- Qinghai Province Sanjiang Group Company Limited (English translation) (“**Qinghai Sanjiang**”), a company incorporated in the P.R.C with major business activities in the agriculture industry; and
- Guangzhou City Garwor Company Limited (English translation) (“**Garwor**”), a company incorporated in the P.R.C., specializing in sales and marketing.

SJAP is engaged in the business of manufacturing bio-organic fertilizer, livestock feed and development of other agriculture projects in the County of Huangyuan, in the vicinity of the Xining City, Qinghai Province, P.R.C.

In September 2009, the Company carried out an internal reorganization of its corporate structure and business, and formed a 100% owned subsidiary, A Power Agro Agriculture Development (Macau) Limited (“**APWAM**”), which was formed in Macau. APWAM then acquired PMH’s 45% equity interest in SJAP. By virtue of the acquisition, APWAM assumed all obligations and liabilities of PMH under the Sino Foreign Joint Venture Agreement. On May 7, 2010, Qinghai Sanjiang sold and transferred its equity interest in SJAP to Garwor. The State Administration for Industry and Commerce of Xining City Government of the PRC approved the sale and transfer. As a result, APWAM owned 45% of SJAP and Garwor owned the remaining 55%. This remains the case as of the date of this report (the “**Report**”).

On September 9, 2010, an application was submitted by the Company to the Companies Registry of Hong Kong for deregistration of PMH under Section 291AA of the Hong Kong Companies Ordinance. On January 28, 2011, PMH was dissolved.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION (CONTINUED)

On February 15, 2011 and March 29, 2011, the Company entered into an agreement and a memorandum of understanding (an “**MOU**”), respectively, to sell 100% equity interest in HYT group (including HYT and ZX) to Mr. Xin Ming Sun, a director of ZhongXingNong Nu Co., Ltd for \$45,000,000, with effective date of January 1, 2011.

On February 28, 2011, the Company applied to form Enping City Bi Tao A Power Prawn Culture Development Co Limited (“**EBAPCD**”), and the Company would indirectly own a 25% equity interest in future Sino Joint Venture Company (pending approval).

On February 28, 2011, TRW applied to form a corporate joint venture, Enping City Bi Tao A Power Fishery Development Co., Limited (“**EBAPFD**”), incorporated in the PRC. TRW owned a 25% equity interest in EBAPFD. On November 17, 2011, TRW formed Jiang Men City A Power Fishery Development Co., Limited (“**JFD**”) in which it acquired a 25% equity interest, while withdrawing its 25% equity interest in EBAPFD. As of December 31, 2011, the Company had invested for total cash consideration of \$1,258,607 in JFD. JFD operates an indoor fish farm. On January 1, 2012, the Company acquired an additional 25% equity interest in JFD for total cash consideration of \$1,662,365. As of January 1, 2012, the Company had consolidated the assets and operations of JFD. On April 1, 2012, the Company acquired an additional 25% equity interest in JFD for the total cash consideration of \$1,702,580. These acquisitions were at our option according the terms of the original development agreement. The Company presently owns a 75% equity interest in JFD, representing majority of voting rights and controls its board of directors.

On April 15, 2011, MEIJI applied to form Enping City A Power Cattle Farm Co., Limited (“**ECF**”), all of which the Company would indirectly own a 25% equity interest on November 17, 2011. On January 1, 2012, the Company had invested \$1,076,489 in ECF and the amount was settled in contra against accounts receivable due from ECF. On September 17, 2012 MEIJI formed Jiang Men City Hang Mei Cattle Farm Development Co., Limited (“**JHMC**”) and acquired additional 50% equity interest for the total cash consideration of \$2,944,176 on September 30, 2012 while withdrawing its 25% equity interest in ECF. This acquisition was at our option according to the terms of the original development agreement. The Company presently owns 75% equity interest in JHMC, representing majority of voting right and controls its board of directors. As of September 30, 2012, the Company had consolidated the assets and operations of JHMC. As of March 31, 2016, total investment in JHMC was \$4,420,665.

On July 18, 2011, the Company formed Hunan Shenghua A Power Agriculture Co., Limited (“**HSA**”), in which the Company owns a 26% equity interest, and SJAP owns a 50% equity interest with the Chinese partner owning the remaining 24%. As of March 31, 2016, MEIJI and SJAP total investment in HSA were \$857,808 and 629,344, respectively.

On November 12, 2013, the Company acquired a shell company, Goldcup9203 AB, incorporated in Sweden, in which the Company owns a 100% equity interest. Goldcup 9203 AB changed its name to Sino Agro Food Sweden AB (publ) (“**SAFS**”). As of March 31, 2016, the Company invested \$77,664 in SAFS.

SJAP formed Qinghai Zhong He Meat Products Co., Limited (“**QZH**”), with SJAP would owning 100% equity interest. On October 25, 2015, both QZH and new stockholder, Qinghai Quanwang Investment Management Co., Ltd (“**QQI**”) contributed additional capital of \$4,157,682 and \$769,941, respectively. As of result, SJAP decreased its equity interest from 100% to 85% and QQI owned a 14% equity interest. As of December 31, 2015, the SJAP's total investment in QZH was \$4,645,487. In addition, according to investment agreement between QZH and QQI, (i) QQI only enjoy interest 6% annually on its capital contribution and did not enjoy profit distribution; (ii) investment period was 3 years only, and (iii) SJAP shared 100% on profit or loss after deduction 6% interest to QQI and enjoyed 100% voting rights of QZH's board and stockholders meetings.

The Company's principal executive office is located at Room 3801, Block A, China Shine Plaza, No. 9 Lin He Xi Road, Tianhe District, Guangzhou City, Guangdong Province, P.R.C., 510610.

The nature of the operations and principal activities of the Company and its subsidiaries are described in Note 2.2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 FISCAL YEAR

The Company has adopted December 31 as its fiscal year end.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2.2 REPORTING ENTITIES

Name of subsidiaries	Place of incorporation	Percentage of interest	Principal activities
Capital Award Inc. ("CA")	Belize	100% (12.31.2015: 100%) directly	Fishery development and holder of A-Power Technology master license.
Capital Stage Inc. ("CS")	Belize	100% (12.31.2015: 100%) indirectly	Dormant
Capital Hero Inc. ("CH")	Belize	100% (12.31.2015: 100%) indirectly	Dormant
Sino Agro Food Sweden AB ("SAFS")	Sweden	100% (12.31.2015: 100%) directly	Dormant
Tri-way Industries Limited ("TRW")	Hong Kong, P.R.C.	100% (12.31.2015: 100%) directly	Investment holding, holder of enzyme technology master license for manufacturing of livestock feed and bio-organic fertilizer and has not commenced its planned business of fish farm operations.
Macau Eiji Company Limited ("MEIJ")	Macau, P.R.C.	100% (12.31.2015: 100%) directly	Investment holding, cattle farm development, beef cattle and beef trading
A Power Agro Agriculture Development (Macau) Limited ("APWAM")	Macau, P.R.C.	100% (12.31.2015: 100%) directly	Investment holding
Jiang Men City Heng Sheng Tai Agriculture Development Co. Ltd ("JHST")	P.R.C.	75% (12.31.2015: 75%) indirectly	HylocereusUndatus Plantation ("HU Plantation").
Jiang Men City A Power Fishery Development Co., Limited ("JFD")	P.R.C.	75% (12.31.2015: 75%) indirectly	Fish cultivation
Jiang Men City Hang Mei Cattle Farm Development Co., Limited ("JHMC")	P.R.C.	75% (12.31.2015: 75%) indirectly	Beef cattle cultivation
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	P.R.C.	76% (12.31.2015: 76%) indirectly	Manufacturing of organic fertilizer, livestock feed, and beef cattle and sheep cultivation, and plantation of crops and pastures
Name of variable interest entity	Place of incorporation	Percentage of interest	Principal activities
Qinghai Sanjiang A Power Agriculture Co., Ltd ("SJAP")	P.R.C.	45% (12.31.2015: 45%) indirectly	Manufacturing of organic fertilizer, livestock feed, and beef cattle and plantation of crops and pastures
Qinghai Zhong He Meat Products Co., Ltd ("QZH")	P.R.C.	*86% (12.31.2015: 86%) indirectly	Cattle slaughter

* This represents stockholding percentage of total equity.

In addition, according to investment agreement between QZH and QQI, (i) QQI only enjoyed interest 6% annually on its capital contribution and did not enjoy any profit distribution; (ii) investment period was 3 years only, and (iii) SJAP shared 100% (2015: 100%) on profit or loss after deduction 6% interest to QQI and enjoyed 100% (2015: 100%) voting rights of QZH's board and stockholders meetings.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 BASIS OF PRESENTATION

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”).

Reverse stock split and new conversion rate of Series B preferred stock to share of common stock on December 16, 2014, the Company implemented a 9.9-for-1 reverse stock split. On December 17, 2014, the Company implemented new conversion rate of 9.9 for 1 share of common stock. All share information contained within this report, including consolidated balance sheets, consolidated statements of income and other comprehensive income, and footnotes have been retroactively adjusted for the effects of reverse stock split and new conversion rate of Series B preferred stock to share of common stock.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company, its subsidiaries CA, CS, CH, TRW, MEIJI, JHST, JFD, JHMC, HSA, APWAM, SAFS and its variable interest entity SJAP and QZH. All material inter-company transactions and balances have been eliminated in consolidation.

SIAF, CA, CS, CH, TRW, MEIJI, JHST, JFD, JHMC, HSA, APWAM, SAFS, SJAP and QZH are hereafter referred to as (the “Company”).

2.5 BUSINESS COMBINATION

The Company adopted the accounting pronouncements relating to business combination (primarily contained in ASC Topic 805 “Business Combinations”), including assets acquired and liabilities assumed on arising from contingencies. These pronouncements established principles and requirement for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquisition as well as provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. In addition, these pronouncements eliminate the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria and require an acquirer to develop a systematic and rational basis for subsequently measuring and accounting for acquired contingencies depending on their nature. The Company’s adoption of these pronouncements will have an impact on the manner in which it accounts for any future acquisitions.

2.6 NON - CONTROLLING INTEREST IN CONSOLIDATED FINANCIAL STATEMENTS

The Company adopted the accounting pronouncement on non-controlling interests in consolidated financial statements, which establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance is primarily contained in ASC Topic “Consolidation.” It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated financial statements. The adoption of this standard has not had material impact on the Company’s consolidated financial statements.

2.7 USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with US GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods covered thereby. Actual results could differ from these estimates. Judgments and estimates of uncertainties are required in applying the Company’s accounting policies in certain areas. The following are some of the areas requiring significant judgments and estimates: determinations of the useful lives of assets, estimates of allowances for doubtful accounts, cash flow and valuation assumptions in performing asset impairment tests of long-lived assets, estimates of the realization of deferred tax assets and inventory reserves.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 REVENUE RECOGNITION

The Company's revenue recognition policies are in compliance with ASC 605. Sales revenue is recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable, and (iv) the ability to collect is reasonably assured. These criteria are generally satisfied at the time of shipment when risk of loss and title passes to the customer.

Government grants are recognized when (i) the Company has substantially accomplished what must be done pursuant to the terms of the grant that are established by the local government; and (ii) the Company receives notification from the local government that the Company has satisfied all of the requirements to receive the government grants; and (iii) the amounts are received.

Multiple-Element Arrangements

To qualify as a separate unit of accounting under ASC 605-25 "*Multiple Element Arrangements*", the delivered item must have value to the customer on a standalone basis. The significant deliverables under the Company's multiple-element arrangements are consulting and service under development contract, commission and management service.

Revenues from the Company's consulting and services under development contracts are performed under fixed-price contracts. Revenues under long-term contracts are accounted for under the percentage-of-completion method of accounting in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition* ("ASC 605"). Under the percentage-of-completion method, the Company estimates profit as the difference between total estimated revenue and total estimated cost of a contract and recognize that profit over the contract term. The percentage of costs incurred determines the amount of revenue to be recognized. Payment terms are generally defined by the installation contract and as a result may not match the timing of the costs incurred by the Company and the related recognition of revenue. Such differences are recorded as either costs or estimated earnings in excess of billings on uncompleted contracts or billings in excess of costs and estimated earnings on uncompleted contracts. The Company determines a customer's credit worthiness at the time an order is accepted. Sudden and unexpected changes in a customer's financial condition could put recoverability at risk.

The percentage of completion method requires the ability to estimate several factors, including the ability of the customer to meet its obligations under the contract, including the payment of amounts when due. If the Company determines that collectability is not assured, the Company will defer revenue recognition and use methods of accounting for the contract such as the completed contract method until such time as the Company determines that collectability is reasonably assured or through the completion of the project.

For fixed-price contracts, the Company uses the ratio of costs incurred to date on the contract to management's estimate of the contract's total costs, to determine the percentage of completion on each contract. This method is used as management considers expended costs to be the best available measure of progression of these contracts. Contract costs include all direct material, subcontract and labor costs and those indirect costs related to contract performance, such as supplies, tool repairs and depreciation. The Company accounts for maintenance and repair services under the guidance of ASC 605 as the services provided relate to construction work. Contract costs incurred to date and expected total contract costs are continuously monitored during the term of the contract. Changes in job performance, job conditions, and estimated profitability arising from contract penalty, change orders and final contract settlements may result in revisions to the estimated profit ability during the contract. These changes, which include contracts with estimated costs in excess of estimated revenues, are recognized as contract costs in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. At the point the Company anticipates a loss on a contract, the Company estimates the ultimate loss through completion and recognizes that loss in the period in which the loss was identified.

The Company does not provide warranties to customers on a basis customary to the industry, however, customers can claim warranty directly from product manufacturers for defects in equipment or products. Historically, the Company has experienced no warranty claims.

The Company provides various management services to its customers in the P.R.C. based on a negotiated fixed-price contract. The clients usually pay the fees when the services contract is signed and services are rendered. The Company recognizes these services-based revenues from contracts when (i) management services are rendered; (ii) clients recognize the completion of services; and (iii) collectability is reasonably assured. Fees received in advance are recorded as deferred revenue under current liabilities.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 COST OF GOODS SOLD AND COST OF SERVICES

Cost of goods sold consists primarily of direct purchase cost of merchandise goods, and related levies. Cost of services consist primarily direct cost and indirect cost incurred to date for development contracts and provision for anticipated losses for development contracts.

2.10 SHIPPING AND HANDLING

Shipping and handling costs related to cost of goods sold are included in general and administrative expenses, which totaled \$31 and \$8,693 for the three months ended March 31, 2016 and 2015, respectively.

2.11 ADVERTISING

Advertising costs are included in general and administrative expenses, which totaled \$666,258 and \$708,843 for the three months ended March 31, 2016 and 2015, respectively.

2.12 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in general and administrative expenses, which totaled \$0 and \$0 for the three months ended March 31, 2016 and 2015, respectively.

2.13 FOREIGN CURRENCY TRANSLATION AND OTHER COMPREHENSIVE INCOME

The reporting currency of the Company is the U.S. dollars. The functional currency of the Company is the Chinese Renminbi (RMB).

For those entities whose functional currency is other than the U.S. dollars, all assets and liabilities are translated into U.S. dollars at the exchange rate on the balance sheet date; shareholders' equity is translated at historical rates and items in the statements of income and of cash flows are translated at the average rate for the period. Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported in the statements of cash flows will not necessarily agree with changes in the corresponding balances in the balance sheets. Translation adjustments resulting from this process are included in accumulated other comprehensive income in the statements of shareholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of income and comprehensive income, as incurred.

Accumulated other comprehensive income in the consolidated statement of shareholders' equity amounted to \$2,077,283 as of March 31, 2016 and \$1,427,638 as of December 31, 2015. The balance sheet amounts with the exception of equity as of March 31, 2016 and December 31, 2015 were translated using an exchange rate of RMB 6.46 to \$1.00 and RMB 6.49 to \$1.00, respectively. The average translation rates applied to the statements of income and other comprehensive income and of cash flows for the three months ended March 31, 2016 and 2015 were RMB 6.53 to \$1.00 and RMB 6.14 to \$1.00, respectively.

2.14 CASH AND CASH EQUIVALENTS

The Company considers all highly liquid securities with original maturities of three months or less when acquired to be cash equivalents. Cash and cash equivalents kept with financial institutions in the P.R.C. are not insured or otherwise protected. Should any of those institutions holding the Company's cash become insolvent, or should the Company become unable to withdraw funds for any reason, the Company could lose the cash on deposit with that institution.

2.15 ACCOUNTS RECEIVABLE

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded primarily on a specific identification basis.

The standard credit period for most of the Company's clients is three months for sale of goods and commission income and six months for consulting and service income from development contracts. The collection period over 1 year is classified as long-term accounts receivable. Management evaluates the collectability of the receivables at least quarterly. Provision for doubtful accounts as of March 31, 2016 and December 31, 2015 are \$0.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 INVENTORIES

Inventories are valued at the lower of cost (determined on a weighted average basis) and net realizable value. Costs incurred in bringing each product to its location and conditions are accounted for as follows:

- (a) raw materials - purchase cost on a weighted average basis;
- (b) manufactured finished goods and work-in-progress - cost of direct materials and labor and a proportion of manufacturing overhead based on normal operation capacity but excluding borrowing costs; and
- (c) retail and wholesale merchandise finished goods - purchase cost on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs for completion and the estimated costs necessary to make the sale.

2.17 PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalization when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalization. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

Plant and machinery	5 - 10 years
Structure and leasehold improvements	10 - 20 years
Mature seeds and herbage cultivation	20 years
Furniture and equipment	2.5 - 10 years
Motor vehicles	5 - 10 years

An item of plant and equipment is removed from the accounts upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of income in the period the item is disposed.

2.18 GOODWILL

Goodwill is an asset representing the fair economic benefits arising from other assets acquired in a business combination that are not individually identified or separately recognized. Goodwill is tested for impairment on an annual basis at the end of the Company's fiscal year, or when impairment indicators arise. The Company uses a fair-value-based approach to test for impairment at the level of each reporting unit. The Company directly acquired MEIJ, which is the holding company of JHST that operates the Hu Plantation. As a result of this acquisition, the Company recorded goodwill in the amount of \$724,940. This goodwill represents the fair value of the assets acquired in these acquisitions over the cost of the assets acquired.

2.19 LONG TERM INVESTMENT

On October 29, 2014, the Company invested in Huangyuan County Rural Credit Union ("RCU"), Huangyuan County, Xining City, Qinghai Province, the P.R.C. RCU is engaged in the financing and crediting business to agricultural projects for local farmers. The Company has a 5% equity stake in RCU. The Company has no representative on the board of directors to oversee corporate operations. The Company accounts for its long term investment at cost.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 PROPRIETARY TECHNOLOGIES

A master license of stock feed manufacturing technology was acquired and the costs of acquisition are capitalized as proprietary technologies when technological feasibility has been established. Cost of acquisition of stock feed manufacturing technology master license is amortized using the straight-line method over its estimated life of 25 years.

An aromatic cattle-feeding formula was acquired and the costs of acquisition are capitalized as proprietary technologies when technological feasibility has been established. Cost of acquisition on aromatic cattle-feeding formula is amortized using the straight-line method over its estimated life of 25 years.

The cost of sleepy cods breeding technology license is capitalized as proprietary technologies when technological feasibility has been established. Cost of granting sleepy cods breeding technology license is amortized using the straight-line method over its estimated life of 25 years.

Bacterial cellulose technology license and related trade mark are capitalized as proprietary technologies when technological feasibility has been established. Cost of license and related trade mark is amortized using the straight-line method over its estimated life of 20 years.

The Company has determined that technological feasibility is established at the time a working model of products is completed. Proprietary technologies are intangible assets of finite lives. Management evaluates the recoverability of proprietary technologies on an annual basis at the end of the Company's fiscal year, or when impairment indicators arise. As required by ASC Topic 350 "Intangible - Goodwill and Other", the Company uses a fair-value-based approach to test for impairment.

2.21 CONSTRUCTION IN PROGRESS

Construction in progress represents direct costs of construction as well as acquisition and design fees incurred. Capitalization of these costs ceases and the construction in progress is transferred to property and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until construction is completed and the asset is ready for its intended use.

2.22 LAND USE RIGHTS

Land use rights represent acquisition of rights to agricultural land from farmers and are amortized on the straight-line basis over their respective lease periods. The lease period of agricultural land is in the range from 10 to 60 years. Land use rights purchase prices were determined in accordance with the P.R.C. Government's minimum lease payments on agricultural land and mutually agreed to terms between the Company and the vendors.

2.23 CORPORATE JOINT VENTURE

A corporation formed, owned, and operated by two or more businesses as a separate and discrete business or project (venture) for their mutual benefit is considered to be a corporate joint venture. Investee entities, in which the Company can exercise significant influence, but not control, are accounted for under the equity method of accounting. Under the equity method of accounting, the Company's share of the earnings or losses of these companies is included in net income.

A loss in value of an investment that is other than a temporary decline is recognized as a charge to operations. Evidence of a loss in value might include, but would not necessarily be limited to, the absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 VARIABLE INTEREST ENTITY

A variable interest entity (“**VIE**”) is an entity (investee) in which the investor has obtained less than a majority interest, according to the Financial Accounting Standards Board (FASB). A VIE is subject to consolidation if a VIE meets one of the following three criteria as elaborated in ASC Topic 810-10, Consolidation:

- (a) equity-at-risk is not sufficient to support the entity’s activities;
- (b) as a group, the equity-at-risk holders cannot control the entity; or
- (c) the economics do not coincide with the voting interest.

If a firm is the primary beneficiary of a VIE, the holdings must be disclosed on the balance sheet. The primary beneficiary is defined as the person or company with the majority of variable interests. A corporation formed, owned, and operated by two or more businesses (ventures) as a separate and discrete business or project (venture) for their mutual benefit is defined as a joint venture.

2.25 TREASURY STOCK

Treasury stock means shares of a corporation’s own stock that have been issued and subsequently reacquired by the corporation. Converting outstanding shares to treasury shares does not reduce the number of shares issued but does reduce the number of shares outstanding. These shares are not eligible to receive dividends. Accounting for excesses and deficiencies on treasury stock transactions is governed by ASC 505-30-30.

State laws and federal agencies closely regulate transactions involving a company’s own capital stock, so the purchase of outstanding shares must have a legitimate purpose. Some of the most common reasons for purchasing outstanding shares are as follows:

- (a) to meet additional stock needs for various reasons, including newly implemented stock option plans, stock for convertible bonds or convertible preferred stock, or a stock dividend.
- (b) to make more shares available for acquisitions of other entities.

The cost method of accounting for treasury shares has been adopted by the Company. The purchase of outstanding shares and thus converting them into treasury shares is treated as a temporary reduction in shareholders’ equity in view of the expectation to reissue the shares instead of retiring them. When the Company reissues the treasury shares, the temporary account is eliminated. The cost of acquiring outstanding shares for converting into treasury shares is charged to a contra account, in this case a contra equity account that reduces the stockholder equity balance.

2.26 INCOME TAXES

The Company accounts for income taxes under the provisions of ASC Topic 740 “Accounting for Income Taxes.” Under ASC Topic 740, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

The provision for income tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred income taxes are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

ASC Topic 740 also prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken, or for one expected to be taken, in a tax return. ASC Topic 740 also provides guidance related to, among other things, classification, accounting for interest and penalties associated with tax positions, and disclosure requirements. Any interest and penalties accrued related to unrecognized tax benefits will be recorded as tax expense.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 POLITICAL AND BUSINESS RISK

The Company's operations are carried out in the P.R.C. Accordingly, the political, economic and legal environment in the P.R.C. may influence the Company's business, financial condition and results of operations by the general state of the P.R.C.'s economy. The Company's operations in the P.R.C. are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

2.28 CONCENTRATION OF CREDIT RISK

Cash includes cash at banks and demand deposits in accounts maintained with banks within the P.R.C. Total cash in these banks as of March 31, 2016 and December 31, 2015 amounted to \$2,501,032 and \$7,022,695, respectively, none of which is covered by insurance. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks to its cash in bank accounts.

The Company had 5 major customers (A, B, C, D & E) whose business individually represented the following percentages of the Company's total revenue for the year indicated:

	Three month ended March 31, 2016	Three months ended March 31, 2015
Customer A	21.03%	20.65%
Customer B	11.96%	18.54%
Customer C	10.34%	14.80%
Customer D	7.11%	9.74%
Customer E	6.70%	8.13%
Customer F	-%	-%
Customer G	-%	-%
Customer H	-%	-%
	<u>57.14%</u>	<u>71.86%</u>

		Percentage of revenue	Amount
Customer A	Fishery Development Division	21.03%	\$ 15,126,359
	Fishery Development and Corporate and Others		
Customer B	Divisions	11.96%	\$ 8,598,464
	Cattle Farm Development and HU Plantation		
Customer C	Division	10.34%	\$ 7,438,503

Accounts receivable are derived from revenue earned from customers located primarily in the P.R.C. The Company performs ongoing credit evaluations of customers and has not experienced any material losses to date.

