



**Sino Agro Food**

**Interim Report Second Quarter 2016**

*Revenue Increases 37% to USD 124.3M*

*Gross Profit Increases 37% with Stabilized Gross Margin of 24.1%*

*Earnings Per Share Increase 61% to USD 0.82*

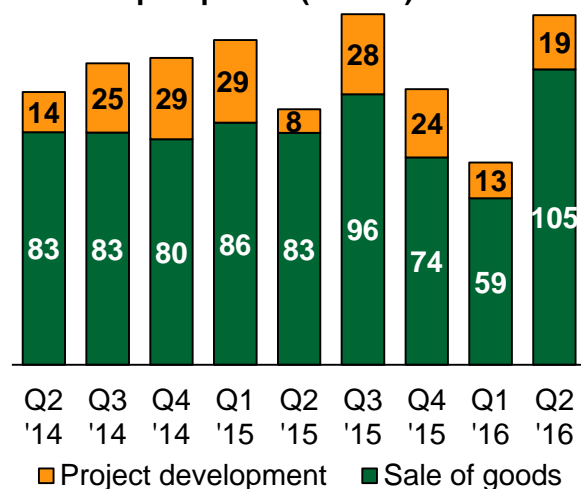
#### April – June 2016

- Revenue for the period: USD 124.3M (90.9)
- Gross profit for the period: USD 30.0M (21.9)
- Gross profit margin: 24.1% (24.1%)
- Net Income attributable to SIAF for the period: USD 18.8M (9.3)
- Diluted earnings per share: USD 0.82 (0.51)

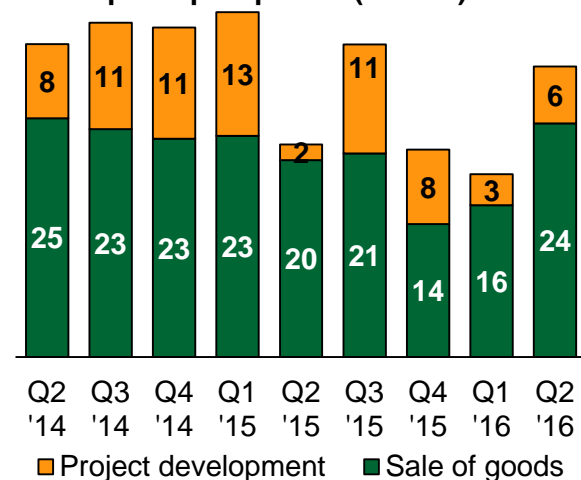
#### Key figures

(USD M, except per share data)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Revenue	124.3	90.9	37%	196.2	206.3	-5%
Gross profit	30.0	21.9	37%	48.8	57.5	-15%
Margin	24.1%	24.1%		24.9%	27.9%	
Net income	25.5	15.4	66%	39.1	45.7	-15%
Margin	20.5%	16.9%		19.9%	22.2%	
Net income attributable to SIAF	18.8	9.3	102%	27.4	33.1	-17%
Earnings per share (USD) - fully diluted	0.82	0.51	61%	1.24	1.87	-34%
Book value per share (USD) - fully diluted	21.8	24.4	-11%	26.4	24.0	10%
Diluted weighted average number of shares (millions)	23.6	18.1	30%	23.3	17.7	31%

**Revenue per quarter (USD M)**



**Gross profit per quarter (USD M)**



## Second quarter 2016 highlights

### Financial key figures

- Revenue for the quarter ending June 30, 2016 increased by 37% (y-o-y) to USD 124.3M (90.9). Record high revenue from the sale of goods increased by 28% (y-o-y) to USD 105.0M (82.0), while revenue from project development and management fees increased by 118% to USD 19.3M (8.8). As compared to Q1 2016, revenue increased 73%, comprised of a 78% increase in sale of goods and a 52% increase in product development and management fees.
- Gross profit of USD 30.0M also increased 37% (y-o-y), with a sequential increase of 59% over Q1 2016.
- G&A expenses decreased by 33% (y-o-y), in Q2 2016 to USD 3.6M, or 2.9% of revenue versus USD 5.4M, or 5.9% of revenue in Q2 2015. Compared to Q1 2016, the decrease in G&A expense was USD 1.0M or 22%, equal to 2.9% of revenue versus 6.35%. Cost improvement was due to a decrease in office and corporate expenses, primarily for overseas professional services.
- As of June 30 2016, the Company had net working capital of USD 332.5M (274.7). The ratio of current assets to current liabilities stood at 10.4x (7.1x).
- Stockholders' equity increased by 20% (y-o-y) to USD 515.6M (431.1) or USD 21.81 per share, based on the weighted average number of fully diluted outstanding shares in the quarter, an increase of USD 0.96 per share versus Q1, 2016.

Revenue (USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15
Aquaculture	28.9	19.1	51%	45.0	46.4
Integrated Cattle Farm (SJAP)	38.7	36.5	6%	65.0	72.7
Organic Fertilizer (HSA)	5.2	4.9	6%	10.3	9.1
Cattle Farms (MEIJ)	7.1	9.5	-25%	11.9	17.8
Plantation	5.5	4.2	31%	5.5	4.2
Seafood & Meat Trading	19.7	7.8	153%	26.1	17.4
<b>Sale of goods total</b>	<b>105.0</b>	<b>82.0</b>	<b>28%</b>	<b>163.8</b>	<b>167.6</b>
Aquaculture	19.3	8.8	118%	32.4	35.0
Cattle Farms	-	-	<i>n.a.</i>	-	-
Seafood & Meat Trading	-	-	<i>n.a.</i>	-	3.8
<b>Project development total</b>	<b>19.3</b>	<b>8.8</b>	<b>118%</b>	<b>32.4</b>	<b>38.7</b>
<b>Group total</b>	<b>124.3</b>	<b>90.9</b>	<b>37%</b>	<b>196.2</b>	<b>206.3</b>

## Reestablishing growth in core businesses

Improvements in overall revenue and gross profits stemmed mainly from solid sales performance in the following areas: value added processing of imported beef, concentrated livestock feed, aquaculture of finfish, new vegetable products, and trading of imported beef.

Recognizing that market conditions fluctuate for the protein food industry, this quarter's results present a solid baseline performance going forward, given the current mix of strong sales, stabilizing gross margins, and corporate level cost control.

- **Integrated Cattle (SJAP):** The Company continued to emphasize value added imported beef production while transitioning its herd of live cattle to premium lines. Q2 value added processing increased to 2,943 metric tons versus 2,177 in Q1 2016 and 1,822 in Q2 2015, resulting in a 58% (y-o-y) increase in gross profit to USD 6.6M. Gross profits for concentrated livestock feed increased 90% (y-o-y) to USD 1.8M driven by recognition of its quality and effectiveness by regional farmers. These areas supported an overall segment gross profit gain of USD 1.5M, or 17% on 6% higher revenue, overcoming a USD 1.8M decrease from the sale of live cattle. Live cattle sales prices were lower than the year earlier period, but recovered to 28 CNY/kg, off their lows since the first quarter.
- **Aquaculture (CA):** Revenue from the sale of goods increased by 51% (y-o-y) to USD 28.9M (19.1), generating a 35% (y-o-y) gain in gross profit to USD 6.1M (4.5). Q2 seafood harvest volume grew 393% to 4,723 metric tons (1,202). The steep increase is explained by the harvest of 3,426 metric tons of mixed finfish, mainly highly demanded perch species and higher quality carp species. These are purchased when close to harvest size for final grow-out in RAS tanks. Compared to earthen open dam ponds, this aquaculture method improves taste and texture of the fish meat in a cost effective way. Mixed finfish generated revenue of USD 14.3M, almost 50% of total aquaculture sale of goods.

The average sales price of mixed finfish amounted to USD 3.80/kg and delivered 22% gross margins, a gross margin equal to eels and slightly higher than sleepy cod and prawns in the quarter. A grow-out period of only one to two months results in a high annual turnover of fish biomass, providing very satisfactory profitability on the investment made into RAS tanks and supporting facilities. The Company expects to maintain or increase production volume for these species throughout the year.

- **Seafood and Meat Trading:** Revenue increased by 153% (y-o-y) to USD 19.7M (7.8) with import volume growing to 1,518 metric tons (490). Gross margins averaged 11.5% creating a 161% (y-o-y) gain in gross profit to USD 2.6M (.9). Higher value crayfish and seafood were imported, as new supply channels began to come online. Sales of imported beef increased 233% (y-o-y) to USD 14.4M (4.3) as a result of the revolving Trade Credit Facility for the Shanghai Distribution Center.

