

AQUACULTURE CARVE-OUT FAQ

1. Please explain in simple terms the new ownership percentages for Tri-way?

Sino Agro now retains a 36.6% ownership interest in the carved-out entity, an independent Hong Kong corporation with 99,990,000 total shares earmarked for initial issuance.

As the process progresses, in addition to TW's development, of primary importance to SIAF and its shareholders, is the imputed value per share determined by early investors in the project; that is, those taking a position throughout the IPO period.

2. What is the value of the transaction, and how was it determined?

The value is \$124.7M, 36.6% of the overall TW enterprise value of \$340.6M. This includes 23.89% (EV = US\$81.4M) as a result of retained interest in TW, and 12.71% (EV = \$US\$43.3M) acquired in exchange for outstanding debt owed to SIAF. Share settlement is expected to occur in Q2, 2017. These values result from Tri-way's acquisition of SIAF's currently held assets (namely Aquafarm 1, "AF1"), as well as assets held in Aquafarms 2, 3, 4 and 5 from their respective owners / investors, including SIAF, as well as rights to technology licensed from Capital Award, a wholly owned subsidiary of SIAF.

An independent appraisal was conducted to determine fair value, and results in a one-time (deemed) gain of \$56.9M for the SIAF Group, as calculated below:

Amounts shown incorporate audited adjustments	HK\$	US\$ equivalent
Fair value of interest retained in Tri-way (US\$340,594,377 x 23.89%)	630,601,974	81,367,997
Less:		
Amount recognized prior to divestment of Tri-way		
Net asset of Tri-way	251,946,656	32,509,246
Non-controlling interest at divestment	-62,683,968	8,088,254
Controlled group assets divested	189,262,688	24,420,992
Gain on disposal (including master licensing fees)	441,339,286	56,947,005
Net controlled group assets disposed ((\$24,420,992 x 76.11%)	-144,047,832	-18,586,817
Gain on revaluation of retained interest		
Fair value of interest retained in Tri-way	630,601,974	81,367,997
Portion of divested assets retained in Tri-way ((\$24,420,992 x 23.89%)	-45,214,856	-5,834,175
Gain on disposal (including master licensing fees)	441,339,286	56,947,005

3. Why is SIAF's ownership 36.6% and why is there a gain, when previously SIAF owned Tri-way outright?

The assets transferred to the new carved-out entity were not wholly owned by SIAF or any of its subsidiaries previously. Only AF1 was incorporated with financial results consolidated on SIAF's books. Aquafarms 2, 3, 4, and 5 were unincorporated joint ventures with partners. For this reason, the cost basis on SIAF's books net of noncontrolling interest was \$27.9M. The revaluation of assets was \$81.4M, resulting in a one-time gain of \$56.9M.



Question 2 above addresses the derivation of SIAF's 36.6% ownership in TW.

4. Please explain how the transaction will be accretive to EPS in 2017?

Because AF2 – 5 were unincorporated, results were not consolidated into SIAF's group earnings per share. Instead SIAF earnings from those farms related to Capital Award's ("CA") Marketing and Distribution agreements with the farms. The gross profits from only AF1 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%.

The plan is to increase production at all farms as investment dollars are acquired throughout the pre-IPO exercise; for example, completing the build-out of AF4 in 2017.

5. What is Capital Award's role after the transaction?

Capital Award itself is not part of the transaction, though contractual rights to technology licensed from CA are. Capital Award remains a wholly owned subsidiary of Sino Agro Food. As the separation is structured, Capital Award will remain the turnkey project developer for current and future aquafarm assets. In addition, as part of the carve-out, CA has granted TW a China Master License to develop and operate up to 20,000 units of its A Power Recirculating Aquaculture System ("APRAS" technology) over a 50-year period, at a combined Developer and Operator's license fee of \$100,000 per APRAS. This will allow for additional aquaculture facilities to be developed using the APRAS technology, opening long-term expansion opportunities in China. As a frame of reference, AF4 uses 144 APRAS modules and plans for AF5 call for 864 APRAS modules. AF4 and AF5 were part of the carve-out transaction.

6. How will the aquafarms' operations change after the change in direct ownership?

- SIAF and CA will no longer handle the sale of goods or day-to-day seafood operations. This includes R&D, various stages of grow-out, brood stock, nursery, marketing & sales, and future development on value added process activities etc.

As an investor in associate, SIAF will participate in the financial results from these activities as an owner of the carved-out company.

- SIAF and CA will no longer be in charge of future construction and farm development of the Zhongshan project, nor possible future fishery development projects in Zhongshan or other parts of China. However, CA will be procured as the turnkey engineering and consulting company, as is the current arrangement. Therefore CA will still earn engineering, development, and service charges etc ---- but not on fishery sales.
- Through its import / export trade business, though, SIAF (or, its subsidiary) will continue to generate revenue through this growing enterprise.

7. What is the future value of a spinoff to current Sino Agro shareholders?

The COSO strategy is designed to unlock shareholder value ultimately in an Initial Public Offering. SIAF is supporting a wide range of agriculture endeavors through the delivery of value-added technology and world-class operations, retaining equity ownership of spun out entities. It is typical in such relationships for the value of private assets to be determined by arms length transactions based first on independent appraisals and then on subsequent equity financing rounds.

Additional steps in the COSO process – mainly through pre-IPO investment(s) and ultimately an IPO -- are designed to attain market value based on company performance and peer-to-peer valuations.



Freshwater Prawns at AquaFarm 3

8. Will current shareholders own shares in the independent company directly?

Yes. A portion of SIAF's interest will be issued as shares distributed to shareholders of record, which date has not yet been announced.

9. What is the status of the working line-of-credit, conditionally received in the letter of commitment, becoming available for draw down?

In addition to the valuation assessment, certain items required to meet Hong Kong regulations are in the process of being completed for purposes of having the appraisal certified.

It must be emphasized, though, that the LOC will only be utilized to meet operational expenses that cannot be fully met through current cash flow. Thus, likely, its main use / benefit will be to help offset initial start-up costs associated with new CapEx projects when first coming online. Therefore, the benefit of the LOC will become evident when new facilities are completed, and up and running, since today's operational costs are readily covered through current revenue streams.

10. What's the best way to follow the progress of the company?

The Company provides links to its press releases and SEC filings via the [Investor Relations](#) section of its website. As well, operational updates and milestones are posted on its Facebook page: <https://www.facebook.com/SinoAgroFoodInc>



Water from APRAS tanks is pure enough to drink