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## **FORM 10-Q**

**Sino Agro Food, Inc. - N/A**

**Filed: May 15, 2017 (period: March 31, 2017)**

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, 2017

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)

**33-1219070**

(I.R.S. Employer Identification Number)

**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)

**510610**

(Zip Code)

**(860) 20 22057860**

(Registrant's Telephone Number, Including Area Code)

Copies to:

Sichenzia Ross Friedman Ference LLP

61 Broadway, 32<sup>nd</sup> Floor

New York, NY10006

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

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 15, 2017, there were 23,994,199 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, 2017  
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#### INDEPENDENT ACCOUNTANT'S REPORT

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

We have reviewed the consolidated balance sheets of Sino Agro Food, Inc. and subsidiaries as of March 31, 2017 and December 31, 2016, the related consolidated statements of income and other comprehensive income for the three-months periods ended March 31, 2017 and 2016, and cash flows for the three-months periods ended March 31, 2017 and 2016. 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 David Yeung Hong Kong

Hong Kong  
May 10, 2017

**SINO AGRO FOOD, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	Note	March 31, 2017	December 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	\$ 3,989,283	\$ 2,576,058
Inventories	8	67,928,267	62,592,272
Costs and estimated earnings in excess of billings on uncompleted contracts	22	1,249,187	740,984
Deposits and prepayments	9	84,709,075	84,845,966
Accounts receivable, net of allowance for doubtful accounts	10	123,135,937	122,912,086
Other receivables	11	55,751,034	47,120,800
<b>Total current assets</b>		<u>336,762,783</u>	<u>320,788,166</u>
<b>Plant and equipment</b>			
Plant and equipment, net of accumulated depreciation	12	193,327,154	189,727,227
Construction in progress	14	41,401,722	35,157,213
Land use rights, net of accumulated amortization	15	53,522,619	53,673,690
<b>Total plant and equipment</b>		<u>288,251,495</u>	<u>278,558,130</u>
<b>Other assets</b>			
Goodwill	16	724,940	724,940
Proprietary technologies, net of accumulated amortization	17	9,955,098	10,090,697
Interests in unconsolidated equity investees	18	141,893,092	139,133,443
Long term investments	19	724,743	720,773
Temporary deposits paid to entities for investments in Sino joint venture companies	20	15,644,998	15,644,998
<b>Total other assets</b>		<u>168,942,871</u>	<u>166,314,851</u>
<b>Total assets</b>		<u>\$ 793,957,149</u>	<u>\$ 765,661,147</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses		\$ 11,576,310	\$ 8,789,324
Billings in excess of costs and estimated earnings on uncompleted contracts	22	5,623,401	2,630,752
Due to a director		2,750,779	2,070,390
Other payables	23	10,557,271	5,962,092
Borrowings - Short term bank loan	24	2,898,971	2,883,090
Negotiable promissory notes	25	1,190,801	1,113,140
Income tax payable		1,130	1,130
		<u>34,598,663</u>	<u>23,449,918</u>
<b>Non-current liabilities</b>			
Other payables	23	15,989,449	11,192,117
Borrowings - Long term bank loan	24	5,797,942	5,766,182
Convertible note payables	26	21,676,838	21,314,877
		<u>43,464,229</u>	<u>38,273,176</u>
<b>Commitments and contingencies</b>		<u>-</u>	<u>-</u>
<b>Stockholders' equity</b>			
Preferred stock: \$0.001 par value (10,000,000 shares authorized, 100 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively)			
Series A preferred stock: \$0.001 par value (100 shares designated, 100 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively)	27	-	-
Series B convertible preferred stock: \$0.001 par value (10,000,000 shares designated, 0 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively)	27	-	-
Series F Non-convertible preferred stock: \$0.001 par value (1,000,000 shares designated, 0 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively)	27	-	-
Common stock: \$0.001 par value (27,000,000 shares authorized, 22,726,859 and 22,726,859 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively)	27	22,727	22,727
Additional paid - in capital		155,741,280	155,741,280
Retained earnings		463,284,085	454,592,652
Accumulated other comprehensive income		(3,363,895)	(4,335,355)
Treasury stock	27	(1,250,000)	(1,250,000)
<b>Total Sino Agro Food, Inc. and subsidiaries stockholders' equity</b>		<u>614,434,197</u>	<u>604,771,304</u>
Non - controlling interest		101,460,060	99,166,749
<b>Total stockholders' equity</b>		<u>715,894,257</u>	<u>703,938,053</u>
<b>Total liabilities and stockholders' equity</b>		<u>\$ 793,957,149</u>	<u>\$ 765,661,147</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, 2017	Three months ended March 31, 2016
<b>Continuing operations</b>			
Revenue			
- Sale of goods		\$ 57,423,350	\$ 42,649,013
- Consulting and service income from development contracts		13,189,265	12,719,097
- Commission income		-	406,954
		<u>70,612,615</u>	<u>55,775,064</u>
Cost of goods sold		(47,399,536)	(31,249,085)
Cost of services		(8,782,892)	(9,510,872)
Gross profit		<u>14,430,187</u>	<u>15,015,107</u>
General and administrative expenses		(6,029,735)	(4,383,765)
Net income from operations		<u>8,400,452</u>	<u>10,631,342</u>
<b>Other income (expenses)</b>			
Government grant		165,488	312,468
Other income		-	114,871
Interest expense		(505,538)	(1,188,417)
<b>Net income (expenses)</b>		<u>(340,050)</u>	<u>(761,078)</u>
<b>Net income before income taxes</b>		8,060,402	9,870,264
Provision for income taxes	5	-	-
<b>Net income</b>		8,060,402	9,870,264
Share of income from unconsolidated equity investee		2,758,855	-
<b>Net income from continuing operations</b>		10,819,257	9,870,264
Less: Net (income) loss attributable to non - controlling interest		(2,127,824)	(4,594,660)
<b>Net income from continuing operations attributable to Sino Agro Food, Inc. and subsidiaries</b>		<u>8,691,433</u>	<u>5,275,604</u>
<b>Discontinued operations</b>			
<b>Net income from discontinued operations</b>	6	-	3,654,984
Less: Net (income) loss attributable to the non - controlling interest	6	-	(323,904)
<b>Net income of discontinued operations attributable to the Sino Agro Food, Inc. and subsidiaries</b>		<u>-</u>	<u>3,331,080</u>
<b>Net income attributable to the Sino Agro Food, Inc. and subsidiaries</b>		8,691,433	8,606,684
Other comprehensive (loss) income - Foreign currency translation (loss) income		1,136,947	775,299
Comprehensive income		9,828,380	9,381,983
Less: other comprehensive loss (income) attributable to non - controlling interest		(165,487)	(125,654)
Comprehensive income attributable to Sino Agro Food, Inc. and subsidiaries		<u>\$ 9,662,893</u>	<u>\$ 9,256,329</u>
<b>Earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders:</b>			
<b>- from continuing and discontinued operations</b>			
Basic	32	<u>\$ 0.38</u>	<u>\$ 0.43</u>
Diluted	32	<u>\$ 0.36</u>	<u>\$ 0.39</u>
<b>Earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders:</b>			
<b>- from continuing operations</b>			
Basic	32	<u>\$ 0.38</u>	<u>\$ 0.26</u>
Diluted	32	<u>\$ 0.36</u>	<u>\$ 0.25</u>
<b>Weighted average number of shares outstanding:</b>			
Basic	32	<u>22,626,849</u>	<u>20,032,747</u>
Diluted	32	<u>24,798,148</u>	<u>23,624,766</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 31,2017	Three months ended March 31, 2016
<b>Cash flows from operating activities</b>		
Net income for the period		
- Continuing operations	\$ 10,819,257	\$ 9,870,264
- Discontinued operations	-	3,654,984
Adjustments to reconcile net income for the period to net cash from operations:		
Share of income from unconsolidated equity investee	(2,758,855)	-
Depreciation	2,143,810	1,268,612
Amortization	620,279	596,687
Common stock issued for services	1,991,407	181,591
Other amortized cost arising from convertible notes and others	677,910	929,593
Changes in operating assets and liabilities:		
(Increase)decrease in inventories	(5,335,995)	629,522
Increase in cost and estimated earnings in excess of billings on uncompleted contracts	(508,203)	-
Increase in deposits and prepaid expenses	(2,092,804)	(12,381,674)
Increase in due to a director	680,389	410,340
Increase (decrease) in accounts payable and accrued expenses	2,786,986	(1,180,200)
Increase in other payables	9,392,511	2,828,830
(Increase) decrease in accounts receivable	(223,851)	10,533,793
Increase in tax payable	-	-
Increase in billings in excess of costs and estimated earnings on uncompleted contracts	2,992,649	426,548
Increase in other receivables	(8,630,234)	(3,051,896)
<b>Net cash provided by operating activities</b>	<u>12,555,256</u>	<u>14,716,994</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment and non-current assets held for sale	(4,651,413)	(3,852,234)
Payment for construction in progress	(4,699,322)	(15,966,419)
<b>Net cash used in investing activities</b>	<u>(9,350,735)</u>	<u>(19,818,653)</u>
<b>Cash flows from financing activities</b>		
Long term debts repaid	-	(448,187)
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>(448,187)</u>
Effects on exchange rate changes on cash	(1,791,296)	896,946
Increase (decrease) in cash and cash equivalents	1,413,225	(4,652,900)
Cash and cash equivalents, beginning of period	2,576,058	7,229,197
Cash and cash equivalents, end of period	<u>\$ 3,989,283</u>	<u>\$ 2,576,297</u>
Supplementary disclosures of cash flow information:		
Cash paid for interest	<u>\$ 90,609</u>	<u>\$ 259,163</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Non - cash transactions		

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 to the terms of the original development agreement. The Company owned a 75% equity interest in JFD, representing majority of voting rights and controls its board of directors. On August 15, 2016, the acquisition agreement was executed by TRW for acquiring the other 25% equity in JFD which was a Sino Foreign Joint Venture Co. that TRW had 100% equity interest with effect on October 5, 2016. Upon the acquisitions of 3 additional prawn farms assets at fair value of \$238.32 million from respective third parties and the master technology license at fair value of \$30 million from Capital Award, Inc. by JFD, and the consideration of the above acquisitions were planned to be settled by the new issue shares of 99,990,000 TRW shares at \$3.41 amounting to \$340.53 million on or before March 31, 2017. As a result, SIAF’s equity interest in TRW was diluted from 100% to 23.89% with effective on October 5, 2016. The above transactions led the Company loss of control over TRW group, the Company’s investments in TRW and JFD were reclassified from a subsidiary to investments in unconsolidated equity investees as of October 5, 2016. The dilution of the Company’s investments in TRW group constituted a deemed disposal of the subsidiaries. The deemed gain on disposal of \$56,947,005 was recorded in net income from discontinued operations of the consolidated statements of income and other comprehensive income of the Company for the year ended 31 December 2016. On October 1, 2016, SIAF took up all assets and liabilities of TRW and JFD except fish farm.

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. Up to March 31, 2017, MEIJI further invested \$400,000 in JHMC.

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, 2017, 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, 2017, the Company invested \$77,664 in SAFS. During the year ended December 31, 2016, SAFS changed from a public to a private company.

SJAP formed Qinghai Zhong He Meat Products Co., Limited (“**QZH**”), with SJAP would owning 100% equity interest. As of March 31, 2017, the SJAP’s total investment in QZH was \$4,645,489.

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.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 FISCAL YEAR**

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

**2.2 REPORTING ENTITIES**

Name of subsidiaries	Place of incorporation	Percentage of interest	Principal activities
Capital Award Inc. ("CA")	Belize	100% (12.31.2016: 100%) directly	Fishery development and holder of A-Power Technology master license.
Capital Stage Inc. ("CS")	Belize	100% (12.31.2016: 100%) indirectly	Dormant
Capital Hero Inc. ("CH")	Belize	100% (12.31.2016: 100%) indirectly	Dormant
Sino Agro Food Sweden AB ("SAFS")	Sweden	100% (12.31.2016: 100%) directly	Dormant
Macau Eiji Company Limited ("MEIJI")	Macau, P.R.C.	100% (12.31.2016: 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% (12.31.2016: 100%) directly	Investment holding
Jiang Men City Heng Sheng Tai Agriculture Development Co. Ltd ("JHST")	P.R.C.	75% (12.31.2016: 75%) indirectly	HylocereusUndatus Plantation ("HU Plantation").
Jiang Men City Hang Mei Cattle Farm Development Co., Limited ("JHMC")	P.R.C.	75% (12.31.2016:75%) indirectly	Beef cattle cultivation
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	P.R.C.	76% (12.31.2016:76%) 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% (12.31.2016: 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.	100% (12.31.2016: 100%)indirectly	Cattle slaughter
Name of unconsolidated equity investees	Place of incorporation	Percentage of interest	Principal activities
Tri-way Industries Limited ("TRW")	Hong Kong, P.R.C.	23.89% (12.31.2016: 23.89%) 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.
Jiang Men City A Power Fishery Development Co., Limited ("JFD")	P.R.C	100% (12.31.2016: 100%) indirectly	Fish cultivation

\* 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% (12.31.2016: 100%) on profit or loss after deduction 6% interest to QQI and enjoyed 100% (12.31.2016: 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, MEIJI, JHST, 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 \$7,747 and \$31 for the three months ended March 31, 2017 and 2016, respectively.

**2.11 ADVERTISING**

Advertising costs are included in general and administrative expenses, which totaled \$631,717 and \$666,258 for the three months ended March 31, 2017 and 2016, 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, 2017 and 2016, 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 \$(3,363,895) as of March 31, 2017 and \$(4,335,355) as of December 31, 2016. The balance sheet amounts with the exception of equity as of March 31, 2017 and December 31, 2016 were translated using an exchange rate of RMB 6.90 to \$1.00 and RMB 6.94 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, 2017, and 2016 were RMB 6.89 to \$1.00 and RMB 6.53 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. 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, 2017 and December 31, 2016 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 MEIJI, 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% 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 20 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 EQUITY METHOD INVESTMENTS**

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.

**2.24 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)**

**2.25 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.

**2.26 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.

**2.27 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED**

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Property and equipment are not depreciated once classified as held for distribution. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheets. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income and other comprehensive income.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.28 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.

**2.29 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.

**2.30 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, 2017 and December 31, 2016 amounted to \$3,866,321 and \$2,395,355, 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 and E) whose business individually represented the following percentages of the Company's total revenue for the period indicated:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Customer A	24.79%	-%
Customer B	18.68%	-%
Customer C	17.90%	21.03%
Customer D	11.91%	6.70%
Customer E	7.93%	-%
Customer F	-%	11.96%
Customer G	-%	10.34%
Customer H	-%	7.11%
	81.21%	57.14%

		Percentage of revenue	Amount
Customer A	Corporate and others Division	24.79%	\$ 17,507,672
Customer B	Fishery Development Division	18.68%	\$ 13,189,265
Customer C	Cattle Farm Development Division	17.90%	\$ 12,640,866
Customer D	Corporate and others Division	11.91%	\$ 8,412,087

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, 2017    December 31, 2016

Customer A	20.53%	12.83%
Customer B	19.58%	19.61%
Customer C	17.36%	18.11%
Customer D	6.69%	7.52%
Customer D	5.71%	-%
Customer E	-%	5.96%
	<u>69.87%</u>	<u>64.03%</u>

As of March 31, 2017, amounts due from customers A, B and C are \$25,281,817, \$24,106,909 and \$21,376,576, 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)**

**2.30 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, 2017 and December 31, 2016, the Company determined no impairment losses were necessary.

**2.31 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, 2017 and 2016, basic earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders for continuing and discontinued operations amounted to \$0.38 and \$0.43, respectively. For the three months ended March 31, 2017 and 2016, diluted earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries' common stockholders for continuing and discontinued operations amounted to \$0.36 and \$0.39, respectively.

For the three months ended March 31, 2017 and 2016, basic earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders for continuing operations amounted to \$0.38 and \$0.26, respectively. For the three months ended March 31, 2017 and 2016, diluted earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries' common stockholders for continuing operations amounted to \$0.36 and \$0.25, respectively.