Gross profit (USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15
Aquaculture	6.1	4.5	35%	9.9	11.6
Integrated Cattle Farm (SJAP)	10.5	9.0	17%	18.8	20.4
Organic Fertilizer (HSA)	2.0	2.1	-1%	4.0	3.9
Cattle Farms (MEIJ)	0.4	0.4	10%	0.6	0.7
Plantation	2.8	3.0	-7%	2.8	3.0
Seafood & Meat Trading	2.3	0.9	162%	3.2	2.5
<b>Sale of goods total</b>	<b>24.1</b>	<b>19.8</b>	<b>22%</b>	<b>39.3</b>	<b>42.1</b>
Aquaculture	5.9	2.1	176%	9.5	13.0
Cattle Farms	-	-	n.a.	-	0.0
Seafood & Meat Trading	-	-	n.a.	-	2.4
<b>Project development total</b>	<b>5.9</b>	<b>2.1</b>	<b>176%</b>	<b>9.5</b>	<b>15.4</b>
<b>Group total</b>	<b>30.0</b>	<b>21.9</b>	<b>37%</b>	<b>48.8</b>	<b>57.5</b>

## Outlook and subsequent events

- **Integrated Cattle (SJAP):** Some imported higher priced cuts of deboned beef are being repackaged into market ready vacuum packs for sale in major markets. This segment is experiencing steady growth while further marketing and e-commerce plans are being developed simultaneously. The Company did not slaughter any locally produced meat in the quarter due to spot prices. However, with some easing of pricing pressure caused by the recent spate of heavy imports beginning to subside, slaughter of locally produced beef is expected to begin in the late third quarter to fill orders, especially for Halal certified meats.
- **Organic Fertilizer (HSA):** The Company plans to stock cattle at HSA beginning in the late third quarter or early fourth quarter. A side attribute to a growing herd is the cost benefit provided to manufacturing fertilizer because more raw material is produced in-house, with less being purchased from outside sources.
- **Plantation (HU):** Weather conditions through the date of this release are similar to 2015. Accordingly, the Company expects similar results for the remainder of 2016.
- **Aquaculture (CA):** The gross profit from sale of goods from only Fish Farm 1 is calculated in the manner typically provided consolidated operations; that is, revenue less cost of goods sold. Gross profit derived from all other fish and prawn farms' operations is based on a standard mark up of between 10 CNY and 25 CNY per kilogram. Once the acquisitions of these farms are completed, both the standard mark-up of Capital Award and the typical farm mark-up will be included.

Prawn Farm 3 remains on track to commence commercial scale production during Q4 this year.

## Carve-out exercises

- **Aquaculture:** The Company has been working closely with one of the largest financial institutions in Southeast Asia toward securing debt financing and initiating an IPO exercise for the Tri-way carve-out for the purposes of acquiring farm assets and rights to Fish Farm 1 and Prawn Farms 1, 2, and 3, in addition to the development and acquisition of assets and rights to Prawn Farm 4 and subsequent related future farm developments. The additional time needed to complete this exercise serves both the lending institution's as well as the Company's better interests since a combination of debt financing and pre-IPO funding is anticipated to secure the majority of funding necessary to complete the acquisition, providing adequate security for both parties while accelerating development and improved revenue streams through both project development services and subsequent product sales. The Company anticipates closing on the loan some time within later Q3 or early Q4 2016.
- **Beef and Cattle (SJAP):** The Company has been working closely with well regarded Securities Firms, a CPA firm and a China Law firm, to carve out and list SJAP through the National Equities and Exchange and Quotations Board ("NEEQ"), which operates the National Third Board exchange in China. The following are major milestones categories, with time targets estimated on a best efforts basis:
  - (i) Complete the acquisition as soon as practical of a Xining based cattle and beef company to expedite and advance SJAP's next expansion in value added processing.
  - (ii) Incorporate internal controls; undertake an internal audit, and complete related other related financial matters including taxation issues in accordance with the rules and regulations of the Security Commission of China and the China Accounting Standards Board, targeting the end of October.
  - (iii) Complete company restructuring of SJAP into a share capital company with arrangements that will allow participation of foreign shareholders, targeting the end of November.
  - (iv) Complete related legal and prospectus work, etc., within the month of December for submission to NEEQ within Q1 of 2017.

## CEO commentary

*"I am very pleased with operations in the second quarter. We are seeing some improvement in the underlying adverse external circumstances particularly evident in the first quarter. More importantly, we have successfully navigated to deliver positive results even when facing challenges.*

*"Within SJAP, transitioning the revenue focus to value added processing has now reestablished a growth curve, overcoming the severe drop in prices for domestic live cattle, while maintaining important relationships. Meanwhile, further acceptance of our livestock feeds is currently driving higher volumes of traditionally high margin products. We are well positioned to add incremental profits by replacing low margin live cattle sales with higher margin sales of premium Wagyu cattle and 550-day grain fed Angus cattle, when the herd transition yields market-size cattle in 2017 and 2018.*

*"Within the Aquaculture segment, we have shifted product mix to successfully overcome the short supply eel elvers. This quarter, stocking RAS open dams and APM tanks with finfish, purchased when close to harvest size for final grow-out proved successful. We will continue procuring mature finfish for final grow-out as long as this window of opportunity in the Pearl River Delta provides superior profitability to alternatives.*

*"During the quarter, we saw the Trading segment realize the significant revenue boost we envisioned when we first built the Shanghai Distribution Center, and then procured the credit facility to provide sufficient working capital. We've supplied very high quality imported products in both seafood and beef. As reception continues to broaden, this business shows sustainable growth characteristics for a reliable 10% to 14% margin business.*

*"The evolution of the trading business is instructive. The fruits of our efforts, including obtaining financing necessary to ultimately accelerate meeting production goals, are now being realized.*

*"Those efforts were not unlike current efforts to accelerate production at Prawn Farm 3 and Prawn Farm 4, ultimately designed to speed and enhance the value of the aquaculture carve-out. We remain highly confident about closing a debt facility for the Aquaculture (Zhongshan Prawn) Project.*

*"All our businesses demonstrated solid performance throughout the quarter. Though each was presented with different challenges, each was profitable, each arriving at competitive margins. We believe these margins are sustainable, given our continued operational flexibility and moderately consistent external conditions, let alone some positive signs we are beginning to see. Individually, our businesses are poised for organic growth; collectively, they provide a solid core backdrop to add facilities, seek acquisitions and enhance scale.*

## Aquaculture (CA & Tri-Way)

(USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Sleepy cod	0.4	2.5	-83%	0.7	3.7	-81%
Eels	4.9	6.1	-20%	5.9	20.9	-72%
Prawns	9.3	9.6	-3%	18.4	20.8	-11%
Lower value finfish	14.3	1.0	1319%	45.0	46	-3%
<b>Revenue</b>	<b>28.9</b>	<b>19.1</b>	<b>51%</b>	<b>70.1</b>	<b>91.7</b>	<b>-24%</b>
Sleepy cod	0.1	0.5	-85%	0.1	0.7	-83%
Eels	1.1	2.1	-49%	1.4	7.1	-81%
Prawns	1.8	1.6	8%	4.1	3.6	15%
Lower value finfish	3.2	0.2	1338%	4.3	0.2	1858%
<b>Gross profit</b>	<b>6.1</b>	<b>4.5</b>	<b>35%</b>	<b>9.9</b>	<b>11.6</b>	<b>-15%</b>
Sleepy cod	18.2%	20.9%		18.2%	19.9%	
Eels	21.7%	34.5%		23.3%	34.0%	
Prawns	19.1%	17.2%		22.3%	17.1%	
Lower value finfish	22.1%	21.8%		9.5%	0.5%	
<b>Gross profit margin</b>	<b>21.0%</b>	<b>23.4%</b>		<b>14.1%</b>	<b>12.6%</b>	

Revenue from Aquaculture increased by 51% to USD 28.9M (19.1), with a harvest volume of 4 723 MT (1 202). Gross profit increased by 35% to USD 6.1M (4.5) equivalent to a margin of 21.0% (23.4%).

The strong growth is explained by the grow-out of carp finfish where grown carps are purchased for final grow-out in the Company's RAS tanks, reducing grow out time thereby increasing annual turnover. Final stage RAS grow-out dramatically improves the texture and flavor of the carp's meat compared to grow-out in dirt ponds, which taint the carp meat with an earthen taste. The Company expects to maintain or increase harvest volume for mixed finfish species throughout the year.