The Company had 5 major customers whose accounts receivable balance individually represented the following percentages of the Company's total accounts receivable:

	March 31, 2016	December 31, 2015
Customer A	12.39%	13.71%
Customer B	10.93%	11.31%
Customer C	10.71%	10.12%
Customer D	8.56%	9.31%
Customer E	6.67%	8.45%
Customer F	-%	-%
	<u>49.26%</u>	<u>52.90%</u>

As of December 31, 2016, amounts due from customers A, B and C are \$15,504,621, \$13,678,559 and \$13,399,381, respectively. The Company has not experienced any significant difficulty in collecting its accounts receivable in the past and is not aware of any financial difficulties of its major customers.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 IMPAIRMENT OF LONG-LIVED ASSETS AND INTANGIBLE ASSETS

In accordance with ASC Topic 360, "Property, Plant and Equipment," long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company reviews the carrying amount of its long-lived assets, including intangibles, for impairment, during each reporting period. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is considered not recoverable, the asset is adjusted to its fair value. Fair value is generally determined based on discounted future cash flow. As of March 31, 2016 and December 31, 2015, the Company determined no impairment losses were necessary.

2.30 EARNINGS PER SHARE

As prescribed in ASC Topic 260 "*Earnings per Share*," Basic Earnings per Share ("EPS") is computed by dividing net income available to common stockholders by the weighted average number of common stock shares outstanding during the year. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common stock shares outstanding during the year plus potential dilutive instruments such as stock options and warrants. The effect of stock options on diluted EPS is determined through the application of the treasury stock method, whereby proceeds received by the Company based on assumed exercises are hypothetically used to repurchase the Company's common stock at the average market price during the period.

ASC 260-10-55 requires that stock dividends or stock splits be accounted for retroactively if the stock dividends or stock splits occur during the year, or retroactively if the stock dividends or stock splits occur after the end of the period but before the release of the financial statements, by considering it outstanding of the entirety of each period presented. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the year.

For the three months ended March 31, 2016 and 2015, basic earnings per share attributable to Sino Agro Food, Inc. and subsidiaries' common stockholders amount to \$0.43 and \$1.39 respectively. For the three months ended March 31, 2016 and 2015, diluted earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries' common stockholders amounted to \$0.39 and \$1.33, respectively.

2.31 ACCUMULATED OTHER COMPREHENSIVE INCOME

ASC Topic 220 "*Comprehensive Income*" establishes standards for reporting and displaying comprehensive income and its components in financial statements. Comprehensive income is defined as the change in stockholders' equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The comprehensive income for all periods presented includes both the reported net income and net change in cumulative translation adjustments.

2.32 RETIREMENT BENEFIT COSTS

P.R.C. state managed retirement benefit programs are defined contribution plans and the payments to the plans are charged as expenses when employees have rendered service entitling them to the contribution made by the employer.

2.33 STOCK-BASED COMPENSATION

The Company has adopted both ASC Topic 718, "Compensation - Stock Compensation" and ASC Topic 505-50, "Equity-Based Payments to Non - Employees" using the fair value method in which an entity issues its equity instruments to acquire goods and services from employees and non-employees. Stock compensation for stock granted to non-employees has been determined in accordance with this accounting standard and the accounting standard regarding accounting for equity instruments that are issued to other than employees for acquiring, or in conjunction with selling goods or services, as the fair value of the consideration received or the fair value of equity instruments issued, whichever is more reliably measured. This accounting standard allows the "simplified" method to determine the term of employee options when other information is not available. Under ASC Topic 718 and ASC Topic 505-50, stock compensation expenses is measured at the grant date on the value of the option or restricted stock and is recognized as expenses, less expected forfeitures, over the requisite service period, which is generally the vesting period.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.34 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1	Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2	Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
Level 3	Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amounts of the Company's financial assets and liabilities, such as cash and accrued expenses, approximate their fair values because of the short maturity of these instruments. The Company does not have any assets or liabilities measured at fair value on a recurring or a non-recurring basis, consequently, the Company did not have any fair value adjustments for assets and liabilities measured at fair value as of March 31, 2016 or December 31, 2015, nor gains or losses are reported in the statements of income and comprehensive income that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date for the three months ended March 31, 2016 or 2015.

2.35 NEW ACCOUNTING PRONOUNCEMENTS

The Company does not expect any recent accounting pronouncements to have a material effect on the Company's financial position, results of operations, or cash flows.

In January 2015, FASB issued ASU No. 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. This Update eliminates from GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption of ASU 2015-01 to have material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. The new consolidation standard changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity ("VIE"), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. The guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. Early adoption is allowed, including early adoption in an interim period. A reporting entity may apply a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or may apply the amendments retrospectively. The adoption of ASU 2015-02 did not have a material impact on the Company's consolidated financial statements.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, which simplifies presentation of debt issuance costs. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU No. 2015-03 will be effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The adoption of ASU 2015-03 did not have a material impact on the Company's consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The updated standard is effective for us beginning on January 1, 2017 with early application permitted as of the beginning of any interim or annual reporting period. The adoption of ASU 2015-17 did not have a material impact on the Company's consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

The Company establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organization structure as well as business segments and major customers in consolidated financial statements. The Company operates in five principal reportable segments: Fishery Development Division, HU Plantation Division, Organic Fertilizer and Bread Grass Division, Cattle Farm Development Division and Corporate and Others Division. No geographic information is required as all revenue and assets are located in the P.R.C.

For the three months ended March 31, 2016						
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Total
Revenue	\$ 29,264,041	\$ -	\$ 31,425,720	\$ 4,816,884	\$ 6,406,409	\$ 71,913,054
Net income (loss)	\$ 6,522,101	\$ (417,964)	\$ 4,768,496	\$ 346,669	\$ (2,612,618)	\$ 8,606,684
Total assets	\$ 155,703,211	\$ 51,616,544	\$ 320,589,830	\$ 41,104,943	\$ 87,827,136	\$ 656,841,664
For the three month ended March 31, 2015						
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Total
Revenue	\$ 53,336,774	\$ -	\$ 40,376,589	\$ 8,289,986	\$ 13,473,101	\$ 115,476,450
Net income (loss)	\$ 17,364,450	\$ (588,016)	\$ 5,659,105	\$ 354,180	\$ 965,122	\$ 23,754,841
Total assets	\$ 135,886,166	\$ 53,485,748	\$ 278,916,757	\$ 32,526,979	\$ 71,362,201	\$ 572,177,851

Note

- (1) Operated by Capital Award, Inc. ("CA") and Jiang Men City A Power Fishery Development Co., Limited ("JFD").
- (2) Operated by Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST").
- (3) Operated by Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP"), Qinghai Zhong He Meat Products Co., Limited ("QZH"), A Power Agro Agriculture Development (Macau) Limited ("APWAM"), and Hunan Shenghua A Power Agriculture Co., Limited ("HSA").
- (4) Operated by Jiang Men City Hang Mei Cattle Farm Development Co. Limited ("JHMC") and Macau Eiji Company Limited ("MEIJ").
- (5) Operated by Sino Agro Food, Inc. ("SIAP") and Sino Agro Food Sweden AB (publ) ("SAFS").

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Further analysis of revenue:-

	For the three months ended March 31, 2016					Total
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	
Name of entity						
Sale of goods						
Capital Award, Inc. ("CA")	\$ 16,137,990	\$ -	\$ -	\$ -	\$ -	\$ 16,137,990
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	-	-	5,113,550	-	-	5,113,550
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	-	-	8,655,548	-	-	8,655,548
Qinghai Zhong He Meat Products Co., Limited ("QZH")	-	-	17,656,622	-	-	17,656,622
Macau Eiji Company Limited ("MEIJ")	-	-	-	4,816,884	-	4,816,884
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	6,406,409	6,406,409
Consulting and service income for development contracts						
Capital Award, Inc. ("CA")	12,719,097	-	-	-	-	12,719,097
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	-	-
Commission and management fee						
Capital Award, Inc. ("CA")	406,954	-	-	-	-	406,954
Macau Eiji Company Limited ("MEIJ")	-	-	-	-	-	-
	<u>\$ 29,264,041</u>	<u>\$ -</u>	<u>\$ 31,425,720</u>	<u>\$ 4,816,884</u>	<u>\$ 6,406,409</u>	<u>\$ 71,913,054</u>

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Further analysis of revenue (Continued):-

	For the three months ended March 31, 2015					Total
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	
Name of entity						
Sale of goods						
Capital Award, Inc. ("CA")	\$ 27,218,841	\$ -	\$ -	\$ -	\$ -	\$ 27,218,841
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	-	-	4,182,440	-	-	4,182,440
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	-	-	24,038,273	-	-	24,038,273
Qinghai Zhong He Meat Products Co., Limited ("QZH")	-	-	12,155,876	-	-	12,155,876
Macau Eiji Company Limited ("MEIJ")	-	-	-	8,289,986	-	8,289,986
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	9,687,127	9,687,127
Consulting and service income for development contracts						
Capital Award, Inc. ("CA")	25,583,865	-	-	-	-	25,583,865
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	3,785,974	3,785,974
Commission and management fee						
Capital Award, Inc. ("CA")	-	-	-	-	-	-
Macau Eiji Company Limited ("MEIJ")	534,068	-	-	-	-	534,068
	<u>\$ 53,336,774</u>	<u>\$ -</u>	<u>\$ 40,376,589</u>	<u>\$ 8,289,986</u>	<u>\$ 13,473,101</u>	<u>\$ 115,476,450</u>

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Further analysis of cost of goods sold and cost of services:-
COST OF GOODS SOLD

	For the three months ended March 31, 2016						
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)		Total
Name of entity							
Sale of goods							
Capital Award, Inc. (“CA”)	\$ 12,297,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,297,679
Hunan Shenghua A Power Agriculture Co., Limited (“HSA”)	-	-	3,157,459	-	-	-	3,157,459
Qinghai Sanjiang A Power Agriculture Co., Limited (“SJAP”)	-	-	5,278,624	-	-	-	5,278,624
Qinghai Zhong He Meat Products Co., Limited (“QZH”)	-	-	12,755,788	-	-	-	12,755,788
Macau Eiji Company Limited (“MEIJI”)	-	-	-	4,590,411	-	-	4,590,411
Sino Agro Food, Inc. (“SIAP”)	-	-	-	-	5,466,803	-	5,466,803
	\$ 12,297,679	\$ -	\$ 21,191,871	\$ 4,590,411	\$ 5,466,803	\$ -	\$ 43,546,764

COST OF SERVICES

	For the three months ended March 31, 2016						
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)		Total
Name of entity							
Consulting and service income for development contracts							
Capital Award, Inc. ("CA")	\$ 9,510,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,510,872
Sino Agro Food, Inc. ("SIAP")	-	-	-	-	-	-	-
	<u>\$ 9,510,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,510,872</u>

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Further analysis of cost of goods sold and cost of services (Continued):-

COST OF GOODS SOLD

	For the three months ended March 31, 2015						
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)		Total
Name of entity							
Sale of goods							
Capital Award, Inc. ("CA")	\$ 20,101,997	\$ -	\$ -	\$ -	\$ -	\$ -	20,101,997
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	-	-	2,390,598	-	-	-	2,390,598
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	-	-	16,563,831	-	-	-	16,563,831
Qinghai Zhong He Meat Products Co., Limited ("QZH")	-	-	8,171,368	-	-	-	8,171,368
Macau Eiji Company Limited ("MEIJI")	-	-	-	7,988,119	-	-	7,988,119
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	8,074,075		8,074,075
	\$ 20,101,997	\$ -	\$ 27,125,797	\$ 7,988,119	\$ 8,074,075	\$ -	63,289,988

COST OF SERVICES

For the three months ended March 31, 2015						
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Total
Name of entity						
Consulting and service income for development contracts						
Capital Award, Inc. ("CA")	\$ 15,203,198	\$ -	\$ -	\$ -	\$ -	\$ 15,203,198
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	1,404,813	1,404,813
	\$ 15,203,198	\$ -	\$ -	\$ -	\$ 1,404,813	\$ 16,608,011

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAXES

United States of America

The Company was incorporated in the State of Nevada, in the United States of America. The Company has no trading operations in United States of America and no U.S. corporate tax has been provided for in the consolidated financial statements of the Company.

Undistributed Earnings of Foreign Subsidiaries

The Company intends to use the remaining accumulated and future earnings of foreign subsidiaries to expand operations outside the United States and accordingly, undistributed earnings of foreign subsidiaries are considered to be indefinitely reinvested outside the United States and no provision for U.S. Federal and State income tax or applicable dividend distribution tax has been provided thereon.

The Company appointed US tax professionals to assist in filing income tax returns for the years ended December 31, 2015, 2014 and 2013 in compliance with US Treasury Internal Revenue Code and we had already filed our 2014 and 2013 Tax returns with the Internal Revenue Service (“IRS”) of USA Government.

As of March 31, 2016, the Company reviewed its tax position with the assistance US tax professionals and believed that there would be no taxes and no penalties assessed by the IRS in the United States of America.

China

Beginning January 1, 2008, the new Enterprise Income Tax (“EIT”) law replaced the existing laws for Domestic Enterprises (“DE’s”) and Foreign Invested Enterprises (“FIE’s”). The new standard EIT rate of 25% replaced the 33% rate currently applicable to both DE’s and FIE’s. The Company is currently evaluating the impact that the new EIT will have on its financial condition. Beginning January 1, 2008, China unified the corporate income tax rule on foreign invested enterprises and domestic enterprises. The unified corporate income tax rate is 25%.

Under new tax legislation in China beginning in January 2008, the agriculture, dairy and fishery sectors are exempt from enterprise income taxes.

No EIT has been provided in the financial statements of SIAF, CA, JHST, JHMC, JFD, HSA, SJAP and QZH since they are exempt from EIT for the three months ended March 31, 2016 and 2015 as they are within the agriculture, dairy and fishery sectors.

Belize

CA, CS and CH are international business companies incorporated in Belize, and are exempt from corporate tax in Belize.

Hong Kong

No Hong Kong profits tax has been provided in the consolidated financial statements of TRW, since these entities did not earn any assessable profits arising in Hong Kong for the three months ended March 31, 2016, and 2015.

Macau

No Macau Corporate income tax has been provided in the consolidated financial statements of APWAM and MEIJI since these entities did not earn any assessable profits for the three months ended March 31, 2016 and 2015.

Sweden

No Sweden Corporate income tax has been provided in the consolidated financial statements of SAFS since SAFS did not earn any profits for the three months ended March 31, 2016 and 2015.

No deferred tax assets and liabilities are of March 31, 2016 and December 31, 2015 since there was no difference between the financial statements carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the period in which the differences are expected to reverse.

Provision for income taxes is as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
SIAF	\$ -	\$ -
SAFS	-	-
TRW	-	-
MEIJI and APWAM	-	-
JHST, JFD, JHMC, SJAP, QZH and HSA	-	-
	<u>\$ -</u>	<u>\$ -</u>

The Company did not recognize any interest or penalties related to unrecognized tax benefits in the three months ended March 31, 2016 and 2015. The Company had no uncertain positions that would necessitate recording of tax related liability. The Company is subject to examination by the respective

tax authorities.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS

	March 31, 2016	December 31, 2015
Cash and bank balances	\$ 2,576,297	\$ 7,229,197

6. INVENTORIES

As of March 31, 2016, inventories are as follows:

	March 31, 2016	December 31, 2015
Sleepy cods, prawns, eels and marble goby	\$ 3,260,828	\$ 4,053,458
Beef and mutton	10,486,328	14,593,458
Bread grass	248,970	1,207,260
Beef cattle	6,699,747	5,026,404
Organic fertilizer	11,598,506	10,815,983
Forage for cattle and consumable	11,489,016	10,328,365
Raw materials for bread grass and organic fertilizer	17,078,669	15,440,348
Immature seeds	1,357,121	1,383,431
	<u>\$ 62,219,185</u>	<u>\$ 62,848,707</u>

7. DEPOSITS AND PREPAYMENTS

	March 31, 2016	December 31, 2015
Deposits for		
- purchases of equipment	\$ 6,975,629	\$ 4,963,245
- acquisition of land use rights	3,373,110	3,373,110
- inventories purchases	22,394,687	19,948,867
- aquaculture contracts	6,602,279	4,340,741
- consulting service providers and others	8,632,259	9,197,796
- construction in progress	22,354,658	20,243,172
- issue of shares as collateral	11,281,100	11,281,100
Prepayments - debts discounts and others	14,216,699	9,919,126
Shares issued for employee compensation and overseas professional and bond interest	181,591	544,772
	<u>\$ 96,012,012</u>	<u>\$ 83,811,929</u>

8. ACCOUNTS RECEIVABLE

The Company has performed an analysis on all of its accounts receivable and determined that all amounts are collectible by the Company. As such, all accounts receivable are reflected as a current asset and no allowance for bad debt has been recorded as of March 31, 2016 and December 31, 2015. Bad debts written off for the three months ended March 31, 2016, and 2015 are \$0.

Aging analysis of accounts receivable is as follows:

	March 31, 2016	December 31, 2015
0 - 30 days	\$ 49,621,355	\$ 49,190,282
31 - 90 days	26,384,672	29,280,990
91 - 120 days	18,780,256	19,838,792
over 120 days and less than 1 year	30,354,342	37,364,354
over 1 year	-	-
	<u>\$ 125,140,625</u>	<u>\$ 135,674,418</u>

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. OTHER RECEIVABLES

	March 31, 2016	December 31, 2015
Advanced to employees	\$ 376,214	\$ 169,369
Advanced to suppliers	9,590,713	8,052,235
Advanced to customers	22,003,006	20,696,433
Advanced to developers	28,000,000	28,000,000
Advanced to convertible bond holder	2,862,550	2,862,550
	<u>\$ 62,832,483</u>	<u>\$ 59,780,587</u>

Advanced to employees, suppliers, customers and developers are unsecured, interest free and with no fixed terms of repayment.

The Company entered friendly loan agreements with suppliers, customers and developers to assist them to procure project loans.

10. PLANT AND EQUIPMENT

	March 31, 2016	December 31, 2015
Plant and machinery	\$ 6,481,690	\$ 5,889,915
Structure and leasehold improvements	90,612,871	90,612,871
Mature seeds and herbage cultivation	16,599,717	14,122,937
Furniture and equipment	704,153	704,153
Motor vehicles	790,434	790,434
	<u>115,188,865</u>	<u>112,120,310</u>
Less: Accumulated depreciation	(9,129,843)	(7,861,231)
Net carrying amount	<u>\$ 106,059,022</u>	<u>\$ 104,259,079</u>

Depreciation expense was \$1,268,612 and \$802,338 for the three months ended March 31, 2016 and 2015, respectively.

11. CONSTRUCTION IN PROGRESS

	March 31, 2016	December 31, 2015
Construction in progress		
- Office, warehouse and organic fertilizer plant in HSA	\$ 29,518,576	\$ 26,158,968
- Oven room, road for production of dried flowers	3,079,766	3,079,766
- Organic fertilizer and bread grass production plant and office building	12,867,960	11,746,949
- Rangeland for beef cattle and office building	33,110,318	26,463,249
- Fish pond	10,533,562	5,339,837
	<u>\$ 89,110,182</u>	<u>\$ 72,788,769</u>

12. LAND USE RIGHTS

Private ownership of agricultural land is not permitted in the P.R.C. Instead, the Company has leased seven lots of land. The cost of the first lot of land use rights acquired in 2007 in Guangdong Province, the P.R.C. was \$6,408,289 and consists of 180.23 acres with the lease expiring in 2067. The cost of the second lot of land use rights acquired in 2008 in Guangdong Province, the P.R.C. was \$764,128, which consists of 31.84 acres with the lease expiring in 2068. The cost of the third lot of land use rights acquired in 2011 was \$12,040,571, which consists of 79.48 acres in Guangdong Province, the P.R.C. with the lease expires in 2037. The cost of the fourth lot of land use rights acquired in 2011 was \$35,405,750 which consisted of 287.21 acres in the Hunan Province, the P.R.C. and the leases expire in 2051, 2054 and 2071. The cost of the fifth lot of land use rights acquired in 2012 was \$528,240 which consisted of 21.09 acres in Qinghai Province, the P.R.C. and the lease expires in 2051. The cost of the sixth lot of land use rights acquired in 2013 was \$489,904 which consisted of 6.27 acres in Guangdong Province, the P.R.C. and the lease expires in 2023. The cost of the seventh lot of land use rights acquired in 2014 was \$4,453,665 which consisted of 33.28 acres in Guangdong Province, the P.R.C. and the lease expires in 2044.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. LAND USE RIGHTS (CONTINUED)

	March 31, 2016	December 31, 2015
Cost	\$ 66,257,264	\$ 65,961,071
Less: Accumulated amortization	(7,925,498)	(7,475,396)
Net carrying amount	<u>\$ 58,331,766</u>	<u>\$ 58,485,675</u>

	Expiry date	Description	Amount
Balance @1.1.2015			\$ 69,428,143
Exchange difference			(3,467,072)
Balance @12.31.2015			65,961,071
Exchange difference			296,193
Balance @3.31.2016			<u>\$ 66,257,264</u>

Land use rights are amortized on the straight-line basis over their respective lease periods. The lease period of agriculture land is 30 to 60 years. Amortization of land use rights was \$450,102 and \$335,840 for the three months ended March 31, 2016 and 2015, respectively.

13. GOODWILL

Goodwill represents the fair value of the assets acquired the acquisitions over the cost of the assets acquired. It is stated at cost less accumulated impairment losses. Management tests goodwill for impairment on an annual basis or when impairment indicators arise. In these instances, the Company recognizes an impairment loss when it is probable that the estimated cash flows are less than the carrying value of the assets. To date, no such impairment loss has been recorded.

	March 31, 2016	December 31, 2015
Goodwill from acquisition	\$ 724,940	\$ 724,940
Less: Accumulated impairment losses	-	-
Net carrying amount	<u>\$ 724,940</u>	<u>\$ 724,940</u>

14. PROPRIETARY TECHNOLOGIES

By an agreement dated November 12, 2008, TRW acquired an enzyme technology master license, registered under a Chinese patent, for the manufacturing of livestock feed and bioorganic fertilizer and its related labels for \$8,000,000. On March 6, 2012, MEIJI acquired an aromatic-feed formula technology for the production of aromatic cattle for \$1,500,000. On October 1, 2013, SIAF was granted a license to exploit sleepy cods breeding technology to grow out of sleepy cods for \$2,270,968 for 50 years. SJAP booked bacterial cellulose technology license and related trademark for \$2,119,075 and amortized expenditures for 20 years starting from January 1, 2014.

	March 31, 2016	December 31, 2015
Cost	\$ 13,778,319	\$ 13,771,527
Less: Accumulated amortization	(3,133,754)	(2,987,169)
Net carrying amount	<u>\$ 10,644,565</u>	<u>\$ 10,784,358</u>

Amortization of proprietary technologies was \$146,585 and \$178,281 for the three months ended March 31, 2016 and 2015, respectively. No impairments of proprietary technologies have been identified for the three months ended March 31, 2016 and 2015.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. LONG TERM INVESTMENT

	March 31, 2016	December 31, 2015
Investment in Huangyuan County Rural Credit Union	\$ 773,994	\$ 769,941
Less: Accumulated impairment losses	-	-
	<u>\$ 773,994</u>	<u>\$ 769,941</u>

16. TEMPORARY DEPOSITS PAID TO ENTITIES FOR EQUITY INVESTMENTS IN FUTURE SINO JOINT VENTURE COMPANIES

Intended unincorporated Projects			March 31, 2016	December 31, 2015
Investee	Engaged			
A	Trade center	*	\$ 4,086,941	\$ 4,086,941
A	Seafood center	*	1,032,914	1,032,914
B	Fish Farm 2 GaoQiqiang Aquaculture	*	6,000,000	6,000,000
C	Prawn farm 1	*	14,554,578	14,554,578
D	Prawn farm 2	*	9,877,218	9,877,218
E	Cattle farm 2	*	5,558,057	5,558,057
			<u>\$ 41,109,708</u>	<u>\$ 41,109,708</u>

The Company made temporary deposits paid to entities for equity investments in future Sino Joint Venture companies ("SJVCs") engaged in projects development of trade and seafood centers, fish, prawns and cattle farms. Such temporary deposits represented as deposits of the respective consideration required for the purchase of equity stakes of respective future SJVCs. The amounts were classified as temporary because legal procedures of formation of SJVCs have not yet been completed. As of December 31, 2015, the percentages of equity stakes of A (trade and seafood centers), B (fish farm 2 GaoQiqiang Aquaculture Farm), C (prawn farm 1), D (pawm farm 2) and E (cattle farm 2) are 31%, 23%, 56%, 29% and 35% respectively.