**2.32 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.

**2.33 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.

**2.34 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)**

**2.35 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, 2017 or December 31, 2016, 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 fiscal period ended March 31, 2017 or 2016.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.36 NEW ACCOUNTING PRONOUNCEMENTS**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. This guidance will be effective for us in the first quarter of 2019 on a modified retrospective basis and early adoption is permitted. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (ASU 2016-08) which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. This guidance will be effective for us in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting* (ASU 2016-09) to simplify the accounting for share-based payment transactions, including the income tax consequences, an option to recognize gross share-based compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance will be effective for us in the first quarter of 2017, and early adoption is permitted. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers Other than Inventory* (ASU 2016-16), which requires companies to recognize the income-tax consequences of an intra-entity transfer of an asset other than inventory. This guidance will be effective for us in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. We currently anticipate adopting the new standard effective January 1, 2018, and do not expect the standard to have a material impact on our consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance will be effective for us in the first quarter of 2018 and early adoption is permitted. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosure

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (ASU 2017-01), which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance will be effective for us in the first quarter of 2018 on a prospective basis, and early adoption is permitted. We do not expect the standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (ASU 2017-04), which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance will be effective for us in the first quarter of 2020 on a prospective basis, and early adoption is permitted. We do not expect the standard to have a material impact on our 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. On October 5, 2016, (i) Jiang Men City A Power Fishery Development Co., Limited ("JFD") and Tri- Way Industries Limited ("TRW"), part of Fishery Development Division, were disposed from the Company; and (ii). Capital Award Inc. ("CA"), part of Fishery Development Division, ceased its income from sale of goods - fishery since October 5, 2016. As a result, Fishery Development Division – sale of goods was treated as Discontinued operations. No geographic information is required as all revenue and assets are located in the P.R.C.

	Three months ended March 31, 2017						Total
	Fishery Development Division(1)	HU Plantation Division (2)	Continuing operation Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Discontinued operation Fishery Development Division(1)	
Revenue	\$ 13,189,265	\$ 1,323,176	\$ 24,577,507	\$ 8,412,087	\$ 23,110,580	\$ -	\$ 70,612,615
Net income (loss)	\$ 4,358,338	\$ 161,930	\$ 1,725,036	\$ 1,094,209	\$ 1,351,920	\$ -	\$ 8,691,433
Total assets	\$ 95,259,028	\$ 47,557,945	\$ 360,767,029	\$ 67,606,927	\$ 222,766,220	\$ -	\$ 793,957,149

  

	Three months ended March 31, 2016						Total
	Fishery Development Division(1)	HU Plantation Division (2)	Continuing operation Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Discontinued operation Fishery Development Division(1)	
Revenue	\$ 13,126,051	\$ -	\$ 31,425,720	\$ 4,816,884	\$ 6,406,409	\$ 16,137,990	\$ 71,913,054
Net income (loss)	\$ 3,005,694	\$ (417,964)	\$ 4,768,496	\$ 346,669	\$ (2,612,618)	\$ 3,516,407	\$ 8,606,684
Total assets	\$ 132,989,860	\$ 51,616,544	\$ 320,589,830	\$ 41,104,943	\$ 87,827,136	\$ 22,713,351	\$ 656,841,664

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SEGMENT INFORMATION (CONTINUED)**

- (1) Operated by Capital Award, Inc. (“CA”) and Jiang Men City A Power Fishery Development Co., Limited (“JFD”). On September 30, 2016, part of JFD was disposed from the Company.
- (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. (“SIAF”) 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:-

	Three ended March 31, 2017						
	Continuing operations					Discontinued operations	
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (6)	Fishery Development Division (1)	Total
Name of entity							
Sale of goods Capital Award, Inc. ("CA")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST")	-	1,323,176	-	-	-	-	1,323,176
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	-	-	2,764,003	-	-	-	2,764,003
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	-	-	8,104,975	-	-	-	8,104,975
Qinghai Zhong He Meat Products Co., Limited ("QZH")	-	-	13,708,529	-	-	-	13,708,529
Macau Eiji Company Limited ("MEIJI")	-	-	-	8,412,087	-	-	8,412,087
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	23,110,580	-	23,110,580
Consulting and service income for development contracts Capital Award, Inc. ("CA")	13,189,265	-	-	-	-	-	13,189,265
Commission and management fee Capital Award, Inc. ("CA")	-	-	-	-	-	-	-
	<u>\$ 13,189,265</u>	<u>\$ 1,323,176</u>	<u>\$ 24,577,507</u>	<u>\$ 8,412,087</u>	<u>\$ 23,110,580</u>	<u>\$ -</u>	<u>\$ 70,612,615</u>

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. SEGMENT INFORMATION (CONTINUED)**

Further analysis of revenue:-

	Three months ended March 31, 2016						
	Continuing operations					Discontinued operations	
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (6)	Fishery Development Division (1)	Total
Name of entity Sale of goods Capital Award, Inc. ("CA")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,137,990	\$ 16,137,990
Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST")	-	-	-	-	-	-	-
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 ("MEIJI")	-	-	-	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
Commission and management fee Capital Award, Inc. ("CA")	406,954	-	-	-	-	-	406,954
	<u>\$ 13,126,051</u>	<u>\$ -</u>	<u>\$ 31,425,720</u>	<u>\$ 4,816,884</u>	<u>\$ 6,406,409</u>	<u>\$ 16,137,990</u>	<u>\$ 71,913,054</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**

Name of entity	Three months ended March 31, 2017						
	Continuing operations					Discontinued operations	
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Fishery Development Division (1)	Total
Name of entity Sale of goods Capital Award, Inc. ("CA")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST")	-	455,501	-	-	-	-	455,501
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	-	-	1,770,068	-	-	-	1,770,068
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	-	-	5,226,865	-	-	-	5,226,865
Qinghai Zhong He Meat Products Co., Limited ("QZH")	-	-	12,420,908	-	-	-	12,420,908
Macau Eiji Company Limited ("MEIJI")	-	-	-	6,983,456	-	-	6,983,456
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	20,542,738	-	20,542,738
	<u>\$ -</u>	<u>\$ 455,501</u>	<u>\$ 19,417,841</u>	<u>\$ 6,983,456</u>	<u>\$ 20,542,738</u>	<u>\$ -</u>	<u>\$ 47,399,536</u>

**COST OF SERVICES**

Name of entity	Three months ended March 31, 2017						
	Continuing operation					Discontinued operation	
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Fishery Development Division (1)	Total
Consulting and service income for development contracts							
Capital Award, Inc. ("CA")	8,782,892	-	-	-	-	-	8,782,892
	<u>\$ 8,782,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,782,892</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**

Name of entity	Three months ended March 31, 2016						Total
	Continuing operations					Discontinued operations	
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Fishery Development Division (1)	
Capital Award, Inc. ("CA")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,297,679
Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST")	-	-	-	-	-	-	-
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. ("SIAF")	-	-	-	-	5,466,803	-	5,466,803
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,191,871</u>	<u>\$ 4,590,411</u>	<u>\$ 5,466,803</u>	<u>\$ 12,297,679</u>	<u>\$ 43,546,764</u>

**COST OF SERVICES**

Name of entity	Three months ended March 31, 2016						Total
	Continuing operations					Discontinued operations	
	Fishery Development Division (1)	HU Plantation Division (2)	Organic Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Fishery Development Division (1)	
Consulting and service income for development contracts							
Capital Award, Inc. ("CA")	9,510,872	-	-	-	-	-	9,510,872
	<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**

**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, 2016 in compliance with US Treasury Internal Revenue Code and we filed our 2015 Tax returns with the Internal Revenue Service ("IRS") in 2016.

As of March 31, 2017, 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.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. INCOME TAXES (CONTINUED)**

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, HSA, SJAP and QZH since they are exempt from EIT for the three months ended March 31, 2017 and 2016 as they are within the agriculture, and cattle sectors.

No EIT has been provided in the financial statements of JFD since they are exempt from EIT for the three months ended March 31, 2016.

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.

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, 2017 and 2016.

Sweden

No Sweden Corporate income tax has been provided in the consolidated financial statements of SAFS since SAFS incurred a tax loss for the three months ended March 31, 2017 and 2016.

No deferred tax assets and liabilities are of March 31, 2017 and December 31, 2016 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, 2017	Three months ended March 31, 2016
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, 2017 and 2016. 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. NET INCOME FROM DISCONTINUED OPERATIONS**

On August 15, 2016, the acquisition agreement was executed by TRW for acquiring the other 25% equity in JFD which was a Sino Foreign Joint Venture Co. that TRW had 100% equity interest with effect on October 5, 2016. Upon the acquisitions of 3 additional prawn farms assets at fair value of US\$238.32 million from respective third parties and the master technology license at fair value of US\$30 million from Capital Award, Inc. by JFD, and the consideration of the above acquisitions were planned to be settled by the new issue shares of 99,990,000 TRW shares at \$3.41 amounting to \$340.53 million on or before March 31, 2017. As a result, SIAF's equity interest in TRW was diluted from 100% to 23.89% with effective on October 5, 2016. The above transactions led the Company loss of control over TRW group, the Company's investments in TRW and JFD were reclassified from a subsidiary to investments in unconsolidated equity investees as of October 5, 2016. The dilution of the Company's investments in TRW group constituted a deemed disposal of the subsidiaries. The deemed gain on disposal of \$56,947,005 was recorded in the consolidated statement of profit and loss account of the Company for the year ended December 31, 2016. On October 1, 2016, SIAF took all assets and liabilities of TRW and JFD except plant and equipment - fish farm.

Prior to loss of control over TRW group, the Fishery Development Division represented a separate business segment. On October 5, 2016, (i) Jiang Men City A Power Fishery Development Co., Limited ("JFD") and Tri- Way Industries Limited ("TRW"), part of Fishery Division, were disposed from the Company; and (ii) Capital Award Inc. ("CA"), part of Fishery Development Division, ceased its income from sale of goods - fishery since October 5, 2016. As a result, Fishery Development Division - sale of goods was treated as Discontinued operations. The post-tax result of the Fishery Development Division has been disclosed as a discontinued operation in the consolidated statements of income and comprehensive income. Loss of control over TRW and JFD were not subject to business tax of PRC and income tax of PRC and Hong Kong.

Net income from discontinued operations

	Three months ended March 31, 2017	Three months ended March 31, 2016
Revenue		
-Sale of goods	\$ -	\$ 16,137,990
Cost of sales	-	(12,297,679)
Gross profit	-	3,840,311
General and administrative expenses	-	(184,968)
Net income from operations	-	3,655,343
Interest expenses	-	(359)
Income before tax from discontinued operations	-	3,654,984
Net gain from deemed disposal of subsidiaries, TRW and JFD	-	-
Net income before taxes	-	3,654,984
Provision for income taxes	-	-
Net income from discontinued operations	-	3,654,984
Less: Net income attributable to the non-controlling interest	-	(323,904)
Net income from discontinued operations attributable to Sino Agro Food, Inc. and subsidiaries	\$ -	\$ 3,331,080

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. CASH AND CASH EQUIVALENTS**

	March 31, 2017	December 31, 2016
Cash and bank balances	<u>\$ 3,989,283</u>	<u>\$ 2,576,058</u>

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. INVENTORIES**

As of March 31, 2017, inventories are as follows:

	March 31, 2017	December 31, 2016
Sleepy cods, prawns, eels and marble goby	-	481,509
Beef and mutton	15,373,141	13,217,456
Bread grass	1,560,292	2,115,815
Beef cattle	6,856,902	6,814,132
Organic fertilizer	19,660,154	15,901,153
Forage for cattle and consumable	5,601,004	6,536,517
Raw materials for bread grass and organic fertilizer	16,881,267	15,829,424
Immature seeds	1,995,507	1,696,266
	<u>\$ 67,928,267</u>	<u>\$ 62,592,272</u>

**8. DEPOSITS AND PREPAYMENTS**

	March 31, 2017	December 31, 2016
Deposits for		
- purchases of equipment	\$ 6,621,547	\$ 5,555,471
- acquisition of land use rights	3,373,110	3,373,110
- inventories purchases	16,325,148	13,729,305
- aquaculture contracts	2,261,538	2,261,538
- consulting service providers and others	8,150,000	8,150,000
- construction in progress	13,719,339	13,719,339
- issue of shares as collateral	16,712,741	26,493,841
Prepayments - debts discounts and others	4,768,728	5,007,015
Shares issued for employee compensation and overseas professional and bond interest	1,991,407	3,982,812
Others	10,785,517	2,573,535
	<u>\$ 84,709,075</u>	<u>\$ 84,845,966</u>

**9. 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, 2017 and December 31, 2016. Bad debts written off for the three months ended March 31, 2017, and 2016 are \$0.

Aging analysis of accounts receivable is as follows:

	March 31, 2017	December 31, 2016
0 - 30 days	\$ 20,810,266	\$ 28,550,628
31 - 90 days	31,809,911	29,905,888
91 - 120 days	38,135,240	39,219,847
over 120 days and less than 1 year	32,380,520	25,235,723
over 1 year	-	-
	<u>\$ 123,135,937</u>	<u>\$ 122,912,086</u>

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. OTHER RECEIVABLES**

	March 31, 2017	December 31, 2016
Advanced to employees	\$ 489,034	\$ 260,007
Advanced to suppliers	13,654,788	9,428,841
Advanced to customers	18,048,833	19,469,256
Advanced to developers	10,776,490	7,500,000
Others	12,781,889	10,462,696
	<u>\$ 55,751,034</u>	<u>\$ 47,120,800</u>

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

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

**11. PLANT AND EQUIPMENT**

	March 31, 2017	December 31, 2016
Plant and machinery	\$ 7,078,563	\$ 6,022,686
Structure and leasehold improvements	163,414,025	163,414,025
Mature seeds and herbage cultivation	33,469,146	28,781,286
Furniture and equipment	827,356	827,356
Motor vehicles	926,511	926,511
	<u>205,715,601</u>	<u>199,971,864</u>
Less: Accumulated depreciation	(12,388,447)	(10,244,637)
Net carrying amount	<u>\$ 193,327,154</u>	<u>\$ 189,727,227</u>

Depreciation expenses were \$2,143,810 and \$1,268,612 for the three months ended March 31, 2017 and 2016, respectively

**12. CONSTRUCTION IN PROGRESS**

	March 31, 2017	December 31, 2016
Construction in progress		
- Office, warehouse and organic fertilizer plant in HSA	\$ 4,630,658	\$ 4,474,428
- Oven room, road for production of dried flowers	5,652,993	3,603,863
- Organic fertilizer and bread grass production plant and office building	622,036	622,036
- Rangeland for beef cattle and office building	12,713,664	8,674,515
- Fish pond	17,782,371	17,782,371
	<u>\$ 41,401,722</u>	<u>\$ 35,157,213</u>

**13. 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 180.26 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 84.5 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 287.27 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 6.26 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**

**13. LAND USE RIGHTS (CONTINUED)**

	March 31, 2017	December 31, 2016
Cost	\$ 62,623,829	\$ 62,300,409
Less: Accumulated amortization	(9,101,210)	(8,626,719)
Net carrying amount	<u>\$ 53,522,619</u>	<u>\$ 53,673,690</u>
		Amount
Balance @1.1.2016		\$ 65,961,071
Exchange difference		(3,660,662)
Balance @12.31.2016		\$ 62,300,409
Exchange difference		323,420
Balance @3.31.2017		<u>\$ 62,623,829</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 were \$474,491 and \$450,102 for the three months ended March 31, 2017 and 2016, respectively.

**14. 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, 2017	December 31, 2016
Goodwill from acquisition	\$ 724,940	\$ 724,940
Less: Accumulated impairment losses	-	-
Net carrying amount	<u>\$ 724,940</u>	<u>\$ 724,940</u>

**15. 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 October 1, 2015, the Company took up such assets at \$5,473,720 from TRW. On October 5, 2016, TRW and JFD were derecognized as subsidiaries.

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 \$2,270,000 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.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**15. PROPRIETARY TECHNOLOGIES (CONTINUED)**

	March 31, 2017	December 31, 2016
Cost	\$ 11,118,320	\$ 11,108,131
Less: Accumulated amortization	(1,163,222)	(1,017,434)
Net carrying amount	<u>\$ 9,955,098</u>	<u>\$ 10,090,697</u>

Amortization of proprietary technologies was \$145,788 and \$450,102 for the three months ended March 31, 2017 and 2016, respectively. No impairments of proprietary technologies have been identified for the three months ended March 31, 2017 and 2016.

**16. INTERESTS IN UNCONSOLIDATED EQUITY INVESTEES**

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 owned a 75% equity interest in JFD, representing majority of voting rights and controls its board of directors.