Harvest volumes are anticipated to grow from 2016 onward due primarily to the increase in production at the Zhongshan Aquaculture Megafarm, as well as ramp up of prawn farm 1's expansion completed in 2015 and commissioning of new RAS open dams at PF2.

### Note on the gross profit margin from Capital Award's sales of goods

The gross profit from sale of goods from only Fish Farm 1 is calculated in the manner typically provided consolidated operations; that is, revenue less cost of goods sold. Gross profit derived from all other fish and prawn farms' operations is based on a standard mark up of between 10 CNY and 25 CNY per kilogram. Once the acquisitions of these farms are completed, both the standard mark-up of Capital Award and the typical farm mark-up will be included.

Sales volume per product (Aquaculture)	Q2 '16	Q2 '15	6M '16	6M '15
<b>Sleepy cod (MT)</b>	<b>26</b>	<b>176</b>	<b>41</b>	<b>252</b>
ASP / kg (USD)	17.0	14.4	17.0	14.7
- Gross profit margin	18%	21%	18%	20%
<b>Giant mottled eel (MT)</b>	<b>222</b>	<b>291</b>	<b>265</b>	<b>924</b>
ASP / kg (USD)	21.9	20.8	22.4	22.6
- Gross profit margin	22%	35%	23%	34%
<b>Prawn (MT)</b>	<b>710</b>	<b>735</b>	<b>1 282</b>	<b>1 406</b>
ASP / kg (USD)	13.1	13.0	14.4	14.8
- Gross profit margin	19%	17%	22%	17%
<b>Lower-value finfish (MT)</b>	<b>3 765</b>	<b>-</b>	<b>5 026</b>	<b>-</b>
ASP / kg (USD)	3.8	-	4.0	-
- Gross profit margin	22%	n.a.	22%	n.a.
<b>TOTAL HARVEST VOLUME</b>	<b>4 723</b>	<b>1 202</b>	<b>6 614</b>	<b>2 582</b>

## Project Development

(USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Revenue	19.3	8.8	118%	32.4	35.0	-7%
Gross profit	5.9	2.1	176%	9.5	13.0	-27%
Gross profit margin	30.4%	24.1%		29.2%	37.3%	

Revenue from Project Development increased by 118% to USD 19.3M (8.8). The increase was primarily due to the increase of work in progress at Prawn Farm 3 of the Zhongshan Aquaculture Megafarm, providing over USD 16.5 million (or 86%) of the total service revenue of CA. Gross profit increased by 176% to USD 5.9M (2.1) equivalent to a margin of 30.4% (24.1%).

Efforts are underway to secure debt financing for working capital requirements for Triway (The Aquaculture Carve-out Project). The contemplated debt financing is anticipated to close within Q3 or early Q4, and if successful will accelerate both development and higher service revenues for Capital Award

Alternatively, if the contemplated debt financing cannot be secured, Triway will continue to organically develop operations through internally generated cash-flow, providing Capital Award with the current level of project development revenue until such time other funding sources become available. Further information on Carve-out exercises currently underway by the Company can be found under the heading, "Carve-out Exercise Projects," later in this report.

## Integrated Cattle Farm (SJAP) – Cattle operation

(USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Live cattle	6.0	15.3	-61%	8.7	32.3	-73%
Bulk livestock feed	1.7	1.4		3.3	3.5	-4%
Concentrated livestock feed	4.3	2.5	71%	8.1	6.8	18%
Fertilizer	0.8	0.6	37%	1.3	1.2	10%
<b>Revenue</b>	<b>12.8</b>	<b>19.8</b>	<b>-35%</b>	<b>21.4</b>	<b>43.8</b>	<b>-51%</b>
Live cattle	0.8	2.5	-69%	1.4	7.0	-80%
Bulk livestock feed	0.9	0.8	22%	1.8	1.8	1%
Concentrated livestock feed	1.9	1.0	90%	3.6	2.7	31%
Fertilizer	0.3	0.2	28%	0.4	0.4	-1%
<b>Gross profit</b>	<b>3.9</b>	<b>4.5</b>	<b>-14%</b>	<b>7.3</b>	<b>12.0</b>	<b>-39%</b>
Live cattle	13.0%	16.6%		16.2%	21.7%	
Bulk livestock feed	54.9%	53.1%		54.9%	51.7%	
Concentrated livestock feed	44.7%	40.2%		44.4%	40.0%	
Fertilizer	32.8%	35.2%		33.4%	37.0%	
<b>Gross profit margin</b>	<b>30.4%</b>	<b>22.8%</b>		<b>33.9%</b>	<b>27.3%</b>	

Revenue decreased 35% to USD 12.8M (19.8) because the Company decided to curtail sales of live cattle to 2 382 head in Q2 2016 versus 5 038 in Q2 2015 due to lower beef prices during the quarter. Gross profit decreased by 14% to USD 3.9M (4.5) equivalent to a margin of 30.4% (22.8%).

Live cattle market prices averaged CNY 28/kg, in Q2 2016, compared to CNY 31/kg in Q2 2015. SJAP's contracted cost with the cooperative farmers average CNY 25/kg for both periods. Average weight per cattle in Q2 2016 was 580 kg /head, which was lighter than the 650 kg /head average in Q2 2015. Of the 2 382 cattle sold in Q2, over 1 200 originated from SJAP's own farm, which were reared at a lower cost compared to the cattle purchased from the cooperative farmers in turn lifting the operating margin.

Based on economic fundamentals, we are anticipating a more stable and orderly environment to surface within the last quarter of 2016 and for cattle prices for 2016 to eventually average at a sufficient price to allow the local cattle industry to gradually get back on its feet and adapt to this changing commercial environment.

Thanks to integration into the value added processing in 2014/2015 SJAP has been able to capitalize on relaxed beef imports trade barriers, compared to many of SJAP's peers who are currently facing losses on their domestic cattle rearing. Hence in hindsight the Company's choice to integrate into processing, and focusing on moving aggressively into beef imports has enabled the company to sustain its position during an industry transition where many competitors have suffered badly.

Sales volume per product (SJAP live beef cattle)	Q2 '16	Q2 '15	6M '16	6M '15
<b>Reared head of Beef cattle (#)</b>	<b>2 382</b>	<b>5 038</b>	<b>3 233</b>	<b>10 070</b>
ASP per head (USD)	2 521	3 031	2 702	3 212
Gross profit margin	13%	17%	16%	22%

Sales revenue and gross profit of concentrated live stock feed increased by \$1.78 million (an increase of 71%) and \$0.9 million (an increase of 90%), respectively primarily due to the improved market recognition and acceptance of the products by regional farmers.

<b>Sales volume per product (SJAP Animal feed)</b>	<b>Q2 '16</b>	<b>Q2 '15</b>	<b>6M '16</b>	<b>6M '15</b>
<b>Bulk livestock feed (MT)</b>	<b>9 330</b>	<b>8 095</b>	<b>18 570</b>	<b>20 560</b>
ASP / MT (USD)	180	167	181	171
<i>Gross profit margin</i>	55%	53%	55%	52%
<b>Concentrated livestock feed (MT)</b>	<b>9 560</b>	<b>5 728</b>	<b>17 991</b>	<b>15 564</b>
ASP / MT (USD)	447	437	448	437
<i>Gross profit margin</i>	45%	40%	44%	40%
<b>Organic fertilizer (MT)</b>	<b>4 180</b>	<b>3 192</b>	<b>6 767</b>	<b>6 449</b>
ASP / MT (USD)	190	181	190	181
<i>Gross profit margin</i>	33%	35%	33%	37%

## Integrated Cattle Farm (SJAP) – Value added processing (VAP)

(USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Slaughter	-	0.3	-100%	-	0.5	-100%
VAP of local beef cattle	3.0	3.2	-6%	5.5	5.7	-4%
VAP of imported beef	22.9	13.3	73%	38.1	22.6	68%
<b>Revenue</b>	<b>25.9</b>	<b>16.7</b>	<b>55%</b>	<b>43.6</b>	<b>28.9</b>	<b>51%</b>
Slaughter	-	0.2	-100%	-	0.3	-100%
VAP of local beef cattle	0.7	0.6	20%	1.2	1.5	-23%
VAP of imported beef	5.9	3.7	59%	10.4	6.7	54%
<b>Gross profit</b>	<b>6.6</b>	<b>4.5</b>	<b>47%</b>	<b>11.5</b>	<b>8.5</b>	<b>36%</b>
Slaughter	n.a.	59.0%		n.a.	55.7%	
VAP of local beef cattle	22.5%	17.7%		20.9%	25.9%	
VAP of imported beef	25.9%	28.2%		27.2%	29.6%	
<b>Gross profit margin</b>	<b>25.5%</b>	<b>26.8%</b>		<b>26.4%</b>	<b>29.3%</b>	

SJAP's integration into VAP continues to bear fruit with VAP revenue growing 55% to USD 25.9M (16.7). Volume processed grew by 62% to a record 2 943 MT (1 882).