* The above amounts were subject to conversion to an additional equity investment in the investees upon the completion of legal procedures of formation of SJVCs.

17. VARIABLE INTEREST ENTITY

On September 28, 2009, APWAM acquired the PMH's 45% equity interest in the Sino-Foreign joint venture company, Qinghai Sanjiang A Power Agriculture Co. Limited (" **SJAP** "), which was incorporated in the P.R.C. As of March 31, 2016, the Company has invested \$2,251,359 in this joint venture. SJAP is engaged in its business of the manufacturing of organic fertilizer, livestock feed, and beef cattle and plantation of crops and pastures.

Continuous assessment of the VIE relationship with SJAP

The Company may also have a controlling financial interest in an entity through an arrangement that does not involve voting interests, such as a VIE. The Company evaluates entities deemed to be VIE's using a risk and reward model to determine whether to consolidate. A VIE is an entity (1) that has total equity at risk that is not sufficient to finance its activities without additional subordinated financial support from other entities, (2) where the group of equity holders does not have the power to direct the activities of the entity that most significantly impact the entity's economic performance, or the obligation to absorb the entity's expected losses or the right to receive the entity's expected residual returns, or both, or (3) where the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both, and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately fewer voting rights.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. VARIABLE INTEREST ENTITY (CONTINUED)

The Company also quantitatively and qualitatively examined if SJAP is considered a VIE. Qualitative analyses considered the extent to which the nature of its variable interest exposed the Company to losses. For quantitative analyses, the Company also used internal cash flow models to determine if SJAP was a VIE and, if so, whether the Company was the primary beneficiary. The projection of these cash flows and probabilities thereof requires significant managerial judgment because of the inherent limitations that relate to the use of historical data for the projection of future events. On March 31, 2016, the Company evaluated the above VIE testing results and concluded that the Company is the primary beneficiary of SJAP's expected losses or residual returns and that SJAP qualifies as a VIE of the Company. As result, the Company has consolidated SJAP as a VIE.

The reasons for the SJAP qualified as a VIE are as follows:

- Originally, the board of directors of SJAP consisted of 7 members; 3 appointees from Qinghai Sanjiang (one stockholder), 1 from Garwor (one stockholder), and 3 from the Company, such that the Company did not have majority interest represented on the board of directors of SJAP.
- On May 7, 2010, Qinghai Sanjiang sold and transferred its equity interest in SJAP to Garwor. The State Administration for Industry and Commerce of Xining City Government of the P.R.C. approved the sale and transfer.

Consequently Garwor and the Company agreed that the new board of directors of SJAP would consist of 3 members; 1 appointee from Garwor and 2 appointees from the Company, such that the Company now had a majority interest in the board of directors of SJAP. Also, and in accordance with the Company's Sino Joint Venture Agreement, the Company's management appointed the chief financial officer of SJAP. As a result, the financial statements of SJAP were included in the consolidated financial statements of the Company.

Continuous assessment of the VIE relationship with QZH

The Company may also have a controlling financial interest in an entity through an arrangement that does not involve voting interests, such as a VIE. The Company evaluates entities deemed to be VIE's using a risk and reward model to determine whether to consolidate. A VIE is an entity (1) that has total equity at risk that is not sufficient to finance its activities without additional subordinated financial support from other entities, (2) where the group of equity holders does not have the power to direct the activities of the entity that most significantly impact the entity's economic performance, or the obligation to absorb the entity's expected losses or the right to receive the entity's expected residual returns, or both, or (3) where the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both, and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately fewer voting rights.

The Company also quantitatively and qualitatively examined if QZH is considered a VIE. Qualitative analyses considered the extent to which the nature of its variable interest exposed the Company to losses. For quantitative analyses, the Company also used internal cash flow models to determine if QZH was a VIE and, if so, whether the Company was the primary beneficiary. The projection of these cash flows and probabilities thereof requires significant managerial judgment because of the inherent limitations that relate to the use of historical data for the projection of future events. On March 31, 2016, the Company evaluated the above VIE testing results and concluded that the Company is the primary beneficiary of QZH's expected losses or residual returns and that QZH qualifies as a VIE of the Company. As result, the Company has consolidated QZH as a VIE.

The reasons for the QZH qualified as a VIE are as follows:

- Originally, SJAP was sole stockholder of QZH, owned 100% equity interest in QZH and controlled directorship of QZH.
- On October 25, 2015, both QZH and new stockholder, Qinghai Quanwang Investment Management Co., Ltd ("QOI") contributed additional capital of \$4,157,682 and \$769,941, respectively. As of result, SJAP decreased its equity interest from 100% to 86% and QOI owned 14% equity interest. In addition, according to investment agreement between QZH and QOI, (i) QOI only enjoyed interest 6% annually on its capital contribution and did not enjoy any profit distribution; (ii) investment period was 3 years only, and (iii) SJAP shared 100% on profit or loss after deduction 6% interest to QOI and enjoyed 100% voting rights of QZH's board and stockholders meetings. As of March 31, 2016, the SJAP's total investment in QZH was \$4,645,487.
- Consequently, the Company still indirectly control directorship of QZH, such that the Company now had a majority interest in the directorship of QZH. Also, and in accordance with the Company's Sino Joint Venture Agreement, the Company's controlled QZH's chief financial officer appointment. As a result, the financial statements of QZH were included in the consolidated financial statements of the Company.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. CONSTRUCTION CONTRACT

(i) Costs and estimated earnings in excess of billings on uncompleted contracts

	March 31, 2016	December 31, 2015
Costs	\$ 6,487,032	\$ 6,487,032
Estimated earnings	10,995,534	10,995,534
Less: Billings	(16,175,681)	(16,175,681)
Costs and estimated earnings in excess of billings on uncompleted contracts	<u>\$ 1,306,885</u>	<u>\$ 1,306,885</u>

(ii) Billings in excess of costs and estimated earnings on uncompleted contracts

	March 31, 2016	December 31, 2015
Billings	\$ 159,975,777	\$ 146,830,043
Less: Costs	(94,603,731)	(85,092,860)
Estimated earnings	(56,244,702)	(53,036,477)
Billing in excess of costs and estimated earnings on uncompleted contracts	<u>\$ 9,127,344</u>	<u>\$ 8,700,706</u>

(iii) Overall

	March 31, 2016	December 31, 2015
Billings	\$ 176,151,458	\$ 163,005,724
Less: Costs	(101,090,763)	(91,579,892)
Estimated earnings	(67,240,236)	(64,032,011)
Billing in excess of costs and estimated earnings on uncompleted contracts	<u>\$ 7,820,459</u>	<u>\$ 7,393,821</u>

19. OTHER PAYABLES

	March 31, 2016	December 31, 2015
Due to third parties	\$ 3,141,612	\$ 312,782
Due to debts loan	4,797,332	4,797,332
Promissory notes issued to third parties	2,200,000	2,200,000
Due to local government	2,279,797	2,279,797
	<u>\$ 12,418,741</u>	<u>\$ 9,589,911</u>
Less: Amount classified as non-current liabilities		
Due to debts loan	(4,797,332)	(4,797,332)
Amount classified as current liabilities	<u>\$ 7,621,409</u>	<u>\$ 4,792,579</u>

Due to third parties are unsecured, interest free and have no fixed terms of repayment.

The Company issued 753,304 shares of common stock ranging from \$6.96 to \$8.91 as collateral to secure debts loan of \$4,797,332 from third party. The shares issued by the Company were valued at the trading price of the stock on the date the shares were issued.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. BORROWINGS

There are no provisions in the Company's bank borrowings and long term debts that would accelerate repayment of debt as a result of a change in credit ratings or a material adverse change in the Company's business. Under certain agreements, the Company has the option to retire debt prior to maturity, either at par or at a premium over par.

Short term bank loans

Name of lender	Interest rate	Term	March 31, 2016	December 31, 2015
Agricultural Development Bank of China		January 3, 2014 - 6.4% December 17, 2018	\$ 314,409 ^{^*}	\$ 616,333 ^{^*}
Huangyuan County Branch, Xining City, Qinghai Province, the P.R.C.				
Agricultural Development Bank of China		October 28, 2015 - 4.785% October 27, 2016	3,869,969 ^{^*}	3,849,707 ^{^*}
Huangyuan County Branch, Xining City, Qinghai Province, the P.R.C.				
			<u>\$ 4,184,378</u>	<u>\$ 4,466,040</u>

Long term debts

Name of lender	Interest rate	Term	March 31, 2016	December 31, 2015
GanGuo Village Committee		June 2012 - 12.22% June 2017	\$ -	\$ 169,387
Bo Huang Town Huangyuan County, Xining City, Qinghai Province, the P.R.C.				
Agricultural Development Bank of China		January 3, 2014 - 6.4% December 17, 2018	1,702,786 ^{^*#}	2,001,848 ^{^*#}
Huangyuan County Branch, Xining City, Qinghai Province, the P.R.C.				
Less: The current portion reclassified as short term debts			(314,409)	(616,333)
			<u>\$ 1,388,377</u>	<u>\$ 1,554,902</u>

The above note agreements contained regular provisions requiring timely repayment of principals and accrued interests, payment of default interest in the event of default, and without specific financial covenants. Management of the Company believes the Company is in material compliance with the terms of the loan agreements.

[^] personal and corporate guaranteed by third parties.

^{*} secured by land use rights with net carrying amount of \$457,402 (12.31.2015: \$471,048).

[#] repayable \$314,409, \$619,195 and \$769,182 in 2016, 2017 and 2018, respectively.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. NEGOTIABLE PROMISSORY NOTES

In August and October 2015, TRW issued negotiable promissory notes to fund companies and individuals for \$3,854,550 and the company acted as guarantor for repayment. During the three months ended March 31, 2016, no promissory notes were repaid and negotiated into shares of the Company.

	March 31, 2016	December 31, 2015
Negotiable promissory notes	<u>\$ 872,644</u>	<u>\$ 865,968</u>
Issuer:	Tri-way Industries Limited ("TRW")	
Principal amount:	\$814,500	
Interest payable:	\$58,144	
Interest rate:	2.50% - 2.6% per month on principal amount. Interest shall be calculated on the basis of a 30/360 day count convention.	
Default interest rate:	15% per month on principal amount. Interest shall be calculated on the basis of a 30/360 day count convention.	
Interest payment:	Accrued interest on the principal amount shall be paid by cash in arrears on each interest payment date.	
Issue date:	August 29, 2015 and October 12, 2015.	
Repayment date:	Repaid in full within 283 calendar days from the issue of notes.	
Conversion option:	Notes holders can exercise at any time from and including the day falling 60 calendar days from the date of the notes, upon the note holders giving not less than 5 business day prior written notices to TRW and the Company. the principal amount shall be converted to shares of the Company. The TRW may at their own discretion choose to settle such conversion option with newly issue shares or existing shares, at their sole discretion. In the event a dividend, share split or consolidation or spin-off (each a Corporate Event") from the Company, the conversion price shall be adjusted to provide the same economic value to the notes holders as if such Corporate Event did not occur. To the maximum, the above notes can be negotiated for 104,642 shares of Common Stock.	
Security:	Corporate guarantee by the Company.	

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. CONVERTIBLE NOTE PAYABLES

On August 29, 2014, the Company completed the closing of a private placement financing transaction with an accredited investor, which purchased a 10.5% Convertible Note (the “Note”) in the aggregate principal amount of up to \$33,300,000. The Company received the total advance of \$11,632,450. The Company shall offer investor a discount equal to 25% of the amount of the principal advanced by the investor.

Interest on the note shall accrue on the outstanding principal balance of this Note from August 29, 2014. Interest shall be payable quarterly on the last day of each of March, June, September and December commencing September 30, 2014 provided, however, that note holder may elect to require the Company to issue to the note holder a promissory note in lieu of cash in satisfaction of any interest due and payable at such time. Any interest payment note shall be subject to the same terms as the note. The note has a maturity date of February 28, 2020.

The note is convertible, at the discretion of the note holder, into shares of the Company’s common stock (i) at any time following an Event of Default, or (ii) for a period of thirty (30) calendar days following October 31, 2015 and each anniversary thereof, at an initial conversion price per share of \$1.00, subject to adjustment for stock splits, reverse stock splits, stock dividends and other similar transactions and subject to the terms of the note. As long as the note is outstanding, the investor shall have a right of first refusal, exercisable for thirty (30) calendar days after notice to the note holder, to purchase securities proposed to be offered and sold by the Company.

	March 31, 2016	December 31, 2015
10.50% convertible note of maturity date February 28, 2020	<u>\$ 35,560,989</u>	<u>\$ 34,904,739</u>

The Company calculated the fair value of the convertible note and the beneficial conversion feature utilizing the Discounted Cash Flows model at the date of the issuance of convertible note. The relative fair values were allocated to the liability and equity components of the debt. Accordingly, a discount was created on the debt and this discount will be amortized to interest expense over the life of the debt. Debt premium of \$8,356 and \$3,891 were amortized for the three months ended March 31, 2016 and 2015, respectively.

As of March 31, 2016, there was \$32,666,666 (December 31, 2015: \$32,666,666) principal outstanding and accrued interest in the amount of \$2,894,323 (December 31, 2015: 2,238,073) that was owed under the terms of the convertible note.

The above note agreement contained regular provisions requiring timely repayment of principals and accrued interests, payment of default interest in the event of default, default and optional conversion and without specific financial covenants. Management of the Company believes the Company is in material compliance with the terms of the convertible note agreement.

The Company calculated professional service compensation of \$0 and \$1,500,000 in respect of convertible note issue, and recognized \$0 and \$125,000 for the three months ended March 31, 2016 and 2015, respectively. As of March 31, 2016 and December 31, 2015, the deferred compensation balance was \$0.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. SHAREHOLDERS' EQUITY

The Group's share capital as of March 31, 2016 and December 31, 2015 shown on the consolidated balance sheet represents the aggregate nominal value of the share capital of the Company as of that date.

On March 22, 2010, the Company designated 100 shares of Series A preferred stock at a par value per share of \$0.001. As of the same date, 100 shares of Series A preferred stock were issued at \$1 per share for cash in the amount of \$100.

The Series A preferred stock:

- (i) does not pay a dividend;
- (ii) votes together with the shares of Common Stock of the Corporation as a single class and, regardless of the number of shares of Series A Preferred Stock outstanding and as long as at least one of such shares of Series A Preferred Stock is outstanding, shall represent eighty percent (80%) of all votes entitled to be voted at any annual or special meeting of shareholders of the Corporation or action by written consent of shareholders. Each outstanding share of the Series A Preferred Stock shall represent its proportionate share of the 80%, which is allocated to the outstanding shares of Series A Preferred Stock; and
- (ii) ranks senior to common stockholders, holders of Series B convertible preferred stockholders and any other stockholders on liquidation.

The Company has designated 100 shares of Series A preferred stock with 100 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively.

The Series B convertible preferred stock:

On March 22, 2010, the Company designated 7,000,000 shares of Series B convertible preferred stock at a par value per share of \$0.001. The Series B convertible preferred stock is redeemable, the stockholders are not entitled to receive any dividend and voting rights but rank senior over common stockholders on liquidation, and can convert to common stock on a one for one basis at any time. On June 26, 2010, 7,000,000 shares of common stock were surrendered for cancellation and the Company issued 7,000,000 shares of Series B convertible preferred stock at \$9.90 per share. Pursuant to share exchange agreement made as of December 22, 2012, between the Company and a stockholder, Capital Adventure Inc., a holder of 3,000,000 shares of common shares, with the consent of Board of Directors, to exchange for 3,000,000 shares of Series B convertible preferred stock on a one-for-one basis. As of December 23, 2012, 3,000,000 shares of Series B convertible preferred stock were issued to Capital Adventure Inc., for the exchange of its holding of 3,000,000 shares of common stocks. As of December 31, 2012, 3,000,000 shares of common stocks were still not returned to the Company. On March 27, 2013, 3,000,000 Series B convertible preferred stock were cancelled. On December 17, 2014, the Company approved an amendment to certificate designation in respect of Series B preferred stock. Pursuant to the above new amendment, each holder of Series B preferred stock shall have the rights, at any time or from time to time, to convert each 9.9 shares of Series B preferred to one fully paid and non-assessable share of common stock of par value \$0.001 per share. On June 15, 2015, Series B preferred stockholder exercised at the above conversion ratio to convert 7,000,000 shares of Series B preferred stock to 707,070 shares of common stock.

There were 0 shares of Series B convertible preferred stock issued and outstanding as of March 31, 2016 and December 31, 2015, respectively.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. SHAREHOLDERS' EQUITY (CONTINUED)

The Series F Non-Convertible Preferred Stock:

- (i) is not redeemable subject to (iv);
- (ii) except for (iv), with respect to dividend rights, rights on liquidation, winding up and dissolution, rank junior and subordinate to (a) all classes of Common Stock, (b) all other classes of Preferred Stock and (c) any class or series of capital securities of the Company.
- (iii) Shall not be entitled to receive any further dividend; and
- (iv) on May 30, 2014, the holders of shares of Series F Non-Convertible Preferred Stock with coupon shall be entitled to a coupon payment directly from the Company at the redemption rate of \$3.40 per share. Upon redemption, the Holder shall no longer own any shares of Series F with coupon that have been redeemed, and all such redeemed shares shall disappear and no longer exist on the books and records of the Company; redeemed shares of Series F which no longer exist upon redemption shall thereafter be counted toward the authorized but unissued "blank check" preferred stock of the Company.

On August 22, 2012, the Company's Board of Directors declared that the Company's stockholders were entitled to receive one share of restricted Series F Non-convertible Preferred Stock for every 100 shares of Common Stock owned by the stockholders as of September 28, 2012, with lesser or greater amounts being rounded up to the nearest 100 shares of Common Stock for purpose of the computing the dividend. The holders of record of shares of Series F Non-Convertible Preferred Stock shall be entitled to a coupon payment directly from the Company at the redemption rate of \$3.40 per share and be payable on May 30, 2014. However, the Company was unable to issue the Series F Non-convertible Preferred Stock as originally contemplated. Consequently, The Company's transfer agent was instructed to note in its record date rather than actual issue the Preferred F shares. On June 14, 2014, the Company announced the delay in payment of the coupon until May 30, 2015. The company reserved the excess over the nominal amount of the Series F Non-convertible Preferred Stock of \$3,124,737 as Series F Non-convertible Preferred Stock redemption payable. As of May 30, 2015, payment on the F series shares has been made, and respective shares cancelled, accordingly.

As a result, total issued and outstanding of Series F Non-Convertible Preferred Stock as of March 31, 2016 and December 31, 2015 are 0 shares and the grand total issued and outstanding preferred stock as of March 31, 2016 and December 31, 2015 are 100 shares, respectively.

Common Stock:

On November 10, 2014, the Company approved an amendment to the Corporation's Articles of Incorporation to effectuate a reverse stock split (the "Reverse Split") of the Corporation's common stock, par value \$0.001 per share (the "Common Stock") affecting both the authorized and issued and outstanding number of such shares by a ratio of 9.9 for 1. The Reverse Split became effective in the State of Nevada on December 16, 2014. Subsequent to the December 31, 2014, the Board of directors and the holders of a majority of the voting power of our stockholders of the company have approved an amendment to articles of incorporation to increase its authorized shares of Common Stock from 17,171,716 to 22,727,273.

During the year ended December 31, 2015, the Company issued (i) 100,000 shares of common stock for \$868,000 at \$8.68 per share to settle debts due to third parties. The Company executed several agreements with third parties to raise debts loan by issuance of the Company's common stock. The shares issued by the Company were valued at the trading price of the stock on the date the shares were issued. Any excess of the fair value of the shares over the carrying cost of the debt has been reported as a gain on the extinguishment of debts of 132,000, \$270,586 and \$1,318,947 has been credited to consolidated statements of income as other income for the years ended December 31, 2015, 2014 and 2013, respectively; (ii) 753,304 shares of common stock ranging from \$6.96 to \$8.91 as collateral to secure debts loan of \$4,797,332, and the shares issued by the Company were valued at the trading price of the stock on the date the shares were issued; (iii) 1,135,000 shares of common stock ranging from \$8.75 to \$12.50 as collateral to secure trade finance facility amounting to the extent of \$11,281,100, and the shares issued by the Company were valued at the trading price of the stock on the date the shares were issued and such shares returned to treasury stock after the contract period of three years (iv) 153,392 shares at \$11.13 per share and 75,002 shares at \$14.20 per share were issued for reverse split adjustments; (v) 47,787 shares of common stock valued to employees and directors at fair value of \$15.20 per share for \$726,315 for employee compensation; 7,000,000 shares of Series B preferred stock were converted into 707,070 shares under terms of issue; and (vi) cancelled 514 shares for \$10.97 per share for reverse splits adjustments.

The Company has 20,133,757 shares of common stock issued and outstanding as of March 31, 2016 and December 31, 2015, respectively.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. OBLIGATION UNDER OPERATING LEASES

The Company leases (i) 2,178 square feet of agriculture space used for offices for a monthly rent of \$634 in Enping City, Guangdong Province, P.R.C., its lease expiring on March 31, 2017; (ii) 5,081 square feet of office space in Guangzhou City, Guangdong Province, P.R.C. for a monthly rent of \$12,733, its lease expiring on July 8, 2016; (iii) 1,555 square feet of staff quarters in Linli District, Hunan Province, P.R.C. for a monthly rent of \$163, its lease expiring on May 1, 2016; and (iv) 430 square feet of shared office in Stockholm, Sweden, for a monthly rent of \$11,800, its lease expiring on December 31, 2020.

Lease expense was \$75,991 and \$40,591 for the three months ended March 31, 2016 and 2015, respectively.

The future minimum lease payments as of March 31, 2016, are as follows:

Year ending December 31, 2016	\$ 101,497
Year ending December 31, 2017	89,250
	<u>\$ 190,747</u>

25. STOCK BASED COMPENSATION

On May 6, 2015, the Company issued directors and employees a total of 47,787 shares of common stock valued at fair value of \$15.20 per share for services rendered to the Company. The fair values of the common stock issued were determined by using the trading price of the Company's common stock on the date of issuance of \$15.20 per share.

The Company calculated stock based compensation of 3,486,428 and recognized \$3,123,247 for the year ended December 31, 2015. As of December 31, 2015, the deferred compensation balance for staff was \$363,181 and the deferred compensation balance of \$363,181 was to be amortized over 6 months beginning on January 1, 2016.

The Company calculated stock based compensation of \$363,181 and \$ 2,760,066, and recognized \$181,591 and \$630,033 for the three months ended March 31, 2016 and March 31, 2015. As of March 31, 2016, the deferred compensation balance for staff was \$181,590 was to be amortized over 3 months respectively beginning on April 1, 2016.

26. CONTINGENCIES

As of March 31, 2016 and December 31, 2015, the Company did not have any pending claims, charges, or litigation that it expects would have a material adverse effect on its consolidated balance sheets, consolidated statements of income and other comprehensive income, and consolidated statements of cash flows.

In December 31, 2015 the Company entered into loan and pledge agreement with a Shanghai, P.R.C. based lender (the "lender") The lender has various trading facilities and has agreed to allow the Company or its nominee to use parts of trading facilities up to an amount of \$20 million (12.31.2015: \$20 million) to be used in tranches and revolved up to a period of three years, and as of March 31, 2016 of which \$0 (12.31.2015: \$7,478,375) was utilized. The trade finance agreement contained regular provisions requiring timely repayment of principals and accrued interests, payment of default interest in the event of default, and without specific financial covenants. Management of the Company believes the Company is in material compliance with the terms of the trade finance agreement.

27. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances as disclosed elsewhere in these consolidated financial statements, during the three months ended March 31, 2016 and 2015, the Company had the following significant related party transactions:-

Name of related party	Nature of transactions
Mr. Solomon Yip Kun Lee, Chairman	Included in due to a director, due to Mr. Solomon Yip Kun Lee is \$621,587 and \$211,247 as of March 31, 2016 and December 31, 2015, respectively. The amounts are unsecured, interest free and have no fixed terms of repayment.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

28. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the potential dilution of securities by including other potential common stock, including convertible preferred stock, stock options and warrants, in the weighted average number of common shares outstanding for the year, if dilutive. The numerators and denominators used in the computations of basic and dilutive earnings per share are presented in the following table:

	Three months ended March 31, 2016	Three months ended March 31, 2015
BASIC		
Numerator for basic earnings per share attributable to the Company's common stockholders:		
Net income used in computing basic earnings per share	\$ 8,606,684	\$ 23,754,841
Basic earnings per share	\$ 0.43	\$ 1.39
Basic weighted average shares outstanding		
	20,032,747	17,114,989
DILUTED		
Numerator for basic earnings per share attributable to the Company's common stockholders:		
Net income used in computing basic earnings per share	\$ 8,606,684	\$ 23,754,841
Convertible note interest	656,250	-
Net income used in computing diluted earnings per share	\$ 9,262,934	\$ 23,754,841
Diluted earnings per share	\$ 0.39	\$ 1.33
Basic weighted average shares outstanding		
	20,032,747	17,114,989
Add: weight average of common stock converted from Series B Convertible preferred shares outstanding	-	707,070
weight average of common stock convertible from convertible note payables	3,592,019	-
Diluted weighted average shares outstanding	23,624,766	17,822,059

For the three months ended March 31, 2016, full dilution effect of convertible note of \$35,560,989 was taken into account for calculation of the diluted earnings per share because convertible note holder can exercise the right to exercise to convert to common stock by giving 1 month notice after October 1, 2015 under terms of convertible note agreement.

For the three months ended March 31, 2015, full dilution effect of convertible note of \$35,414,573 was not taken into account for calculation of the diluted earnings per share because convertible note holder is restricted the right to exercise to convert to common stock before October 1, 2015 under terms of convertible note agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q (the "**Form 10-Q**") contains "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Exchange Act. Forward-looking statements can be identified by the use of forward-looking terminology, such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. These statements reflect management's current beliefs and are based on information now available to it. Accordingly, these statements are subject to certain risks, uncertainties and contingencies that could cause the Company's actual results, performance or achievements in 2015 and beyond to differ materially from those expressed in, or implied by, such statements. Such statements, include, but are not limited to, statements contained in this Form 10-Q relating to the Company's business, financial performance, business strategy, recently announced transactions and capital outlook. Important factors that could cause actual results to differ materially from those in the forward-looking statements include: a continued decline in general economic conditions nationally and internationally; decreased demand for our products and services; market acceptance of our products; the impact of any litigation or infringement actions brought against us; competition from other providers and products; the inability to raise capital to fund continuing operations; changes in government regulation; the ability to complete customer transactions, and other factors relating to our industry, our operations and results of operations and any businesses that may be acquired by us. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned. Readers of this Form 10-Q should not place undue reliance on any forward-looking statements. Except as required by federal securities laws, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new events or uncertainties.

You should read the following discussion and analysis of the financial condition and results of operations of the Company together with the financial statements and the related notes presented in Item 1 of this Form 10-Q.

Description and interpretation and clarification of business category on the consolidated results of the operations

The Company's strategy is to manage and operate its businesses under five (5) business divisions or units on a standalone basis, namely:

Beef & Organic Fertilizer Division	(Marked 1. (i) SJAP & QZH and (ii) HSA)
Plantation Division	(Marked 2. JHST)
Fishery Division	(Marked 3. A. CA Engineer & Technology and 3.B. Seafood sales)
Cattle Farm Division	(Marked 4. MEIJI and JHMC)
Corporate & Others Division	(Marked 5. SIAPF)

A summary of each business division is provided below:

● 1. Beef and Organic Fertilizer Division refers to:

- (i) The operations of SJAP in manufacturing and sales of organic fertilizer, bulk livestock feed, concentrated livestock feed, and the sales of live cattle include: (a) cattle that are not being slaughtered in our own slaughter house operated by Qinghai Zhong He Meat Products Co., Limited ("**QZH**") and that are sold live to third party livestock wholesalers, and (b) cattle that are sold to QZH and slaughtered and deboned and packed by QZH, and (c) the sales of meats deboned and packed by QZH that are sold to various meat distributors, wholesalers and super market chains and our own retail butcher stores. QZH is a wholly owned subsidiary of our partially owned subsidiary Qinghai Sanjiang A Power Agriculture Co., Ltd. ("**SJAP**"). As such, the financial statements of these three companies (SJAP, QZH and HSA) are consolidated into our wholly owned subsidiary, A Power Agro Agriculture Development (Macau) Limited ("**APWAM**"), as one entity. SJAP and QZH are both variable interest entities over which we exercise significant control.

(ii) The operations of Hunan Shenghua A Power Agriculture Co. Ltd. (“HSA”) consisting of manufacturing and sales of organic fertilizer.

- **2. Plantation Division** refers to the operations of Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd. (“JHST”) in the HU Plantation business where dragon fruit flowers (dried and fresh) and immortal vegetables are sold to wholesale and retail markets. JHST’s financial statements are consolidated into the financial statements of Macau EJI Company Ltd. (“MEJI”) as one entity.
- **3. Fishery Division** refers to the operations of Capital Award Inc. (“Capital Award” or “CA”) covering its engineering, technology and consulting service management of fishery farms and seafood sales operations and marketing, where Capital Award generates revenues from providing engineering consulting services as a turnkey contractor to owners and developers of fishery projects that are being designed and engineered into turnkey contracts by Capital Award in China using its A Power Module Technology Systems (“APM”) as follows:

(A). Engineering and Technology Services via Consulting and Service Contracts (“CSC’s”) for the development, construction, and supply of plant and equipment, and management of fishery (and prawn or shrimp) farms and related business operations.

(B). Seafood Sales from CA’s projected farms

Capital Award generates the following sales revenues from:

(1). Sales to JFD (“Fish Farm 1” or “FF1”), which is a Sino Foreign Joint Venture Company (“SFJVC”), and sales derived from seafood sold by JFD (currently, only the JFD subsidiary is an SFJVC), being consolidated into our wholly owned Hong Kong subsidiary Tri-way Industries Ltd. (“TRW”) as one entity.

FF1 generates sales from its production of (a) its indoor APM farm with 16 APM production units and (b) its open dam farms producing fish and prawns from 310 Mu (52 acres) of land leased from Zhongshan A Power Prawn Culture Farms Development Co. Ltd. (“ZSAPP,” “Prawn Farm 2” or “PF2”).

(2). Sales to and sales derived from seafood from the unincorporated companies, including Enping City A Power Prawn Culture Development Co. Ltd. (“EBAPCD,” “Prawn Farm 1” or “PF1”) and ZSAPP, are accounted for independently as follows:

CA and PF1: (a) CA purchases prawns and/or fish fingerling and feed stocks from third party suppliers and resells them to PF1 at variable small or no profit margins and (b) CA purchases matured prawns and fish from PF1 and sells them to third parties (wholesale markets)

PF1 generates sales from its production of (a) its indoor APM farm with 4 APM production units in 2014 and 16 APM production units from Q3 2015 and (b) its open dam farms producing fish and prawns from a 290 Mu (or 48 acres) of land leased from PF2.

CA and PF2: (a) CA earns commissions from the sale of prawn fingerlings that are sold by PF2 to third parties. In this respect, PF2 produces its own prawn fingerlings as compared to CA’s purchasing them from PF2 and reselling them to PF1 or FF1, as described above, and (b) CA purchases matured prawns and fish from PF2 and sells to third parties (wholesale markets).

PF2 has 6 indoor APM production units producing mainly prawn fingerling and an open dam farms situated on about 400 Mu (about 66 acres) producing prawns and fish.

- **4. Cattle Farm Division** refers to the operations of Cattle Farm 1 under Jiangmen City Hang Mei Cattle Farm Development Co. Ltd. (“**JHMC**”) where cattle are sold live to third party livestock wholesalers who sell them mainly to Guangzhou and Beijing livestock wholesale markets. The financial statements of JHMC are consolidated into MEIJI as one entity along with MEIJI’s operation in the consulting and service for development of other cattle farms (e.g., Cattle Farm 2) or related projects.
- **5. Corporate & Others Division** refers to the business operations of Sino Agro Food, Inc., including import/export business and consulting and service operations provided to projects that are not included in the above categories, and not limited to corporate affairs.

MD & A OF CONSOLIDATED RESULTS OF OPERATIONS

Part A. Unaudited Income Statements of Consolidated Results of Operations for the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

A (1) Income Statements (Unaudited)

In \$	Three months ended March 31,2016	Three months ended March 31,2015	Difference	Note
Revenue	71,913,054	115,476,450	(43,563,396)	1
Consulting, services, commission and management fee	13,126,051	29,903,907	(16,777,856)	
Sale of goods	58,787,003	85,572,543	(26,785,540)	
Cost of goods sold and services	53,057,636	79,897,999	(26,840,363)	2
Consulting, services, commission and management fee	9,510,872	16,608,011	(7,097,139)	
Sale of goods	43,546,764	63,289,988	(19,743,224)	
Gross Profit	18,855,418	35,578,451	(16,723,033)	3
Consulting, services, commission and management fee	3,615,179	13,295,896	(9,680,717)	
Sale of goods	15,240,239	22,282,555	(7,042,316)	
Other income (expenses)	(761,437)	(637,780)	(123,657)	
General and administrative expenses	(4,568,733)	(4,565,907)	(2,826)	4
Net income	13,525,248	30,374,764	(16,849,516)	
EBITDA	16,579,323	32,474,829	(15,895,506)	
Depreciation and amortization (D&A)	(1,865,299)	(1,316,459)	(548,840)	5
EBIT	14,714,024	31,158,370	(16,444,346)	
Net Interest	(1,188,776)	(783,606)	(405,170)	
Tax	-	-	-	
Net Income	13,525,248	30,374,764	(16,849,516)	
Non - controlling interest	4,918,564	6,619,923	(1,701,359)	7
Net income to SIAF Inc. and subsidiaries	8,606,684	23,754,841	(15,148,157)	
Weighted average number of shares outstanding				
- Basic	20,032,747	17,114,989	2,917,758	
- Diluted	23,624,766	17,822,059	5,802,707	
Earnings Per Share (EPS)				8
- Basic	0.43	1.39	-0.96	
- Diluted	0.39	1.33	-0.94	

Note (1, 2 & 3) Sales, cost of sales and gross profit information and analysis:

- The Company's revenues were generated from (1) Sale of Goods and (2) Consulting and Services provided in project and business developments covering engineering, construction, supervision, training, managements and technology etc.

The table below shows the segmental sales, gross profit and corresponding cost of sales for the three months ended March 31, 2016 (Q1 2016) compared to the three months ended March 31, 2015 (Q1 2015).

In US\$		Sales of goods		Cost of Goods sold		Sales of Goods' Gross profit	
		2016Q1	2015Q1	2016Q1	2015Q1	2016Q1	2015Q1
SJAP	Sales of live cattle	2,731,665	17,071,207	2,096,591	12,597,387	635,074	4,473,819
	Sales of feedstock						
	Bulk Livestock feed	1,662,889	2,080,669	749,293	1,025,257	913,595	1,055,412
	Concentrate livestock feed	3,769,351	4,296,880	2,109,779	2,580,188	1,659,572	1,716,693
	Sales of fertilizer	491,643	589,517	322,961	360,999	168,682	228,518
	SJAP Total	8,655,548	24,038,273	5,278,624	16,563,831	3,376,924	7,474,442
	* QZH's (Slaughter & Deboning operation)	-	189,916	-	94,468		95,448
	** QZH's (Deboning operation)						-
	on cattle & Lamb locally supplied	2,530,263	2,581,866	2,049,679	1,653,671	480,583	928,195
	on imported beef and mutton	15,126,359	9,384,094	10,706,109	6,423,229	4,420,251	2,960,865
	Sales of live cattle	-	-	-	-	-	-
	QZH Total	17,656,622	12,155,876	12,755,788	8,171,368	4,900,834	3,984,508
HSA	Sales of Organic fertilizer	944,059	771,320	775,365	548,028	168,694	223,291
	Sales of Organic Mixed Fertilizer	4,169,491	3,411,120	2,382,094	1,842,570	1,787,397	1,568,550
	HSA Total	5,113,550	4,182,440	3,157,459	2,390,598	1,956,091	1,791,841
	SJAP's & HSA's Organic fertilizer total	31,425,720	40,376,589	21,191,871	27,125,797	10,233,849	13,250,791
JHST	Sales of Fresh HU Flowers	-	-	-	-	-	-
	Sales of Dried HU Flowers	-	-	-	-	-	-
	Sales of Dried Immortal vegetables	-	-	-	-	-	-
	Sales of Vegetable products	-	-	-	-	-	-
	JHST/Plantation Total	-	-	-	-	-	-
CA	Sales of Fish (Sleepy cods)	257,164	1,168,455	210,407	962,550	46,757	205,906
	Eels	1,058,703	14,803,660	733,279	9,798,909	325,424	5,004,751
	Prawns	9,116,092	11,246,726	6,789,173	9,340,538	2,326,919	1,906,188
	Mixed fishes	5,706,031		4,564,820		1,141,211	
	CA/ Fishery total	16,137,990	27,218,841	12,297,679	20,101,997	3,840,311	7,116,845
MEIJI	Sale of Live cattle (Aromatic)	4,816,884	8,289,986	4,590,411	7,988,119	226,473	301,867
	MEIJI / Cattle farm Total	4,816,884	8,289,986	4,590,411	7,988,119	226,473	301,867
SIAF	Sales of goods through trading/import/export activities						
	on seafood	1,488,461	6,248,780	1,323,077	5,554,472	165,384	694,308
	on imported beef and mutton	4,917,948	3,438,347	4,143,726	2,519,603	774,222	918,744
	SIAF/ Others & Corporate total	6,406,409	9,687,127	5,466,803	8,074,075	939,606	1,613,052
Group Total		58,787,003	85,572,544	43,546,764	63,289,988	15,240,239	22,282,555

Overall comparison of Q1 2015 to Q1 2016

The Company's revenues generated from the sale of goods decreased by \$26,785,540, or 31%, from \$85,572,543 for the quarterly period ended March 31, 2015 compared to \$58,787,003 for the same period ended March 31, 2016. The decrease was primarily due to a decrease in revenue from the following sectors:

- (i) The Fishery (CA) (from \$27 million in 2015Q1 to \$16 million in 2016Q1),
- (ii) The Organic fertilizer (SJAP & HSA) sectors (from \$40 million in 2015Q1 to \$31 million in 2016Q1),
- (iii) Cattle farm (MEIJI) sector (from \$8 million in Q1 2015 to \$4.8 million in 2016 Q1),
- (iv) The Corporate (SIAF trading) sector (from \$9.6 million in Q1 2015 to \$6.4 million in 2016 Q1).

The Company's cost of goods sold decreased by \$19,743,224, or 31%, from \$63,289,988 for the quarterly period ended March 31, 2015 compared to \$43,546,764 for the same period ended March 31, 2016. The decrease was primarily due to the decrease in cost of goods sold from fishery, organic fertilizer, cattle farms and the corporate trading sectors, collectively.

Gross profits of the Company generated from goods sold decreased by \$7,270,099, or 33%, from \$22,282,555 for the quarterly period ended March 31, 2015 compared to \$15,012,456 for the same period ended March 31, 2016. The decrease was primarily due to the following factors:

- (i) Gross profits derived from SJAP's live cattle sales dropped by \$3.0 million (from 2015 Q1's \$13.2 million to 2016 Q1's \$10.2 million);
- (ii) CA's gross profits derived from its sales of eels dropped by \$3.3 million (from 2015 Q1's \$7.1 million to 2016 Q1's \$3.8 million);
- (iii) SIAF's corporate seafood import sector dropped \$0.7 million in gross profit (from 2015 Q1's \$1.6 million to 2016 Q1's \$0.9 million).

● **1. (i) Beef and Organic Fertilizer Division refers to operation of SJAP and QZH**

In US\$		Sales of goods		Cost of Goods sold		Sales of Goods' Gross profit	
		2016Q1	2015Q1	2016Q1	2015Q1	2016Q1	2015Q1
SJAP	Sales of live cattle	2,731,665	17,071,207	2,096,591	12,597,387	635,074	4,473,819
	% of increase or decrease (-)	-84%		-83%		-86%	
	Sales of feedstock						
	Bulk Livestock feed	1,662,889	2,080,669	749,293	1,025,257	913,595	1,055,412
	% of increase or decrease (-)	-20%		-27%		-13%	
	Concentrate livestock feed	3,769,351	4,296,880	2,109,779	2,580,188	1,659,572	1,716,693
	% of increase or decrease (-)	-12%		-18%		-3%	
	Sales of fertilizer	491,643	589,517	322,961	360,999	168,682	228,518
	% of increase or decrease (-)	-17%		-11%		-26%	
	SJAP Total	8,655,547	24,038,273	5,278,623	16,563,831	3,376,923	7,474,442
	% of increase or decrease (-)	-64%		-68%		-55%	
	* QHMP's (Slaughter & Deboning operation)		189,916				
	** QHMP's (Deboning operation)						
	on cattle & Lamb locally supplied	2,530,263	2,581,866	2,049,679	1,653,671	480,583	928,195
	% of increase or decrease (-)	-2%		24%		-48%	
	on imported beef and mutton	15,126,359	9,384,094	10,706,109	6,423,229	4,420,251	2,960,865
	% of increase or decrease (-)	61%		67%		49%	
	QHMP Total	17,656,622	12,155,876	12,755,788	8,076,900	4,900,834	3,889,060
	% of increase or decrease (-)	45%		58%		26%	
HS.A	Sales of Organic fertilizer	944,059	771,320	775,365	548,028	168,694	223,291
	Sales of Organic Mixed Fertilizer	4,169,491	3,411,120	2,382,094	1,842,570	1,787,397	1,568,550
	HS.A Total	5,113,550	4,182,440	3,157,459	2,390,598	1,956,091	1,791,841
	% of increase or decrease (-)	22%		32%		9%	
	SJAP's & HS.A./Organic fertilizer total	31,425,719	40,376,588	21,191,870	27,031,329	10,233,847	13,155,343
	% of increase or decrease (-)	-22%		-22%		-22%	23%

(A). Revenue from the sector of beef and organic fertilizer decreased by \$8,950,869, or 22%, from \$40,376,589 for the quarterly period ended March 31, 2015 compared to \$31,425,720 for the same period ended March 31, 2016. The decrease was primarily due to the following factors:

(i) The live cattle sales decreased sharply by (\$14.3 million or 84%) from 2015 Q1's \$17 million to 2016 Q1's \$2.7 million. The major factor underlying the decrease was falling cattle prices occurring since mid-year 2015 from RMB32 / Kg (live weight) to RMB15 / Kg (live weight) in Q1 2016, due to relaxed trade restrictions on beef imports into China from eleven (11) exporting countries.

Traditionally, beef consumption in China has been limited to higher income consumers due to the marked difference in pricing compared to pork and chicken commodities. Yet, with the rising middle class and its increase in beef consumption, the country has relaxed import restrictions to ensure adequate supply and limit inflation. In the interim, an excess of supply over demand for beef has placed price pressure on domestic stock, which will likely pertain until middle class demand for the product, as it continues to increase, reaches a level that meets and begins to exceed the current supply on hand.

SJAP's committed pricing with its cooperative farmers is averaging RMB25 / Kg (live weight) while Q1 2016's average resell prices averaged RMB20 / Kg, making it virtually impossible to sell cattle at a profit, which therefore resulted in a sharp fall-off in revenues and gross profit in this sector for the quarter.

(ii) In turn, the decrease of cattle sales also influenced the fall in bulk stock feed sales by \$0.4 million (20%) from Q1 2015's \$2m to Q1 2016's \$1.6m. Xining's unusually good spring weather might have also contributed to the lowered sales due to the readily available fresh grasses available to local cattle food buyers.

(iii) The sales of concentrated livestock feed decreased by \$0.5 m (12%) from Q1 2015's \$4.3 m to Q1 2016's \$3.8m. The decrease was not as severe as the bulk feed division's since it has other useful purposes beyond cattle, e.g., hog and chicken rearing.

(B). These corresponding impacts affected the Gross Profit and cost of sales of this division as follows:

Gross profit from the beef and organic fertilizer sector decreased by \$3,016,942, or 23%, from \$13,250,791 for the quarterly period ended March 31, 2015 compared to \$10,233,849 for the same period ended March 31, 2016.

Cost of goods sold from beef and organic fertilizer decreased by \$5,933,926, or 22%, from \$27,125,797 for the quarterly period ended March 31, 2015 compared to \$21,191,871 for the same period ended March 31, 2016.

(C). QZH's (slaughter and de-boning) sector increased its sale revenue by \$5.5 million (45%) from Q1 2015's \$12.2 million compared to Q1 2016's \$17.7 million. The increase was primarily due to the increase of imported beef gross profits by \$1 million, or 26%, from Q1 2015's \$3.9 million compared to Q1 2016's \$4.9 million. Cost of sales increased by \$4.7 million, or 58%, from Q1 2015's \$8.1 million compared to Q1 2016's \$12.8 million.

The increase in sales revenue of \$5.5 million in this sector was not sufficient to make up for the sales revenue loss from live cattle of \$14.3 million.

The Company anticipates a return to more stable pricing toward the latter part of 2016, yet in the meantime has been reorganizing its approach toward maintaining a foothold in the beef industry by adapting its operation to capture facets of the market that provide a respectable rate of return.

(E). The Company is confident in its future having adopted the following changes in 2015:

Upgrading from its existing cattle herd to Wagyu cattle, 550-day grain fed Angus cattle, and organic raised cattle, while reducing its current head count by around 50% from 20,000 to 10,000 by year-end 2018.

(i) Expanding its de-boning, packaging and cold storage facilities to handle more imported beef into higher marginable down-stream products i.e. freshly chilled and frozen packed meats.

Entering into the value added processing sector to develop higher value brand products in dried and canned meat lines. Respectively, the plan for SJAP's canning facility to be on line in 2017 is on schedule.

(ii) Enhancing its marketing and e-commerce platforms for sales of its current and future products is also on schedule.

The table below shows the itemized sales of goods and related cost of sales in quantity and unit price for the quarterly period ended March 31, 2015 compared to the same period ended March 31, 2016 of the beef and organic fertilizer divisions.

Description of items		2016Q1	2015Q1	Difference
Cattle Operation				
Production and Sales of live cattle	Heads	851	5,032	-4,181
Average Unit sales price	US\$/head	3,210	3,393	-183
Unit cost prices	US\$/head	2,464	2,503	-40
Production and sales of feedstock				
Bulk Livestock feed	MT	9,240	12,465	-3,225
Average Unit sales price	US\$/MT	180	167	13
Unit cost prices	US\$/MT	81	82	-1
Concentrated livestock feed	MT	8,431	9,836	-1,405
Average Unit sales price	US\$/MT	447	437	10
Unit cost prices	US\$/MT	250	262	-12
Production and sales of fertilizer	MT	2,587	3,257	-670
Average Unit sales price	US\$/MT	190	181	9
Unit cost prices	US\$/MT	125	111	14
* QZH (Slaughter & De-boning operation)				
Slaughter operation				
Slaughter of cattle	Heads		500	-500
Service fee	US\$/Head		8	-
Sales of associated products	Pieces		530	-530
Average Unit sales price	US\$/Piece		351	-351
Unit cost prices	US\$/Piece		178	-178
De-boning & Packaging activities				
From Cattle supplied locally				
De-boned Meats	MT	355	190	165
Average Unit sales price	US\$/MT	7,128	13,589	-6,461
% of increase (+) or decrease (-)		-48%		
Unit cost prices	US\$/MT	5,774	8,704	-2,930
% of increase (+) or decrease (-)		-34%		
From imported beef				
Average Unit sales price	US\$/MT	8,302	9,049	-747
% of increase (+) or decrease (-)		-8%		
Unit cost prices	US\$/MT	5,876	6,194	-318
% of increase (+) or decrease (-)		-5%		

The average per unit sales price on live cattle at \$3,210 in Q1 2016 reflects 500 head of higher-grade cattle (of the 851) having been sold at premium market prices to offset the almost 50% decrease in sales price of the 351 head of cattle locally raised.