On August 15, 2016, the acquisition agreement was executed by TRW for acquiring the other 25% equity in JFD which was a Sino Foreign Joint Venture Co. that TRW had 100% equity interest with effect on October 5, 2016. Upon the acquisitions of 3 additional prawn farms assets at fair value of \$238.32 million from respective third parties and the master technology license at fair value of \$30 million from Capital Award, Inc. by JFD, and the consideration of the above acquisitions were planned to be settled by the new issue shares of 99,990,000 TRW shares at \$3.41 amounting to \$340.53 million on or before March 31, 2017. As a result, SIAF’s equity interest in TRW was diluted from 100% to 23.89% with effective on October 5, 2016. The above transactions led the Company loss of control over TRW group, the Company’s investments in TRW and JFD were reclassified from a subsidiary to investments in unconsolidated equity investees as of October 5, 2016. The dilution of the Company’s investments in TRW group constituted a deemed disposal of the subsidiaries. The deemed gain on disposal of \$56,947,005 was recorded in net income from discontinued operations of the consolidated statements of income and other comprehensive income of the Company for the year ended December 31, 2016. On October 1, 2016, SIAF took up all assets and liabilities of TRW and JFD except plant and equipment - fish farm.

On May 6, 2016, SJAP invested in 30% equity interest in Guangzhou Horan Taita Information Technology Co., Limited (“HTIT”), a company incorporated in P.R.C. for \$150,806.

	March 31, 2017	December 31, 2016
Investments at cost		
- TRW	\$ 83,869,286	\$ 83,869,286
- HTIT	144,948	144,154
Amount due from a consolidated equity investee - TRW	55,120,003	55,120,003
Share of post-acquisition profits	<u>2,758,855</u>	<u>-</u>
	<u>\$ 141,893,092</u>	<u>\$ 139,133,443</u>

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**17. LONG TERM INVESTMENT**

	March 31, 2017	December 31, 2016
Investment in Huangyuan County Rural Credit Union	\$ 724,743	\$ 720,773
Less: Accumulated impairment losses	-	-
	<u>\$ 724,743</u>	<u>\$ 720,773</u>

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

Intended			March 31, 2017	December 31, 2016
unincorporated Investee	Projects Engaged			
A	Trade center	*	\$ 4,086,941	\$ 4,086,941
B	Fish Farm 2 GaoQiqiang Aquaculture	*	6,000,000	6,000,000
C	Cattle farm 2	*	5,558,057	5,558,057
			<u>\$ 15,644,998</u>	<u>\$ 15,644,998</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 March 31, 2017, the percentages of equity stakes of A (trade center), B (fish farm 2 GaoQiqiang Aquaculture Farm) and C (cattle farm 2) are 31%, 23% 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.

**19. 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, 2017, 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**

**19. 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, 2017, 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 changes 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, 2017, 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.

SJAP is sole stockholder of QZH and SJAP appointed sole director of QZH. Consequently, the Company 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 management appointed the chief financial officer of QZH. 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**

**20. CONSTRUCTION CONTRACT**

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

	March 31, 2017	December 31, 2016
Costs	\$ 8,208,913	\$ 7,288,360
Estimated earnings	6,740,288	5,846,890
Less: Billings	<u>(13,700,014)</u>	<u>(12,394,266)</u>
Costs and estimated earnings in excess of billings on uncompleted contracts	<u>\$ 1,249,187</u>	<u>\$ 740,984</u>

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

	March 31, 2017	December 31, 2016
Billings	\$ 37,632,825	\$ 24,115,354
Less: Costs	(21,170,232)	(13,907,143)
Estimated earnings	<u>(10,839,192)</u>	<u>(7,577,459)</u>
Billing in excess of costs and estimated earnings on uncompleted contracts	<u>\$ 5,623,401</u>	<u>\$ 2,630,752</u>

(iii) Overall

	March 31, 2017	December 31, 2016
Billings	\$ 51,332,839	\$ 36,509,620
Less: Costs	(29,379,145)	(21,195,503)
Estimated earnings	<u>(17,579,480)</u>	<u>(13,424,349)</u>
Billing in excess of costs and estimated earnings on uncompleted contracts	<u>\$ 4,374,214</u>	<u>\$ 1,889,768</u>

**21. OTHER PAYABLES**

	March 31, 2017	December 31, 2016
Due to third parties	\$ 9,317,961	\$ 451,195
Due to debts loan	4,797,332	4,797,332
Promissory notes issued to third parties	11,192,117	11,192,117
Due to local government	<u>1,239,310</u>	<u>713,565</u>
	<u>\$ 26,546,720</u>	<u>\$ 17,154,209</u>
Less: Amount classified as non-current liabilities		
Promissory notes issued to third parties	(11,192,117)	(11,192,117)
Due to debts loan	<u>(4,797,332)</u>	<u>-</u>
Amount classified as current liabilities	<u>\$ 10,557,271</u>	<u>\$ 5,962,092</u>

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

During the year ended December 31, 2015, 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**

**22. 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 loan*

Name of lender	Interest rate	Term	March 31, 2017	December 31, 2016
Da Tong National Development Rural Bank Limited Da Tong County, Xining City, Qinghai Province, the P.R.C.	10%	July 14 ,2016 - May 28, 2017	<u>\$ 2,898,971<sup>^+@</sup></u>	<u>\$ 2,883,090</u>

*Long term bank loan*

Name of lender	Interest rate	Term	March 31, 2017	December 31, 2016
China Development Bank Beijing City, the P.R.C.	5.39%	December 9, 2016 - December 15, 2026	<u>\$ 5,797,942<sup>^*#</sup></u>	<u>\$ 5,766,182</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.

<sup>^</sup> personal and corporate guaranteed by third parties.

<sup>\*</sup> secured by land use rights with net carrying amount of \$416,260 (12.31.2016: \$416,973).

<sup>+</sup> secured by property and equipment with net carrying amount of \$1,011,177 (12.31.2016: \$ 1,036,889)

<sup>@</sup> secured by land use rights with net carrying amounts of \$353,782 (12.31.2016: \$363,092).

<sup>#</sup> repayable \$72,078, \$216,232, \$288,308, \$432,464, \$432,464, \$720,773, \$720,773, \$1,441,545 and \$1,473,305 in 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025 and 2026, respectively (31.12.2016: repayable \$72,078, \$216,232, \$288,308, \$432,464, \$432,464, \$720,773, \$720,773, \$1,441,545 and \$ 1,441,545 in 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025 and 2026, respectively).

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**23. NEGOTIABLE PROMISSORY NOTES**

On August 29, 2015, TRW issued negotiable promissory notes to three fund companies and one individual for \$3,450,000 and the company acted as guarantor for repayment. As of October 1, 2016, the Company entered assignment agreement with TRW to take up liabilities of negotiable promissory notes.

	March 31, 2017	December 31, 2016
Negotiable promissory notes	<u>\$ 1,190,801</u>	<u>\$ 1,113,140</u>
Principal amount:	\$1,035,479 (12.31.2016: \$1,035,479)	
Interest payable:	\$155,322 (12.31.2016: \$77,661)	
Interest rate:	2.5% (12.31.2016: 2.50% %) 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.	
Security:	Corporate guarantee by the Company	

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**24. 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, 2017	December 31, 2016
10.50% convertible note of maturity date February 28, 2020	<u>\$ 21,676,838</u>	<u>\$ 21,314,877</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 \$238,288 and \$8,356 were amortized for the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017, there was \$18,183,267(12.31.2016: 18,183,267) principal outstanding and accrued interest in the amount of \$3,493,571 (12.31.2016: \$3,131,610) 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.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**25. SHAREHOLDERS' EQUITY**

The Group's share capital as of March 31, 2017 and December 31, 2016 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, 2017 and December 31, 2016, respectively.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**25. SHAREHOLDERS' EQUITY (CONTINUED)**

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, 2017 and December 31, 2016, respectively.

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, 2017 and December 31, 2016 are 0 shares and grand total issued and outstanding preferred stock as of March 31, 2017 and December 31, 2016 are 100 shares.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**25. SHAREHOLDERS' EQUITY (CONTINUED)**

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 22,727,272.

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 and \$270,586 has been credited to consolidated statements of income as other income for the year ended December 31, 2015 and 2014, respectively; (ii) 753,304 shares of common stock ranging from \$6.96 to \$8.91 amounting to 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 \$7,600,000, 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; (vi) cancelled 514 shares for \$10.97 per share for reverse splits adjustments.

During the year ended December 31, 2016, the Company (i) issued 1,199,068 shares of common stock valued to employees and directors at fair value of \$5.98 per share for \$7,169,823 for employee compensation; (ii) issued 132,787 shares of common stock valued to professionals at fair value of \$5.98 per share for \$794,066 for service compensation; (iii) issued 2,461,247 shares of common stock ranging from \$6.96 to \$8.91 amounting to \$5,765,476 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; and the shares issued by the Company were valued at the trading price of the stock on the date the shares were issued; and purchased 1,200,000 shares of common stock of \$4.85 amounting to \$5,820,000 for cancellation.

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 22,727,273 to 27,000,000 and the amendment was filed on December 28, 2016.

The Company has 22,726,859 and 22,726,859 shares of common stock issued and outstanding as of March 31, 2017 and December 31, 2016, respectively.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**26. 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, 2019; (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, 2018; and (iii) 1,555 square feet of staff quarters in Linli District, Hunan Province, P.R.C. for a monthly rent of \$226, its lease expiring on May 1, 2018.

Lease expenses were \$40,989 and \$75,991 for the three months ended March 31, 2017 and 2016, respectively.

The future minimum lease payments as of March 31, 2017, are as follows:

Year ending December 31, 2017	\$ 120,993
Year ending December 31, 2018 and thereafter	<u>127,191</u>
	<u>\$ 248,184</u>

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**27. STOCK BASED COMPENSATION**

On May 10, 2016, the Company issued directors and employees a total of 1,199,068 shares of common stock valued at fair value of \$5.98 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 \$5.98 per share. On the same date, the Company issued professionals a total of 132,787 shares of common stock valued at fair value of \$5.98 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 \$5.98 per share.

The Company calculated stock based compensation of \$7,965,624 and recognized \$4,345,993 for the year ended December 31, 2016. As of December 31, 2016, the deferred compensation balance for staff was \$3,982,813 and the deferred compensation balance of \$3,982,813 was to be amortized over 6 months beginning on January 1, 2017.

The Company calculated stock based compensation of \$3,982,813 and \$ 363,181, and recognized \$1,991,406 and \$181,591 for the three months ended March 31, 2017 and 2016. As of March 31, 2017, the deferred compensation balance for staff was \$1,991,407 and the deferred compensation balance of \$1,991,407 was to be amortized over 3 months beginning on April 1, 2017.

**28. CONTINGENCIES**

As of March 31, 2017 and December 31, 2016, 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 or consolidated statements of cash flows.

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 (31.12.2016: \$20 million) to be used in tranches and revolved up to a period of three years, of which \$13,945,400 (31.12.2016: \$13,982,640) was utilized.

**29. 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, 2017 and 2016, 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 \$2,750,779 and \$2,070,390 as of March 31, 2017 and December 31, 2016, respectively. The amounts are unsecured, interest free and have no fixed terms of repayment.
Tri-way Industries Limited, ("TRW") Unconsolidated equity investee	Included in interest in unconsolidated equity investee, due from Tri-way Industries Limited is \$55,120,003 and \$55,120,003 as of March 31, 2017 and December 31, 2016, respectively. The amounts are unsecured, interest free and have no fixed terms of repayment.  Included in accounts receivable, due from Tri-way Industries Limited is \$25,281,817 and \$15,771,795 as of March 31, 2017 and December 31, 2016, respectively. The amounts are unsecured, interest free and have no fixed terms of repayment.  The Company has consulting and service income from development contracts of \$13,189,265 and \$0 from Tri-way Industries Limited for the three months ended March 31, 2017 and 2016, respectively.

**SINO AGRO FOOD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**30. 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, 2017	Three months ended March 31, 2016 (Restated)
<b>BASIC</b>		
Numerator for basic earnings per share attributable to the Company's common stockholders:		
Net income used in computing basic earnings per share -continuing and discontinued operations	\$ 8,619,433	\$ 8,606,684
Net income used in computing basic earnings per share -continuing operations	\$ 8,619,433	\$ 5,275,604
Basic earnings per share - continuing and discontinued operations	\$ 0.38	\$ 0.43
Basic earnings per share - continuing operations	\$ 0.38	\$ 0.26
Basic weighted average shares outstanding	22,626,849	20,032,747
	Three months ended March 31, 2017	Three months ended March 31, 2016 (Restated)
<b>DILUTED</b>		
Numerator for basic earnings per share attributable to the Company's common stockholders:		
Net income used in computing basic earnings per share - continuing and discontinued operations	\$ 8,619,433	\$ 8,606,684
Convertible note interest	361,961	656,250
Net income used in computing diluted earnings per share	\$ 8,981,394	\$ 9,262,934
Diluted earnings per share - continuing and discontinued operations	\$ 0.36	\$ 0.39
	Three months ended March 31, 2017	Three months ended March 31, 2016
Numerator for basic earnings per share attributable to the Company's common stockholders:		
Net income used in computing basic earnings per share - continuing operations	\$ 8,619,433	\$ 5,275,604
Convertible note interest	361,961	656,250
Net income used in computing diluted earnings per share	\$ 8,981,394	\$ 5,931,854
Diluted earnings per share - continuing operations	\$ 0.36	\$ 0.25
Basic weighted average shares outstanding	22,626,849	20,032,747
Add:		
weight average of common stock convertible from convertible note payables	2,171,299	3,592,019
Diluted weighted average shares outstanding	24,798,148	23,624,766

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, 2017, 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.

## 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 2017 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. CA Engineer & Technology)
Cattle Farm Division	(Marked 4. MEIJI and JHMC)
Corporate & Others Division	(Marked 5. SIAF)

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 sale of live cattle including: (a) cattle that are not being slaughtered by Qinghai Zhong He Meat Products Co., Limited ("**QZH**") but that are sold live to third party livestock wholesalers; (b) cattle sold to QZH and slaughtered, deboned, and packed by QZH; and (c) sales of deboned and packed meats by QZH that are sold to various meat distributors, wholesalers and supermarket chains. QZH is a wholly owned subsidiary of the Company's partially owned subsidiary Qinghai Sanjiang A Power Agriculture Co., Ltd. ("**SJAP**"). As such, the financial statements of these two companies (SJAP and QZH) as well as HSA (see below) 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 the Company exercises 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 EIJI Company Ltd. (“MEIJI”), 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, whereby Capital Award generates revenues by 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”). CA provides Engineering and Technology Services via Consulting and Service Contracts (“CSC’s”) for the development, construction, and supply of plant and equipment, and manages fishery (and prawn or shrimp) farms and related business operations.

Since 1<sup>st</sup> October 2016, CA’s sectional activities in “Management of fishery and related business operations” defined under “Sale of goods,” in this report, has been taken over by Triway Industries Limited (Triway), which is now registered as Associate Investee of the Company, and as such, the aforementioned CA’s “Sale of goods” section is now labeled as “Discontinued Operations,” whereas, CA’s other (C&S) sector remains under “Continuing Operations.”

Further description of the Triway transition is detailed later in this Form 10-Q.