VAP gross profit grew 47% to USD 4.9M (4.0). Margin declined slightly to 25.5% (26.8%) due to slightly lower sales prices, however per kg costs was also reduced substantially during the quarter. ASP per kg processed beef decreased during the quarter due to the general decline in beef market prices.

The 358 MT of locally processed and packaged meats was "Halal" certified meat sold regionally. Whereas most of the imported meat consisted of various deboned higher priced cuts, a share was repackaged into into market ready vacuum packs for sale in major markets. We are expecting steady growth in this sector such that we are developing our marketing plans and directions accordingly, in particular expecting to use e-commerce channels for marketing and distribution going forward.

We did not slaughter any cattle this quarter due to the low price of locally produced meat. However, we are expecting to do so between later parts of Q3 and during Q4 to fulfill a number of orders of Hahal certified meat.

Sales volume per product (SJAP VAP)	Q2 '16	Q2 '15	6M '16	6M '15
<b>Packaged meat - local cattle (MT)</b>	<b>358</b>	<b>307</b>	<b>713</b>	<b>497</b>
ASP / kg (USD)	8.3	10.3	7.7	11.6
- Gross profit margin	23%	18%	21%	26%
<b>Packaged meat - imported beef (MT)</b>	<b>2 585</b>	<b>1 515</b>	<b>4 407</b>	<b>2 552</b>
ASP / kg (USD)	8.9	8.8	8.6	8.9
- Gross profit margin	26%	28%	21%	26%
<b>TOTAL VOLUME PROCESSED</b>	<b>2 943</b>	<b>1 822</b>	<b>5 120</b>	<b>3 049</b>

## Organic Fertilizer (HSA)

(USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Organic fertilizer	1.0	0.9	16%	2.0	1.7	19%
Organic mixed fertilizer	4.2	4.0	4%	9.3	7.4	25%
<b>Revenue</b>	<b>5.2</b>	<b>4.9</b>	<b>6%</b>	<b>11.3</b>	<b>9.1</b>	<b>23.8%</b>
Organic fertilizer	0.3	0.2	23%	0.4	0.4	-2%
Organic mixed fertilizer	1.8	1.9	-4%	3.8	3.4	9%
<b>Gross profit</b>	<b>2.0</b>	<b>2.1</b>	<b>-1%</b>	<b>4.2</b>	<b>3.9</b>	<b>8.1%</b>
Organic fertilizer	24.5%	23.1%		21.3%	25.8%	
Organic mixed fertilizer	43.0%	46.3%		40.4%	46.1%	
<b>Gross profit margin</b>	<b>39.4%</b>	<b>42.1%</b>		<b>37.1%</b>	<b>42.4%</b>	

Revenue from HSA increased by 6% to USD 5.2M (4.9). Gross profit decreased by 1% to USD 2.0M (2.1) equivalent to a margin of 39.4% (42.1%), due to a slight decrease in average sales price compared to Q2 2015.

Overall sales volume of fertilizer increased by 3,492 MT or 34% from 11,632 MT in Q2 2015 to 13,897 MT in Q2 2016 primarily due to HSA having increased the number of its customers steadily throughout the past months. Average sales price has fallen USD 48 / MT due to an increase in competition entering into the regional market.

HSA is planning to start stocking cattle from the end of Q3 2016 once harvest of cattle feed is completed during Q3 2016. In concert with this development, we anticipate a gradual improvement in fertilizer manufacturing gross profit margin due to cost savings within fertilizer raw material procurement, which is to be sourced from the cattle manure. It is anticipated that this production system will decrease fertilizer manufacturing costs by up to USD 2.5M per annum through recycling of the cattle waste.

In order to develop sufficient pasture property for raising cattle, HSA was required to level a hill to create over 80,000 m<sup>2</sup> of flat land. The cost to complete this has incurred higher outlays due to unforeseen infrastructure issues and environmental impact regulations. The Company is confident that the capital employed will be adequately compensated (ROCE) by virtue of increased land value since the property being developed will become eligible for industrial rezoning within the next 2 to 3 years. In addition, the cost savings realized through use of its farm produced raw material in fertilizer production will generate ongoing economic return

HSA's cattle and fertilizer operation will exhibit healthy returns once the operation reaches a viable scale in terms of volume and customer satisfaction, which is expected to occur by 2018.

Sales volumes per product (HSA)	Q2 '16	Q2 '15	6M '16	6M '15
<b>Organic fertilizer (MT)</b>	<b>3 907</b>	<b>3 266</b>	<b>7 733</b>	<b>6 077</b>
ASP / MT (USD)	262	270	247	266
Gross profit margin	25%	23%	21%	25%
<b>Organic mixed fertilizer (MT)</b>	<b>9 990</b>	<b>8 366</b>	<b>19 958</b>	<b>15 898</b>
ASP / MT (USD)	418	481	418	468
- Gross profit margin	43%	46%	43%	46%
<b>Total fertilizer volume</b>	<b>13 897</b>	<b>11 632</b>	<b>27 691</b>	<b>21 975</b>

## Cattle Farms (MEIJI)

(USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Sale of live cattle	7.1	9.5	-25%	11.9	17.8	-33%
<b>Revenue</b>	<b>7.1</b>	<b>9.5</b>	<b>-25%</b>	<b>11.9</b>	<b>17.8</b>	<b>-33%</b>
Sale of live cattle	0.40	0.36	10%	0.6	0.7	-6%
<b>Gross profit</b>	<b>0.40</b>	<b>0.36</b>	<b>10%</b>	<b>0.6</b>	<b>0.7</b>	<b>-6%</b>
Sale of live cattle	5.6%	3.8%		5.2%	3.7%	
<b>Gross profit margin</b>	<b>5.6%</b>	<b>3.8%</b>		<b>5.2%</b>	<b>3.7%</b>	

MEIJI experienced the same challenges as SJAP during the quarter with a decrease in revenue by 25% to USD 7.1M (9.5) explained by lower cattle prices. However, market prices of MEIJI's Yellow Cattle breed do not exhibit the same sensitivity to beef imports, since the imported beef origins from other, more common breeds. Compared to Q1, which experienced the lowest cattle prices recorded in the company's history, prices recovered by circa 5% to USD 1 671 /head of cattle in Q2.

Gross profit from the division increased by 10% to USD 0.40M (0.36) equivalent to a margin of 5.6% (3.8%).

As highlighted earlier in this quarterly report, cattle prices started falling from mid-year 2015 and hit a bottom in Q1 2016, instigated by the relaxed imports policies of China in its opening of the cattle / beef markets to eleven more countries. Current average wholesale price for MEIJI's Yellow Cattle breed fetches a circa 60% higher price point compared to the more common beef cattle breeds of Angus and Simmental due to limited market supply of Yellow Cattle China. As such, it is our estimation that the longer-term prospects for success is to transition the entire herd at MEIJI 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.

The Company's aim is to merge MEIJI (Cattle Farms 1 and 2) with HSA, where cattle is initially bred at MEIJI and later fattened at HSA's farming operation.

Sales volume per product (MEIJI)	Q2 '16	Q2 '15	6M '16	6M '15
<b>Head of beef cattle (#)</b>	<b>4 237</b>	<b>3 243</b>	<b>7 269</b>	<b>6 178</b>
ASP per head (USD)	1 671	2 929	1 637	2 880
- Gross profit margin	6%	4%	5%	4%

The lower ASP per head of cattle in Q2 2016 compared to Q2 2015 is partially caused by the Yellow Cattle breed being significantly smaller in size and live weight (average of 350 kg /head) compared to the more common beef cattle breeds such as Angus and Simmental that average over 600 kg /head which also were bred in 2015.