● **1. (ii). The operations of HSA in manufacturing and sales of organic fertilizer itemizing unit sales, costs and quantity of sales:**

In US\$		Sales of goods		Cost of Goods sold		
		2016Q1	2015Q1	2016Q1	2015Q1	
HSA	Sales of Organic fertilizer	944,059	771,320	987,593	775,365	719,522
	Sales of Organic Mixed Fertilizer	4,169,491	3,411,120	3,834,587	2,382,094	2,008,456
	HSA Total	5,113,550	4,182,440	4,822,180	3,157,459	2,727,978
	% of increase or decrease (-)	22%		32%		
		2016Q1		2015Q1		
HSA	Fertilizer and Cattle operation					- A. 4.7.
	Organic Fertilizer	MT		3,826	2,811	1,015
	% of increase or decrease (-)			36%		
	Average Unit sales price	US\$/MT		232	261	-29
	Unit cost prices	US\$/MT		195	190	5
	Organic Mixed Fertilizer	MT		9,968	7,532	2,436 A. 4.8.
	% of increase or decrease (-)			32%		
	Average Unit sales price	US\$/MT		418	453	-
	Unit cost prices	US\$/MT		239	245	-6
	Retailing packed fertilizer (For super market sales)	MT		80	39	41 A. 4.8.a
	% of increase or decrease (-)			105%		
	Average Unit sales price	US\$/MT		695	930	-235
	Unit cost prices	US\$/MT		360	357	3
	Total of fertilizer			13,874	10,382	3,492
	% of increase or decrease (-)			34%		
	Average of overall sales price	US\$/MT		369	403	-34
	% of increase or decrease (-)			-9%		

Overall sales volume of fertilizer increased by 3,492 MT or 34% from 10,382 MT in Q1 2015 to 13,874 MT in Q1 2016 with revenue and gross profit having increased to 22% and 32%, respectively for the same period primarily due to HSA having increased the number of its customers steadily throughout the past months, even though the average sales price has fallen 34% per MT due to an increase in competition entering into the region, as well as a weakening of RMB value against the dollar from RMB6.15 in Q1 2015 to RMB6.57 in Q1 2016.

HSA's plan to develop a cattle brand operation will reflect slow returns until such time as this operation reaches a viable scale in terms of volume and customer satisfaction, hopefully seeing healthy returns by 2018. Having a full-scale cattle operation will also reduce the cost to manufacture fertilizer by up to \$2.5 million / year through recycling of cattle waste it produces.

In order to develop sufficient pasture property for raising cattle, the Company was required to level a hill to create over 80,000 m2 of flat land. The cost to complete this has required greater outlays due to unforeseen infrastructure issues and environmental impact regulations. The Company is confident that the capital employed will be adequately compensated by virtue of increased land value since the property being developed will become eligible for industrial rezoning within the next 2 to 3 years, as well as the cost saving realized through use of its farm produced raw material in fertilizer production.

Plantation Division refers to the operations of JHST. JHST is engaged in the HU Plantation business where dragon fruit flowers (dried and fresh), cash vegetable crops and immortal vegetables are sold to wholesale and retail markets. No harvest or sales occurred during Q1 2016, reflecting the same results experienced during the first quarter of each year.

In US\$		Sales of goods		Cost of Goods sold		Sales of Goods' Gross profit	
		2016Q1	2015Q1	2016Q1	2015Q1	2016Q1	2015Q1
JHST	Sales of Fresh HU Flowers	-	-	-	-	-	-
	Sales of Dried HU Flowers	-	-	-	-	-	-
	Sales of Dried Immortal vegetables	-	-	-	-	-	-
	Sales of Other Value added products	-	-	-	-	-	-
	JHST/Plantation Total	-	-	-	-	-	-

- **3.B. Fishery Division** refers to the operations of Capital Award covering its engineering, technology and consulting service management of fishery farms and seafood sales operations and marketing, where Capital Award generates revenues from providing engineering consulting services as turnkey contractors to owners and developers of fishery projects that are being designed and engineered into turnkey contracts by Capital Award in China using its APM technology and management systems as follows:

(A) Engineering and Technology Services; via Consulting and Service Contracts (“CSC’s”) for the development, construction, and supply of plant and equipment, and management of fishery (and prawns or shrimp) farms and related business operations. (Further details provided below).

(B) Seafood Sales from CA’s projected farms

Capital Award generates sales revenues from the following:

(1) Sales to JFD (or Fish Farm 1 or FF1) which is an SFJVC and sales derived from seafood brought from JFD (currently, only the JFD subsidiary is a SFJVC), the financial statements of which are consolidated into TRW as one entity.

FF1 generates sales from its production of (a) its indoor APM farm with 16 APM production units and (b) its open dam farms producing fish and prawns from a 310 Mu (or 52 acres) of land leased from PF2.

(2) Sales to and sales derived from seafood from the unincorporated companies, covering EBAPCD (or Prawn Farm 1 or PF1) and ZSAPP (or Prawn Farm 2 or PF2) are accounted for independently, as follows:

CA and EBAPCD (PF1): (a) CA purchases prawn and/or fish fingerling and feed stocks from third party suppliers and resells to PF1 at variable small or no profit margins and (b) CA purchases matured prawns and fish from PF1 and sells them to third parties (wholesale markets).

PF1 generates sales from its production of (a) its indoor APM farm with 4 APM production units (started in 2014) and 16 APM production units (started from Q3 2015, onward) and (b) its open dam farms producing fish and prawns from its 290 Mu (or 48 acre) land-lease from PF2.

CA and ZSAPP (PF2): (a) CA earns commissions from the sale of prawn fingerlings that are sold by PF2 to third parties. Also, PF2 resells its prawn fingerlings to PF1 or FF1, as described above, and (b) CA purchases matured prawns and fish from PF2 and sells to third parties (wholesale markets).

PF2 has 4 indoor APM production nurseries producing prawn fingerling and open dam farms situated on about 375 Mu (about 66 acres) producing prawns and fish.

In US\$		Sales of goods		Cost of Goods sold		Gross profit	
		2016Q1	2015Q1	2016Q1	2015Q1	2016Q1	2015Q1
CA	Sales of						
	Fish (Sleepy cods)	257,164	1,168,455	210,407	962,550	46,757	205,906
	Eels	1,058,703	14,803,660	733,279	9,798,909	325,424	5,004,751
	Prawns	9,116,092	11,246,726	6,789,173	9,340,538	2,326,919	1,906,188
	Mixed fishes	5,706,031		4,564,820		1,141,211	
	CA/ Fishery total	16,137,990	27,218,841	12,297,679	20,101,997	3,840,311	7,116,845
	% of increase or decrease (-)	-41%		-39%		-46%	

Description of items		2016Q1	2015Q1	Difference	
CA	Production and sale (Inclusive contracted farms) of live				
	Fish (Sleepy cods)	MT	15	76	-61 A.4.13
	Average Unit sales price	US\$/MT	17,144	15,361	1,783
	Unit cost prices	US\$/MT	14,027	12,654	1,373
	Eels	MT	43	633	-590 A.4.14
	% of increase or decrease (-)		-93%		
	Average Unit sales price	US\$/MT	24,621	23,384	1,237
	Unit cost prices	US\$/MT	17,053	15,479	1,574
	Prawns	MT	572	671	-99 A.4.15
	Average Unit sales price	US\$/MT	15,937	16,761	-824
	Unit cost prices	US\$/MT	11,869	13,920	-2,051
	Mixed fishes	MT	1,261		1,261
	Average Unit sales price	US\$/MT	4,525		
	Unit cost prices	US\$/MT	3,620		
	Total volume of sales	MT	1,891	1,380	511
	% of increase or decrease (-)		37%		
	Average of unit sale prices	US\$/MT	8,534	19,724	-11,190
	% of increase or decrease (-)		-57%		

Revenue from fishery decreased by \$11,080,852, or 41%, from \$27,218,842 for the quarterly period ended March 31, 2015 compared to \$16,137,990 for the same period ended March 31, 2016. The decrease in fishery was primarily due to the decrease in sales of eels (from \$14.8 million in 2015 Q1's to 2016 Q1's \$1.1 million) and the decrease in sales of sleepy cod (from 2015 Q1's \$1.2 million to 2016 Q1's \$0.3 million), somewhat offset by prawn sales (from 2015 Q1's \$11.2 million to 2016Q1's \$9.1 million) and the increase of sales of other mixed fish species (from 2015 Q1's \$0 to 2016 Q1's \$5.7 million).

Cost of goods sold from fishery decreased by \$7,804,318, or 39%, from \$20,101,997 for the quarterly period ended March 31, 2015 compared to \$12,297,679 for the same period ended March 31, 2016. The decrease in cost of goods from fishery was primarily due to the corresponding decrease in sales.

Gross profit from fishery decreased by \$3,276,534, or 46%, from \$7,116,845 for the quarterly period ended March 31, 2015, compared to \$3,840,311 for the same period ended March 31, 2016. The primary reasons for the decrease of gross profit are as follows:

- (i) Gross profit derived from sale of eels dropped by \$4.7 million from 2015 Q1's \$5.0 million to 2016 Q1's \$0.3 million primarily due to the adverse impacts mentioned in the 2015 10K, mainly due to short supply of eel fingerling from last season, which reduced the supply of semi-matured eels for further fattening and trade; and
- (ii) Gross profit derived from the sales of sleepy cod dropped by \$0.15 million from 2015's \$0.2 million to 2016's \$0.05 million primarily due to the unstable market price of sleepy cod in 2016 mentioned in the 2015 10K report making it difficult for our farms to grow-out sleepy cod at previous quantities.

Although CA's volume of sales during the quarter have increased by 511 MT (or 37%), the increase was insufficient to make up the difference from the drop in average sales unit price of \$11,190 / MT, or 57%, due primarily to the decrease in eel sales.

It is virtually impossible to predict the eel fingerling supply from Madagascar (our major supplier) this season (starting from September of each year) in terms of securing ample supplies; however our workers there are reporting good climate and conditions, thus far, potentially indicating that eel supplies could resurface during the latter part of 2016 into early 2017.

We believe that both revenues and gross profits on the sales of goods of our fishery division will improve year over year from 2016 onward due primarily to the increase in production at Zhongshan's newly developed farms that will incorporate the following measures to ensure continuous sales and mitigate seasonal effects on supplies and volumes:

- (i) The grow-out systems will have the ability to adapt to changes quickly,
- (ii) The R&D division will continuously develop new species of seafood to maintain interest in the market,
- (iii) High food safety standards will be maintained producing product free from antibiotics, chemicals and pollution and to be marketed, accordingly, and
- (iv) Develop chemical-free delivery systems for transporting live seafood while ensuring food safety and low mortality of delivered product to major markets. The first trial run of this system begins this May 2016 transporting prawn, sleepy cod, and other fish varieties to our distribution center in Shanghai.

- **4. Cattle Farm Division** refers to the operations of Cattle Farm 1 under JHMC where cattle are sold live to third party livestock wholesalers who resell them mainly in Guangzhou and Beijing livestock wholesale markets. The financial statements of JHMC are consolidated into MEIJI as one entity along with MEIJI's operation in the consulting and service for development of other cattle farms, such as Cattle Farm 2, or related projects.

In US\$		Sales of goods		Cost of Goods sold		Sales of Goods' Gross profit	
		2016Q1	2015Q1	2016Q1	2015Q1	2016Q1	2015Q1
MEIJI							
	Sale of Live cattle (Aromatic)	4,816,884	8,289,986	4,590,411	7,988,119	226,473	301,867
	MEIJI / Cattle farm Total	4,816,884	8,289,986	4,590,411	7,988,119	226,473	301,867
	% of increase or decrease (-)	-42%		-43%		-25%	

	Description of items		2016Q1	2015Q1	Difference
MEIJI	Production and sale of Live cattle (Aromatic)	Heads	3,032	2,935	97
	Average Unit sales price	US\$/head	1,589	2,825	-1,236
	Unit cost prices	US\$/head	1,514	2,722	-1,208

Revenue from the cattle farm experienced the same conditions as with SJAP's live cattle sales decreasing by \$3,397,708 (or 42%) from \$8,289,986 for the quarterly period ended March 31, 2015 compared to \$4,816,884 for the same period ended March 31, 2016. The major factor caused by falling cattle prices from mid-year 2015 that hit the bottom in Q1 2016 from 2015's high of RMB32 / Kg (live weight) to Q1 2016's bottom of RMB15 / Kg, was again the relaxed import policies of China in its opening of the cattle / beef markets to eleven more countries.

Cost of goods sold from cattle farm decreased by \$3,397,708 or 43% from \$7,988,119 for the quarterly period ended March 31, 2015 compared to \$4,590,411 for the same period ended March 31, 2016. The decrease was primarily due to the corresponding decrease of sales.

Gross profit from cattle decreased by \$75,394 from \$301,867 for the quarterly period ended March 31, 2015 to \$226,473 for the same period ended March 31, 2016. The decrease was primarily due to lower sales.

The lower average of unit sale prices and unit cost prices of cattle in 2016 Q1 to 2015 Q1 was primarily due to the combined result of more sales in locally bred "Yellow Cattle" that are smaller in size and in live weight (averaging between 350 Kg / head) compared to other beef cattle averaging over 600 Kg / head traded / sold due to low market prices.

The Company's aim is to breed high-quality grade Yellow Cattle and merge its operations (i.e. Cattle Farms 1 and 2) with HSA as producer of cattle for fattening at HSA's farming operation in concert with transitioning its current herd into a Yellow Cattle breeding facility.

Current average wholesale price for Yellow Cattle fetches RMB32 / Kg, about 60% higher than 2016 Q1's price point for other beef cattle due to limited market supply. As such, it is our estimation that the likeliest longer-term prospects for success consist of transitioning the entire herd at the Cattle Farm and HSA into Yellow Cattle, which is inherently suited for breeding in warmer climates and not as susceptible to market forces associated with eased import restrictions.

- **5. Corporate & Others Division** refers to the business operations of Sino Agro Food, Inc., including import/export business and consulting and service operations provided to projects not included in the above categories, and not limited to corporate affairs.

In US\$		Sales of goods		Cost of Goods sold		Sales of Goods' Gross profit	
		2016Q1	2015Q1	2016Q1	2015Q1	2016Q1	2015Q1
SIAF							
	Sales of goods through trading/import/export activities						
	on seafood	1,488,461	6,248,780	1,323,077	5,554,472	165,384	694,308
	% of increase or decrease (-)	-76%		-76%		-76%	
	on imported beef and mutton	4,917,948	3,438,347	4,143,726	2,519,603	774,222	918,744
	% of increase or decrease (-)	43%		64%		-16%	
	SIAF/ Others & Corporate total	6,406,409	9,687,127	5,466,803	8,074,075	939,606	1,613,052
	% of increase or decrease (-)	-34%		-32%		-42%	

	Description of items		2016Q1	2015Q1	Difference
SIAF					
	Seafood trading from imports				
	Mixed seafoods	MT	80	392	-312
	Average of sales price	US\$/MT	18,606	15,941	2,665
	Average of cost prices	US\$/MT	16,538	14,170	2,369
	Beef & Lambs trading from imports	MT	970	398	572
	Average of sales price	US\$/MT	5,069	8,639	-3,570
	Average of cost prices	US\$/MT	4,271	6,331	-2,060

Revenue from the corporate division decreased by \$3,280,718 (or 34%) from \$9,687,127 for Q1 2015 to \$6,406,409 for Q1 2016. The decrease was primarily due to lesser imports of seafood from Madagascar due to its government's change of policy restricting its export of seafood since the 2nd half of 2015, resulting in revenue dropping by \$4.8 million from Q1 2015's \$6.3 million to Q1 2016's \$1.5 million, and the increase in beef imports unable to compensate the difference from its increase in beef import revenue of \$1.5 million from \$3.4 million in Q1 2015 to 4.9 million in Q1 2016.

Correspondingly, the cost of goods sold from corporate decreased by \$2,607,272 (or 32%) from \$8,074,075 for Q1 2015 to \$5,466,803 for Q1 2016 and gross profit from the corporate division decreased by \$673,446 or 42% from \$1,613,052 for the three months ended March 31, 2015 to \$939,606 for the three months ended March 31, 2016. The decrease of gross profit on seafood was due to decreased sales.

During the quarter the Company made progress in sourcing product from other countries, such as:

A joint venture collection center operation is now being developed at HunChun City China (Northeast border town) between the Shanghai Distribution Center and a group of local seafood dealers in crabs, marine prawns, shellfish, etc., which will be processed, frozen packed and shipped to the Shanghai Distribution Center for further distribution to regional seafood houses. To date, trial shipments have proven successful.

Russia, which has an ample supply of quality seafood, is neighbor to HunChun City helping to make it one of China's fastest developing areas in the seafood industry. This, in turn, should help to improve our seafood trade from Q2 2016 onward.

In concert with this development, a smaller scale distribution facility is also being constructed at the same complex aimed at live fresh water prawn sales to regional cities near HunChun City that will be supplied through our APM farms, developing an internal two-way trade system between our operations.

(i) Trial shipments of live lobsters and snow crabs have been imported from Canada and the USA during the quarter and into the month of April 2016 with sales volume at the Shanghai Distribution Center passing 3 MT per week targeting to increase sales to over 5MT / week before end of the 2nd quarter 2016.

Trial shipments of live tropical crayfish have been imported from Pakistan with sales developing rapidly due to the short supply of tropical crayfish in the Chinese market, making it a very high end seafood with a huge price tag averaging over RMB420 / Kg (or \$65 / Kg); equivalent to approximately 2.5 times the current market price of USA lobster. It will be difficult to acquire large quantity supplies of this item, but what can be obtained will help lift gross margins within the imported seafood sector.

Importing seafood from Norway is progressing pending import permits being issued and market prices negotiated at volumes suitable for the China market.

● **5.A. Engineering technology consulting and services:**

Notes to Table A (1) Note (1.1, 2.1 and 3.1)

Table (A.5) below shows the revenue, cost of services and gross profit generated from Consulting, services, commission and management fees for the same period ended March 31, 2016 and 2015.

Service revenues (Consulting and Services)

	2016Q1	2015Q1	Difference	Description of work
CA	13,126,051	26,117,933	-12,991,882	Working in progress of PF(2) and Zhongshen New Prawn Project
SIAF		3,785,974	-3,785,974	
Group Total Revenues	13,126,051	29,903,907	-16,777,856	
% of increase or decrease (-)	-56%			
Cost of service				
CA	9,510,872	15,203,198	-5,692,326	
SIAF		1,404,813	-1,404,813	
Group Total Cost of Consulting and Services	9,510,872	16,608,011	-7,097,139	
Gross Profit				
CA	3,615,179	10,914,735	-7,299,556	
SIAF	-	2,381,161	-2,381,161	
Group Total Gross Profit	3,615,179	13,295,896	-9,680,717	
% of increase or decrease (-)	-73%			

Revenues (consulting, service, commission and management fee):

Revenues decreased by \$16,777,856, or 56%, from \$29,903,907 for the quarterly period ended March 31, 2015 to \$13,126,051 for the same period ended March 31, 2016. The decrease was primarily due to following factors:

- (i) A decrease in construction activity primarily at PF(2) and PF(3).
- (ii) There was no restaurant development work being carried out during the quarter, in contrast to Q1 2015.

Correspondingly, the cost of services for consulting, service, commission and management fee decreased by \$7,097,139, or 43%, from \$16,608,011 for the quarterly period ended March 31, 2015 compared to \$9,510,872 for the same period ended March 31, 2016. The decrease was primarily due to the decrease of work in progress on PF(2) & PF(3) and restaurants.

Gross profit of consulting, service, commission and management fees decreased by \$9,680,717, or 73%, from \$13,295,896 for the quarterly period ended March 31, 2015 compared to \$3,615,179 for the same period ended March 31, 2016. The decrease was primarily due to the decrease of work in progress on PF(2) & PF(3) and restaurants.

However, the Company is expecting the following developments to improve this sector from Q2 2016 onward into FY 2018:

1. PF(2)
 - 1.1. Phase (3) work of PF(2) in expanding its Brood Stock and Nursery facilities from its current production capacity of 2,500 million pieces fingerling / year to 5,000 million pieces in 2017 & 7,500 million pieces in 2018.
 - 1.2. Completion of Phase (2) in the development of its 20,000 m2 RAS enclosed dams for prawn grow-out, and
 - 1.3. Construction and development of PF(3)'s other 600 Mu open dam fish farm into a tourist resort farm with said land reserved for tourism by the local government.
2. PF(3)
 - 2.1. Construction and development of Building (3)
 - 2.2. Completing work in progress of its salt, fresh and waste water dams on a 30,000 m2 block of land, and
 - 2.3. Completing work in progress of its internal roads, landscaping, and finishing work, etc.

3. PF(4)

Its construction and development work is calculated to be the equivalent of 10 times PF(3) that is scheduled to be completed within 3.5 years through year-end 2019.

4. Slaughter house and processing factory in Madagascar

The Madagascar Government has granted an exclusive abattoir license and an export permit to a group of Chinese businessmen operating in Madagascar to process sheep, goat and cattle for exports to China. This group of businessmen has appointed CA as their turnkey contractor to construct / develop the factory and has appointed CA to manage its operations.

The Company looks forward to a busy schedule for its Technology, Consulting and Service division throughout the coming years.

Name of the developments	Location of development	Designed capacity per year	Land area or Built up area	Commencement date of development	% of completion as of 3-31-2016	Notes
Fish Farm (1)	Enping City	1,200 MT	13,200 m2	July 2010	Fully operational	With 16 APMs
Prawn Farm (1)	Enping City	2014=400MT 2015=1000 MT	23,100 m2	March. 2013	Fully operational Hydroponic farm	With 14 APMs Construction tentatively starts Q4 2016
Fish Farm (2) "The Fish & Eel Farm	Xin Hui District, Jiang Men.	2014=800 MT	165,000 m2	January 15, 2012	Operational	No plan for Other phases of development at the moment
Prawn Farm (2) The Hatchery & Nursery & Grow-out prawn farm	San Jiao Town, Zhong San City,	2015=1B fingerling 2016=2B fingerling 2015=200MT 2016=400MT	247,500 m2	May 2012	70%	Operational with WIP to be continued till year end of 2017
Cattle Farm (1)	LiangXi Town, Enping City	165,013 m2	1,500 Head	April 2011	Fully operational	
Cattle Farm (2)	LiangXi Town, Enping City	230,300 m2	2,500 head	February 2012	Fully operational	
WHX Restaurants etc.	Guangzhou City	5,500 seatings in total		June 2012	Work in progress	Restaurant 7 & 8's work has been completed.
NaWei wholesale Center	Guangzhou City		5,000 m2	July 2012	Completed	Operational.
	Shanghai City		3,000 m2	Sept. 2014	Completed	In operation..
New Zhongshan Prawn Project (PF3 & PF4)	Zhongshan City	Phase (1)S(1)= 10,000 MT Phase (2) = 60,000 MT	2.5 million m2	Nov. 2013	Minimal	90% Building (1) & (2) work in progress completed with WIP on water dams constructed on 30,000 m2 block.

Note (4) Other Income

Table (Note 4.1) below shows the Gain / Loss on extinguishment of debts (or Debt Settlement) representing recent sales of unregistered securities and the issuance of shares for Q1 2016

The Company did not enter into any additional agreements with third parties to settle debt by issuance of the Company's common stock during this quarter. During the quarter, the Company did not enter into any loan agreement with any third party as such total issued and outstanding as at March 31, 2016 remained at 20,133,757 shares.

Referencing the Company's US\$20m Trading Facility entered into in September, 2015 secured through issuance of shares at \$12.50 / share for a period of 3 years. The said Trading facility was obtained for the application of Shanghai Distribution Center ("SDC"), such that SDC is responsible for payments of all related financial costs and fees (i.e., a one-time only establishment fee for the usage of letters of credit ("LC") facility and if for documents against payment ("DP") facility, a transaction fee of 1.5% to be paid on supplier's invoice value per transaction).

However, there is a service fee associated with the return of the securitized shares to the Company at maturity calculated to 20% of the prevailing market price of said shares at date of return (the Service Cost); (i.e. if the market price of our shares will be (for instance) at \$15 per share then the Service Cost will be \$3 per share, thus the Company will need to pay \$3 per share to get the shares back assuming that the full \$20m has been fully subscribed and repaid by SDC and there will be no other transactional financial costs and fees left outstanding and unpaid). As such, at the completion and maturity of the Trading Facility arrangement, SDC will reimburse the Company on the said Service Cost. In the Company's records these are non-cash transactions, the securitized shares issued each time are being debited to SDC's account owing the said number of shares to the Company with a transaction ledger recording its corresponding transactions periodically.

As of April 30, 2016, there is a total of 1,235,000 shares cumulatively issued from September 22, 2015 to a secure facility valued at \$15,437,500 with the remaining facility value of \$4,562,500 (of \$20m) secured by a Personal Guarantee provided by one of our directors and accepted by the trade facility provider; as such the said facility is now fully secured with all arrangements completed without further issuance of shares.

As of May 16, 2016, the total issued and outstanding shares is 21,356,859 shares which is an increase of (1,223,102 shares or 6%) to the period ended 31 March 2016 that were issued and paid to satisfy the entitlements and incentive bonus payments to:

- 68 employees and members of management in the amount of 248,384 shares (some which have been accrued since 2007).
- 7 Directors and executives for 841,967 shares (some which have been accrued since 2007). Accounts are being reconciled subsequent to distributions made to Company shareholders from carve-outs anticipated throughout the next two years.
- 7 in house (or permanently employed) consultants and advisors for 132,787 shares (some which have been accrued since 2013)

Typically, wage scales are very low in China, and as such, the Company has provided remuneration in the form of performance bonuses, whether in cash, shares or a combination thereof, in part to incentivize our workforce in a fair and equitable manner for their continuous dedicated service and long hours. The Company has paid this form of compensation since its inception, resulting in an adept, motivated and dedicated staff whose retention provides long-term benefits to the Company, especially in terms of providing continuity and limiting disruption throughout its multi-tiered stages of development.