- **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 resell 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 operations 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, 2017 compared to the three months ended March 31, 2016.**

***A (1) Income Statements (Unaudited)***

In \$	Three months ended March 31,2017	Three months ended March 31,2016	Difference	Note
<b>Continuing operations</b>				
<b>Revenue</b>	<b>70,612,615</b>	<b>55,775,064</b>	<b>14,837,551</b>	1
Consulting, services, commission and management fee	13,189,265	13,126,051	63,214	
Sale of goods	57,423,350	42,649,013	14,774,337	
<b>Cost of goods sold and services</b>	<b>56,182,428</b>	<b>40,759,957</b>	<b>15,422,471</b>	2
Consulting, services, commission and management fee	8,782,892	9,510,872	(727,980)	
Sale of goods	47,399,536	31,249,085	16,150,451	
<b>Gross Profit</b>	<b>14,430,187</b>	<b>15,015,107</b>	<b>(584,920)</b>	3
Consulting, services, commission and management fee	4,406,373	3,615,179	791,194	
Sale of goods	10,023,814	11,399,928	(1,376,114)	
<b>Other income (expenses)</b>	<b>2,418,805</b>	<b>(761,437)</b>	<b>3,180,242</b>	
<b>General and administrative expenses</b>	<b>(6,029,735)</b>	<b>(4,568,733)</b>	<b>(1,461,002)</b>	4
<b>Net income from continued operations</b>	<b>10,819,257</b>	<b>9,684,937</b>	<b>1,134,320</b>	
<b>EBITDA</b>	<b>14,088,884</b>	<b>16,579,323</b>	<b>(2,490,439)</b>	
Depreciation and amortization (D&A)	(2,764,089)	(1,865,299)	(898,790)	5
<b>EBIT</b>	<b>11,324,795</b>	<b>14,714,024</b>	<b>(3,389,229)</b>	
Net Interest	(505,538)	(1,188,776)	683,238	
Tax	-	-	-	
Net Income from continuing operations	10,819,257	9,684,937	1,134,320	
Less:Net( income) loss attributable to Non - controlling interest	(2,127,824)	(4,594,660)	2,466,836	7
<b>Net income from continuing operations attributable to SIAF Inc. and subsidiaries</b>	<b>8,691,433</b>	<b>5,090,277</b>	<b>3,601,156</b>	
<b>Discontinued operations</b>				
Net income from discontinued operations	-	3,840,311	(3,840,311)	
Less:Net( income) loss attributable to Non - controlling interest	-	(323,904)	323,904	
Net income from discontinuing operations attributable to SIAF Inc. and subsidiaries	-	<b>3,516,407</b>	<b>(3,516,407)</b>	
<b>Net income attributable to SIAF Inc. and subsidiaries</b>	<b>8,691,433</b>	<b>8,606,684</b>	<b>84,749</b>	
<b>Weighted average number of shares outstanding</b>				
-Basic	22,626,849	20,032,747	2,594,102	
-Diluted	24,798,148	23,624,766	1,173,382	
From continuing and discontinued operations				8
Basic	0.38	0.43	-0.05	
Diluted	0.36	0.39	-0.03	
<b>From continuing operations</b>				
Basic	0.38	0.26	0.12	
Diluted	0.36	0.25	0.11	

**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, 2017 (Q1 2017) compared to the three months ended March 31, 2016 (Q1 2016).

In US\$		Sales of goods		Cost of Goods sold		Sales of Goods'	Gross profit
		2017Q1	2016Q1	2017Q1	2016Q1	2017Q1	2016Q1
<b>SJAP</b>	Sales of live cattle	2,711,190	2,731,665	2,309,647	2,096,591	401,543	635,074
	Sales of feedstock	-	-	-	-	-	-
	Bulk Livestock feed	1,265,227	1,662,889	568,248	749,293	696,979	913,595
	Concentrate livestock feed	3,572,534	3,769,351	1,988,861	2,109,779	1,583,672	1,659,572
	Sales of fertilizer	556,024	491,643	360,109	322,961	195,915	168,682
	<b>SJAP Total</b>	<b>8,104,975</b>	<b>8,655,548</b>	<b>5,226,865</b>	<b>5,278,624</b>	<b>2,878,109</b>	<b>3,376,923</b>
	* QZH's (Slaughter & Deboning operation)	118,708	-	51,408	-	67,300	-
	** QZH's (Deboning operation)	-	-	-	-	-	-
	on cattle & Lamb locally supplied	948,955	2,530,263	768,215	2,049,679	180,740	480,583
	on imported beef and mutton	12,640,866	15,126,359	11,601,285	10,706,109	1,039,581	4,420,251
	Sales of live cattle	-	-	-	-	-	-
	<b>QZH Total</b>	<b>13,708,529</b>	<b>17,656,622</b>	<b>12,420,908</b>	<b>12,755,788</b>	<b>1,287,621</b>	<b>4,900,834</b>
<b>HSA</b>	Sales of Organic fertilizer	862,129	944,059	695,164	775,365	166,965	168,694
	Sales of Organic Mixed Fertilizer	1,901,874	4,169,491	1,074,904	2,382,094	826,970	1,787,397
	<b>HSA Total</b>	<b>2,764,003</b>	<b>5,113,550</b>	<b>1,770,068</b>	<b>3,157,459</b>	<b>993,935</b>	<b>1,956,091</b>
	<b>SJAP's &amp; HSA./Organic fertilizer total</b>	<b>24,577,507</b>	<b>31,425,720</b>	<b>19,417,841</b>	<b>21,191,871</b>	<b>5,159,665</b>	<b>10,233,848</b>
<b>JHST</b>	Sales of Fresh HU Flowers	-	-	-	-	-	-
	Sales of Dried HU Flowers	-	-	-	-	-	-
	Sales of Dried Immortal vegetables	-	-	-	-	-	-
	Sales of Vegetable products	1,323,176	-	455,501	-	867,675	-
	<b>JHST/Plantation Total</b>	<b>1,323,176</b>	<b>-</b>	<b>455,501</b>	<b>-</b>	<b>867,675</b>	<b>-</b>
<b>MEIJI</b>	Sale of Live cattle (Aromatic)	8,412,087	4,816,884	6,983,456	4,590,411	1,428,631	226,473
	<b>MEIJI / Cattle farm Total</b>	<b>8,412,087</b>	<b>4,816,884</b>	<b>6,983,456</b>	<b>4,590,411</b>	<b>1,428,631</b>	<b>226,473</b>
<b>SIAF</b>	Sales of goods through trading/import/export activities	-	-	-	-	-	-
	on seafood	7,422,005	1,488,461	6,597,338	1,323,077	824,667	165,384
	on imported beef and mutton	15,688,575	4,917,948	13,945,400	4,143,726	1,743,175	774,222
	<b>SIAF/ Others &amp; Corporate total</b>	<b>23,110,580</b>	<b>6,406,409</b>	<b>20,542,738</b>	<b>5,466,803</b>	<b>2,567,842</b>	<b>939,606</b>
	<b>Group Total</b>	<b>57,423,350</b>	<b>42,649,013</b>	<b>47,399,536</b>	<b>31,249,085</b>	<b>10,023,813</b>	<b>11,399,927</b>

### **Overall comparison of Q1 2016 to Q1 2017**

The Company's revenues generated from the sale of goods increased by \$14,774,337 or 35%, from \$42,649,013 for the quarterly period ended March 31, 2016 compared to \$57,423,350 for the same period ended March 31, 2017. The increase was primarily due to an increase in revenue from the following sectors:

- (i) Cattle farm (MEIJI) sector (from \$4.8 million in Q1 2016 to \$8.4 million in 2017 Q1).
- (ii) The Corporate (SIAP trading) sector (from \$6.4 million in Q1 2016 to \$23.1 million in 2017 Q1).
- (iii) The HST (Plantation) sector, its additional revenues generated through the cash-crop sales of \$1.3 million in Q1 2017.

The Company's cost of goods sold increased by \$16,150,451 or 52%, from \$31,249,085 for the quarterly period ended March 31, 2016 to \$47,399,536 for the same period ended March 31, 2017. The increase was primarily due to the increase in goods sold from plantation, cattle farms and the corporate trading sectors, collectively.

Gross profits of the Company generated from goods sold decreased by \$1,376,115 or 12%, from \$11,399,928 for the quarterly period ended March 31, 2016 to \$10,023,813 for the same period ended March 31, 2017. The decrease was primarily due to gross profits derived from SJAP's imported beef and mutton sales dropping by \$3.4 million (from 2016 Q1's \$4.4 million to 2017 Q1's \$1.0 million), which was to an extent off-set somewhat by SIAP's corporate seafood import sector having increased by \$1.6 million in gross profit (from 2016 Q1's 0.9 million to 2017 Q1's \$2.6 million).

● **1. (i) Primary Producing and Processing Sectors refer to SJAP and QZH operations**

In US\$	Sale of goods		Cost of Goods sold		Gross profit (Sales)		
	2017Q1	2016Q1	2017Q1	2016Q1	2017Q1	2016Q1	
<b>Primary producing Sector</b>							
<b>SJAP</b>	Sale of live cattle	2,711,190	2,731,665	2,309,647	2,096,591	401,543	635,074
	% of increase or decrease (-)		-0.75%		10%		-37%
	Sale of feedstock						
	Bulk Livestock feed	1,265,227	1,662,889	568,248	749,293	696,978	913,595
	% of increase or decrease (-)		-24%		-24%		-24%
	Concentrate livestock feed	3,572,534	3,769,351	1,988,861	2,109,779	1,583,673	1,659,572
	% of increase or decrease (-)		-5%		-6%		-5%
	Sale of fertilizer	556,024	491,643	360,109	322,961	195,915	168,682
	% of increase or decrease (-)		13%		12%		16%
	<b>SJAP Total of primary producing sector</b>	<b>8,104,974</b>	<b>8,655,548</b>	<b>5,226,865</b>	<b>5,278,624</b>	<b>2,878,110</b>	<b>3,376,924</b>
	<b>% of increase or decrease (-)</b>		<b>-6%</b>		<b>-0.98%</b>		<b>-15%</b>
<b>Processing Sector</b>							
	* QHMP's (Slaughter & Deboning)	118,708	-	51,408	-	67,300	
	** QHMP's (Deboning)						
	Local cattle & Lamb	948,955	2,530,263	768,215	2,049,679	180,740	480,583
	% of increase or decrease (-)		-62%		-63%		-62%
	Imported beef and mutton	12,640,866	15,126,359	11,601,285	10,706,109	1,039,581	4,420,251
	% of increase or decrease (-)		-16%		8%		-76%
	<b>QHMP Total</b>	<b>13,708,529</b>	<b>17,656,622</b>	<b>12,420,908</b>	<b>12,755,788</b>	<b>1,287,621</b>	<b>4,900,834</b>
	<b>% of increase or decrease (-)</b>		<b>-22%</b>		<b>-3%</b>		<b>-74%</b>
<b>HS.A</b>	Sale of Organic fertilizer	862,129	944,059	695,164	775,365	166,965	168,694
	Sale of Organic Mixed Fertilizer	1,901,874	4,169,491	1,074,904	2,382,094	826,970	1,787,397
	<b>HS.A Total</b>	<b>2,764,003</b>	<b>5,113,550</b>	<b>1,770,068</b>	<b>3,157,459</b>	<b>993,935</b>	<b>1,956,091</b>
	<b>% of increase or decrease (-)</b>		<b>-46%</b>		<b>-44%</b>		<b>-49%</b>
	<b>SJAP &amp; HS.A./Organic fertilizer total</b>	<b>24,577,507</b>	<b>31,425,720</b>	<b>19,417,841</b>	<b>21,191,871</b>	<b>5,159,665</b>	<b>10,233,849</b>
	<b>% of increase or decrease (-)</b>		<b>-22%</b>		<b>-8%</b>		<b>-50%</b>

A. Overall revenue performance of SJAP decreased by 22% (or \$6.8 million) from Q1 2016's \$31.4 million to Q1 2017's \$24.6 million, primarily due to:

A.1. The Primary Producing Sector

\* Live Cattle sales changed little with a less than 1% decrease from Q1 2016's \$2.73 million to Q1 2017's \$2.71 million

\* The decrease in Bulk Stock Feed sales of 24% (or \$0.4 million) was significant when compared to Q1 2016's \$1.66 million (Q1 2017's \$1.26 million) primarily due to SJAP's reducing its sales of live cattle since Q1 2016 as a result in the drop in cattle prices and unstable market conditions.

\* "Concentrated live-stock feed" decreased by 5% (or \$0.2 million) from Q1 2016's \$3.77 million to Q1 2017's \$3.57 million; its losses curtailed by an increase of sales to other primary producers (i.e. pig farmers and chicken farmers, etc.).

\* The fertilizer sector increase of revenue by 13% (or \$0.65 million) from Q1 2016's \$0.49 million to Q1 2017's \$0.56 million was primarily due to seasonal variation.

A.2. The Processing Sector

\* QHMP's processing of locally supplied cattle was affected by 62% (or \$1.58 million) from Q1 2016's \$2.53 million to Q1 2017's \$0.95 million primarily due to the aforementioned unstable market conditions, in turn causing local farmers to keep and to grow their live cattle for longer periods in anticipation of better market pricing.

\* QHMP's processing of imported meat also decreased by 16% (or \$2.49 million) from Q1 2016's \$15.12 million to Q1 2017's \$12.64 million primarily due to fluctuating prices of imported meats, thus reducing profits caused by increasing competition as more exporting countries enter the Chinese market.

B. The overall performances of SJAP on Cost of sales and Gross Profits of:

B.1. Primary Producing Sector ("PPS"):

\* Cost of cost of goods sold on PPS decreased by 0.98% (or \$0.05 million) from Q1 2016's \$5.27 million to Q1 2017's \$5.22 million.

\* Gross Profit on PPS decreased by 15% (or \$0.5 million) from Q1 2016's \$3.38 million to Q1 2017's \$2.88 million.

The primary reason for the decrease is the decrease of corresponding revenues.

B.2. The Processing Sector:

\* Cost of cost of goods sold on Processing Sector decreased by 3% (or \$0.34 million) from Q1 2016's \$12.76 million to Q1 2017's \$12.42 million.

\* Gross Profit on PPS decreased by 15% (or \$0.5 million) from Q1 2016's \$4.90 million to Q1 2017's \$1.29 million.

The primary reason for the decrease is the decrease of corresponding revenues.

**The table below shows the itemized sale of goods and related cost of sales in quantity and unit price for the quarterly period ended March 31, 2016 compared to the same period ended March 31, 2017 for the beef and organic fertilizer divisions under Primary Production Sector and Processing Sector.**

		<u>Description of items</u>			
	<b>Primary Producing Sector</b>		<b>2017Q1</b>	<b>2016Q1</b>	<b>Difference</b>
<b>SJAP</b>	<b>Production and Sale of live cattle</b>	<b>Head</b>	<b>1,082</b>	<b>851</b>	<b>231</b>
	Average unit sale price	US\$/head	2,506	3,210	-3,210
	Unit cost price	US\$/head	2,135	2,464	-2,464
	<b>Production and sale of feedstock</b>				-
	<b>Bulk Livestock feed</b>	<b>MT</b>	<b>7,225</b>	<b>9,240</b>	<b>-2,015</b>
	Average unit sale price	US\$/MT	175	180	-5
	Unit cost price	US\$/MT	79	81	-2
	<b>Concentrated livestock feed</b>	<b>MT</b>	<b>8,230</b>	<b>8,431</b>	<b>-201</b>
	Average unit sale price	US\$/MT	434	447	-13
	Unit cost price	US\$/MT	242	250	-9
	<b>Production and sale of fertilizer</b>	<b>MT</b>	<b>3,004</b>	<b>2,587</b>	<b>417</b>
	Average unit sale price	US\$/MT	185	190	-190
	Unit cost price	US\$/MT	108	125	-125
<b>* QZH</b>	<b>Processing Sector</b>				
	<b>Slaughter operation</b>				
	Slaughter of cattle	<b>Heads</b>	<b>315</b>		
	Service fee	US\$/Head	10		
	Sale of associated products	<b>Pieces</b>	<b>315</b>		
	Average unit sale price	US\$/Piece	367		
	Unit cost price	US\$/Piece	163		
	<b>De-boning &amp; Packaging activities</b>				
	<b>From Cattle supplied locally</b>				
	De-boned Meats	<b>MT</b>	<b>125</b>	<b>355</b>	<b>-230</b>
	Average unit sale price	US\$/MT	7,592	7,128	464
	Unit cost price	US\$/MT	6,146	5,774	372
	<b>From imported beef</b>	<b>MT</b>	<b>1,701</b>	<b>1,822</b>	<b>-121</b>
	Average unit sale price	US\$/MT	7,431	8,302	-871
	Unit cost price	US\$/MT	6,820	5,876	944
	<b>From imported lamb</b>	<b>MT</b>			-
	Average sales price	US\$/MT			-
	Average cost price	US\$/MT			-
	<b>Production and Sale of live cattle</b>	<b>Heads</b>			-
	Average unit sale price	US\$/head			-
	Unit cost price	US\$/head			-

- The minor decrease in unit sales prices in the Stock feed and fertilizer divisions are primarily due to the depreciation of RMB to USD from Q1 2016's average of US\$1=RMB6.50 to Q1 2017's average of US\$1=RMB6.82.

#### **Plans for SJAP going forward**

SJAP's plan has been to upgrade its line of cattle directed at the high-end market, and to increase its range of value added products (to include canned beef products) with the aim to increase its overall profitability, and to source its capital needs through the capital market by listing SJAP on the NEEQ (Third Board) of the Shanghai Stock Exchange at some time in 2018.