## HU Plantation (JHST)

(USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Fresh HU-flowers	0.5	0	8%	0.5	0.5	8%
Dried HU-flowers	2.1	2	-7%	2.1	2.2	-7%
Immortal vegetables	1.7	2	12%	1.7	1.5	12%
Vegetable products	1.3	-	n.a.	1.3	-	n.a.
<b>Revenue</b>	<b>5.5</b>	<b>4.2</b>	<b>31%</b>	<b>5.5</b>	<b>4.2</b>	<b>31%</b>
Fresh HU-flowers	0.3	0	-12%	0.3	0.3	-12%
Dried HU-flowers	1.4	2	-20%	1.4	1.7	-20%
Immortal vegetables	0.9	1	-11%	0.9	1.0	-11%
Vegetable products	0.3	-	n.a.	0.3	-	n.a.
<b>Gross profit</b>	<b>2.8</b>	<b>3.0</b>	<b>-7%</b>	<b>2.8</b>	<b>3.0</b>	<b>-7%</b>
Fresh HU-flowers	62.1%	76.4%		62.1%	76.4%	
Dried HU-flowers	66.0%	76.4%		66.0%	76.4%	
Immortal vegetables	52.9%	66.2%		52.9%	66.2%	
Vegetable products	23.0%	n.a.		23.0%	n.a.	
<b>Gross profit margin</b>	<b>51.8%</b>	<b>72.7%</b>		<b>51.8%</b>	<b>72.7%</b>	

Revenue from JHST increased by 31% to USD 5.5M (4.2). Gross profit decreased by 7% to USD 2.8M (3.0) equivalent to a margin of 51.8% (72.7%), due to a higher cost based in this quarter compared to Q2 2015.

The wet-season prohibited JHST the opportunity to buy from other regional growers and to produce more flowers from its own farm for drying. However, it did sell more other fresh vegetable products (cash crops), providing additional revenue and gross profit of USD 1.3 million and 0.3 million, respectively.

The weather conditions this year is similar to 2015 and has not improved during the months of July and early August, such that the Company expects JHST's performance in 2016 will be in line with that of 2015.

Sales volume per product (JHST)	Q2 '16	Q2 '15	6M '16	6M '15
<b>Fresh HU flowers (million pieces)</b>	<b>2.9</b>	<b>2.5</b>	<b>2.9</b>	<b>2.5</b>
ASP / MT (USD)	0.17	0.18	0.17	0.18
- Gross profit margin	65%	78%	65%	78%
<b>Dried HU flowers (MT)</b>	<b>138</b>	<b>152</b>	<b>138</b>	<b>152</b>
ASP / MT (USD)	14 872	14 588	14 872	14 588
- Gross profit margin	66%	76%	66%	76%
<b>Immortal vegetables (MT)</b>	<b>23</b>	<b>17</b>	<b>23</b>	<b>17</b>
ASP / MT (USD)	73 993	89 612	73 993	89 612
- Gross profit margin	53%	66%	53%	66%

## SIAF Corporate (Import / Export)

(USD M)	Q2 '16	Q2 '15	%	6M '16	6M '15	%
Seafood	5.2	3.4	53%	6.7	9.7	-30%
Beef & mutton	14.4	4.3	233%	19.3	7.8	149%
<b>Revenue</b>	<b>19.7</b>	<b>7.8</b>	<b>153%</b>	<b>26.1</b>	<b>17.4</b>	<b>49%</b>
Seafood	0.7	0.4	72%	0.8	1.1	-24%
Beef & mutton	1.6	0.5	233%	2.4	1.4	70%
<b>Gross profit</b>	<b>2.3</b>	<b>0.9</b>	<b>162%</b>	<b>3.2</b>	<b>2.5</b>	<b>29%</b>
Seafood	12.5%	11.1%		12.2%	11.1%	
Beef & mutton	11.1%	11.1%		12.3%	18.0%	
<b>Gross profit margin</b>	<b>11.5%</b>	<b>11.1%</b>		<b>12.3%</b>	<b>14.2%</b>	

Revenue from Import / Export increased by 153% to USD 19.7M (7.8). Gross profit increased by 162% to USD 2.3M (0.9) equivalent to a margin of 11.5% (11.1%).

The increase was primarily due to:

- (i) Imported seafood sales growth of 53% to USD 5.2M due to more crayfish and other higher value seafood being imported and sold at higher ASP
- (ii) Imported beef sales growth of 233% to USD 14.4M due to the Trade Finance facility being established for the Shanghai Distribution Centre ("SDC") allowing more beef meats being imported and sold by the SDC.

The Company remains optimistic that the pressure of imported meats on local cattle pricing appears to be easing. An environment of steadily rising prices would also permit an increase in local beef production. This effect is reinforced by the recent appreciation of the CNYUSD exchange rate, making local beef relatively cheaper.

The SDC will continue focusing on its high-grade beef imports marketing program as an exclusive reseller of some of Australia's more prominent Wagyu and grain-fed Angus suppliers.

Traded volume per product (SIAF)	Q2 '16	Q2 '15	6M '16	6M '15
<b>Mixed seafood (MT)</b>	<b>192</b>	<b>186</b>	<b>272</b>	<b>578</b>
ASP / kg (USD)	27 260	18 381	24 715	16 726
Gross profit margin	12%	11%	12%	11%
<b>Beef &amp; lamb (MT)</b>	<b>1 326</b>	<b>304</b>	<b>2 296</b>	<b>702</b>
ASP / kg (USD)	10 883	14 277	8 427	11 081
Gross profit margin	11%	11%	12%	18%

## **Carve-out exercise progress update**

### **Aquaculture**

The Company continues to work closely with one of the largest banks in Southeast Asia on securing debt financing and assistance in underwriting an IPO for the Triway Carve-out exercise, for purposes of acquiring farm assets and rights to Fish Farm 1, Prawn Farm 1, 2 and 3, in addition to the development and acquisition of assets and rights associated with Prawn Farm 4 and subsequent related future farm developments. The process includes completing all credit related documentation and due diligence, as well as establishing a pre-IPO plan necessary to begin attracting private placement investments in addition to the debt financing exercise.

The Company has been working diligently on these matters anticipating closing of the bank loan sometime within the latter part of Q3 or early Q4 2016. The process of preparing for an IPO require additional time when compared to strictly seeking debt financing, yet a combined effort of the two works in both the Company's and bank's favor toward securing the proceeds necessary to bring the carve-out to fruition.

As mentioned earlier in this report, additional loan proceeds will accelerate both development and higher service revenues for Capital Award. Alternatively, if the contemplated bank debt financing is not entered into, Triway will continue to develop organically via internally generated cash-flow, providing Capital Award with the current level of project development revenue until such time other funding sources become available.

### **Beef and Cattle (SJAP)**

The Company is working on the Carve-out exercise and a listing on the Chinese National Exchange and Quotation Board ("NEEQ") for SJAP with well-regarded domestic security firms, a CPA firm, and a Chinese legal advisor with the following targets in mind:

- (i) Completing the acquisition of a Xining based cattle and beef company that has a strong and experienced team in value added processing that will benefit SJAP by saving much time and cost in development of its human resources needed for SJAP's further expansion in value added processing
- (ii) Incorporating internal controls, undertaking an internal audit, and completing other related financial matters in accordance with the Security Commission of China and the China Accounting Standards Board, on or before end of October 2016.
- (iii) Completing company restructuring of SJAP into a share capital company, including arrangements that will allow participation of foreign shareholders, etc. before end of November 2016. Completing related legal and offering documentation workstreams, etc. within the month of December 2016 for submission to NEEQ within Q1 2017.

On a best effort basis, the Company is optimistic with regards to achievement of the above and is dedicating all necessary resources toward achieving said targets within the set timeframe.

### **Additional financial information**

Additional financial information and notes to the financial statements is available in the Company's 10-Q report, available on the Company's website.

## **Definitions and SEC filings**

Please refer to our Form 10-K for definitions of terms used in this report. Filings with the SEC of Sino Agro Food's annual report to stockholders, annual report on Form 10-K, quarterly reports on Form 10-Q, proxy statements, management certifications, press releases, current reports on Form 8-K and other documents are available at the SEC's website [www.sec.gov](http://www.sec.gov) and at Sino Agro Food's corporate website.

## **Accounting policies**

Sino Agro Food prepares its financial statements in accordance with the Generally Accepted Accounting Principles (US-GAAP) as adopted by the Financial Accounting Standards Board.