The other income for the three months ended March 31, 2016 amounted to \$161,480 and derived from the combination of (1) a gain on extinguishment of debt \$0 (Note 4), a government grant of \$312,468 and other income of \$114,872 less interest expense of \$265,860.

The other income for the three months ended March 31, 2015, had been derived from the combination of (1) a gain on extinguishment of debt \$0 (Note 4), government grants of \$83,180 and other incomes \$62,646 less interest expenses of \$783,606.

Gain (loss) of extinguishment of debts

Any deficit (excess) of the fair value of the shares over the carrying cost of the debt has been reported as a gain (loss) on the extinguishment of debt of \$ 0 and \$0 has been credited (charged) to operations for the three months ended March 31, 2016 and 2015, respectively.

● ***Note (5) General and Administrative Expenses and Interest Expenses***

General and administrative and interest expenses (including depreciation and amortization) increased by \$407,996, or 7.6%, from \$5,349,513 for Q1 2015 to \$5,757,509 for Q1 2016. The change was primarily due to decrease in office and corporate expenses of \$(456,593) from \$2,012,929 for Q1 2015 to \$1,556,336 for Q1 2016, other and miscellaneous expenses related to the corporate work of \$216,749 from \$729,831 in Q1 2015 to \$946,579 in Q1 2016 and interest expense of \$405,170 from \$783,606 in Q1 2015 to \$1,188,776 in Q1 2016.

The Company is taking extra steps to ensure that these expenses are reduced in conformity with cash flow allowance.

Table (to Note 5)

Category	2016Q1	2015Q1	Difference
Office and corporate expenses	\$ 1,556,336	\$ 2,012,929	\$ -456,593
% of increase or decrease (-)	-23%		
Wages and Salaries	\$ 553,219	\$ 668,688	\$ -115,469
Traveling and related lodging	\$ 91,407	\$ 82,893	\$ 8,514
Motor vehicles expenses and local transportation	\$ 39,730	\$ 40,900	\$ -1,170
Entertainment and meals	\$ 529,748	\$ 50,313	\$ 479,435
Others and miscellaneous	\$ 946,579	\$ 729,830	\$ 216,749
Depreciation and amortization	\$ 851,714	\$ 980,354	\$ -128,640
Sub-total	\$ 4,568,733	\$ 4,565,907	\$ 2,826
Interest expense	\$ 1,188,776	\$ 783,606	\$ 405,170
% of increase or decrease (-)	52%		
Total	\$ 5,757,509	\$ 5,349,513	\$ 407,996

Note (6) Depreciation and Amortization

Depreciation and amortization increased by \$548,840, or 42%, to \$1,865,299 for Q1 2016 from \$1,316,459 for Q1 2015. The increase was primarily due to the increase of depreciation by \$466,274 to \$1,268,612 for Q1 2016 from depreciation of \$802,338 for Q1 2015 and the increase of amortization by \$82,566 to \$596,687 for Q1 2016 from amortization of \$514,121 for Q1 2015.

In this respect, total depreciation and amortization amounted to \$1,865,299 for Q1 2016, of which amount \$851,714 was reported under general and administration expenses and \$1,013,585 was reported under cost of goods sold; whereas total depreciation and amortization was at \$1,316,459 for Q1 2015 and out of which amount \$980,354 was reported under General and Administration expenses and \$336,105 was reported under cost of goods sold.

Although office and corporate expenses decreased by \$0.4 million, or 23%, from Q1 2015's \$2 million to Q1 2016's \$1.6 million due primarily to the lower expenses incurred by various corporate exercises, the Company is targeting to reduce these expenses as much as possible. However, interest expense will continue to rise if the Company's efforts to seek longer term debt financing to finance the development of PF(2), PF(3), PF(4) and SJAP's canning factory become successful in the near future.

Note (7). Non-controlling interests

Table (F) below shows the derivation of non-controlling interest:

Names of intermediate holdingco. subsidiaries	Capital Award Inc. (Belize)	Macau EIJI Company Ltd. (Macau)			A Power Agro Agriculture Development (Macau) Ltd.	Tri way Industries Ltd.(HK)	Total
Abbreviated names	CA	(MEIJI)			(APWAM)	(TRW)	
% of equity holding on below subsidiaries (in China)	n.a.	75%	75%	26%	45%	75%	
Name of China subsidiaries	None	Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd.(China)	Jiangmen City Hang Mei Cattle Farm Development Co. Ltd. (China)		Qinghai Sanjiang A Power Agriculture Co. Ltd. (China)	Jiangmen City A Power Fishery Development Co. Ltd. (China)	
Abbreviated names		(JHST)	(JHMC)	(HSA)	(SJAP)	(JFD)	
				Hunan Shanghua A Power Agriculture Co. Ltd (China)	50%		
Net income of the P.R.C. subsidiaries for the period ended 30. June 2015 in \$	0 \$	(557,285) \$	266,199 \$	1,122,128 \$	7,996,585 \$	1,295,615	
Equity % of non-controlling interest	0%	25%	25%	24%	55%	25%	
Non-controlling interest's shares of Net incomes in \$	0 \$	(139,321) \$	66,550 \$	269,311 \$	4,398,122 \$	323,904 \$	4,918,564

The Net Income attributed to non-controlling interest is \$4,918,564 shared by (JHST, JHMC, HSA, SJAP and JFD collectively) for Q1 2016 as shown in Table (F) above.

Note (8) Earnings per share (EPS)

Earnings per share has no change (basic) and minimal changes (diluted), from EPS of \$1.39 (basic) and \$1.33 (diluted) Q1 2015 to EPS of \$0.43 (basic) and \$0.39(diluted) for Q1 2016.

Part B. MD & A on Unaudited Consolidated Balance Sheet of Continued Operations for the three months ended March 31, 2016(Q1 2016) compared to the 12 months ended December 31, 2015.

Consolidated Balance sheets	March 31, 2016	December 31, 2015	Changes +-	Note
	\$	\$	\$	
ASSETS				
Current assets				
Cash and cash equivalents	2,576,297	7,229,197	-4,652,900	B
Inventories	62,219,185	62,848,707	-629,522	9
Costs and estimated earnings in excess of billings on uncompleted contracts	1,306,885	1,306,885	-	
Deposits and prepaid expenses	96,012,012	83,811,929	12,200,083	10
Accounts receivable	125,140,625	135,674,418	-10,533,793	11
Other receivables	62,832,483	59,780,587	3,051,896	
Total current assets	350,087,487	350,651,723	-564,236	
Property and equipment				
Property and equipment, net of accumulated depreciation	106,059,022	104,259,079	1,799,943	12
Construction in progress	89,110,182	72,788,769	16,321,413	13
Land use rights, net of accumulated amortization	58,331,766	58,485,675	-153,909	14
Total property and equipment	253,500,970	235,533,523	17,967,447	
Other assets				
Goodwill	724,940	724,940	-	
Long term investment	773,994	769,941	4,053	
Proprietary technologies, net of accumulated amortization	10,644,565	10,784,358	-139,793	15
Temporary deposit paid to entities for investments in future Sino Joint Venture companies	41,109,708	41,109,708	-	
Total other assets	53,253,207	53,388,947	-135,740	
Total assets	656,841,664	639,574,193	17,267,471	
Current liabilities				16
Accounts payable and accrued expenses	8,432,026	9,345,559	-913,533	
Billings in excess of costs and estimated earnings on uncompleted contracts	9,127,254	8,700,706	426,548	
Due to a director	621,587	211,247	410,340	
Other payables	7,621,409	4,792,579	2,828,830	
Borrowings-Short term bank loan	4,184,378	4,466,040	-281,662	
Bonds payable	-	-	-	
Negotiable promissory notes	872,644	865,968	6,676	
Total current liabilities	30,859,298	28,382,099	2,477,199	
Non-current liabilities				
Other payables	4,797,332	4,797,332	-	
Long term debts	1,388,377	1,554,902	-166,525	
Convertible note payable	35,560,989	34,904,739	656,250	16D
Total non-current liabilities	41,746,698	41,256,973	489,725	
Stockholders' equity				
Preferred stock				
Series A preferred stock	-	-	-	
Series B convertible preferred stock	-	-	-	
Common stock	20,134	20,134	-	
Additional paid-in capital	142,882,173	142,882,173	-	
Retained earnings	348,223,322	339,616,638	8,606,684	
Accumulated other comprehensive income	2,077,283	1,427,638	649,645	
Treasury stock	-1,250,000	-1,250,000	-	
Total SIAF Inc. and subsidiaries' equity	491,952,912	482,696,583	9,256,329	
Non-controlling interest	92,282,756	87,238,538	5,044,218	
Total stockholders' equity	584,235,668	569,935,121	14,300,547	
Total liabilities and stockholders' equity	656,841,664	639,574,193	17,267,471	

This Part B discusses and analyzes certain items that we believe would assist stakeholders in obtaining a better understanding of the Company's results of operations and financial condition:

Note (B) Cash and Cash Equivalent

The change in cash and cash equivalents of \$(4,652,900) derived from cash and cash equivalents of \$2,576,297 and \$7,229,197 as at March 31, 2016 and 31 December 2015, respectively. The significant difference in cash and cash equivalents between these two dates is primarily due to the lower revenues generated during Q1 2016 compared to year ended December 31, 2015.

Note (9) Break down on inventories

	Mar 31,2016	December 31,2015	Difference
	\$	\$	\$
Sleepy cods, prawns, eels and marble goble	3,260,828	4,053,459	(792,631)
Bread grass	248,970	1,207,260	(958,290)
Beef cattle	6,699,747	5,026,404	1,673,343
Organic fertilizer	11,598,506	10,815,983	782,523
Forage for cattle and consumable	11,489,016	10,328,365	1,160,651
Raw materials for bread grass and organic fertilizer	17,078,669	15,440,348	1,638,321
Beef and mutton	10,486,328	14,593,458	(4,107,130)
Immature seeds	1,357,121	1,383,431	(26,310)
	<u>62,219,185</u>	<u>62,848,708</u>	<u>(629,523)</u>

The main increases in inventories came from (i) organic fertilizer (up \$5.5 m) and forage for cattle and consumable (or concentrated livestock feed) (up \$2.3 million) and (ii) beef and mutton (up \$5.4 m) resulted from effect of lower sales caused surplus inventories for (i) and increasing of imported beef & mutton for SJAP and the SIAF corporate sector for (ii), respectively.

Note (10) Breakdown of Deposits and Prepaid Expenses

The actual deposit and prepaid expenses increased by \$12.2m from Q1 2015's \$83.8m to Q1 2016's \$96m.

	March 31 2016	December 31 2015	Difference
	\$	\$	\$
Deposits for			
Purchases of equipment	6,975,629	4,963,245	2,012,384
acquisition of land use right	3,373,110	3,373,110	-
inventories purchases	22,394,687	19,948,867	2,445,820
aquaculture contracts	6,602,279	4,340,741	2,261,538
building materials	8,632,259	9,197,796	-565,537
consulting services providers and others	22,354,658	20,243,172	2,111,486
construction in progress	11,281,100	11,281,100	-
prepayments-debts discounts and others	14,216,699	9,919,126	4,297,573
shares issued for employee compensation and oversea professional and bond interest	181,591	544,772	-363,181
	<u>96,012,012</u>	<u>83,811,929</u>	<u>12,200,083</u>

Below Note (10.1 and 10.2) are records previously indicated in the 10K 2015 and repeated herein for recording purposes:

Note (10.1) Breakdown of Deposit for- acquisition of Land Use Right:

As of March 31, 2016, we have \$3,373,110 for a deposit paid for the acquisition of a Land Use Right derived from the following transactions:

- \$3,182,180 (or RMB20,000,000) was full payment made on June 6, 2012 for Land Use Right by HSA comprising a block of land measuring 150 Mu (or 25 acres of prime agriculture land) located at Linli District of Hunan Province within 10 Km of HSA's complex. The process of application to register the said "Land Use Right" is in progress, and, as such, this payment is recorded as Deposit and Prepaid Expenses pending final official approval to be granted as the new local ordinances on agriculture land delayed the processing of our application, and as date of this report, it has not been approved officially.
- \$190,930 (or RMB1,200,000) was paid by SJAP as deposit for the acquisition of "Land Use Right" on a block of land measuring 15 Mu (or 2.475 acres) located at Huangyuan district next to SJAP's complex on October 15, 2012. The process of rezoning this piece of land to residential (at present, agriculture) continues, and once completed will be transferred from the Local Government (Huangyuan County) to SJAP to build new staff quarters.

Note (10.2) Information of "Temporary deposit and pre-payments for investments in future assets and in future Sino Foreign Joint Venture companies":

Under account of Subsidiary	Segment of	Project name	Estimated total Asset value \$	Estimated time of Acquisition own development	Current status of Project	Deposit & prepayments made as of 31. March 2015 \$	Land Bank or Built Up area m2	% equivalent to equity paid
SIAF	Corporate	Trade Center	3.5 million		30% completed	4,086,941	5,000	31%
		Seafood Center				1,032,914		
CA	Fishery	Fish Farm (1)	26.22 Million	2016	2 out 4 phases completed	6,000,000	23,100	23%
		Prawn Farm (1)	20.93 Million	2014	in operation	14,554,578	165,000	56%
					Part operational Part work in progress		120,000 developed 96,000 m2 undeveloped	
		Prawn Farm (2)	29.18 Million	2014		9,877,218		29%
MEIJI	Cattle	Cattle Farm (2)	15.88 Million	2014	95% completed	5,558,057	230,300	35%
						<u>41,109,708</u>		

Note (11) Breakdown of Accounts receivable:

	March 31, 2016				
	Accounts receivable	0-30 days	31-90 days	91-120 days	over 120 days and less than 1 year
	\$	\$	\$	\$	\$
Consulting and Service totaling					
CA	16,222,431	9,589,157	-	4,089,402	2,543,872
Sales of Live Fish, eels and prawns (from Farms) (CA)	26,695,185	17,884,670	5,023,658	3,786,857	-
Sales of imported seafood (SIAF)	7,951,039	6,701,867	-	1,249,172	-
Sales of Cattle and Beef Meats (from Enping Farm) (MEIJI)	7,169,124	3,192,385	3,976,739	-	-
Sales of HU Flowers (Fresh & Dried) (JHST)	8,335,497	-	-	-	8,335,497
Sales Fertilizer, Bulk Stock feed and Cattle by (SJAP)	26,664,999	2,870,525	5,733,238	5,582,001	12,479,235
Sales Fertilizer from (HSA)	11,005,977	1,790,156	3,378,991	2,010,936	3,825,894
Sales of Beef (QZH)	21,096,373	7,592,595	8,272,046	2,061,888	3,169,844
	-	-	-	-	-
Total	125,140,624	49,621,355	26,384,672	18,780,256	30,354,342

Information on trading terms and provision for diminution in value of accounts receivable:

Our accounts receivable aging is less than 12 months old. Receivables from revenue derived from consulting and services billed for work completed are within our normal trading terms of 180 days and therefore no diminution in value is required, as the credit quality of the receivables is not in doubt.

Fish Sales (CA): Most farmed fish are sold to wholesalers at prevailing daily market prices and aging is within 90 days trading terms with a small portion at 180 days (for oversized fish, as the sale of oversized fish takes longer than for other fish). The receivable of 90 to 120 days and over 120 days amounted to \$5.8 million and 4.5 million, respectively are more than other years due primarily to more goods being sold to Shanghai (“WC2”) and Guangzhou (“WC2”) distribution centers whereby they have increased their sales to more supermarket chains, secondary and third tier distributors etc. such that we provided WC1 and WC2 with longer credit terms so they could generate more sales, accordingly. These debtors represent credit quality receivables as they are well established wholesalers, distributors, chain stores and distribution centers having profitable and viable businesses with a good track record, and therefore provision of diminution in value is not required as collection is not in doubt.

Sales of fertilizer and bulk livestock feed (SJAP): These comprise sales made to regional farmers contracted by us to grow crops and pastures using and purchasing our fertilizer. We in turn agree to buy their cattle that are fed with our bulk and concentrated cattle feed purchased from us. Under this term of arrangements our accounts receivable are normally carried forward until such time they can be offset against our account payables due to these contracted farmers (that is, the amount owed for the amount of crops and pastures is ultimately offset against the amount of cattle that we have purchased from them, respectively). As these debtors are our contract farmers and operate profitable and viable businesses with us, and have a good track record, we consider their credit quality to be good and collection from them is not in doubt, thus no diminution in value is required.

Sales Fertilizer from (HSA): HSA's receivable situation is normal that HSA provides longer credit terms to its customers especially the lake fishermen who pay for their outstanding balances after they have sold their harvests.

Sales of HU Flowers (Fresh & Dried) (JHST): JHST's receivable situation is normal, because (as explained previously) JHST does not keep much inventory in dried flowers and immortal vegetables such that majority of the dried products are sold to the wholesalers and in turn the wholesalers keep the inventory and sell them over the year gradually to maintain orderly sales and stable prices without having to dump all dried products during the harvest season of 3 to 4 months. Therefore JHST gives long trading terms to said wholesalers and allows them to pay gradually over the year with the condition that all outstanding must be paid fully before the start of the next season. These debtors represent credit quality receivables as they are well established wholesalers with profitable and viable businesses with a good track record, and have been selling goods for JHST for many years, thus a provision of diminution in value is not required as collection is not in doubt.

Sales of Beef (QZH): Most of QZH's customers are first tier wholesalers and distributors in cities of provinces that are next to Qinghai provinces (i.e. Xin Ziang, Gan Su, Si Chuan and Xi Zang) that QZH gives various trading terms. Its receivable currently is normal referencing the table below:

	2015					
	Total sales Q1 2016 \$	Accounts receivable \$	0-30 days \$	31-90 days \$	91-120 days \$	over 120 days and less than 1 year \$
Sales of Beef (QZH)	17,656,622	21,096,373	7,592,595	8,272,046	2,061,888	3,169,844
% of total receivables			36%	39%	10%	15%

Information on Concentration of credit risk of account receivables:

We have 4 major long-term customers (referring to Customer A, B, C and D mentioned in the financial statements who have accounted for 50.45% of our consolidated revenues for Q1 2016 as shown in the table below:

	three months ended March 31, 2016	
	% of total Revenue	Customer's Total Revenue
Customer A	21.03%	15,126,359
Customer B	11.96%	8,598,464
Customer C	10.34%	7,438,503
Customer D	7.11%	5,114,484
	50.44%	36,277,810

Customer A is Hunan City Bo Bo Go Super market Chain ("BBG"), which is a publicly traded company in China with more than 5,000 chain stores and 11,000 7/11 stores operating in various districts and cities of China. During Q1 2016, we sold \$15 million of goods to BBG representing 21% of our total sales of goods revenue of \$72 million derived mainly from CA's fishery segment and part of SJAP (QZH)'s segment of beef.

Customer B is WangJianWha, owner of Guangzhou Wholesale market (Store 17) who distributes our live prawns to over 30 other wholesalers at the same Guangzhou Wholesale Fish Markets. Although we sell our live prawns to one wholesaler (Mr. WangJianWha) that does not mean that our live prawns were sold by one wholesaler but by over 30 wholesalers. The purpose of using one main wholesaler as our main distributor is to have just one person responsible for payments to us such that we shall not need to collect sales proceeds from the 30 or more wholesalers. During Q1 2016, we sold to Mr. WangJianWha 11.96% of our total consolidated revenue (equivalent to \$8,598,464 out of our total revenue of \$71,913,054) derived from the sales of CA's live prawns under the segment of Fishery.

Customer C is one of our main agents, namely Mr. Xian Zhiming (Legal representative of "Zhongshan City A Power Agriculture Development Co. Limited," (ZSAPAD), the SFJVC of the Zhongshan new prawn farm). In our account, ZSAPAD's legal representative is the person responsible for its company affair, such that we quote Customer B in the name of Xian Zhiming instead of ZSAPAD. As of 31 March 2016 all of its receivables to the Company are within trading terms of 60 to 90 days though we have agreed to extend trading terms between 120 days to 180 days in the interim until such time as we assist them to procure a project loan of up to \$60 million targeting on or before September 30, 2016.

Customer D is Han Zhiqiang one of our main live seafood wholesalers operating from Store 8 Guangzhou seafood wholesale market and has been our customer since 2012 distributing majority of live fish and eels. We sold over \$5 million (or 6.9% of total sales of live seafood's revenue of \$72 million) to Mr. Han during the quarter.

The Company had 4 major customers whose accounts receivable balance individually represented the following percentages of the Company's total accounts receivable:

	March 31, 2016	December 31, 2015
Customer A	12.39%	13.71%
Customer B	10.93%	10.12%
Customer C	10.71%	-
Customer D	8.56%	9.31%
Customer E	-	11.31%
	<u>42.59%</u>	<u>44.45%</u>

As of March 31, 2016, amounts due from customers A, B and C are \$15,504,621, \$13,678,559, and \$13,399,381, respectively. The Company has not experienced any significant difficulty in collecting its accounts receivable in the past and is not aware of any financial difficulties of its major customers.

Customer A is same as Customer C above namely Mr. Zhen Runchi,
Customer B is same as Customer B above namely Mr. Xian Zhiming,
Customer D is "Li Hongzhen
Customer E is no longer applicable.

Note (11.b). Other Receivables

Note 1 & 4: SIAP imports all of its seafood (from Madagascar) and beef and lamb (from Australia) using APNW's import permits and licenses, such that, from time to time, we used APNW as the importer for part of these imported orders to give them a trading track record, and gave loan advances to APNW for such imports that in general would be offset by sales invoices upon the arrivals of corresponding shipments. At the same time, APNW is one of our major distributors and sales agents that we helped to establish aiming eventually to acquire its operation within our own marketing and distribution network, therefore, from time to time, we provide them with working capital to help them to leverage some of their trading terms extended to their customers, etc.

Note 2 & 5:

Note 3: At SJAP it is a common practice to make cash advances to our cooperative growers (presently standing at 100 members) who are our suppliers, to carry them through respective growing periods (for cropping or pasturing or cattle growing purposes) before final harvests of produce or sale of their cattle. On average, it works out at less than \$82,747 per member that in the management's opinion is a normal season to season process deemed fair and equitable.

