



**Sino Agro Food**

**Interim Report Second Quarter 2018**

- Revenue of USD 34.0M

- EPS of USD 0.02

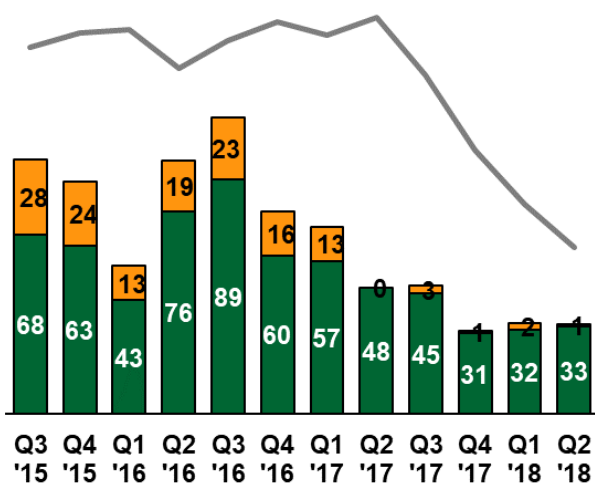
## April – June 2018

- Revenue for the period: USD 34M (47.7)
- Gross profit for the period: USD 5.4M (6.5)
- Net Income attributable to SIAF for the period: USD 0.9M (0.4)
- Diluted earnings per share: USD 0.02 (0.03)

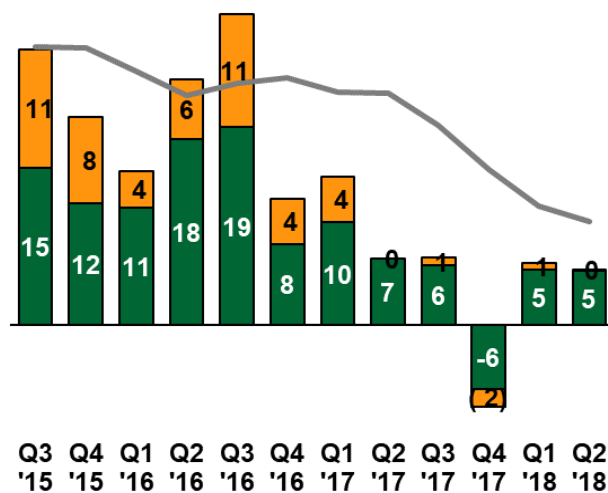
## Key figures

(USD M, except per share data)	Q2 '18	Q2 '17	%	6M '18	6M '17	%
Revenue	34,0	47,7	-29%	67,7	118,3	-43%
Gross profit	5,4	6,5	-16%	11,5	20,9	-45%
Margin	16,0%	13,6%		17,0%	17,7%	
Net income	-0,5	1,5	-133%	8,4	12,4	-32%
Margin	-1,5%	3,2%		12,4%	10,4%	
Net income attributable to SIAF	0,9	0,4	135%	9,1	9,1	1%
Earnings per share (USD) - fully diluted	0,02	0,03	-33%	0,19	0,38	-50%
Book value per share (USD) - fully diluted	20,4	26,1	-22%	n.a.	n.a.	n.a.
Diluted weighted average number of shares (millions)	37,6	25,2	49%	25,6	25,6	0%

## Revenue (USD M)



## Gross profit (USD M)



## **Second quarter 2018 highlights**

### **Revenue**

Revenue from the sale of goods decreased USD 14.8M, or 31%, to USD 32.9M for the quarter ended June 30, 2018 when compared on a year over year basis (“YoY”). When compared to Q1 2018 (“QoQ”), revenue from the sale of goods during Q2 2018 increased USD 1.5M or 5%. Revenue from project development was USD 1.1M, compared to no revenue during Q2 2017.

First quarter gross profits totaled USD 5.4M for Q2 compared to USD 6.5M during Q2 2017 and USD 6.1M during Q1 2018.