## **Safe Harbor Statement**

This report contains statements that are not historical facts but rather forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that address activities, events or developments that Sino Agro Food, Inc. or its management believes or anticipates may occur in the future. All forward-looking statements, including without limitation, management's examination of historical operating trends and data, as well as estimates of future sales, operating margin, cash flow, effective tax rate or other future operating performance or financial results, are based upon our current expectations, various assumptions and data available from third parties. Our expectations and assumptions are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that such forward-looking statements will materialize or prove to be correct as forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors which may cause actual future results, performance or achievements to differ materially from the future results, performance or achievements expressed in or implied by such forward-looking statements. Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation, changes in global light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier, changes in general industry and market conditions, changes in and the successful execution of our capacity alignment, restructuring and cost reduction initiatives discussed herein and the market reaction thereto; loss of business from increased competition; higher raw material, fuel and energy costs; changes in consumer and customer preferences for end products; customer losses; changes in regulatory conditions; customer bankruptcies or divestiture of customer brands; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; component shortages; market acceptance of our new products; costs or difficulties related to the integration of any new or acquired businesses and technologies; continued uncertainty in pricing negotiations with customers, our ability to be awarded new business; product liability, warranty and recall claims and other litigation and customer reactions thereto; higher expenses for our pension and other postretirement benefits; work stoppages or other labor issues; possible adverse results of pending or future litigation or infringement claims; negative impacts of antitrust investigations or other governmental investigations and associated litigation (including securities litigation) relating to the conduct of our business; tax assessments by governmental authorities and changes in our effective tax rate; dependence on key personnel; legislative or regulatory changes limiting our business; political conditions; dependence on and relationships with customers and suppliers; and other risks and uncertainties identified under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Reports and Quarterly Reports on Forms 10-K and 10-Q and any amendments thereto. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events. For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to update any such statement.

## Key figures

USD M (except for share data)	Q2 2016	Q2 2015	%	6M 2016	6M 2015	%
<b><u>Earnings</u></b>						
Revenue	124.3	90.9	37%	196.2	206.3	-5%
Gross profit	30.0	21.9	37%	48.8	57.5	-15%
EBITDA	27.4	17.9	53%	38.4	44.9	-14%
Net income attributable to SIAF	18.8	9.3	102%	27.4	33.1	-17%
<b><u>Share data</u></b>						
Earnings per share (USD) – basic	0.90	0.51	76%	1.34	1.87	-28%
Earnings per share (USD) – fully diluted	0.82	0.51	61%	1.34	1.87	-28%
Weighted average number of shares (million)	20.8	18.1	15%	20.5	17.7	16%
Diluted weighted average number of shares (millions)	23.6	18.1	30%	20.5	17.7	16%
<b><u>Cash flow</u></b>						
Net cash provided by operating activities	23.1	18.3	26%	37.9	46	-17%
Net cash used in investing activities	-15.4	-16.9	-9%	-35.2	-37.2	-5%
Net cash provided by (used in) financing activities	-7.7	-3.2	145%	-8.2	-3.2	159%
<b><u>Financial position*</u></b>						
Total assets	683.8	656.8	4%			
Total liabilities	70.0	72.6	-4%			
Total stockholder's equity	613.8	584.2	5%			
Net debt	31.3	39.4	-21%			
Capital employed	645.0	623.7	3%			
<b><u>Ratios</u></b>						
Gross margin (%)	24.1%	24.1%		24.9%	27.9%	
EBITDA margin (%)	22.0%	19.7%		19.6%	21.7%	
Return on capital employed (%)	16.4%	10.7%		12.8%	15.3%	
Total equity ratio (%)	89.8%	88.9%				

\*Closing balance for relevant period

## Consolidated income statement

(USD M)	Q2 2016	Q2 2015	6M 2016	6M 2015
Sale of goods	105.0	82.0	163.8	167.6
Consulting and service income from development contracts	18.9	8.3	31.7	37.7
Commission and management fee	0.3	0.5	0.7	1.0
<b>Total revenue</b>	<b>124.3</b>	<b>90.9</b>	<b>196.2</b>	<b>206.3</b>
Sale of goods	-80.9	-62.2	-124.4	-125.5
Consulting and service income from development contracts	-13.4	-6.7	-22.9	-23.3
Commission and management fee	-	-	-	-
<b>Cost of goods sold and services</b>	<b>-94.3</b>	<b>-68.9</b>	<b>-147.4</b>	<b>-148.8</b>
Sale of goods	24.1	19.8	39.3	42.1
Consulting and service income from development contracts	5.5	1.6	8.7	14.4
Commission and management fee	0.3	0.5	0.7	1.0
<b>Total gross profit</b>	<b>30.0</b>	<b>21.9</b>	<b>48.8</b>	<b>57.5</b>
General and administrative expenses	-3.6	-5.4	-8.1	-10.0
<b>Net income from operations</b>	<b>26.4</b>	<b>16.5</b>	<b>40.7</b>	<b>47.6</b>
				-5.0%
Government grant	-	0.1	0.3	0.1
Other income	0.1	0.1	0.2	0.2
Gain of extinguishment of debts	-	-	-	-
Interest expense	-1.0	-1.3	-2.1	-2.1
<b>Net income (expenses) before income taxes</b>	<b>25.5</b>	<b>15.4</b>	<b>39.1</b>	<b>45.7</b>
Provision for income taxes	-	-	-	-
<b>Net income</b>	<b>25.5</b>	<b>15.4</b>	<b>39.1</b>	<b>45.7</b>
Less: Net (income) loss attributable to the NCI	-6.7	-6.1	-11.6	-12.7
<b>Net income attributable to SIAF</b>	<b>18.8</b>	<b>9.3</b>	<b>27.4</b>	<b>33.1</b>
Foreign currency translation gain (loss)	-4.0	0.8	-3.2	0.8
Less: other comprehensive income attributable to the NCI	0.9	-0.2	0.7	-0.1
<b>Comprehensive income attributable to SIAF</b>	<b>15.7</b>	<b>10.0</b>	<b>25.0</b>	<b>33.7</b>
<b>Earnings per share attributable to SIAF:</b>				
Basic (USD per share)	0.90	0.51	1.34	1.87
Diluted (USD per share)	0.82	0.51	1.24	1.87
<b>Weighted average number of shares outstanding:</b>				
Basic (in million shares)	20.8	18.1	20.4	17.7
Diluted (in million shares)	23.6	18.1	23.3	17.7

## Consolidated balance sheet

(USD M)	June 30, 2016	March 31, 2016
Cash and cash equivalents	3.3	2.6
Inventories	65.7	62.2
Costs and estimated earnings in excess of billings on uncompleted contracts	1.3	1.3
Deposits and prepayments	95.5	96.0
Accounts receivable, net of allowance for doubtful accounts	128.6	125.1
Other receivables	73.4	62.8
<b>Total current assets</b>	<b>367.8</b>	<b>350.1</b>
Plant and equipment, net of accumulated depreciation	107.2	106.1
Construction in progress	99.0	89.1
Land use rights, net of accumulated amortization	56.6	58.3
<b>Total plant and equipment</b>	<b>262.8</b>	<b>253.5</b>
Goodwill	0.7	0.7
Proprietary technologies, net of accumulated amortization	10.4	10.6
Long term investment	0.9	0.8
Temporary deposits paid to entities for investments in SFJV companies	41.1	41.1
<b>Total other assets</b>	<b>53.2</b>	<b>53.3</b>
<b>TOTAL ASSETS</b>	<b>683.8</b>	<b>656.8</b>
Accounts payable and accrued expenses	15.2	8.4
Billings in excess of costs and estimated earnings on uncompleted contracts	7.7	9.1
Due to a director	0.7	0.6
Series F Non-convertible preferred stock redemption payable	-	-
Other payables	6.9	7.6
Borrowings - Short term bank debts	4.4	4.2
Negotiable promissory note	0.9	0.9
Bonds payable	-	-
<b>Current liabilities</b>	<b>35.9</b>	<b>30.9</b>
Other payables	4.8	4.8
Borrowings - Long term debts	1.0	1.4
Convertible notes payables	28.3	35.6
<b>Non-current liabilities</b>	<b>34.1</b>	<b>41.7</b>
<b>TOTAL LIABILITIES</b>	<b>70.0</b>	<b>72.6</b>
Common stock: \$0.001 par value	0.0	0.0
Additional paid - in capital	150.8	142.9
Retained earnings	367.0	348.2
Accumulated other comprehensive income	-1.0	2.1
Treasury stock	-1.3	-1.3
<b>Total SIAF stockholders' equity</b>	<b>515.6</b>	<b>492.0</b>
Non - controlling interest	98.2	92.3
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>613.8</b>	<b>584.2</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>683.8</b>	<b>656.8</b>