Note (12) Property and equipment, net of accumulation depreciation

	As at March 31, 2016
	\$
Plant and machinery	6,481,690
Structure and lease hold improvements	90,612,871
Mature seeds and herbage cultivation	16,599,717
Furniture and equipment	704,153
Motor vehicles	790,434
	115,188,865
Less: Accumulated depreciation	-9,129,843
Net carrying amount	106,059,022

Note (13) Construction in progress

	As at March 31, 2016
	\$
Construction in progress	
- Oven room & road for production of dried flowers	3,079,766
- Office, warehouse and organic fertilizer plant in HSA.	29,518,576
- Organic fertilizer and bread grass production plant and office building	12,867,960
- Rangeland for beef cattle and office building	33,110,318
- Fish pond	7,430,899
	86,007,519

Note (14) Land Use Rights, net of accumulated amortization:

Item	Owner	Location	Acres	Date Acquired	Tenure	Expiry dates	Cost \$	Monthly amortization \$	2016.03.31 Balance \$	Nature of ownership	Nature of project
Hunan lot1	HS.A	Ouchi Village, Fenghuo Town, Linli County	31.92	4/5/2011	43	4/4/2054	242,703	470	214,482	Lease	Fertilizer production
Hunan lot2	HS.A	Ouchi Village, Fenghuo Town, Linli County	247.05	7/1/2011	60	6/30/2071	36,666,141	50,925	33,763,405	Management Right	Pasture growing
Hunan lot3	HS.A	Ouchi Village, Fenghuo Town, Linli County	8.24	5/24/2011	40	5/23/2051	378,489	789	331,967	Land Use Rights	Fertilizer production
Guangdong lot 1	JHST	Yane Village, Liangxi Town, Enping City	8.23	8/10/2007	60	8/9/2067	1,064,501	1,478	910,740	Management Right	HU
Guangdong lot 2	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	27.78	3/14/2007	60	3/13/2067	1,037,273	1,441	880,242	Management Right	Plantation
Guangdong lot 3	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	60.72	3/14/2007	60	3/13/2067	2,267,363	3,149	1,924,110	Management Right	HU
Guangdong lot 4	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	54.68	9/12/2007	60	9/11/2067	2,041,949	2,836	1,749,837	Management Right	HU
Guangdong lot 5	JHST	Jishilu Village of Dawan Village, Juntang Town, Enping City	28.82	9/12/2007	60	9/11/2067	960,416	1,334	823,023	Management Right	Plantation
Guangdong lot 6	JHST	Liankai Village of Niujiang Town, Enping City	31.84	1/1/2008	60	12/31/2068	821,445	1,141	708,496	Management Right	Fish Farm
Guangdong lot 7	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	41.18	1/1/2011	26	12/31/2037	5,716,764	18,323	4,562,417	Management Right	HU
Guangdong lot 8	JHST	Shangchong Village of Yane Village, Liangxi Town, Enping City	11.28	1/1/2011	26	12/31/2037	1,566,393	5,020	1,250,102	Management Right	HU
Guangdong lot 9	MEIJI	Xiaoban Village of Yane Village, Liangxi Town, Enping City	41.18	4/1/2011	20	3/31/2031	5,082,136	21,176	3,811,602	Management Right	Cattle Farm
Qinghai lot 1	SJAP	No. 498, Bei Da Road, Chengguan Town of Huangyuan County, Xining City, Qinghai Province	21.09	11/1/2011	40	10/30/2051	527,234	1,098	469,019	Land Use Right & Building ownership	Cattle farm, fertilizer and livestock feed production
Guangdong lot 10	JHST	Niu Jiang Town, Liangxi Town, Enping City	6.27	3/4/2013	10	3/3/2023	489,904	4,083	338,850	Management Right	Processing factory
Guangdong lot 11	CA	Da San Dui Wei, You Nan Village, Conghua District of Guangzhou City	33.28	10/28/2014	30	10/27/2044	4,453,665	12,371	4,230,982	Management Right	Agriculture
Exchange difference	JHST	Land improvement cost incurred		12/1/2013			3,914,275	6,155	3,741,948		
							<u>-973,389</u>		<u>-1,379,456</u>		
			654				66,257,263	131,789	58,331,766		

Note (16) Current Liabilities:

	As at March 31, 2016	Note
Current liabilities		
Accounts payable and accruals	8,432,026	16.A
Billings in excess of cost and estimated earnings on uncompleted contracts	9,127,254	
Due to a director	621,587	16 B
Other payables	7,621,409	
Borrowings-Short term bank loan	4,184,378	
Negotiable promissory notes	872,644	
	<u>30,859,298</u>	

Note 16A: Accounts payables and accrued expenses clarification:

Our current trading environment is limited to a number of suppliers who offer prolonged credit terms means that most purchases are paid for in cash or short credit terms (7 to 10 days), and in a way this allows us better bargaining ability to obtain cash discounts resulting in the low trade account payables and accruals balance of \$8.4 million, about 12% of total sales of \$72 million for the reasons stated below:

Our main Account Payables during Q1 2016 were generated from the following activities:

1. We supply the following cost elements: our own staff, engineering and technology that enhanced our profit margins and reduced the overall cost of sales. Consulting and services ("C&S") since inception is the major contributor of income to date and cost of goods sold averaging 41% for CA.
2. Implementation, supervision, training and associated management work and most of the building sub-contractors worked at fixed costs; consequently, profit margins are contained providing ample opportunity for expanded credit terms. For contracts related to the construction of farms we use plants, equipment, parts and components that were specially manufactured and made as per our own design and engineering by local manufacturers and suppliers (who carry a high amount of initial development costs and inventories for us based on the understanding that we would pay for the deliveries of goods sold within shorter trading terms such that they could afford to carry such costs). We pay promptly in this respect and believe that, as time has passed, our track record has earned excellent credibility with all of our suppliers and sub-contractors.
3. Fish sales started gradually in late 2011, and the cost of sales was averaged at 76% for Q1 2016, respectively (the bulk of the cost came from the supplies of baby fingerlings and the live-bait as the main fish feed), and customary trading terms of Chinese suppliers is on a cash on delivery basis, and suppliers who provide short credit terms presently is limited to no more than a select few.
4. Cattle sales at SJAP's own cattle stations and from its cooperative farmers started in 2011 at lower profit margins compared to the sales of fish with cost of goods averaging 77% for Q1 2016. It is also customary in China to pay for the young live cattle by cash on delivery. The Enping cattle farm started to buy young cattle in 2011 and started sales of mature cattle in 2012; cost of sales is averaged at 95% for Q1 2016. Most of the young cattle supplies were from small primary producers (local small farmers) who did not have great financial resources; as such we paid for these supplies of young cattle in cash on delivery or short credit term after delivery.
5. In SJAP, the bulk of our fertilizers were sold to farmers who are growing pastures and crops for us such that their fertilizer sales were kept as book entries that would be offset with the pastures and crops that we would buy back from them. In the case of HSA, which is a developing stage company in fertilizer manufacturing, prolonged credit term facilities have not been established for its purchase of raw materials.
6. Bulk livestock feed are produced by regional cooperative growers under contract to us and they use our supply of fertilizer and seeds that represented the main cost components enhancing cost of sales, which average is at 54% for Q1 2016. Again, sale of fertilizer is held on credit against crops and pasture grass purchased from them, as well as bulk livestock feed sold to them for cattle rearing, and reconciled once cattle are purchased from them.

Note (16C): Analysis of Other Payables:

As of March 31, 2016, other payables totaling \$12,418,741 was composed of the following:

During Q1 2016, the Company issued promissory notes amounting to \$0 to unrelated third parties for advances granted by third parties collectively to the Company (and/or to its subsidiaries). During Q1 2016 we redeemed \$ 0 of Promissory Notes for advances granted by third parties in fiscal year 2012 as well as in the early months of 2014 by the issuance of shares leaving a balance of \$2,200,000 of promissory notes still due and outstanding as of March 31, 2016.

A grant of \$2,279,797 was received from the Chinese government to SJAP for the development of a certain project; however if SJAP ultimately proves to be unable to complete the project, it will have to repay the grant to the Government. As of March 31, 2016, as work is in progress on the said project but it is not yet completed, the grant is recorded as other payables.

For the three months ended March 31, 2016, other advances had been provided by other unrelated third parties collectively to our subsidiaries with no fixed term of repayment and interest free without promissory notes or agreements but instead, verbal understandings. These sums amount to \$7,938,944 unpaid and outstanding as of March 31, 2016.

Income Taxes

The Company was incorporated in the State of Nevada, in the United States of America. The Company has no trading operations in United States of America and no US corporate tax has been provided for in the consolidated financial statements of the Company

Undistributed Earnings of Foreign Subsidiaries

The Company intends to use the remaining accumulated and future earnings of foreign subsidiaries to expand operations outside the United States and accordingly, undistributed earnings of foreign subsidiaries are considered to be indefinitely reinvested outside the United States and no provision for U.S. Federal and State income tax or applicable dividend distribution tax has been provided thereon.

The Company failed to file US tax returns for the years ended December 31, 2007 through December 31, 2014 in compliance with US Treasury Internal Revenue Service Code. The Company has reviewed its tax position with the assistance US tax professionals and believes that there will be no taxes and no penalties assessed by the Internal Revenue Service in the United States of America. The Company has appointed a US tax professional to assist in filing these income tax returns.

No EIT has been provided in the financial statements of SIAF, CA, JHST, JHMC, JFD, HSA and SJAP since they are exempt from EIT for the three months ended March 31, 2016 and 2015 as they are within the agriculture, dairy and fishery sectors.

CA, CS and CH are international business companies incorporated in Belize, and are exempt from corporate tax in Belize.

No Hong Kong profits tax has been provided in the consolidated financial statements, since TRW did not earn any assessable profits arising in Hong Kong for the three months ended March 31, 2016 and 2015.

No Macau Corporate income tax has been provided in the consolidated financial statements, since APWAM and MEIJI did not earn any assessable profits for the three months ended March 31, 2016 and 2015.

No Sweden Corporate income tax has been provided in the consolidated financial statements, since SIAFS incurred a tax loss for the three months ended March 31, 2016.

No deferred tax assets and liabilities have been assessed as of March 31, 2016 and December 31, 2015 since there was no difference between the financial statements carrying amounts and the tax basis of assets and liabilities utilizing the enacted tax rates in effect for the period in which the differences are expected to reverse.

Off Balance Sheet Arrangements:

None.

Liquidity and Capital Resources

As of March 31 2016, unrestricted cash and cash equivalents amounted to \$2,576,297 (see notes to the consolidated account), and our working capital as of March 31, 2016 was \$319,228,189.

As of March 31 2016, our total long-term debts are as follows:

Contractual Obligations	Less than 1 year	1-3years	3-5 years	More than 5 years	Total
Short Term Bank Loan	4,184,378				4,184,378
Convertible Note Payable		35,560,989			35,560,989
Long Term Debts	1,388,377				1,388,377
Promissory Notes	2,200,000				2,200,000
Debt loan		4,797,332			4,797,332

Cash provided by operating activities amounted to \$14,716,994 for Q1 2016. This compares with cash provided by operating activities totaling \$27,545,084 for Q1 2015. The decrease in cash flows from operations primarily resulted from the increase of deposits and prepaid expenses to \$(12,381,674) for Q1 2016 from \$(597,390) for Q1 2015.

Cash used in investing activities totaled \$(19,818,653) for Q1 2016. This compares with cash used in investing activities totaling \$(20,297,099) for Q1 2015. The decrease in cash flows used in investing activities primarily resulted from payment for construction in progress of \$(15,966,419) in Q1 2016 from \$(18,845,219) in Q1 2015. .

Cash used in financing activities totaled \$(448,187) for Q1 2016. This compares with cash from financing activities totaling \$(0) for Q1 2015. The increase cash provided by financing activities due to the decrease of long-term debts repaid of \$(448,187) in Q1 2016 from \$(0) in Q1 2015.

Acquisition of SFJVC's and further acquisition plan:

An *SFJVC* agreement typically contains an option clause for further investment. Initially, the China Developer of project companies invites us to invest in their venture. If management believes it to be advisable, it carries out an in-depth study of the target company including legal due diligence, business plan, budget and projected financial information. The final decision is made through the resolution of the Company's Board of Directors. If the decision is made to proceed with an investment, there is first formed an SFJVC, within which the Company acquires further equity interest. The acquisition price of such interest is determined in accordance to the book value of the SFJVC as of the acquisition date. Consideration generally consists in part of cash and in part of contract against trade debts owed by the China Developer due to Consulting & Services fees charged to the China Developer by the Company in accordance with the Consulting & Services agreement. Project companies record development cost as construction in progress and treat the amount due to us as partial investment in the new SFJVC.

The Company's expenditures as the consulting and service provider providing turnkey services to the China Developer for the development of the project include (i) administrative and operational expenses provided for and incurred in the project (charged and recorded under general and administrative operation expenses), billable to the China Developer, (ii) other development expenditures (inclusive of subcontractors' and sub-suppliers' costs plus mark-up) billable to the Developer, as well. Consulting & Services fees are exclusively billed to the third party China Developer, and not to the future SFJVC companies.

We plan to acquire further SFJVC's at the time they will be formed officially after their approval by relevant China Authorities.

In accordance with our contract, prior to the official formation of the SFJVC's the Company will pay an initial deposit and additional deposits as pre-payments to the developer (or owner) of the project as consideration toward future acquisition of the SFJVC upon its official formation.

The total consideration for each purchase of SFJVC is based on its book value at that time of official formation having injected all of the related project's development assets and liabilities into the SFJVC.

As such, the required acquisition cost is funded partly by cash and partly by the offset of receivables due on the consulting and service fee.

Part F. Pro-forma on records of historical performances reflecting the Company's "Free Cash Flow "derivation: (Inclusive of SIAF and subsidiaries in segments containing Non-GAAP derivation)

	2013	2014	2015	2016Q1	Total
Sale of goods	209	323	337	59	957
Consulting income	52	81	92	13	276
Cost of goods sold	139	231	261	44	682
Cost of service	21	44	57	9	140
EBITDA	98	119	101	17	384
Depreciation & amortization	3	5	5	2	14
Net income attributable to SIAF & subsidiaries	74	92	66	9	289
Non - controlling interest	20	22	25	5	72
Net Incomes of the group	94	114	91	14	361
Total Assets	357	513	640	656	
Current assets	147	282	350	350	
Total liabilities	38	72	70	72	
Current liabilities	31	52	28	31	
Capital employed	326	461	611	625	-
Total stockholders equity	319	441	569	584	
Internal transaction adjustment	0	-0	-0	-	
Total stockholders equity (adjustment)	319	440	569	584	
ROCE	49%	59%	49%	35%	
Total Capex	71	35	47	20	187
1. property and equipment	22	21	43	4	104
2. construction in progress	41	10	4	16	68
3. land use right	4	4	-	-	11
4. proprietary technologies	4	-	-	-	4
Ending balance	116	230	322	319	
1.cash and cash equivalents	1	3	7	3	
2.inventories	8	46	63	62	
3.deposits and prepaid expenses	51	76	84	96	
4. account receivable	82	105	136	125	
5.other receivables	5	52	60	64	
6. account payables and accrued expenses	-11	-22	-9	-8	
7. short term loan	-4	-4	-4	-4	
8. other payables	-16	-26	-15	-19	
Total increase of wc	5	114	92	-3	264
Total capex and increase of wc	76	149	139	17	451
Free Cash Flow (FCF)	22	-30	-37	-0	-67
Net Debt	-5	-20	-41	-46	
Total authorized common stocks	17	23	23	23	
Weighted average of total issue & outstanding common stocks					
Basic	12	16	17.89	20.13	
Diluted	13	17	18.29	20.13	
Eaming per share (or EPS)					
Basic	6.14	5.79	3.63	0.47	
Diluted	5.76	5.55	3.59	0.47	

E.2 on APWAM (holding company of SJAP).

	2013	2014	2015	2016Q1	Total
Sale of goods	62	102	144	26	335
Cost of goods sold	38	68	111	18	235
EBITDA	27	33	34	9	103
Depreciation & amortization	-	1	1.01	0.57	2
Net income attributable to SIAF & subsidiaries	12	14	15	4	44
Non - controlling interest	15	17	18	4	55
Net Incomes of the group	27	31	33	8	99
Total Assets	88	158	200	213	
Current assets	35	83	105	108	
Total liabilities	15	28	17	17	
Current liabilities	14	16	14	14	
Capital employed	74	142	186	199	
Total stockholders equity	73	130	183	196	
Internal transaction adjustment	-32	-58	-78	-83	
Total stockholders equity (adjustment)	41	72	105	113	
ROCE	47%	46%	49%	36%	
Total Capex	38	20	21	10	93
1. property and equipment	12	6	31	3	58
2. construction in progress	24	14	-10	7	32
3. land use right	-	-	-	-	1
4. proprietary technologies	2	-	-	-	2
Ending balance	21	67	91	97	
1.cash and cash equivalents	0.38	1	2	0	
2.inventories	4	27	34	37	
3.deposits and prepaid expenses	13	19	18	18	
4. account receivable	16	34	48	48	
5.other receivables	2	2	2	4	
6. account payables and accrued expenses	-5	-4	-5	-5	
7. short term loan	-4	-4	-4	-4	
8. other payables	-5	-8	-5	-2	
Total increase of wc	3	46	24	6	79
					-
Total capex and increase of wc	41	66	45	16	172
					-
Free Cash Flow (FCF)	-14	-33	-10	-7	-70
Net Debt	-5	-7	-6	-6	

E.3.SIAF's Corporate Operational division

	2013	2014	2015	2016Q1	Total
Sale of goods	22	51	38	6	117
Consulting income	9	5	4	-	18
Cost of goods sold	19	45	33	5	102
Cost of service	3	5	1	-	9
EBITDA	6	6	0	-2	11
Depreciation & amortization	-	0	0	-	
Net income attributable to SIAF & subsidiaries	6	6	-5	-2	5
Non - controlling interest	-	-	-	-	
Net Incomes of the group	6	6	-5	-2	6
Total Assets	19	43	95	96	
Current assets	10	39	76	75	
Total liabilities	8	13	39	42	
Current liabilities	6	10	1	8	
Capital employed	13	33	94	88	
Total stockholders equity	11	30	56	54	
Internal transaction adjustment	87	82	89	91	
Total stockholders equity (adjustment)	98	112	145	145	
ROCE	73%	40%	3%	-12%	
Total Capex	2	1	4	2	7
1. property and equipment	-	-	-	-	
2. construction in progress	-	1	4	2	5
3. land use right	-	-	-	-	
4. proprietary technologies	2	-	-	-	2
Ending balance	4	29	76	67	
1.cash and cash equivalents		2	-	1	
2.inventories	-	-	4	-	
3.deposits and prepaid expenses	2	2	28	28	
4. account receivable	8	9	9	8	
5.other receivables	0	26	35	38	
6. account payables and accrued expenses	-1	-3	-	-	
7. short term loan	-	-	-	-	
8. other payables	-5	-7	-1	-8	
Total increase of wc	4	25	47	-9	58
Total capex and increase of wc	6	26	51	-7	65
Free Cash Flow (FCF)	0	-20	-51	5	-50
Net Debt	-	-13	-35	-35	

E.4. CA (Fishery Development Division)

	2013	2014	2015	2016Q1	Total
	In rounded figures of \$ million				
Sale of goods	47	54	47	8	184
Consulting income	36	76	88	13	250
Cost of goods sold	33	31	35	6	119
Cost of service	13	39	56	9	131
EBITDA	37	55	43	6	176
Depreciation & amortization	-	-	0	-	
Net income attributable to SIAF & subsidiaries	37	55	43	6	176
Non - controlling interest	-	-	-	-	
Net Incomes of the group	37	55	43	6	176
Total Assets	81	111	123	124	
Current assets	54	79	85	85	
Total liabilities	7	20	10	10	
Current liabilities	4	20	10	10	
Capital employed	77	91	113	114	
Total stockholders equity	74	91	113	114	
Internal transaction adjustment	45	84	104	109	
Total stockholders equity (adjustment)	119	174	217	223	
ROCE	97%	140%	119%		
Total Capex	3	4	-	3	7
1. property and equipment	-	-	-	-	-
2. construction in progress	3	-	-	3	3
3. land use right	-	4	-	-	4
4. proprietary technologies	-	-	-	-	-
Ending balance	50	59	75	75	
1.cash and cash equivalents	-	-	-	-	
2.inventories	-	-	-	-	
3.deposits and prepaid expenses	16	32	23	25	
4. account receivable	36	28	44	43	
5.other receivables	2	19	19	17	
6. account payables and accrued expenses	-	-11	-1	-1	
7. short term loan	-	-	-	-	
8. other payables	-4	-9	-9	-9	
Total increase of wc	-	9	16	0	44
Total capex and increase of wc	3	13	16	3	51
Free Cash Flow (FCF)	34	42	27	3	119
Net Debt	-	-	-	-	

E.5. Tri-way (the holding company of Fish Farm (1))

	2013	2014	2015	2016Q1	Total
Sale of goods	25	52	39	8	124
Cost of goods sold	19	41	33	6	99
EBITDA	6	10	6	2	24
Depreciation & amortization	0	1	0.79	0.22	2
Net income attributable to SIAF & subsidiaries	5	8	3	1	17
Non - controlling interest	1	2	2	0	6
Net Incomes of the group	6	10	5	1	22
Total Assets	21	21	24	26	
Current assets	6	-	13	13	
Total liabilities	-	-	-	-	
Current liabilities	-	-	-	-	
Capital employed	21	21	24	26	
Total stockholders equity	21	21	24	26	
Internal transaction adjustment	-7	2	4	3	
Total stockholders equity (adjustment)	13	23	28	29	
ROCE	53%	97%	87%	62%	
Total Capex	2	1	2	-	11
1. property and equipment	-	2	2	-	10
2. construction in progress	2	-1	-	-	1
3. land use right	-	-	-	-	-
4. proprietary technologies	-	-	-	-	
Ending balance	6	10	13	13	
1.cash and cash equivalents	-	-	5	1	
2.inventories	2	3	4	3	
3.deposits and prepaid expenses	4	4	2	6	
4. account receivable	-	-	-	-	
5.other receivables	-	3	3	3	
6. account payables and accrued expenses	-	-	-	-	
7. short term loan	-	-	-	-	
8. other payables	-	-	-	-	
Total increase of wc	-1	4	3	0	13
Total capex and increase of wc	1	5	5	0	24
Free Cash Flow (FCF)	5	5	1	1	4
Net Debt	-	-			

E.6. MEIJI and Cattle Farm (Development and holding company of CF (1))

	2013	2014	2015	2016Q1	Total
Sale of goods	18	33	35	5	91
Consulting income	7	-			7
Cost of goods sold	13	31	33	5	82
Cost of service	5	-			5
EBITDA	5	2	3	1	10
Depreciation & amortization	0	0	0.59	0.17	1
Net income attributable to SIAF & subsidiaries	5	1	2	0	8
Non - controlling interest	-	-	0	0	0
Net Incomes of the group	5	1	2	0.4	8
Total Assets	34	42	39	39	
Current assets	11	17	18	17	
Total liabilities	2	5	-	-	
Current liabilities	1	-	-	-	
Capital employed	33	42	39	39	
Total stockholders equity	32	37	39	39	
Internal transaction adjustment	-10	-14	-14	-14	
Total stockholders equity (adjustment)	22	23	25	25	
ROCE	43%	36%	21%	9%	
Total Capex	-	-	2	1	4
1. property and equipment	-	-	2	1	2
2. construction in progress	-	-	-	-	-
3. land use right	-	-	-	-	2
4. proprietary technologies					
Ending balance	10	17	18	17	
1.cash and cash equivalents	0.49	-	-	-	
2.inventories	1	1	4	5	
3.deposits and prepaid expenses	1	3	3	5	
4. account receivable	9	13	11	7	
5.other receivables	-	-	-	-	
6. account payables and accrued expenses	-	-	-	-	
7. short term loan	-	-	-	-	
8. other payables	-1	-	-	-	
Total increase of wc	2	7	1	-1	13
Total capex and increase of wc	2	7	3	0	23
Free Cash Flow (FCF)	3	-5	-0	1	-2
Net Debt					

E.7. MEIJI and JHST plantation division

	2013	2014	2015	2016Q1	Total
Sale of goods	23	11	14	-	48
Cost of goods sold	10	4	4	-	18
EBITDA	11	6	9	-0	26
Depreciation & amortization	1	1	1.15	0.31	4
Net income attributable to SIAF & subsidiaries	7	4	6	-0.42	16
Non - controlling interest	3	1	2	-0.14	6
Net Incomes of the group	10	5	8	-0.56	22
Total Assets	37	39	45	42	
Current assets	19	24	21	20	
Total liabilities	-	1	1	1	
Current liabilities	-	1	-	-	
Capital employed	37	38	45	42	
Total stockholders equity	37	38	44	41	
Internal transaction adjustment	-13	-9	-7	-5	
Total stockholders equity (adjustment)	24	29	37	36	
ROCE	43%	55%	51%	29%	
Total Capex	10	1	5.1	-	19
1. property and equipment	6	1	2.5	-	13
2. construction in progress	-	-	2.6	-	3
3. land use right	4	-	-	-	4
4. proprietary technologies	-	-	-	-	-
Ending balance	19	23	21	20	
1.cash and cash equivalents	-	-	-	-	
2.inventories	1	1	1	2	
3.deposits and prepaid expenses	9	11	6	9	
4. account receivable	9	11	12	8	
5.other receivables	-	1	1	1	
6. account payables and accrued expenses	-	-	-	-	
7. short term loan	-	-	-	-	
8. other payables	-	-1	-	-	
Total increase of wc	2	4	-2	-1	17
Total capex and increase of wc	12	5	3	-1	36
Free Cash Flow (FCF)	-1	1	6	0	-3
Net Debt					

E.8. HSA (the Hunan fertilizer Operation)

	2013	2014	2015	2016Q1	Total
Sale of goods	12	20	20	5	57
Cost of goods sold	7	11	12	3	33
EBITDA	4	7	7	2	19
Depreciation & amortization	1	1	1.48	0.43	4
Net income attributable to SIAF & subsidiaries	2	5	4	0.85	12
Non - controlling interest	1	1	1	0.27	3
Net Incomes of the group	3	6	5	1.12	15
Total Assets	76	99	115	116	
Current assets	11	30	32	32	
Total liabilities	6	5	4	2	
Current liabilities	6	5	4	2	
Capital employed	70	94	111	114	
Total stockholders equity	70	94	111	114	
Internal transaction adjustment	-69	-87	-99	-101	
Total stockholders equity (adjustment)	1	7	12	13	
ROCE	2%	9%	10%	5%	
Total Capex	16	8	13	3	56
1. property and equipment	4	12	6	-	22
2. construction in progress	12	-4	7	3	27
3. land use right	-	-			7
4. proprietary technologies	-	-			-
Ending balance	5	25	29	30	
1.cash and cash equivalents	-	-	-	0	
2.inventories	-	14	15	15	
3.deposits and prepaid expenses	6	5	5	5	
4. account receivable	4	10	12	11	
5.other receivables	1	1	1	1	
6. account payables and accrued expenses	-5	-4	-4	-2	
7. short term loan	-	-	-	-	
8. other payables	-1	-1	-	-	
Total increase of wc	-6	20	4	2	-2
Total capex and increase of wc	10	28	17	5	55
Free Cash Flow (FCF)	-6	-21	-10	-3	-35
Net Debt					

CRITICAL ACCOUNTING POLICIES

BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months ended March 31, 2016 have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”).