Fully diluted earnings per share were USD 0.02 in the second quarter, the same as Q2 2017 (YoY) and versus USD 0.17 QoQ.

### **Overview**

As stated last quarter, results reflect a reprioritization of businesses according to bottom line performance and guided by stricter cost control and capital expense rationale for each. From a revenue and gross profit perspective, results were in line with Q1.

Continuing in the first half of 2018:

- Businesses with negative gross margins had been either discontinued or markedly curtailed.
- Capital expenditure for all businesses was reduced, most notably at SIAF’s equity investee Tri-way, which restricts project development to a percentage of cash flow and as justified by individual projects, until outside cash resources become available to continue development of aquafarms 4 and 5
- G&A expenses were trimmed USD 1.7M, or 29% from USD 5.8M in Q2 2017 to USD 4.1M in Q2 2018.

These efforts have resulted in each standalone business stabilizing or improving. Integrated Cattle (SJAP) is self-sustaining, showing a small net operating profit in Q2. Seafood and Meat Trading has had consistent revenue with consistent gross margins over many quarters. The Organic Fertilizer (HSA) and the Plantation (JHST) segments are both exhibiting a growth trend expected to accelerate as past capital investments are beginning to generate returns and/or strategic partnerships are adding revenue without new capital investment.

As in the first quarter, because the benefits of business reprioritization had not yet overcome obligations incurred before the reprioritization, shares were issued to cover some current and non-current other payables that typically would have been covered through normal cash-flow levels in the past.

The Company has adopted austerity measures to reduce its dependence on equity funding

by approaching it as the exception. The Company expects the benefits of its reprioritization to materialize progressively in the coming quarters and continue to drive improved results.

### Key Points

- SIAF's income from its full 36.6% equity investment in Tri-way Industries increased from USD 1.3M in Q2 2017 to USD 1.6M in Q2 2018
- Product mix in the trading business is being transitioned toward higher profit margin item
- Gross margin is being increased at HSA by transitioning into more efficient production
- Capital expenditure for all businesses were reduced, most notably at SIAF's equity investee Tri-Way, which restricts project development to a percentage of cash flow and as justified by individual projects, until such time as full development of aquafarms 4 and 5 is funded with third party debt.
- G&A expenses were trimmed USD 2.4M, or 37% from USD 6.5M in Q1 2017 to USD 4.1M in Q1 2018.

<b>Revenue (USD M)</b>	<b>Q2 '18</b>	<b>Q2 '17</b>	<b>%</b>	<b>6M '18</b>	<b>6M '17</b>
Integrated Cattle Farm (SJAP)	5,1	20,5	-75%	11,5	42,4
Organic Fertilizer (HSA)	2,5	1,0	160%	4,9	3,7
Cattle Farms (MEIJ)	6,1	7,4	-18%	11,1	15,8
Plantation	1,0	0,8	38%	2,1	2,1
Seafood & Meat Trading	18,2	18,1	1%	34,6	41,2
<b>Sale of goods total</b>	<b>32,9</b>	<b>47,7</b>	<b>-31%</b>	<b>64,2</b>	<b>105,2</b>
Aquaculture	1,1	-	<i>n.a.</i>	3,5	13,2
Cattle Farms	-	-	<i>n.a.</i>	-	-
Seafood & Meat Trading	-	-	<i>n.a.</i>	-	-
<b>Project development total</b>	<b>1,1</b>	<b>0,0</b>	<b><i>n.a.</i></b>	<b>3,5</b>	<b>13,2</b>
<b>Group total</b>	<b>34,0</b>	<b>47,7</b>	<b>-29%</b>	<b>67,7</b>	<b>118,3</b>

## CEO commentary

*“We were pleased that, despite our strategy to restrict capital expenditures, we reported a leveling out or slight increase in revenues on a sequential basis at the Organic Fertilizer business segment, (HSA), Cattle Farms (MEIJI), Plantation (JHST) and Seafood & Meat Trading. SJAP continued to face near-term headwinds due to external factors that have impacted our strategic plans, but still demonstrated sustainability.*