## Consolidated statement of cash flows

(USD M)	Q2 2016	Q2 2015	6M 2016	6M 2015
Net income for the period	25.5	15.4	39.1	45.7
<b>Adjustments to reconcile net income from operations to net cash from operations:</b>				
Depreciation	1.0	0.8	2.3	1.6
Amortization	0.4	0.6	1.0	1.1
Common stock issued for services	0.2	1.1	0.4	1.8
Gain on extinguishment of debts	-	-	-	-
Other amortized cost	1.2	0.8	2.1	1.6
<b>Cash flow from operating activities before change in wc</b>	<b>28.3</b>	<b>18.7</b>	<b>44.8</b>	<b>51.8</b>
Change in inventories	-3.5	-0.9	-2.8	-4.2
Change in costs and estimated earnings in excess of billings on uncompleted contracts	-	-	-	-1.3
Change in deposits and prepaid expenses	7.3	-2.3	-5.1	-2.9
Change in due to a director	0.1	12.0	0.5	18.3
Change in accounts payable and accrued expenses	7.1	-3.5	5.9	-2.5
Change in other payables	-0.7	3.5	2.1	7.7
Change in accounts receivable	-3.4	-2.7	7.1	-1.9
Change in billings in excess of costs and estimated earnings on uncompleted contracts	-1.4	0.6	-1.0	-3.4
Change in other receivables	-10.5	-7.1	-13.6	-15.7
<b>Change in working capital</b>	<b>-5.1</b>	<b>-0.4</b>	<b>-6.9</b>	<b>-6.0</b>
<b>Cash flow from operating activities</b>	<b>23.1</b>	<b>18.3</b>	<b>37.9</b>	<b>45.8</b>
Purchases of property and equipment	-2.2	-2.5	-6.0	-3.9
Investment in unconsolidated equity investee	-0.2	-	-0.2	-
Payment for construction in progress	-13.1	-14.4	-29.0	-33.3
<b>Net cash used in investing activities</b>	<b>-15.4</b>	<b>-16.9</b>	<b>-35.2</b>	<b>-37.2</b>
Proceeds from short term bank debt	-	-	-	-
Repayment of short term bank debt	-	-	-	-
Series F Non-convertible preferred stock redemption	-	-3.1	-	-3.1
Proceeds from convertible note payable	-	-	-	-
Repayment of convertible note payable	-	-	-	-
Convertible note payable repaid through director's account	-7.7	-	-7.7	-
Bond payable (repaid)/raised	-	-	-	-
Proceeds from negotiable promissory notes	-0.5	-	-0.5	-
Repayment of long term debts	0.4	-	-	-
Proceeds from long term debts	-	-	-	-
Payment for cancellation of piecemeal shares	-	-0.0	-	-0.0
Capital contribution from non-controlling interest	-	-	-	-
<b>Net cash (used in) provided by financing activities</b>	<b>-7.7</b>	<b>-3.2</b>	<b>-8.2</b>	<b>-3.2</b>
Effects on exchange rate changes on cash	0.8	-0.0	1.7	0.6
<b>Increase in cash and cash equivalents</b>	<b>0.7</b>	<b>-1.8</b>	<b>-3.9</b>	<b>6.1</b>
Cash and cash equivalents, beginning of period	2.6	10.9	7.2	3.0
Cash and cash equivalents, end of period	3.3	9.2	3.3	9.2

## Consolidated statement of cash flows - breakdown per segment

6M 2016 (USD M)	CA + TRW	SJAP	HSA	MEIJI	HU-plant	SIAF	Eliminations	Group
Net income for the period	18.0	17.8	2.5	1.3	1.5	-2.0		39.1
<b>Reconciliation of net income to net cash from ops.</b>								
Depreciation	0.3	1.0	0.5	0.2	0.3	-		2.3
Amortization	0.2	-	0.4	0.1	0.2	-		1.0
Common stock issued for services						0.4		0.4
Gain on extinguishment of debts								-
Other amortized cost						2.1		2.1
<b>Cash flow from op. activities before change</b>	<b>18.5</b>	<b>18.8</b>	<b>3.4</b>	<b>1.5</b>	<b>2.1</b>	<b>0.5</b>	<b>-</b>	<b>44.8</b>
Change in inventories	-4.7	-2.8	-0.0	0.3	0.1	4.3		-2.8
Change in costs and estimated earnings in excess of billings on uncompleted contacts								-
Change in deposits and prepaid expenses	-1.5	2.0	0.8	-2.2	-2.8	-8.0	6.6	-5.1
Change in due to a director						0.5		0.5
Change in accounts payable and accrued exp	5.0	1.5	-2.6	-	-	2.0		5.9
Change in other payables	-0.0	-0.5	-	-	-	2.6		2.1
Change in accounts receivable	-4.9	1.0	2.0	3.0	6.6	-0.6		7.1
Increase (decrease) in billings in excess of cr	-1.0							-1.0
Change in other receivables	-6.3	-2.7	-0.4	-	-0.1	-4.2		-13.6
<b>Change in working capital</b>	<b>-13.4</b>	<b>-1.4</b>	<b>-0.2</b>	<b>1.1</b>	<b>3.8</b>	<b>-3.3</b>	<b>6.6</b>	<b>-6.9</b>
<b>Net cash provided by operating activities</b>	<b>5.1</b>	<b>17.4</b>	<b>3.2</b>	<b>2.6</b>	<b>5.8</b>	<b>-2.8</b>	<b>6.6</b>	<b>37.9</b>
Purchases of plant and equipment		-6.0						-6.0
Investment in unconsolidated equity investee		-0.2						-0.2
Payment for construction in progress	-3.1	-13.5	-6.5	-	-	-3.1	-2.8	-29.0
<b>Net cash used in investing activities</b>	<b>-3.1</b>	<b>-19.7</b>	<b>-6.5</b>	<b>-</b>	<b>-</b>	<b>-3.1</b>	<b>-2.8</b>	<b>-35.2</b>
Convertible note payable repaid through director account						-6.6	-1.1	-7.7
Long term debts repaid		-0.5					0.0	-0.5
Short term debts repaid								-
<b>Net cash from financing activities</b>	<b>-</b>	<b>-0.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-6.6</b>	<b>-1.0</b>	<b>-8.2</b>
Effects on exchange rate changes on cash	-	1.3	-1.3	-	-	-	1.7	1.7
<b>Change in cash and cash equivalents</b>	<b>2.0</b>	<b>-1.5</b>	<b>-4.6</b>	<b>2.6</b>	<b>5.8</b>	<b>-12.5</b>	<b>4.3</b>	<b>-3.9</b>
Cash and cash equivalents, beginning of period	4.7	2.1	0.0	0.0	0.0	0.4		7.2
Cash and cash equivalents, end of period	0.4	0.5	0.3	0.2	0.9	1.1		3.3

6M 2016 (USD M)	CA & TRW	SJAP	HSA	MEIJI Plantation	SIAF	Eliminations	Group	
OP CF before change in NWC	18.5	18.8	3.4	1.5	2.1	0.5	-	44.8
Change in working capital	-13.4	-1.4	-0.2	1.1	3.8	-3.3	6.6	-6.9
<b>Net cash provided by operating activities</b>	<b>5.1</b>	<b>17.4</b>	<b>3.2</b>	<b>2.6</b>	<b>5.8</b>	<b>-2.8</b>	<b>6.6</b>	<b>37.9</b>
Net cash used in investing activities	-3.1	-19.7	-6.5	-	-	-3.1	-2.8	-35.2
<b>Cash flow before financing</b>	<b>2.0</b>	<b>-2.3</b>	<b>-3.3</b>	<b>2.6</b>	<b>5.8</b>	<b>-5.9</b>	<b>3.7</b>	<b>2.6</b>
Net cash from financing activities	-	-0.5	-	-	-	-6.6	-1.0	-8.2
Effects on exchange rate changes on cash	-	1.3	-1.3	-	-	-	1.7	1.7
<b>Change in cash and cash equivalents</b>	<b>2.0</b>	<b>-1.5</b>	<b>-4.6</b>	<b>2.6</b>	<b>5.8</b>	<b>-12.5</b>	<b>4.3</b>	<b>-3.9</b>
Cash conversion	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	85%