These operational enhancements had been designed to position a carveout, and to subsequently spin-off the cattle business in order to maximize value, using the aquaculture COSO strategy as a blueprint.

However, during Q1 2017 the Xining Government came up with a suggested plan to help the cattle and beef industry in its district, especially the local farmers, and has selected SJAP as the lead company to coordinate and carry out this plan: As such:

1. SJAP is working in conjunction with the Chinese Government to promote certain economic and social responsibility objectives.

a. Firstly, to promote economic development in the region, the Xining Government is regrouping Xining's abattoir operations by cancelling various existing abattoir permits within close proximity to each other, with the aim of centralizing all slaughterhouse operations at SJAP's abattoir facility and

b. Turning the Huangyuan district into Xining's main cattle and meat trade center that will include the development of various operational centers covering cold storage, wholesale and down-stream distribution markets, processing of value added products, inter-state trades, logistic services and other related supporting activities.

This is expected to significantly benefit SJAP when considering Qinghai Province is one of the largest cattle growing provinces in China with annual production exceeding 4 million head of live cattle and multi-million heads of sheep generating tens of billions in US dollar revenue, annually. SJAP has been chosen to become one of the leading companies operating such a business.

At the same time and for such purpose, the Government intends to provide SJAP with additional commercial and industrial zoned land adjacent to its existing site to accommodate and develop operations, which will increase SJAP's total land bank at its current HuangYuan site to over 635 Mu inclusive of its existing 235 Mu of commercial land that has a recognized Government value of RMB 1 million / Mu (or the equivalent of \$147,000 / Mu).

The Government will also provide additional land at another location to which SJAP will move its existing operations, including the cattle farm, the fertilizer factory and the concentrated feed manufacturing factory. To this end, SJAP has been closely coordinating with the Xining Government in recent months.

c. Secondly, on the Social Responsibility front, the Government's aim is for SJAP to lead and to organize the regional growers and farmers into a united team, with the aim of helping all regional poor farmers and growers out of poverty by the end of 2018. This exercise mirrors the same Co-op System SJAP has been employing since its inception.

2. The Government has agreed to support SJAP in an effort to procure listing on the main board in China, either in Shanghai or Shenzhen, subject to SJAP's performance, as opposed to seeking listing on China's 3<sup>rd</sup> Board, the NEEQ. If SJAP does list on the main board, it will have "domestically listed foreign investment shares" available to enable our foreign shareholders to trade their shares globally.

3. A main board listed company has been invited to join the team of SJAP to carry out all related work on the project including seeking financing for the needs of the project's development.

The Company is honored to have the Government recognize SJAP for its capability and past efforts, counting it among an elite group of agricultural companies.

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

In US\$		Sale of Goods		Cost of Goods sold		Gross Profit (Sales)	
		2017Q1	2016Q1	2017Q1	2016Q1	2017Q1	2016Q1
<b>HS.A</b>	Sale of Organic fertilizer	862,129	944,059	695,164	775,365	166,965	168,694
	Sale of Organic Mixed Fertilizer	1,901,874	4,169,491	1,074,904	2,382,094	826,970	1,787,397
	<b>HS.A Total</b>	<b>2,764,003</b>	<b>5,113,550</b>	<b>1,770,068</b>	<b>3,157,459</b>	<b>993,935</b>	<b>1,956,091</b>
	% of increase or decrease (-)		-46%		-44%		-49%
						2017Q1	2016Q1
<b>HSA</b>	<b>Fertilizer and Cattle operation</b>						
	<b>Organic Fertilizer</b>					<b>3,557</b>	<b>3,826</b>
	% of increase or decrease (-)						-7%
	Average Unit sale price					236	232
	Unit cost price					192	195
	<b>Organic Mixed Fertilizer</b>					<b>4,680</b>	<b>9,968</b>
	% of increase or decrease (-)						-53%
	Average Unit sale price					406	418
	Unit cost price					230	239
	<b>Retailing packed fertilizer (For super market sales)</b>					<b>33</b>	<b>80</b>
	% of increase or decrease (-)						-59%
	Average Unit sale price					675	695
	Unit cost price					346	360
	<b>Total of fertilizer</b>					<b>8,270</b>	<b>13,874</b>
	% of increase or decrease (-)						-40%
	Average of overall sale price					334	369
	% of increase or decrease (-)						-9%

Overall sales volume of fertilizer decreased by 5,637 MT or 68% from 13,874 MT in Q1 2016 to 8,237 MT in Q1 2017 with revenue and gross profit having decreased by 46% and 49%, respectively for the same period primarily due to the preparation in starting HSA's rearing of a specific brand of local cattle. As such, cattle waste will be recycled as raw material to produce fertilizer requiring having the fertilizer production plants remodeled to adapt to the usage of cattle waste, and in turn, reducing the production and sales of fertilizer during Q1. At the end of April, remodeling had been completed and production levels have returned to normal levels. **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 of HU flowers occurred during Q1 2017, which is a normal situation as harvest of HU flowers begins in late June each year; however the development of planting cash crops during 2016 resulted in an increase of revenue, cost of sales, and gross profit of 100%, as shown in the table below.

In US\$		Sales of goods		Cost of Goods sold		Sales of Goods'		Gross profit	
		2017Q1	2016Q1	2017Q1	2016Q1	2017Q1	2016Q1	2017Q1	2016Q1
<b>JHST</b>	Sales of Fresh HU Flowers		-		-		-		-
	Sales of Dried HU Flowers		-		-		-		-
	Sales of Dried Immortal vegetables		-		-		-		-
	Sales of Other Value added products	1,323,176	-	455,501	-	867,675	-		-
	<b>JHST/Plantation Total</b>	<b>1,323,176</b>	<b>-</b>	<b>455,501</b>	<b>-</b>	<b>867,675</b>	<b>-</b>		<b>-</b>

- **3. 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 the Guangzhou and Beijing livestock wholesale markets. The financial statements of JHMC are consolidated into MEIJI as one entity along with MEIJI's operations in the consulting and service for development of other cattle farms, such as Cattle Farm 2, or related projects.

In US\$	Sale of Goods		Cost of Goods sold		Gross Profit (Sales)	
	2017Q1	2016Q1	2017Q1	2016Q1	2017Q1	2016Q1
<b>MEIJI</b>						
Sale of Live cattle (Aromatic)	8,412,087	4,816,884	6,983,456	4,590,411	1,428,631	226,473
<b>MEIJI / Cattle farm Total</b>	<b>8,412,087</b>	<b>4,816,884</b>	<b>6,983,456</b>	<b>4,590,411</b>	<b>1,428,631</b>	<b>226,473</b>
% of increase or decrease (-)		75%		52%		531%

MEIJI	Description of items	2017Q1	2016Q1	Difference
		<b>Production and sale of Live cattle (Aromatic)</b>	<b>4,401</b>	<b>3,032</b>
	Average Unit sale price	1,911	1,589	322
	Unit cost price	1,587	1,514	73

Revenue from the cattle farm sales increased by \$3,595,203 (or 75%) from \$4,816,884 for the quarterly period ended March 31, 2016 compared to \$8,412,087 for the same period ended March 31, 2017. The major factor for the increase was the significant demand for our locally bred "Yellow Cattle," which are garnering approximately RMB36 / Kg (live weight) in sales, which when compared to SJAP's average of RMB26 / Kg for Angus and Simmental, provides perspective on the benefits from having adjusted the breed of cattle being raised.

Cost of goods sold from cattle farm increased by \$2,393,045 or 52% from \$4,590,411 for the quarterly period ending March 31, 2016 compared to \$6,983,456 for the same period ended March 31, 2017. The increase was primarily due to the corresponding increase of sales.

Gross profit from cattle increased by \$1,202,158 from \$226,473 for the quarterly period ended March 31, 2016 to \$1,428,631 for the same period ended March 31, 2017. The increase was primarily due to the corresponding increase in revenue.

- **4 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\$	Sale of Goods		Cost of Goods sold		Gross Profit (Sales)	
	2017Q1	2016Q1	2017Q1	2016Q1	2017Q1	2016Q1
<b>SIAF</b>						
Sale of goods through trading/import/export activities on seafood	7,422,005	1,488,461	6,597,338	1,323,077	824,667	165,384
% of increase or decrease (-)		399%		399%		399%
on imported beef and mutton	15,688,575	4,917,948	13,945,400	4,143,726	1,743,175	774,222
% of increase or decrease (-)		219%		237%		125%
<b>SIAF/ Others &amp; Corporate total</b>	<b>23,110,580</b>	<b>6,406,409</b>	<b>20,542,738</b>	<b>5,466,803</b>	<b>2,567,842</b>	<b>939,606</b>
% of increase or decrease (-)		261%		276%		173%

Description of items		2017Q1	2016Q1	Difference
<b>SIAF</b>	<b>Seafood trading from imports</b>			
	Mixed seafoods	MT	270	80
	Average sale price	US\$/MT	27,439	18,606
	Average cost price	US\$/MT	24,390	16,538
	<b>Beef &amp; Lambs trading from imports</b>	MT	1,225	970
	Average sale price	US\$/MT	12,807	5,069
	Average cost price	US\$/MT	11,384	4,271

Revenues of the corporate division increased by \$16,704,171 (or 261%) from \$6,406,409 for Q1 2016 to \$23,110,580 for Q1 2017. The increase was primarily due continuous development of imported seafood sales from multiple countries other than Madagascar resulting in revenue increasing by 399% (or \$5.9 million) from Q1 2016's \$1.5 million to Q1 2017's \$7.4 million, and the increase in beef imports revenue by 219% (or \$10.8 million) from \$ 4.9million in Q1 2016 to 15.7 million in Q1 2017 supporting our marketing strategy and direction for becoming agent to a number of high quality and well known producers in exporting countries.

Correspondingly, the cost of goods sold from the corporate division increased by \$15,075,935 (or 276%) from \$5,466,803 for Q1 2016 to \$20,542,738 for Q1 2017, and gross profit from the corporate division increased by \$1,628,236 or 173% from \$939,606 for the three months ended March 31, 2016 compared to \$2,567,842 for the three months ended March 31, 2017. The increase in gross profit on seafood was due to increased sales.

● **5.A. Engineering technology consulting and services: (The Continuing Operation of CA)**

**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, 2017 and 2016.**

Service revenues (Consulting and Services)	2017Q1	2016Q1	Difference	Description of work
CA				Work in progress on PF(1), FF(2), PF(2), PF(3) and open dams being developed into ODRAS 3rd generation farming operations
	13,189,265	13,126,051	63,214	
<b>Group Total Revenues</b>	<b>13,189,265</b>	<b>13,126,051</b>	<b>63,214</b>	
<b>Cost of service</b>				
CA	8,782,892	9,510,872	-727,980	
<b>Group Total Cost of Consulting and Services</b>	<b>8,782,892</b>	<b>9,510,872</b>	<b>-727,980</b>	
<b>Gross Profit</b>				
CA	4,406,373	3,615,179	791,194	
<b>Group Total Gross Profit</b>	<b>4,406,373</b>	<b>3,615,179</b>	<b>791,194</b>	

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

Revenues increased by \$63,214 or 0.5% from \$13,126,051 for the quarterly period ended March 31, 2016 to \$13,189,265 for the same period ended March 31, 2017.

Correspondingly, the cost of services for consulting, service, commission and management fee decreased by \$727,980 or 7.7% from \$9,510,872 for the quarterly period ended March 31, 2016 to \$8,782,892 for the same period ended March 31, 2017. The decrease was primarily due to lower costs being incurred for work done during the quarter that may increase or decrease in subsequent quarters depending on the type of work project underway.

Gross profit from consulting, service, commission and management fees increased by \$791,194 or 22%, from \$3,615,179 for the quarter period ended March 31, 2016 to \$4,406,373 for the same period ended March 31, 2017.

**The Discontinuing Operation of CA (or, the “Sales of fishery goods” Sector)**

In 2016 we took several steps to modernize our aquaculture facilities into integrated high-yielding stations in support of the carve-out/spin-off (“COSO”) strategy to create a concentrated stand-alone entity of sufficient scale and potential to attract IPO interest at valuations rewarding to the Company’s shareholders.

These activities were followed by the completion of the carveout of the aquaculture operations into Tri-way, a Hong Kong based entity, contributing to strong overall financial results in 2016 and setting the stage for further growth and value recognition in 2017. We recorded a deemed gain on sale of \$56.9M and reported a certified fair value of the Company’s stake of \$124.7M at the time of the carveout, representing a 36.6% ownership in Triway.

The new organization for the aquaculture business is expected to support accelerated growth, as it is better suited for infusions of working and development capital at what we expect to be more favorable valuations. The Company has long believed that its assets are undervalued, and that its organizational structure limited its opportunities to convert existing and planned development to business advantage. Completing the carveout was a significant milestone toward unleashing this value.

The Company expects significant accretion to SIAF earnings per share via our equity interest in the carved-out company as compared to 2016. This is because Aquafarms 2 – 5 were unincorporated, so their results were not consolidated into SIAF’s group earnings per share in previous years. Instead, SIAF reported earnings related to Capital Award’s Marketing and Distribution agreements with the farms. Only the gross profits from Aqua Farm 1 were included in SIAF’s group financial results. After the transaction, the gross profits from all the farms will be included, on an equity pro rata basis, i.e., 36.6%. With productivity at the aquaculture farms estimated to increase at an accelerating rate, the overall earnings benefit to SIAF is expected to significantly exceed current levels. Current estimates show upwards of a 65% improvement in realized gross margin when combining ownership of both the Company and its current shareholders who will obtain a certain percentage of Triway at the time of spin-off and comparing it to the gross margin that the Company would have realized had the COSO not been executed and merger of the aquafarms not been undertaken.

Even though Capital Award no longer facilitates the sale or distribution of product from Triway, it will remain the turnkey solutions provider for the new operators of Aquafarms 1-5. Capital Award, a wholly owned subsidiary of SIAF, remains focused on consulting, engineering, and construction of A-Power Recirculating Aquaculture Systems (“APRAS”). Under the carveout agreement, Capital Award will license its APRAS technology for ongoing and future development (currently \$100,000 per A-Power Module, or APM).

Thus, post-carveout, SIAF records recurring income in three ways:

1. The sale of seafood by Tri-Way as “Share of Income from Unconsolidated Equity Investee” based on the Company’s 36.6% holding in Tri-Way;

2. Continuing project development; and
3. Turnkey engineering and technology fees, coupled with licensing fees for the APRAS technology.

Also, Capital Award will receive license fees from any future farms (i.e., Aqua-farms 6, 7 and so on) that Triway develops in China.

**Progress and COSO developments concerning Associate Investee, Triway:**

- Triway has appointed a Hong Kong based Corporate Service Company (“HKCS”) as its corporate secretary to assist in coordinating with direct registration (book entry) of its shares including the 36.6 % equity shares to the Company and the balance of 63.4% equity shares to the 50 plus original owners / investors in one or more of Triway’s five aquaculture operations (Stage 1). Upon completion of Stage 1, HKCS will register in Hong Kong, Triway’s total paid-up-capital estimated at US\$340 million (or the equivalent of HK\$2.635 billion), and its total issuance of 100 million shares @ par value of HK\$1 each (Stage 2). In this respect, as of April 27, 2017, HKCS’s records reflect 36,600,000 shares having been allocated to the Company, anticipating that allocation to all parties, and the proper filings under Stage 1 being completed on or before May 31, 2017 with corresponding documents for Stage 2 to be submitted to the Hong Kong Company Register within the following 10 days.
- In the interim, the Company is preparing (Stage 3A) the requisite documents to be filed with the SEC in preparation for spin-off and dividend distribution on a portion of its Triway shares.

Broadridge Solutions, the Company’s transfer agent will assist the Company in distributing the dividend once all approvals have been provided by relevant authorities (Stage 3B).

The target remains to complete Stage 3 on or before June 30, 2017, although, it should be stressed, remains dependent on the time required by the SEC, FINRA, etc. to approve the spin-off distribution, including the time needed to distribute an information statement to all Company shareholders.