The unaudited quarterly financial statements for the three months ended March 31 2016 results are for the period then ended and do not necessarily indicate the results for a full year. The information included in this interim report should be read in conjunction with the information included in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2015.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of SIAF, its subsidiaries Capital Award, CS, CH, TRW, MEIJI, JHST, JFD, JHMC, HSA, APWAM, SAFS and its variable interest entities SJAP and QZH. All material inter-company transactions and balances have been eliminated in consolidation. The results of companies acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition.

BUSINESS COMBINATIONS

The Company adopted the accounting pronouncements relating to business combinations (primarily contained in ASC Topic 805 “Business Combinations”), including assets acquired and liabilities assumed arising from contingencies. These pronouncements established principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquire as well as provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. In addition, these pronouncements eliminate the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria and require an acquirer to develop a systematic and rational basis for subsequently measuring and accounting for acquired contingencies depending on their nature. Our adoption of these pronouncements will have an impact on the manner in which we account for any future acquisitions.

NON - CONTROLLING INTEREST IN CONSOLIDATED FINANCIAL STATEMENTS

The Company adopted the accounting pronouncement on non-controlling interests in consolidated financial statements, which establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance is primarily contained in ASC Topic “Consolidation”. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated financial statements. The adoption of this standard has not had material impact on our consolidated financial statements.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods covered thereby. Actual results could differ from these estimates. Judgments and estimates of uncertainties are required in applying the Company’s accounting policies in certain areas. The following are some of the areas requiring significant judgments and estimates: determinations of the useful lives of assets, estimates of allowances for doubtful accounts, cash flow and valuation assumptions in performing asset impairment tests of long-lived assets, estimates of the reliability of deferred tax assets and inventory reserves.

REVENUE RECOGNITION

The Company's revenue recognition policies are in compliance with ASC 605. Sales revenue is recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable, and (iv) the ability to collect is reasonably assured. These criteria are generally satisfied at the time of shipment when risk of loss and title passes to the customer. Service revenue is recognized when services have been rendered to a buyer by reference to the stage of completion. License fee income is recognized on the accrual basis in accordance with the underlying agreements.

Government grants are recognized upon (i) the Company has substantially accomplished what we must be done pursuant to the terms of the policies and terms of the grant that are established by the local government; and (ii) the Company receives notification from the local government that the Company has satisfied all of the requirements to receive the government grants; and or (iii) the amounts are received.

Multiple-Element Arrangements

To qualify as a separate unit of accounting under ASC 605-25 "*Multiple Element Arrangements*", the delivered item must have value to the customer on a standalone basis. The significant deliverables under the Company's multiple-element arrangements are consulting and service under development contract, commission and management service.

Revenues from the Company's fishery development services contract are performed under fixed-price contracts. Revenues under long-term contracts are accounted for under the percentage-of-completion method of accounting in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition* ("ASC 605"). Under the percentage-of-completion method, the Company estimates profit as the difference between total estimated revenue and total estimated cost of a contract and recognized that profit over the contract term. The percentage of costs incurred determines the amount of revenue to be recognized. Payment terms are generally defined by the installation contract and as a result may not match the timing of the costs incurred by the Company and the related recognition of revenue. Such differences are recorded as either costs or estimated earnings in excess of billings on uncompleted contracts or billings in excess of costs and estimated earnings on uncompleted contracts.

The Company determines a customer's credit worthiness at the time an order is accepted. Sudden and unexpected changes in a customer's financial condition could put recoverability at risk.

The percentage of completion method requires the ability to estimate several factors, including the ability of the customer to meet its obligations under the contract, including the payment of amounts when due. If the Company determines that collectability is not assured, we will defer revenue recognition and use methods of accounting for the contract such as the completed contract method until such time as the Company determines that collectability is reasonably assured or through the completion of the project.

For fixed-price contracts, the Company uses the ratio of costs incurred to date on the contract (excluding uninstalled direct materials) to management's estimate of the contract's total costs, to determine the percentage of completion on each contract. This method is used as management considers expended costs to be the best available measure of progression of these contracts. Contract costs included all direct material, subcontract and labor costs and those indirect costs related to contract performance, such as supplies, tool repairs and depreciation. The Company accounts for maintenance and repair services under the guidance of ASC 605 as the services provided relate to construction work. Contract costs incurred to date and expected total contract costs are continuously monitored during the term of the contract. Changes in job performance, job conditions, and estimated profitability arising from contract penalty, change orders and final contract settlements may result in revisions to the estimated profitability during the contract. These changes, which include contracts with estimated costs in excess of estimated revenues, are recognized as contract costs in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. At the point the Company anticipates a loss on a contract, the Company estimates the ultimate loss through completion and recognizes that loss in the period in which the possible loss was identified.

The Company does not provide warranties to customers on a basis customary to the industry; however, the customers can claim warranty directly from product manufacturers for defects in equipment or products. Historically, the Company has experienced no warranty claims.

The Company's fishery development consultancy services revenues are recognized when the relevant services are rendered, and are subject to a Chinese business tax at a rate of 0% of the gross fishery development contract service income approved by the Chinese local government.

COST OF GOODS SOLD AND SERVICES

Cost of goods sold consists primarily of direct purchase cost of merchandise goods, and related levies. Cost of services consists primarily of direct cost and indirect cost incurred to date for development contracts and provision for anticipated losses on development contracts.

SHIPPING AND HANDLING

Shipping and handling costs related to cost of goods sold are included in general and administrative expenses, which totaled \$31 and \$8,693 for the three months ended March 31, 2016 and 2015, respectively.

ADVERTISING

Advertising costs are included in general and administrative expenses, which totaled \$666,258 and \$708,843 for the three months ended March 31, 2016 and 2015, respectively.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid securities with original maturities of three months or less when acquired to be cash equivalents. Cash and cash equivalents kept with financial institutions in People's Republic of China ("P.R.C.") are not insured or otherwise protected. Should any of those institutions holding the Company's cash become insolvent, or the Company is unable to withdraw funds for any reason, the Company could lose the cash on deposit on that institution.

ACCOUNTS RECEIVABLE

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Terms of the sales vary. Reserves are recorded primarily on a specific identification basis.

The standard credit period of the Company's most of customers is three months. Any amount that has an extended settlement date of over one year is classified as a long term receivable. Management evaluates the collectability of the receivables at least quarterly. There were no bad debts written off for the twelve months ended March 31, 2016 or December 31, 2015.

INVENTORIES

Inventories are valued at the lower of cost (determined on a weighted average basis) and net realizable value. Costs incurred in bringing each product to its location and conditions are accounted for as follows:

- raw materials - purchase cost on a weighted average basis;
- manufactured finished goods and work-in-progress - cost of direct materials and labor and a proportion of manufacturing overhead based on normal operation capacity but excluding borrowing costs; and
- retail and wholesale merchandise finished goods - purchase cost on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalization when the cost of replacing the parts is incurred. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each year.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Milk cows	10 years
Plant and machinery	5 - 10 years
Structure and leasehold improvements	10 -20 years
Mature seed and herbage cultivation	20 years
Furniture, fixtures and equipment	2.5 - 10 years
Motor vehicles	5 -10 years

An item of property and equipment is removed from the accounts upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of income in the period the item is disposed.

GOODWILL

Goodwill is an asset representing the fair economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is tested for impairment on an annual basis at the end of the company's fiscal year, or when impairment indicators arise. The Company uses a fair-value-based approach to test for impairment at the level of each reporting unit. The Company directly acquired MEIJI, which is engaged in Hu Plantation. As a result of this acquisition, the Company recorded goodwill in the amount of \$724,940. This goodwill represents the fair value of the assets acquired in these acquisitions over the cost of the assets acquired.

PROPRIETARY TECHNOLOGIES

The Company has determined that technological feasibility is established at the time a working model of products is completed. Master license of stock feed manufacturing technology was acquired and the costs of acquisition were capitalized as proprietary technologies when technological feasibility had been established. Proprietary technologies are intangible assets of finite lives. Proprietary technologies are amortized using the straight-line method over their estimated lives of 25 years.

An aromatic cattle-feeding formula was acquired and the costs of acquisition are capitalized as proprietary technologies when technological feasibility has been established. Cost of acquisition on aromatic cattle-feeding formula is amortized using the straight-line method over its estimated life of 25 years.

The cost of sleepy cod breeding technology license is capitalized as proprietary technologies when technological feasibility has been established. Cost of granting sleepy cod breeding technology license is amortized using the straight-line method over its entitled life of 25 years.

Bacterial cellulose technology license and related trademark are capitalized as proprietary technologies when technological feasibility has been established. Cost of license and related trademark is amortized using the straight-line method over its estimated life of 20 years.

Management evaluates the recoverability of proprietary technologies on an annual basis at the end of the company's fiscal year, or when impairment indicators arise. As required by ASC Topic 350 "Intangible - Goodwill and Other", the Company uses a fair-value-based approach to test for impairment.

CONSTRUCTION IN PROGRESS

Construction in progress represents direct costs of construction as well as acquisition and design fees incurred. Capitalization of these costs ceases and the construction in progress is transferred to property and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until construction is completed and the asset is ready for its intended use.

LAND USE RIGHTS

Land use rights represent acquisition of land use right rights of agriculture land from farmers and are amortized on the straight-line basis over the respective lease periods. The lease period of agriculture land is in the range from 10 years to 60 years. Land use rights purchase prices were determined in accordance with the P.R.C Government's minimum lease payments of agriculture land and mutually agreed between the company and the vendors. No independent professional appraiser performed a valuation of land use rights at the balance sheet dates.

CORPORATE JOINT VENTURE

A corporation formed, owned, and operated by two or more businesses (ventures) as a separate and discrete business or project (venture) for their mutual benefit is considered to be a corporate joint venture. Investee entities, in which the company can exercise significant influence, but not control, are accounted for under the equity method of accounting. Under the equity method of accounting, the company's share of the earnings or losses of these companies is included in net income.

A loss in value of an investment that is other than a temporary decline is recognized as a charge to operations. Evidence of a loss in value might include, but would not necessarily be limited to absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment.

VARIABLE INTEREST ENTITY

An entity (investee) in which the investor has obtained less than a majority-owned interest, according to the Financial Accounting Standards Board (FASB). A variable interest entity (VIE) is subject to consolidation if a VIE is an entity meeting one of the following three criteria as elaborated in ASC Topic 810-10, *Consolidation*.

- (a) the equity-at-risk is not sufficient to support the entity's activities
- (b) as a group, the equity-at-risk holders cannot control the entity; or
- (c) the economics do not coincide with the voting interests.

If a firm is the primary beneficiary of a VIE, the holdings must be disclosed on the balance sheet. The primary beneficiary is defined as the person or company with the majority of variable interests.

TREASURY STOCK

Treasury stock consists of a Company's own stock which has been issued, but is subsequently reacquired by the Company. Treasury stock does not reduce the number of shares issued but does reduce the number of shares outstanding. These shares are not eligible to receive cash dividends. Accounting for excesses and deficiencies on treasury stock transactions is governed by ASC 505-30-30. State laws and federal agencies closely regulate transactions involving a company's own capital stock, so the purchase of outstanding shares and converting them into treasury shares must have a legitimate purpose. Some of the most common reasons for purchasing outstanding shares are as follows:

- (i) to meet additional stock needs for various reasons, including newly implemented stock option plans, the issuance stock for convertible bonds or convertible preferred stock, or a stock dividend;
- (ii) to eliminate the ownership interests of a stockholder;
- (iii) to increase the market price of the stock that returns capital to shareholders; and
- (iv) to potentially increase earnings per share of the stock by decreasing the shares outstanding on the same earnings.

The Company has adopted the cost method of accounting for treasury stock shares. The purchase of outstanding shares is treated as a temporary reduction in shareholders' equity in view of the expectation to reissue the shares instead of retiring them. When the Company reissues the treasury shares, the temporary account is eliminated. The cost of treasury stock shares reacquired is charged to a contra account, in this case a contra equity account that reduces the stockholder equity balance.

INCOME TAXES

The Company accounts for income taxes under the provisions of ASC 740 "Accounting for Income Taxes". Under ASC 740, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

The provision for income tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred taxes are accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred income taxes are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also adjusted in the equity accounts. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. ASC 740 also prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. ASC 740 also provides guidance related to, among other things, classification, accounting for interest and penalties associated with tax positions, and disclosure requirements. Any interest and penalties accrued related to unrecognized tax benefits will be recorded in tax expense.

POLITICAL AND BUSINESS RISK

The Company's operations are carried out in the P.R.C. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the P.R.C., and by the general state of the P.R.C.'s economy. The Company's operations in the P.R.C. are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

IMPAIRMENT OF LONG-LIVED ASSETS AND INTANGIBLE ASSETS

In accordance with ASC 360, "Property, Plant and Equipment", long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company reviews the carrying amount of its long-lived assets, including intangibles, for impairment, at the end of each fiscal year. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is considered not recoverable, the asset is adjusted to its fair value. Fair value is generally determined based on discounted future cash flow. As of March 31, 2016 and 2015, the Company determined no impairment losses were necessary.

EARNINGS PER SHARE

As prescribed in ASC Topic 260 “*Earning per Share*,” Basic Earnings per Share (“EPS”) is computed by dividing net income available to common stockholders by the weighted average number of common stock shares outstanding during the year. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common stock shares outstanding during the year plus potential dilutive instruments such as stock options and warrants. The effect of stock options on diluted EPS is determined through the application of the treasury stock method, whereby proceeds received by the Company based on assumed exercises are hypothetically used to repurchase the Company’s common stock at the average market price during the period.

For the quarter ended March 2016 and 2015, basic earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders amount to \$0.43 and \$1.39, respectively. For the quarter ended March 31, 2016 and 2015, diluted earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries’ common stockholders amounted to \$0.39 and \$1.33, respectively.

FOREIGN CURRENCY TRANSLATION

The reporting currency of the Company is the U.S. dollars. The functional currency of the Company is the Chinese Renminbi (RMB). For those entities whose functional currency is other than the U.S. dollars, all assets and liabilities are translated into U.S. dollars at the exchange rate on the balance sheet date; shareholder equity is translated at historical rates and items in the statements of income and of cash flows are translated at the average rate for the period.

Because cash flows are translated based on the weighted average translation rate, amounts related to assets and liabilities reported in the statements of cash flows will not necessarily agree with changes in the corresponding balances in the balance sheets. Translation adjustments resulting from this process are included in accumulated other comprehensive income in the consolidated statements of equity.

For the three months ended March 31, 2016

Translation gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of income and comprehensive income as incurred. The balance sheet amounts with the exception of equity as of March 31, 2016 and December 31, 2015 were translated at RMB6.46 to \$1.00 and RMB6.14 to \$1.00, respectively. The average translation rates applied to the consolidated statements of income and comprehensive income and of cash flows for the three months ended March 31, 2016 and March 31, 2015 were RMB6.53 to \$1.00 and RMB6.14 to \$1.00, respectively.

For the three months ended March 31, 2015

Translation gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of income and comprehensive income as incurred. The balance sheet amounts with the exception of equity as of March 31, 2015 and December 31, 2014 were translated at RMB6.14 to \$1.00 and RMB6.15 to \$1.00, respectively. The average translation rates applied to the consolidated statements of income and comprehensive income and of cash flows for the three months ended March 31, 2015 and March 31, 2014 were RMB6.14 to \$1.00 and RMB6.12 to \$1.00, respectively.

ACCUMULATED OTHER COMPREHENSIVE INCOME

ASC Topic 220 “*Comprehensive Income*” establishes standards for reporting and displaying comprehensive income and its components in financial statements. Comprehensive income is defined as the change in stockholders’ equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The comprehensive income for all periods presented includes both the reported net income and net change in cumulative translation adjustments.

RETIREMENT BENEFIT COSTS

P.R.C. state managed retirement benefit programs are defined contribution plans and the payments to the plans are charged as expenses when employees have rendered service entitling them to the contribution.

STOCK-BASED COMPENSATION

The Company adopts both ASC Topic 718, "Compensation - Stock Compensation" and ASC Topic 505-50, "Equity-Based Payments to Non-Employees" using the fair value method in which an entity issues its equity instruments to acquire goods and services from employees and non-employees. Stock compensation for stock granted to non-employees has been determined in accordance with this accounting standard and the accounting standard regarding accounting for equity instruments that are issued to other than employees for acquiring, or in conjunction with selling goods or services, as the fair value of the consideration received or the fair value of equity instruments issued, whichever is more reliably measured. This accounting standard allows the "simplified" method to determine the term of employee options when other information is not available. Under ASC Topic 718 and ASC Topic 505-50, stock compensation expenses is measured at the grant date on the value of the option or restricted stock and is recognized as expenses, less expected forfeitures, over the requisite service period, which is generally the vesting period.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

NEW ACCOUNTING PRONOUNCEMENTS

The Company does not expect any recent accounting pronouncements to have a material effect on the Company's financial position, results of operations, or cash flows.

In February 2013, the FASB issued guidance on disclosure requirements for items reclassified out of Accumulated Other Comprehensive Income ("AOCI"). This new guidance requires entities to present (either on the face of the income statements or in the notes) the effects on the line items of the income statement for amounts reclassified out of AOCI. The new guidance will be effective for us beginning July 1, 2013. Other than requiring additional disclosures, there is no material impact on the consolidated financial statements upon adoption.

In March 2013, the FASB issued guidance on a parent's accounting for the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. This new guidance requires that the parent releases any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The new guidance will be effective for us beginning July 1, 2014. There is no material impact on the consolidated financial statements upon adoption.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists". These amendments provide that an unrecognized tax benefit, or a portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carry forward, a similar tax loss, or a tax credit carry forward, except to the extent that a net operating loss carry forward, a similar tax loss, or a tax credit carry forward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, then the unrecognized tax benefit should be presented as a liability. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-11 did not have a material impact on the Company's consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which provides a narrower definition of discontinued operations than under existing U.S. GAAP. ASU 2014-08 requires that only a disposal of a component of an entity, or a group of components of an entity, that represents a strategic shift that has, or will have, a major effect on the reporting entity's operations and financial results should be reported in the consolidated financial statements as discontinued operations. ASU 2014-08 also provides guidance on the consolidated financial statement presentations and disclosures of discontinued operations. The new guidance is effective prospectively for the Company to all new disposals of components and new classification as held for sale beginning April 1, 2015. The Company is evaluating the effects, if any, of the adoption of this guidance will have on the consolidated financial position, results of operations or cash flows.

In May 2014, the Financial Accounting Standards Board issued guidance related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for us in the first quarter of 2017. We have not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In June 2014, the FASB issued ASU 2014-10, "Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation". The guidance eliminates the definition of a development stage entity thereby removing the incremental financial reporting requirements from U.S. GAAP for development stage entities, primarily presentation of inception to date financial information. The provisions of the amendments are effective for annual reporting periods beginning after December 15, 2014, and the interim periods therein. However, early adoption is permitted. Accordingly, the Company has adopted this standard as of July 31, 2014.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. Management is currently evaluating the impact of this pronouncement on our consolidated financial statements.

In November 2014, FASB issued ASU No. 2014-17, *(Business Combinations (Topic 805): Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force.)* The amendments in this update provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The adoption of ASU 2014-17 did not have a material impact on the Company's consolidated financial statements.

In January 2015, FASB issued ASU No. 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. This Update eliminates from GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption of ASU 2015-01 to have material impact on the Company's consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes.

Foreign Currency Risk

Currency fluctuations and restrictions on currency exchange may adversely affect our business, including limiting our ability to convert Chinese Renminbi (RMB) into foreign currencies and, if the RMB were to decline in value, reducing our revenue in U.S. dollar terms.

The Chinese government currently manages the exchange rate of the RMB. The value of our common stock is indirectly affected by the foreign exchange rate between the U.S. dollar and the RMB. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar does affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Translation gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of income and comprehensive income as incurred. The average translation rates applied to the consolidated statements of income and comprehensive income and of cash flows for the years ended December 31, 2012 through 2015 were RMB6.31, RMB6.19, RMB6.14, and RMB6.23, respectively.

Depository Insurance Risk

Cash and cash equivalents are held for working capital purposes and consist primarily of bank deposits. We do not enter into investments for trading or speculative purposes.

Banks and other financial institutions in the PRC do not provide insurance for funds held on deposit. A portion of our assets are in the form of cash deposited with banks in the PRC, and in the event of bank failure, we may not have access to, or may lose entirely, our funds on deposit. This exposure could result in our inability to immediately access funds to pay our suppliers, employees and/or other creditors.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “**Exchange Act**”), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We conducted an evaluation (the “**Evaluation**”), under the supervision and with the participation of our Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”), of the effectiveness of the design and operation of our disclosure controls and procedures (“**Disclosure Controls**”) as of the end of the period covered by this report pursuant to Rule 13a-15 of the Exchange Act. Based on this Evaluation, our CEO and CFO concluded that our Disclosure Controls were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

We have also evaluated our internal controls for financial reporting, and there has been no change in our internal control over financial reporting that occurred during the three months ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or board override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 1A. RISK FACTORS

Not applicable

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

<u>Exhibit No .</u>	<u>Description of Exhibits</u>
31.1	Section 302 Certification of Principal Executive Officer+
31.2	Section 302 Certification of Principal Financial Officer+
32.1	Section 906 Certification of Principal Executive Officer and Principal Financial Officer *
101.INS	XBRL Instance Document +
101.SCH	XBRL Taxonomy Extension Schema Document +
101.CAL	XBRL Taxonomy Calculation Linkbase Document +
101.LAB	XBRL Taxonomy Labels Linkbase Document +
101.PRE	XBRL Taxonomy Presentation Linkbase Document +
101.DEF	XBRL Definition Linkbase Document +

+filed herewith

* furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SINO AGRO FOOD, INC.

May 16, 2016

By: /s/ LEE YIP KUN SOLOMON
Lee Yip Kun Solomon
Chief Executive Officer
(Principal Executive Officer)

May 16, 2016

By: /s/ DANIEL RITCHEY
Daniel Ritchey
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

May 16, 2016

By: /s/ LEE YIP KUN SOLOMON
Lee Yip Kun Solomon
Chief Executive Officer, Director
(Principal Executive Officer)

May 16, 2016

By: /s/ TAN POAY TEIK
Tan Poay Teik
Chief Officer, Marketing

May 16, 2016

By: /s/ CHEN BORHANN
Chen Bor Hann
Corporate Secretary

May 16, 2016

By: /s/ YAP KOI MING
Yap Koi Ming
Director

May 16, 2016

By: /s/ NILS ERIK SANDBERG
Nils Erik Sandberg
Director

May 16, 2016

By: /s/ DANIEL RITCHEY
Daniel Ritchey
Director

May 16, 2016

By: /s/ SOH LIM CHANG
Soh Lim Chang
Director

**Certification of the Chief Executive Officer
Pursuant to §240.13a-14 or §240.15d-14 of the Securities Exchange Act of 1934, as amended**

I, LEE YIP KUN SOLOMON, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 of Sino Agro Food, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 16, 2016

By: /s/ LEE YIP KUN SOLOMON
Name: Lee Yip Kun Solomon
Title: Chief Executive Officer
(Principal Executive Officer)

Certification of the Chief Financial Officer
Pursuant to §240.13a-14 or §240.15d-14 of the Securities Exchange Act of 1934, as amended

I, DANIEL RITCHEY, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 of Sino Agro Food, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 16, 2016

By: /s/ DANIEL RITCHEY
Name: Daniel Ritchey
Title: Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Sino Agro Food, Inc. (the "Registrant") on Form 10-Q for the period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lee Yip Kun Solomon, Principal Executive Officer, and I, Daniel Ritchey, Principal Financial Officer and Principal Accounting Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 16, 2016

By: /s/ LEE YIP KUN SOLOMON
Name: Lee Yip Kun Solomon
Title: Chief Executive Officer and
(Principal Executive Officer)

Date: May 16, 2016

By: /s/ DANIEL RITCHEY
Name: Daniel Ritchey
Title: Chief Financial Officer and
(Principal Financial Officer)