## Multi-year summary

USD million (except for share data)	2015	2014	2013	2012	2011
<b><u>Earnings</u></b>					
Revenue	429.1	404.3	261.4	138.6	51.9
Gross profit	111.2	129.3	101.5	69.8	24.9
EBITDA	97.3	119.6	98.3	63.8	21.1
Net income attributable to SIAF	65.3	92.1	74.2	57.5	15.7
<b><u>Share data</u></b>					
Earnings per share (USD) – basic	3.63	5.81	6.14	6.93	1.87
Earnings per share (USD) – fully diluted	3.59	5.56	5.76	6.24	1.87
Weighted average number of shares (million)	18.0	15.8	12.1	8.3	6.1
Diluted weighted average number of shares (millions)	18.3	16.6	12.9	9.3	6.8
<b><u>Cash flow</u></b>					
Net cash provided by operating activities	44.6	22.0	84.2	44.4	4.6
Net cash used in investing activities	-54.1	-31.5	-93.3	-44.4	-5.4
Net cash provided by (used in) financing activities	8.9	9.9	0.9	6.9	-0.6
<b><u>Financial position*</u></b>					
Total assets	639.5	532.7	367.5	243.1	151.8
Total liabilities	70.6	70.5	35.9	26.0	16.4
Total shareholders equity	568.9	462.2	331.6	217.1	135.4
Net debt (cash)	39.0	24.2	7.8	-4.1	-1.2
Capital employed	607.9	486.4	339.4	213.0	134.2
<b><u>Ratios</u></b>					
Gross margin (%)	25.9%	32.0%	38.8%	50.4%	48.0%
EBITDA margin (%)	22.7%	29.6%	37.6%	46.0%	40.7%
Return on capital employed (%)	15.8%	23.7%	26.9%	33.1%	13.3%
Total equity ratio (%)	89.0%	86.8%	90.2%	89.3%	89.2%

\*Closing balance for relevant period

## RECONCILIATION OF NON-U.S. GAAP MEASURES TO U.S. GAAP

In this report we sometimes refer to non-U.S. GAAP measures that we and securities analysts use in measuring Sino Agro Food's performance. We believe that these measures assist investors and management in analyzing trends in the Company's business for the reasons given below. Investors should not consider these non-U.S. GAAP measures as substitutes, but rather as additions, to financial reporting measures prepared in accordance with U.S. GAAP. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies.

### Use of non-U.S. GAAP financial information

Sino Agro Food's ("SIAF") financial information includes information prepared in conformity with U.S. Generally Accepted Accounting Principles (US GAAP) as well as non-U.S. GAAP information. It is management's intent to provide non-U.S. GAAP financial information to enhance understanding of our consolidated financial information as prepared in accordance with U.S. GAAP. This non-U.S. GAAP information should be considered by the reader in addition to, but not instead of, the financial reporting measures prepared in accordance with U.S. GAAP. The non-U.S. GAAP financial information presented may be determined or calculated differently by other companies.

### Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA is a non-U.S. GAAP measurement. Management uses EBITDA because it believes that such measurements are widely accepted financial indicators used by investors and analysts to analyze and compare companies on the basis of operating performance and that these measurements may be used by investors to make informed investment decisions.

(USD M)	Q2 2016	Q2 2015	6M 2016	6M 2015
Net income from operations	26.4	16.5	40.7	47.6
Depreciation and Amortization	1.0	1.4	-2.3	-2.7
<b>EBITDA (Non-U.S. GAAP Measure)</b>	<b>27.4</b>	<b>17.9</b>	<b>38.4</b>	<b>44.9</b>

### Return on Capital Employed ("ROCE")

SIAF believes Return on Capital Employed (ROCE) is a good indicator of long-term company and management performance, both absolute and relative to SIAF's primary peer group. ROCE is a measure of the profitability of SIAF's capital employed in its business compared with that of its peers. SIAF calculates ROCE as a ratio, the numerator of which is Net income plus Interest expense, and the denominator of which is average Total stockholder's equity plus total interest bearing liabilities.

(USD M)	Q2 2016	Q2 2015	6M 2016	6M 2015
<b>Numerator</b>				
Net income	25.5	15.4	39.1	45.7
Interest Expense	1.0	1.3	2.1	2.1
<b>ROCE Earnings (Non-U.S. GAAP Measure)</b>	<b>26.5</b>	<b>16.7</b>	<b>41.2</b>	<b>47.9</b>
<b>Denominator</b>				
<b>Capital employed* (Non-U.S. GAAP Measure)</b>	<b>645</b>	<b>624</b>	<b>645</b>	<b>624</b>
<b>ROCE (Non-U.S. GAAP Measure)</b>	<b>16.4%</b>	<b>10.7%</b>	<b>12.8%</b>	<b>15.3%</b>

\*Closing balance of Total stockholder's equity and Net Debt

**Net Debt**

Management uses Net Debt, along with other factors, to evaluate SIAF's financial condition. Management believe that Net Debt is an appropriate supplemental measure of financial condition and may be useful to investors because it provides a more complete understanding of our financial condition before the impact of our decisions regarding the appropriate use of cash and liquid investments.

Net Debt include the aggregate interest bearing debt obligations in SIAF's consolidated balance sheet, less the balance sheet line item Cash and cash equivalents.

(USD M)	June 30, 2016	March 31, 2016	
Borrowings - Short term bank debts	4.4	4.2	
Negotiable promissory note	0.9	0.9	
Borrowings - Long term debts	1.0	1.4	
Convertible notes payables	28.3	35.6	
Cash and cash equivalents	-3.3	-2.6	
<b>Net Debt (Non-U.S. GAAP Measure)</b>	<b>31.3</b>	<b>39.4</b>	

## **This is Sino Agro Food**

Sino Agro Food develops and operates protein food production facilities in the People's Republic of China. The Company produces, distributes, markets, and sells sustainable seafood and beef to the rapidly growing middle class in China. Activities also include production of organic fertilizer and produce. The Company is a global leader in developing land based recirculating aquaculture systems ("RAS"), and with its partners is the world's largest producer of sustainable RAS prawns.

Founded in 2006 and headquartered in Guangzhou, the Company had over 550 employees and a revenue of over USD 425M. Operations are located in the provinces of Guangdong, Qinghai, Hunan, and Shanghai. Sino Agro Food is a public company listed on OTCQX U.S. Premier in the United States and on the Oslo Børs' Merkur Market in Norway.

### **Aquaculture (CA and Tri-Way)**

Aquaculture refers to the operations of Capital Award Inc. (CA) and Tri-way (holding company of Fish Farm 1) covering its engineering, technology and consulting service management of fishery farms and seafood sales operations and marketing. CA generates revenue as the sole marketing, sales and distribution agent of the fishery farms (covering both of the fish, prawns and eel farms) developed by CA itself in China. Also, it generates sales to and derived from the unincorporated companies EBAPCD and ZSAPP (Prawn Farm 1 & Prawn farm 2). In addition, CA sells Engineering and Technology Services via Consulting and Service Contracts for the development, construction, and supply of plant and equipment, and management of fishery (and prawn or shrimp) farms and related business operations, including the Zhongshan New Prawn Project ("ZSNP").

### **Integrated Cattle (SJAP)**

Integrated Cattle Farm refers to the operation of SJAP in manufacturing and sales of Organic Fertilizer, bulk livestock feed, concentrated livestock feed, and the sales of live cattle inclusive of:

- (b). Cattle that are not being slaughtered in our own slaughterhouse operated by Qinghai Zhong He Meat Products Co., Limited ("QZH". These are sold live to third party livestock wholesalers.
- (a). Cattle that are sold to QZH and slaughtered, deboned and packed by QZH. The sales of deboned and packed meats by QZH are sold to various meat distributors, wholesalers and super market chains and our own retail butcher stores

### **Organic Fertilizer (HSA)**

Hunan Shenghua A Power Agriculture Co. Ltd. ("HSA") manufactures and sells Organic Fertilizer.

### **Cattle Farms (MEIJI)**

Cattle Farm refers to the operations of Cattle Farm (1) under Jiangmen City Hang Mei Cattle Farm Development Co. Ltd ("JHMC"). Cattle are sold live to third party livestock wholesalers who in turn 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 (i.e., Cattle Farm 2) or related projects.

### **HU Plantation (JHST)**

Plantation refers to the operations of Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd. ("JHST") The HU Plantation business grows, harvests and sells dragon fruit flowers (dried and fresh) and immortal vegetables to wholesale and retail markets JHST's financial statements are consolidated into the financial statements of Macau EIJI Company Ltd. ("MEIJI") as one entity.

### **SIAF Corporate / Seafood & Meat Trading**

SIAF Corporate / Seafood & Meat Trading 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 are not limited to corporate affairs.



## **For further information**

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