- Simultaneously, Triway’s team continues working with its financial team preparing the remaining documents needed to conduct a pre-IPO exercise, including its financial forecasts, legal due diligence, valuation models, etc. with formal presentations to the investment community beginning mid-July 2017 (Stage 4A).
- Apart from seeking equity financing from Stage 4A, Triway is also working with other lenders to secure debt financing (in addition to its working line of credit discussed in previous reports), wherein one lender who had begun its due diligence during April 2017 is nearer to providing a formal loan proposal and/or letter of credit at commercial rate to Triway (Stage 4B). Even though the lending facility will be less than what is targeted to be procured in the pre-IPO offering, it will provide Triway with initial capital funding to continue moving the project forward until additional funding is secured through the pre-IPO process.
- Triway’s objective is to secure sufficient outside funding to expand its PPE so as to begin generating the necessary free cash flow to continue its PPE development, with the aim to withhold using operating cash flow for purposes of future capital expenditures, and rather utilize it to maintain and meet its work environment obligations.
- There are many facets to the Triway project that will require meticulous attention, some requiring more time than others, yet attention to detail will ensure smoother outcomes, e.g., healthier production levels, fewer regulatory hurdles, an HKSE listing, etc., all in an effort to provide a better return to the Company’s shareholders in the long-run.

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 3-31-2017	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 Construction has yet began Stage 1 completed	With 14 APMs Hydroponic farm Research& Development Station
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 Jiao City, San Jiao City Shenwan	2015=1B fingerling 2016=2B fingerling 2016=400MT 2016=1000 Mu	247,500 m2	May 2012	80% 90% 100% 12%	Operational with WIP to be continued until year end of 2017 Development of 34 Mu of ODRAS 3 <sup>rd</sup> Generation Older & 2 <sup>nd</sup> Generation ODRAS open dams 50 Mu of ODRAS 3 <sup>rd</sup> Gen. out of 400 Mu in operation
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	Fully operational	Restaurant 7 & 8's work has been completed.
NaWei wholesale Center	Guangzhou City Shanghai City		5,000 m2 3,000 m2	July 2012 Sept. 2014	Completed Completed	Operational. In operation.
New Zhongshan Prawn Project (PF3 & PF4)	Zhongshan City	Phase (1)S(1)= 10,000 MT Phase (2) = 60,000 MT Open dams on 600 Mu	2.5 million m2	Nov. 2013	95% 85% 40% 40%	Building (1) & (2) work in progress completed with WIP on water dams constructed on 30,000 m2 block Ground & infrastructure work on Building 3. 240 Mu of ODRAS 3 <sup>rd</sup> gen. completed out of 600Mu
Open Dam Recirculating Aquaculture Systems (ODRAS) 3 <sup>rd</sup> Generation	Zhnonshan Saio Jaio ShenWan And YangJiang Districts	Siao Jaio ShenWan YangJiang and Other districts	400 Mu 1,000 Mu 6,000 Mu	Q4 2016 Q4 2017 Q4 2016	140 Mu 240 Mu 120 Mu 75%	Operational Operational Operational Q2 2017
Wholesale seafood super markets	Guangzhou City	Shop (1) 4000 m2	Leased Hold 5,500 m2	Q4 2016	80% Q1 2017	Expecting operational by Mid-June 2017

Note (4)

Other Income

The other income for the three months ended March 31, 2017 amounted to \$(340,050) and derived from the combination of (1) a gain on extinguishment of debt \$0 (Note 4), a government grant of \$165,488, less interest expense of \$505,538.

The other income for the three months ended March 31, 2016 amounted to \$(761,078) 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 \$1,188,417.

Sales of Unregistered Securities

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, 2017 remained at 22,726,859 shares.

Referencing the Company's US\$20m Trading Facility entered into in September, 2016 secured through issuance of shares at \$12.50 / share for a period of 3 years. The said Trading facility was obtained for application by the 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 letter of credit ("LC") facilities and for documents against payment ("DP") facilities, 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 at a discount of 20% of the prevailing market price of the shares at date of return (the "Service Cost"). For example, if the market price of the Company's shares is \$15.00, then the Service Cost will be \$3.00 per share, thus the Company will need to pay \$3.00 per share to regain the shares 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.

There was a total of 1,235,000 shares cumulatively issued from September 22, 2016 as 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 December 31, 2016 the total issued and outstanding shares was 22,726,859 that when compared to issued and outstanding as of the date of Q1 2016 filing (21,503,417) represents an increase of 1,223,102 shares (or 6%) reflected in the following distribution:

- 68 personnel and management staff: 248,384 shares (a portion distributed for services accrued since 2007)
- 7 Directors and executives: 841,967 shares (a portion distributed for services accrued since 2007).
- 7 in-house (employed) consultants and advisors: 132,787 shares (a portion distributed for services accrued since 2013)
- Accounts are being reconciled subsequent to COSO distributions planned over the next two years.

## Issuance of shares, years 2014 to 2016:

1. As of September 30, 2014, prior to finalization of the Euro China AB (“**ECAB**”)’s convertible bond (“**CB**”), there were a total of 30,526,180 shares (Post Reverse Split, or “**PRS**”), or the equivalent of 3,083,453 shares PRS issued for the 9 month-period ended September 30, 2014 representing an increase of 22.18% from the Total Issued and Outstanding (“**TI&O**”) shares at year-end December 31, 2013 consisting of 2,764,183 shares (PRS) and 319,269 shares (PRS) issued to equity financiers for debt settlements (“**DS**”) and staff as well as professional consultants, respectively.
2. As of December 31, 2014, after the finalization of the ECAB CB, there were 99,239 shares (PRS) and 80,739 shares issued to equity financiers (for DS) and staff cum professional consultant, respectively amounting to a total of 180,000 shares (PRS) issued collectively during the three months period ended 31.12.2014 representing an increase of 1.3% increase from the TI&O shares as at September 30, 2014, well within one of the permissive conditions of the ECAB CB to allow the company to complete its earlier commitments to “Debt Settlement by Shares” up to an amount of US\$5 million, and in the agreed to spirit of the arrangement of the ECAB CB that under no circumstance, the bond would restrict the Company’s ability to raise capital to meet its funding requirements.
3. For the 12 month period ended December 31, 2015 there were 47,787 shares, 2,216,184 shares and 707,070 shares (all PRS) issued for staff cum professional consultants, as collateral to secure a trading facility for import trades carried out by Shanghai Vigour Trading Co. Ltd. (“**Vigour**”), and the conversion of B Series shares, respectively totaling 2,971,041 shares (PRS) representing an increase of 17.31 % from TI&O shares as of December 31, 2014, wherein the said collateralized shares do not hold voting rights and are not entitled to receive dividends, and the Company has the right to buy back those shares at the end of its tenure period of 3 years upon repayment of outstanding principal and outstanding interest, if any. Consequently, Vigour has executed and managed very well its repayment of the Trading Facility having repaid all revolving principal and accrued interest in a timely manner. Furthermore, the shares issued as collateral for the Trading Facility are valued at \$12.50 per share.
4. For the 12 months ended December 31, 2016 there were 1,261,247 shares and 1,331,565 shares (both PRS) issued for staff and professional consultants inclusive of shares due to 3 executive directors from 2007 to 2012 and as collateral to secure a loan debt from a third party (based on face value at \$7 per share with 75% representing loan principal) to finance part of Triway’s COSO exercise and development, resulting in an increase of 12.88% from the TI&O shares as of December 31, 2015. The said loan debt is for a tenure of 3 years at an interest rate of 3.5% per year, without voting and dividend rights, such that at the end of the tenure period, the Company has the right to buy back the collateralized shares upon repayment of outstanding principal and accrued interest, if any, at that time.
5. The TI&O shares as of December 31, 2016 and March 31, 2017 is 22,726,859 shares.
6. It is estimated that there will be a need of up to \$17.5 million to meet Triway’s COSO expenses and minimal farm development needs until such time as other sources of equity or debt financing materialize (mid-summer, i.e. the “interim period”); these costs are expected to be funded partly by up to \$10 million from Triway’s internally generated cash flow, and partly from a further loan facility that the Company, as in the past, may underwrite, amounting up to \$7.5 million obtained from third party lenders based on similar terms and conditions as the loan facility stated in item 4, above.
7. As of May 15, 2017, the total issued and outstanding shares is 23,994,199, which reflects an increase of 1,267,340 shares (or, 5.57%) compared to 22,726,859 shares issued and outstanding as of December 31, 2016. The additional shares were utilized to secure/underwrite a loan on behalf of Triway from a third-party lender based at \$4.10 per share with a maturity term of three-years and no pre-payment penalty throughout the term of the loan.
8. The Company is rather confident that Triway will be successful in its fundraising program to self-finance its CapEx requirements. As well, SJAP has been making progress toward self-funding, and as such, both Triway and SJAP will no longer be dependent on SIAF to provide bridge financing, here shortly. Thus, the Company should be positioned to repurchase both collateral shares from its lenders as well as from the market itself to help improve overall share value.

### ***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, 2017 and 2016, respectively.

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

General and administrative and interest expenses (including depreciation and amortization) increased by \$777,764 or 14%, from \$5,757,509 for Q1 2016 to \$6,535,273. The change was primarily due to increase in wages and salaries of \$1,448,907 from \$553,219 for Q1 2016 to \$2,002,126 for Q1 2017, depreciation and amortization increased by \$570,274 from \$851,714 in Q1 2016 to \$1,421,988 in Q1 2017 and interest expense decreased by \$683,238 from \$1,188,776 in Q1 2016 to \$505,538 in Q1 2017.

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

**Table (to Note 5)**

<b>Category</b>	<b>2017Q1</b>	<b>2016Q1</b>	<b>Difference</b>
Office and corporate expenses	\$ 1,418,672	\$ 1,556,336	\$ -137,664
Wages and Salaries	\$ 2,002,126	\$ 553,219	\$ 1,448,907
% of increase or decrease (-)		262%	
Traveling and related lodging	\$ 17,180	\$ 91,407	\$ -74,227
Motor vehicles expenses and local transportation	\$ 35,610	\$ 39,730	\$ -4,120
Entertainment and meals	\$ 135,644	\$ 529,748	\$ -394,104
Others and miscellaneous	\$ 998,515	\$ 946,579	\$ 51,936
Depreciation and amortization	\$ 1,421,988	\$ 851,714	\$ 570,274
% of increase or decrease (-)		67%	
Sub-total	\$ 6,029,735	\$ 4,568,733	\$ 1,461,002
Interest expense	\$ 505,538	\$ 1,188,776	\$ -683,238
% of increase or decrease (-)		-57%	
Total	\$ 6,535,273	\$ 5,757,509	\$ 777,764
% of increase or decrease (-)		14%	

**Note (6) Depreciation and Amortization**

Depreciation and amortization increased by \$898,790 or 48%, to \$2,764,089 for Q1 2017 from \$1,865,299 for Q1 2016. The increase was primarily due to the increase of depreciation by \$875,198 to \$2,143,810 for Q1 2017 from depreciation of \$1,268,612 for Q1 2016 and the increase of amortization by \$23,592 to \$620,279 for Q1 2017 from amortization of \$596,687 for Q1 2016.

In this respect, total depreciation and amortization amounted to \$2,764,089 for Q1 2017, of which amount \$1,421,988 was reported under general and administration expenses and \$1,342,101 was reported under cost of goods sold; whereas total depreciation and amortization was at \$1,865,299 for Q1 2016 and out of which amount \$851,714 was reported under General and Administration expenses and \$1,013,585 was reported under cost of goods sold.

**Note (7). Non-controlling interests**

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

Names of intermediate holdco. subsidiaries Abbreviated names	Capital Award Inc. (Belize) CA	Macau EIJ Company Ltd. (Macau) (MEIJI)		A Power Agro Agriculture Development (Macau) Ltd. (APWAM)		Total
% of equity holding on below subsidiaries (in China)	n.a.	75%	75%	26%	45%	
Name of China subsidiaries		Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd. (China)	Jiangmen City Hang Mei Cattle Farm Development Co. Ltd. (China)		Quinghai Sangjiang A Power Agrivulture Co. Ltd. (China)	
Abbreviated names	None	(JHST)	(JHMC)	(HSA) Hunan Shanghua A Power Agriculture Co. Ltd (China)	(SJAP)	50%
Net income of the P.R.C. subsidiaries for the period ended 31. March 2017 in \$	0 \$	215,907 \$	909,926 \$	380,338 \$	3,191,064	
Equity % of non-controlling interest	0%	25%	25%	24%	55%	
Non-controlling interest's shares of Net incomes in \$	0 \$	53,977 \$	227,482 \$	91,281 \$	1,755,085	\$2,127,824

The Net Income attributed to non-controlling interest is \$2,127,824 shared by (JHST, JHMC, HAS and SJAP collectively) for Q1 2017 as shown in Table (F) above.

**Note (8) Earnings per share (EPS)**

Earnings per share from continuing and discontinued operations decreased by \$0.05 (basic) and \$0.03 (diluted) per share from EPS of \$0.43 (basic) and \$0.39 (diluted) Q1 2016 to EPS of \$0.38 (basic) and \$0.36 (diluted) for Q1 2017. Earnings per share from continuing operations increased by \$0.12 (basic) and \$0.11 (diluted) per share from EPS of \$0.26 (basic) and \$0.25 (diluted) Q1 2016 to EPS of \$0.38 (basic) and \$0.36 (diluted) for Q1 2017.

**Part B. MD & A on Unaudited Consolidated Balance Sheet of Continued Operations for the three months ended March 31, 2016 (Q1 2017) compared to the 12 months ended December 31, 2016.**

Consolidated Balance sheets	March 31, 2017	December 31, 2016	Changes +/-	Note
	\$	\$	\$	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	3,989,283	2,576,058	1,413,225	B
Inventories	67,928,267	62,592,272	5,335,995	9
Costs and estimated earnings in excess of billings on uncompleted contracts	1,249,187	740,984	508,203	
Deposits and prepaid expenses	84,709,075	84,845,966	-136,891	10
Accounts receivable	123,135,937	122,912,086	223,851	11
Other receivables	55,751,034	47,120,800	8,630,234	
<b>Total current assets</b>	<b>336,762,783</b>	<b>320,788,166</b>	<b>15,974,617</b>	
<b>Property and equipment</b>				
Property and equipment, net of accumulated depreciation	193,327,154	189,727,227	3,599,927	12
Construction in progress	41,401,722	35,157,213	6,244,509	13
Land use rights, net of accumulated amortization	53,522,619	53,673,690	-151,071	14
<b>Total property and equipment</b>	<b>288,251,495</b>	<b>278,558,130</b>	<b>9,693,365</b>	
<b>Other assets</b>				
Goodwill	724,940	724,940	-	
Proprietary technologies, net of accumulated amortization	9,955,098	10,090,697	(135,599)	
Investment in unconsolidated equity investee	141,893,092	139,133,443	2,759,649	15
Long term investment	724,743	720,773	3,970	
Temporary deposits paid to entities for investments in future Sino Joint Venture companies	15,644,998	15,644,998	-	
<b>Total other assets</b>	<b>168,942,871</b>	<b>166,314,851</b>	<b>2,628,020</b>	
<b>Total assets</b>	<b>793,957,149</b>	<b>765,661,147</b>	<b>28,296,002</b>	
<b>Current liabilities</b>				
Accounts payable and accruals	11,576,310	8,789,324	2,786,986	16
Billings in excess of cost and estimated earnings on uncompleted contracts	5,623,401	2,630,752	2,992,649	
Due to a director	2,750,779	2,070,390	680,389	
Other payables	10,557,271	5,962,092	4,595,179	
Borrowings-Short term bank loan	2,898,971	2,883,090	15,881	
Negotiable promissory notes	1,190,801	1,113,140	77,661	
Income tax payable	1,130	1,130	-	
<b>Total current liabilities</b>	<b>34,598,663</b>	<b>23,449,918</b>	<b>11,148,745</b>	
<b>Non-current liabilities</b>				
Other payables	15,989,449	11,192,117	4,797,332	
Long term debts	5,797,942	5,766,182	31,760	
Convertible note payable	21,676,838	21,314,877	361,961	16D
<b>Total non-current liabilities</b>	<b>43,464,229</b>	<b>38,273,176</b>	<b>5,191,053</b>	
<b>Stockholders' equity</b>				
Common stock	22,727	22,727	-	
Additional paid-in capital	155,741,280	155,741,280	-	
Retained earnings	463,284,085	454,592,652	8,691,433	
Accumulated other comprehensive income	(3,363,895)	(4,335,355)	971,460	
Treasury stock	(1,250,000)	(1,250,000)	-	
<b>Total SIAF Inc. and subsidiaries' equity</b>	<b>614,434,197</b>	<b>604,771,304</b>	<b>9,662,893</b>	
Non-controlling interest	101,460,060	99,166,749	2,293,311	
<b>Total stockholders' equity</b>	<b>715,894,257</b>	<b>703,938,053</b>	<b>11,956,204</b>	
<b>Total liabilities and stockholders' equity</b>	<b>793,957,149</b>	<b>765,661,147</b>	<b>28,296,002</b>	

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 Equivalents**

The change in cash and cash equivalents was \$1,413,225 between cash and cash equivalents of \$3,989,283 and \$2,576,085 as at March 31, 2017 and 31 December 2016, respectively. The significant difference in cash and cash equivalents between these two dates is primarily due to the higher revenues generated during Q1 2017 compared to year ended December 31, 2016.

**Note (9) Break down of inventories**

	Mar 31,2017	December 31,2016	Difference
	\$	\$	\$
Sleepy cods, prawns, eels and marble goble	-	481,509	-481,509
Bread grass	1,560,292	2,115,815	-555,523
Beef cattle	6,856,902	6,814,132	42,770
Organic fertilizer	19,660,154	15,901,153	3,759,001
Forage for cattle and consumable	5,601,004	6,536,517	-935,513
Raw materials for bread grass and organic fertilizer	16,881,267	15,829,424	1,051,843
Beef and mutton	15,373,141	13,217,456	2,155,685
Immature seeds	1,995,507	1,696,266	299,241
	<u>67,928,267</u>	<u>62,592,272</u>	<u>5,335,995</u>

The main increases in inventories came from (i) organic fertilizer (up \$3.8M) and (ii) beef and mutton (up \$2.2M) resulting from lower sales causing surplus fertilizer inventory both at HSA and SJAP; however both companies have cut back production wherever necessary to decrease inventory by the end of Q2 2017. In the same vein, the increase of inventory in Beef / Mutton sector had been primarily due to the unstable market conditions influencing pricing, resulting in some livestock being held for longer periods. This up and down trend in beef inventory will likely continue until market conditions stabilize.

**Note (10) Breakdown of Deposits and Prepaid Expenses**

The actual deposit and prepaid expenses decreased by \$136,891 from Q1 2016's \$84,845,966 to Q1 2017's 84,709,075.

	Mar 31,2017	December 31,2016	Difference	Note
	\$	\$	\$	
Deposits for				
- purchases of equipment	6,621,547	5,555,471	1,066,076	
- acquisition of land use rights	3,373,110	3,373,110	-	10.1
- inventories purchases	16,325,148	13,729,305	2,595,843	
- aquaculture contracts	2,261,538	2,261,538	-	
- consulting service providers and others	8,150,000	8,150,000	-	
- construction in progress	13,719,339	13,719,339	-	
- Collaterals of shares	16,712,741	16,712,741	-	
Prepayments - debts discounts and others	4,768,728	5,007,016	-238,288	
Shares issued for employee compensation and overseas professional and bond interest	1,991,407	3,982,812	-1,991,405	
Others	<u>10,785,517</u>	<u>12,354,635</u>	<u>-1,569,118</u>	
	<u>84,709,075</u>	<u>84,845,966</u>	<u>-136,891</u>	

**Note (11) Breakdown of Accounts receivable:**

	<b>March 31, 2017</b>				
	Accounts receivable \$	0-30 days \$	31-90 days \$	91-120 days \$	over 120 days and less than 1 year \$
<b>Consulting and Service (C&amp;S) totaling</b>					
CA	49,388,726	-	15,673,711	24,106,909	9,608,106
<b>Sales of Live Fish, eels and prawns (from Farms) (CA)</b>	13,061,631	-	-	4,816,278	8,245,353
Sales of imported seafood (Corporate Sector of SIAF)	8,585,827	7,264,963	-	13,979	1,306,885
Sales of Cattle and Beef Meats (from Enping Farm) (MEIJ)	4,273,711	4,273,711	-	-	-
Sales of HU Flowers (Fresh & Dried) (JHST)	4,670,737	526,653	794,030	352,698	2,997,356
Sales Fertilizer, Bulk Stock feed and Cattle by (SJAP)	9,427,617	2,686,170	5,092,214	583,999	1,065,234
Sales Fertilizer from (HSA)	6,182,407	914,210	1,830,337	1,688,279	1,749,581
Sales of Beef (QZH)	27,545,281	5,144,559	8,419,619	6,573,098	7,408,005
	-	-	-	-	-
<b>Total</b>	<b>123,135,937</b>	<b>20,810,266</b>	<b>31,809,911</b>	<b>38,135,240</b>	<b>32,380,520</b>

**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.

**CA's Consulting & Services (The Continuing Operation):**

There are following clarification detailing the break-down of the total (C&S) AR of \$49,388,726: out of which sum

- \$16,841,120 was (C&S) AR dated prior to 30 Sept. 2016 that are settled by Triway shares included in the 36.6% equity shares that the Company received from the "Carve-Off" exercise as previously mentioned in the Company's 2016 10K filing.
- \$32,547,605 was (C&S) AR for work performed during Q4 2016 and Q1 2017, collectively, temporarily charged through Triway to be paid and settled by the original owners / investors of Triway when Triway will complete its issuance of shares upon spin-off, targeting to be completed as soon as reasonably practicably.
- CA is the turkey contractor appointed by Triway (which is the Master APM License Holder of China granted by CA for 50 years) to carry out developments and construction work for APM and ODRAS fish farms (inclusive the Mega farm APM project and other ODRAS farm projects) that are being and will be developed by Triway in China. As such, CA's C&S revenue and income levels will not be affected because of the "Carve-Off" exercise. Triway is working on arrangements to procure development & construction capital funding (Capex) to meet its development targets, thus while limiting its development in the interim, is expected to increase activity once funding sources become available some time in Q3 2017. We anticipate CA's C&S sector to reflect a substantial increase once funding has been secured.

**Fish Sales (CA):** (referred to as Sale of Goods under “**Discontinued Operation of CA**)

The total A/R of \$13,061,611 of this sector is expected to be fully settled within the next two to three months on or before end of July 2017.

**Sales of imported seafood (Corporate Sector of SIAF)**

As at end of Q1 2017, this sector’s A/R is mostly current, having an amount of \$1.13 million over 120 days owed by regular clients that carry a good track record with the Company.

**Sales of fertilizer and bulk livestock feed (SJAP):** These comprise sales made to regional farmers contracted by us to grow crops 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 of Fertilizer from HSA:** HSA’s receivable situation is normal in the sense 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 the majority of dried product is sold to 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 the product within the 3-4 month window provided during harvest season when supply is abundant. Therefore JHST gives long trading terms to its wholesalers and allows them to pay gradually over the year with the condition that all outstanding receivables must be paid-in-full 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. As at the end of Q1 2017, the status of JHST has improved primarily due to the credit terms of the cash crop extended to the buyers (i.e., from 30 days to 90 days).

**Sale of Beef (QZH):** Most of QZH’s customers are first tier wholesalers and distributors in cities adjacent to Qinghai Province (i.e. Xin Ziang, Gan Su, Si Chuan and Xi Zang) that QZH gives various trading terms. Its receivables currently are normal referencing the table below:

	2017					
	Total sales Q1 2017 \$	Accounts receivable \$	0-30 days \$	31-90 days \$	91-120 days \$	over 120 days and less than 1 year \$
Sales of Beef (QZH)	13,708,529	27,545,281	5,144,559	8,419,619	6,573,098	7,408,005
<b>% of total receivables</b>			<b>19%</b>	<b>31%</b>	<b>24%</b>	<b>27%</b>

**Information on concentration of credit risk of revenue:**

We have 4 major long-term customers, referred to as referring to as Customer A, B, C and D in the financial statements who have accounted for 73.29% of our consolidated revenues for Q1 2017 as shown in the table below:

	three months ended March 31, 2017	
	% of total Revenue	\$ Customer's Total Revenue
Customer A	24.79%	17,507,672
Customer B	18.68%	13,189,265
Customer C	17.90%	12,640,866
Customer D	11.91%	8,412,087
	<u>73.29%</u>	<u>51,749,890</u>

Customer A is Shanghai Vigour Trading Co. Ltd., which is one of our main distributors selling most of our imported goods (inclusive of Beef and Seafood). During Q1 2017, we sold \$18 million of goods to Shanghai Vigour representing 24.79% of our total sales of goods revenue of \$71 million derived mainly from Corporate and Others Division segment.

Customer B is Triway Industries through our divestment when Triway became an Associate Investee. However, the amount of \$13 million shown above will be fully paid when Triway issues shares to offset this amount.

Customer C 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 in China. During Q1 2017, we sold \$12.6 million of goods to BBG representing 17.90% of our total sales of goods revenue of \$71 million.

Customer D is Mr. Zhen Runchi, who buys our fattened cattle to sell them in the Guangdong and Beijing cattle markets, and at the same time supplies us young cattle for rearing. During Q1 2017, we sold \$8.4 million of goods to Mr. Zhen Runchi, representing 11.91% of the Company’s total sale of goods revenue of \$71 million.

**Information on concentration of credit risk of account receivable:**

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

	March 31, 2017	31-Dec-16	
Customer A	20.53%	12.83%	Triway Industries Limited
Customer B	19.58%	19.61%	Xian Zhiming (New Prawns project
Customer C	17.36%	18.11%	BBK commercial chain Limited
Customer D	6.69%	7.52%	Hanzhiqiang
	<u>64.16%</u>	<u>58.07%</u>	

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.

**Note (12) Property and equipment, net of accumulated depreciation**

	As at March 31, 2017
	\$
Plant and machinery	7,078,563
Structure and lease hold improvements	163,414,025
Mature seeds and herbage cultivation	33,469,146
Furniture and equipment	827,356
Motor vehicles	<u>926,511</u>
Less: Accumulated depreciation	<u>-12,388,447</u>
<b>Net carrying amount</b>	<b><u>193,327,154</u></b>

**Note (13) Construction in progress**

	As at March 31, 2017
	\$
<b>Construction in progress</b>	
- Oven room · road for production of dried flowers	5,652,993
- Office, warehouse and organic fertilizer plant in HSA.	4,630,658
- Organic fertilizer and bread grass production plant and office building	622,036
- Rangeland for beef cattle and office building	12,713,664
- Fish pond	<u>17,782,371</u>
	<b><u>41,401,722</u></b>

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

Item	Owner	Location	Acres	Date Acquired	Tenure	Expiry dates	Cost \$	Monthly amortization \$	2017.03.31 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	208,837	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	33,152,302	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	322,504	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	892,998	Management Right	HU Plantation
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	862,954	Management Right	HU 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	1,886,320	Management Right	HU Plantation
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	1,715,805	Management Right	HU Plantation
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	807,017	Management Right	HU 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	694,805	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	4,342,542	Management Right	HU Plantation
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	1,189,856	Management Right	HU Plantation
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	3,557,495	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	455,838	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	289,860	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	4,082,527	Management Right	Agriculture
	JHST	Land improvement cost incurred		12/1/2013			3,914,275	6,155	3,668,094		
Exchange difference							(4,606,822)		(4,607,135)		
			<u>653.56</u>				<u>62,623,829</u>	<u>131,789</u>	<u>53,522,619</u>		

**Note (16) Current Liabilities:**

	As at March 31, 2017	Note
Current liabilities	\$	
Accounts payable and accruals	11,576,310	16.A
Billings in excess of cost and estimated earnings on uncompleted contracts	5,623,401	
Due to a director	2,750,779	16 B
Other payables	15,354,603	
Borrowings-Short term bank loan	2,898,971	
Negotiable promissory notes	1,190,801	
Income tax payable	1,130	
	<u>39,395,995</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 meaning that most purchases are paid for in cash or short term credit (7 to 10 days), which in a way allows us bargaining capacity to obtain cash discounts resulting in the low trade account payables and accruals balance of \$11.6 million, about 16% of total sales of \$71 million for the reasons stated below:

Our main Account Payables during Q1 2017 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 67% 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 averaged at 67% for Q1 2017, 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 79% for Q1 2017. 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 83% for Q1 2017. 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 term credit, 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 is 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 45% for Q1 2017. 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, 2017, other payables totaling \$26,546,720 was composed of the following:

During Q1 2017, 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 2017 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 \$11,192,117 of promissory notes still due and outstanding as of March 31, 2017.

A grant of \$1,239,310 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, 2017, as work is in progress on this project, the grant is recorded as other payables.

As at the end of March 31, 2017, other advances had been provided by other unrelated third parties collectively to our subsidiaries with some in promissory notes or agreements at no fixed term of repayment and interest free; and with some are associated with facility and/or loan agreements at average of 3.5% interest for tenure up to 5 years; and some are by verbal arrangement. These sums amount to \$14,115,293 unpaid and outstanding as of March 31, 2017.

**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 has filed yearly tax returns from 2007 to 2015.

No EIT has been provided in the financial statements of SIAF, CA, JHST, JHMC, HSA and SJAP since they are exempt from EIT for the three months ended March 31, 2017 and 2016 as they are within the agriculture, dairy and fishery sectors.

No EIT has been provided in the financial statements of JFD since it is exempt from EIT for the three months ended March 31, 2016 and 2017 as it is within the 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, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016.

No deferred tax assets and liabilities have been assessed as of March 31, 2017 and December 31, 2016 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 occur.

**Off Balance Sheet Arrangements:**

None.

**Liquidity and Capital Resources**

As of March 31 2017, unrestricted cash and cash equivalents amounted to \$3,989,283 (see notes to the consolidated account), and our working capital as of March 31, 2017 was \$302,164,120.

As of March 31 2017, our total long-term debts are as follows:

<b>Contractual Obligations</b>	<b>Less than 1 year</b>	<b>1-3years</b>	<b>3-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Short Term Bank Loan	2,898,971				2,898,971
Convertible Note Payable		21,676,838			21,676,838
Long Term Debts	5,797,942				5,797,942
Promissory Notes	1,190,801				1,190,801

Cash provided by operating activities amounted to \$12,555,256 for Q1 2017. This compares with cash provided by operating activities totaling \$14,716,994 for Q1 2016. The decrease in cash flows from operations primarily resulted from the increase of inventories to \$5,335,995 for Q1 2017 from \$629,522 for Q1 2016.

Cash used in investing activities totaled \$9,350,735 for Q1 2017. This compares with cash used in investing activities totaling \$19,818,653 for Q1 2016. The decrease in cash flows used in investing activities primarily resulted from payment for construction in progress of \$4,699,322 in Q1 2017 from \$15,966,419 in Q1 2016. .

Cash used in financing activities totaled \$0 for Q1 2017. This compares with cash from financing activities totaling \$448,187 for Q1 2016. The increase cash provided by financing activities due to the decrease of long-term debts repaid of \$0 in Q1 2017 from \$448,187 in Q1 2016.

**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 with 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.

As at end of Q1 2017 Triway's acquisition of assets from other fish farms in Prawn Farms 1 to 4 and the buyout of 25% in Jiangmen Fishery Development Co. (JFD), which is a *SFJVC*, illustrates a typical example of the transaction mentioned above.

**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)**

	2014	2015	2016	2017Q1	Total
Continuing and discontinued operations					
Sale of goods	323	337	332	57	1,049
Consulting income	81	92	102	13	288
Cost of goods sold	231	261	257	47	796
Cost of service	44	57	47	9	157
EBITDA	119	101	147	14	381
Depreciation & amortization	5	5	6	3	19
Net income attributable to SIAF & subsidiaries	92	66	115	9	282
Non - controlling interest	22	25	21	2	69
Net Incomes of the group	114	91	137	11	353
Total Assets	513	640	766	794	
Current assets	282	350	321	337	
Total liabilities	72	70	62	78	
Current liabilities	52	28	24	40	
Capital employed	461	611	742	754	-
Total stockholders equity	441	569	704	716	
Internal transaction adjustment	-0	-0	-	-	
Total stockholders equity (adjustment)	440	569	704	716	
ROCE	59%	49%	46%	32%	
<b>Total Capex</b>	<b>35</b>	<b>47</b>	<b>60</b>	<b>11</b>	<b>153</b>
1. property and equipment	21	43	98	5	167
2. construction in progress	10	4	-38	6	-18
3. land use right	4	-	-	-	4
4. proprietary technologies	-	-	-	-	-
<b>Ending balance</b>	<b>230</b>	<b>322</b>	<b>297</b>	<b>298</b>	
1. cash and cash equivalents	3	7	3	4	
2. inventories	46	63	63	68	
3. deposits and prepaid expenses	76	84	85	85	
4. account receivable	105	136	123	123	
5. other receivables	52	60	47	57	
6. account payables and accrued expenses	-22	-9	-9	-12	
7. short term loan	-4	-4	-3	-2	
8. other payables	-26	-15	-12	-25	
<b>Total increase of wc</b>	<b>114</b>	<b>92</b>	<b>-25</b>	<b>1</b>	<b>182</b>
Total capex and increase of wc	149	139	35	12	335
Free Cash Flow (FCF)	-30	-37	111	2	46
Net Debt	-20	-41	-30	-30	

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

	2014	2015	2016	2017Q1	Total
Sale of goods	102	144	135	22	403
Cost of goods sold	68	111	101	17	297
EBITDA	33	34	35	4	107
Depreciation & amortization	1	1.01	2.52	1.20	5
Net income attributable to SIAF & subsidiaries	14	15	15	1	45
Non - controlling interest	17	18	18	2	55
Net Incomes of the group	31	33	33	3	100
Total Assets	158	200	248	256	
Current assets	83	105	111	113	
Total liabilities	28	17	19	22	
Current liabilities	16	14	14	17	
Capital employed	142	186	234	239	
Total stockholders equity	130	183	229	234	
Internal transaction adjustment	-58	-78	-91	-93	
Total stockholders equity (adjustment)	72	105	138	141	
ROCE	46%	49%	41%	29%	
<b>Total Capex</b>	<b>20</b>	<b>21</b>	<b>29</b>	<b>7</b>	<b>77</b>
1. property and equipment	6	31	59	4	100
2. construction in progress	14	-10	-30	3	-23
3. land use right	-	-	-	-	-
4. proprietary technologies	-	-	-	-	-
<b>Ending balance</b>	<b>67</b>	<b>91</b>	<b>97</b>	<b>96</b>	
1. cash and cash equivalents	1	2	2	2	
2. inventories	27	34	42	48	
3. deposits and prepaid expenses	19	18	17	18	
4. account receivable	34	48	44	37	
5. other receivables	2	2	6	8	
6. account payables and accrued expenses	-4	-5	-6	-6	
7. short term loan	-4	-4	-3	-2	
8. other payables	-8	-5	-5	-9	
<b>Total increase of wc</b>	<b>46</b>	<b>24</b>	<b>7</b>	<b>-1</b>	<b>75</b>
Total capex and increase of wc	66	45	36	6	152
Free Cash Flow (FCF)	-33	-10	-1	-1	-45
Net Debt	-7	-6	-9	-9	

**E.3.SIAF's Corporate Operational division**

	2014	2015	2016	2017Q1	Total
Sale of goods	51	38	72	23	184
Consulting income	5	4	-		9
Cost of goods sold	45	33	64	21	163
Cost of service	5	1	-		6
<b>EBITDA</b>	<b>6</b>	<b>0</b>	<b>30</b>	<b>1</b>	<b>37</b>
Depreciation & amortization	0	0	-	-	
Net income attributable to SIAF & subsidiaries	6	-5	26	1	28
Non - controlling interest	-	-	-	-	
<b>Net Incomes of the group</b>	<b>6</b>	<b>-5</b>	<b>26</b>	<b>1</b>	<b>28</b>
<b>Total Assets</b>	<b>43</b>	<b>95</b>	<b>231</b>	<b>250</b>	
Current assets	39	76	89	93	
<b>Total liabilities</b>	<b>13</b>	<b>39</b>	<b>38</b>	<b>50</b>	
Current liabilities	10	1	6	14	
Capital employed	33	94	225	236	
Total stockholders equity	30	56	193	200	
Internal transaction adjustment	82	89	4	-2	
Total stockholders equity (adjustment)	112	145	197	198	
ROCE	40%	3%	11%	14%	
<b>Total Capex</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>-</b>	<b>12</b>
1. property and equipment	-	-	-	-	-
2. construction in progress	1	4	7	-	12
3. land use right	-	-	-	-	-
4. proprietary technologies	-	-	-	-	-
<b>Ending balance</b>	<b>29</b>	<b>76</b>	<b>83</b>	<b>79</b>	
1. cash and cash equivalents	2	-	-	2	
2. inventories	-	4	-	-	
3. deposits and prepaid expenses	2	28	44	42	
4. account receivable	9	9	9	9	
5. other receivables	26	35	36	40	
6. account payables and accrued expenses	-3	-	-2	-3	
7. short term loan	-	-	-	-	
8. other payables	-7	-1	-4	-11	
<b>Total increase of wc</b>	<b>25</b>	<b>47</b>	<b>7</b>	<b>-4</b>	<b>75</b>
Total capex and increase of wc	26	51	14	-4	87
Free Cash Flow (FCF)	-20	-51	16	5	-50
Net Debt	-13	-35	-21	-21	

***E.A. CA (Fishery Development Division)***

	2014	2015	2016	2017Q1	Total
Sale of goods	54	47	61		162
Consulting income	76	88	102	13	279
Cost of goods sold	31	35	46		112
Cost of service	39	56	47	9	151
EBITDA	55	43	65	4	167
Depreciation & amortization	-	0	-	-	
Net income attributable to SIAF & subsidiaries	55	43	65	4	167
Non - controlling interest	-	-	-	-	
Net Incomes of the group	55	43	65	4	167
Total Assets	111	123	89	95	
Current assets	79	85	69	79	
Total liabilities	20	10	3	8	
Current liabilities	20	10	3	8	
Capital employed	91	113	86	87	
Total stockholders equity	91	113	86	87	
Internal transaction adjustment	84	104	196	199	
Total stockholders equity (adjustment)	174	217	282	286	
ROCE	140%	119%	189%	1.282932417	
<b>Total Capex</b>	<b>4</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>9</b>
1. property and equipment	-	-	-	-	-
2. construction in progress	-	-	5	-	5
3. land use right	4	-	-	-	4
4. proprietary technologies	-	-	-	-	-
<b>Ending balance</b>	<b>59</b>	<b>75</b>	<b>66</b>	<b>71</b>	
1. cash and cash equivalents	-	-	-	-	
2. inventories	-	-	0	-	
3. deposits and prepaid expenses	32	23	10	10	
4. account receivable	28	44	55	62	
5. other receivables	19	19	4	7	
6. account payables and accrued expenses	-11	-1	-	-3	
7. short term loan	-	-	-	-	
8. other payables	-9	-9	-3	-5	
<b>Total increase of wc</b>	<b>9</b>	<b>16</b>	<b>-9</b>	<b>5</b>	<b>21</b>
Total capex and increase of wc	13	16	-4	5	30
Free Cash Flow (FCF)	42	27	69	-0	137
Net Debt	-	-	-	-	

***E.5. MEIJI and Cattle Farm (Development and holding company of CF (I))***

	2014	2015	2016	2017Q1	Total
Sale of goods	33	35	30	8	106
Consulting income	-				-
Cost of goods sold	31	33	28	7	99
Cost of service	-				-
<b>EBITDA</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>10</b>
Depreciation & amortization	0	0.59	1	-	2
Net income attributable to SIAF & subsidiaries	1	2	3	1	7
Non - controlling interest	-	0	1	0	1
<b>Net Incomes of the group</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>8</b>
<b>Total Assets</b>	<b>42</b>	<b>39</b>	<b>37</b>	<b>39</b>	
Current assets	17	18	12	11	
<b>Total liabilities</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Current liabilities	-	-	-	-	
Capital employed	42	39	37	39	
Total stockholders equity	37	39	37	39	
Internal transaction adjustment	-14	-14	-8	-9	
Total stockholders equity (adjustment)		25	29	30	
<b>ROCE</b>	<b>36%</b>	<b>21%</b>	<b>18%</b>	<b>18%</b>	
<b>Total Capex</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
1. property and equipment	-	2	-	-	2
2. construction in progress	-	-	-	-	-
3. land use right	-	-	-	-	-
4. proprietary technologies	-	-	-	-	-
<b>Ending balance</b>	<b>17</b>	<b>18</b>	<b>12</b>	<b>11</b>	
1. cash and cash equivalents	-	-	-	-	
2. inventories	1	4	5	4	
3. deposits and prepaid expenses	3	3	4	3	
4. account receivable	13	11	3	4	
5. other receivables	-	-	-	-	
6. account payables and accrued expenses	-	-	-	-	
7. short term loan	-	-	-	-	
8. other payables	-	-	-	-	
<b>Total increase of wc</b>	<b>7</b>	<b>1</b>	<b>-6</b>	<b>-1</b>	<b>1</b>
Total capex and increase of wc	7	3	-6	-1	3
Free Cash Flow (FCF)	-5	-0	10	2	7
<b>Net Debt</b>					

***E.6. MEIJI and JHST plantation division***

	2014	2015	2016	2017Q1	Total
Sale of goods	11	14	13	1	39
Cost of goods sold	4	4	6	0.5	14
EBITDA	6	9	6	1	21
Depreciation & amortization	1	1.15	1	0.41	4
Net income attributable to SIAF & subsidiaries	4	6	4	0.15	14
Non - controlling interest	1	2	1	0.05	4
Net Incomes of the group	5	8	5	0.20	18
Total Assets	39	45	41	41	
Current assets	24	21	14	16	
Total liabilities	1	1	-	-	
Current liabilities	1	-	-	-	
Capital employed	38	45	41	41	
Total stockholders equity	38	44	41	41	
Internal transaction adjustment	-9	-7	1	1	
Total stockholders equity (adjustment)		37	42	42	
ROCE	55%	51%	43%	31%	
<b>Total Capex</b>	<b>1</b>	<b>5.1</b>	<b>5.0</b>	<b>2.0</b>	<b>13</b>
1. property and equipment	1	2.5	4.0	-	8
2. construction in progress	-	2.6	1.0	2	6
3. land use right	-	-	-	-	-
4. proprietary technologies	-	-	-	-	-
<b>Ending balance</b>	<b>23</b>	<b>21</b>	<b>14</b>	<b>16</b>	
1. cash and cash equivalents	-	-	-	-	
2. inventories	1	1	2	2	
3. deposits and prepaid expenses	11	6	5	8	
4. account receivable	11	12	6	5	
5. other receivables	1	1	1	1	
6. account payables and accrued expenses	-	-	-	-	
7. short term loan	-	-	-	-	
8. other payables	-1	-	-	-	
<b>Total increase of wc</b>	<b>4</b>	<b>-2</b>	<b>-7</b>	<b>2</b>	<b>-3</b>
Total capex and increase of wc	5	3	-2	4	10
Free Cash Flow (FCF)	1	6	7	-3	11
Net Debt					

**E.7. HSA (the Hunan fertilizer Operation)**

	2014	2015	2016	2017Q1	Total
Sale of goods	20	20	21	3	64
Cost of goods sold	11	12	12	2	37
EBITDA	7	7	6	1	21
Depreciation & amortization	1	1.48	1	0.82	5
Net income attributable to SIAF & subsidiaries	5	4	4	0	13
Non - controlling interest	1	1	1	0	3
Net Incomes of the group	6	5	5	0.38	16
<b>Total Assets</b>	<b>99</b>	<b>115</b>	<b>121</b>	<b>113</b>	
Current assets	30	32	25	25	
Total liabilities	5	4	2	-	
Current liabilities	5	4	1	-	
Capital employed	94	111	120	113	
Total stockholders equity	94	111	119	113	
Internal transaction adjustment	-87	-99	-102	-96	
Total stockholders equity (adjustment)	7	12	17	17	
ROCE	9%	10%	8%	5%	
<b>Total Capex</b>	<b>8</b>	<b>13</b>	<b>14</b>	<b>2</b>	<b>37</b>
1. property and equipment	12	6	35	1	54
2. construction in progress	-4	7	-21	1	-17
3. land use right	-	-	-	-	-
4. proprietary technologies	-	-	-	-	-
<b>Ending balance</b>	<b>25</b>	<b>29</b>	<b>24</b>	<b>25</b>	
1. cash and cash equivalents	-	-	0	-	
2. inventories	14	15	14	14	
3. deposits and prepaid expenses	5	5	5	4	
4. account receivable	10	12	6	6	
5. other receivables	1	1	-	1	
6. account payables and accrued expenses	-4	-4	-1	-	
7. short term loan	-	-	-	-	
8. other payables	-1	-	-	-	
<b>Total increase of wc</b>	<b>20</b>	<b>4</b>	<b>-5</b>	<b>1</b>	<b>20</b>
Total capex and increase of wc	28	17	9	3	57
Free Cash Flow (FCF)	-21	-10	-3	-2	-36
Net Debt					

## **CRITICAL ACCOUNTING POLICIES**

### **BASIS OF PRESENTATION**

The unaudited consolidated financial statements for the three months ended March 31, 2017 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, 2016.

### **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 \$7,747 and \$31 for the three months ended March 31, 2017 and 2016, respectively.

#### **ADVERTISING**

Advertising costs are included in general and administrative expenses, which totaled \$631,717 and \$666,258 for the three months ended March 31, 2017 and 2016, 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, 2017 or December 31, 2016.

#### **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.

#### **NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED**

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Property and equipment are not depreciated once classified as held for distribution. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheets. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income and other comprehensive income.

## **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 of 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, 2017 and 2016, 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 31, 2017 and 2016, basic earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders for continuing and discontinued operations amounted to \$0.38 and \$0.43, respectively. For the quarter ended March 31, 2017 and 2016, diluted earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries' common stockholders for continuing and discontinued operations amounted to \$0.36 and \$0.39, respectively.

For the quarter ended March 31, 2017 and 2016, basic earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders for continuing operations amounted to \$0.38 and \$0.26, respectively. For the quarter ended March 31, 2017 and 2016, diluted earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries' common stockholders for continuing operations amounted to \$0.36 and \$0.25, 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, 2017*

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, 2017 and December 31, 2016 were translated at RMB6.90 to \$1.00 and RMB6.46 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, 2017 and March 31, 2016 were RMB6.89 to \$1.00 and RMB6.53 to \$1.00, respectively.

*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.

#### **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 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. This guidance will be effective for us in the first quarter of 2019 on a modified retrospective basis and early adoption is permitted. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (ASU 2016-08) which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. This guidance will be effective for us in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting* (ASU 2016-09) to simplify the accounting for share-based payment transactions, including the income tax consequences, an option to recognize gross share-based compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance will be effective for us in the first quarter of 2017, and early adoption is permitted. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers Other than Inventory* (ASU 2016-16), which requires companies to recognize the income-tax consequences of an intra-entity transfer of an asset other than inventory. This guidance will be effective for us in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. We currently anticipate adopting the new standard effective January 1, 2018, and do not expect the standard to have a material impact on our consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance will be effective for us in the first quarter of 2018 and early adoption is permitted. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosure

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (ASU 2017-01), which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance will be effective for us in the first quarter of 2018 on a prospective basis, and early adoption is permitted. We do not expect the standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (ASU 2017-04), which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance will be effective for us in the first quarter of 2020 on a prospective basis, and early adoption is permitted. We do not expect the standard to have a material impact on our 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, 2013 through 2016 were RMB 6.19, RMB 6.14, RMB 6.23 and RMB 6.46, 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, 2017 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 15, 2017 By: /s/ LEE YIP KUN SOLOMON  
Lee Yip Kun Solomon  
Chief Executive Officer  
(Principal Executive Officer)

May 15, 2017 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 15, 2017 By: /s/ LEE YIP KUN SOLOMON  
Lee Yip Kun Solomon  
Chief Executive Officer, Director  
(Principal Executive Officer)

May 15, 2017 By: /s/ TAN POAY TEIK  
Tan Poay Teik  
Chief Officer, Marketing

May 15, 2017 By: /s/ CHEN BORHANN  
Chen Bor Hann  
Corporate Secretary

May 15, 2017 By: /s/ YAP KOI MING  
Yap Koi Ming  
Director

May 15, 2017 By: /s/ NILS ERIK SANDBERG  
Nils Erik Sandberg  
Director

May 15, 2017 By: /s/ DANIEL RITCHEY  
Daniel Ritchey  
Director

May 15, 2017 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, 2017 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 15, 2017

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, 2017 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 15, 2017

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, 2017 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 15, 2017

By: /s/ LEE YIP KUN SOLOMON

Name: Lee Yip Kun Solomon  
Title: Chief Executive Officer and  
(Principal Executive Officer)

Date: May 15, 2017

By: /s/ DANIEL RITCHEY

Name: Daniel Ritchey  
Title: Chief Financial Officer and  
(Principal Financial Officer)