*“Over the past several months we have reorganized SJAP, the Integrated Cattle Farm, to better withstand the price volatility that we have witnessed in the cattle and livestock market. As expected, sustained pricing pressure from foreign imports continued to affect sales of both live cattle and livestock feed in the second quarter; however, we were pleased to report a net operating profit at SJAP. The beef market in China undeniably presents a major opportunity, and, fueled by a steadily growing middle-class and rising incomes, beef and lamb consumption continues to grow steadily. We are confident that, supported by both our organizational structure and our work with government officials, we can restructure the business model to overcome the challenges brought about by the loosening of restrictions on beef imports. We expect that, over the medium to long-term, SJAP will be a major revenue driver for the Company.*

*“In the meantime, we have made solid progress positioning our other segments for growth. In particular, we are pleased to have started planting 15 acres for Immortal Vegetables at JHST to advance our entry into the herbal tea market, which, if successful, should prove to be a lucrative source of revenue growth for the Company. To further diversify our product mix, we are also producing aromatic oils and passion fruit juice through this segment. Again, we are encouraged by these initiatives and believe our willingness to adapt to changing market conditions and implement growth strategies will drive our growth going forward. Moreover, at HSA our organic fertilizer segment, we are ramping production following the completion of the retrofitting of the production plant. This has led to steadily increasing revenues throughout the first half of 2018 and we expect this ramp to continue to contribute to sales growth throughout the remainder of the year.*

*“Furthermore, the seafood and meat trading business continued to demonstrate positively trending results on both a year-over-year and sequential basis. This segment is well positioned to leverage trends in the market as a result of our transition toward higher quality, and higher margin, products. China is short of seafood supply with demand increasing each year, as is reflected in our results.”*

*Mr. Lee concluded, “While our top-line performance is not as strong as it has been in the past, several of our segments performed well and we have identified the factors restricting growth at SJAP and Capital Award. Tri-way, our investee aquaculture operation, continues to hold promise as a future growth driver, while management remains committed to securing additional financing.*

*“The Company underwent a major overhaul in 2017, shedding some businesses which had become unprofitable, rationalizing others, and introducing more stringent capital standards throughout. The first half of 2018 represents a transition to a smaller Sino Agro Food, but one with better-defined opportunities. We were left with some obligations befitting our former, larger size. We are working through these, and are confident enough about overall prospects to have announced a USD .05 per share dividend projected to be paid in the fourth quarter once all the regulatory requirements are met.”*

<b>Gross profit (USD M)</b>	<b>Q2 '18</b>	<b>Q2 '17</b>	<b>%</b>	<b>6M '18</b>	<b>6M '17</b>
Integrated Cattle Farm (SJAP)	1,6	3,1	-47%	3,9	7,2
Organic Fertilizer (HSA)	0,9	0,2	343%	1,6	1,2
Cattle Farms (MEIJ)	0,6	1,1	-50%	1,0	2,6
Plantation	0,2	0,1	47%	0,3	1,0
Seafood & Meat Trading	2,0	2,0	1%	3,8	4,6
<b>Sale of goods total</b>	<b>5,3</b>	<b>6,5</b>	<b>-19%</b>	<b>10,7</b>	<b>16,5</b>
Aquaculture	0,2	-	<i>n.a.</i>	0,9	4,4
Cattle Farms	-	-	<i>n.a.</i>	-	0,0
Seafood & Meat Trading	-	-	<i>n.a.</i>	-	0,0
<b>Project development total</b>	<b>0,2</b>	<b>0,0</b>	<b><i>n.a.</i></b>	<b>0,9</b>	<b>4,4</b>
<b>Group total</b>	<b>5,4</b>	<b>6,5</b>	<b>-16%</b>	<b>11,5</b>	<b>20,9</b>

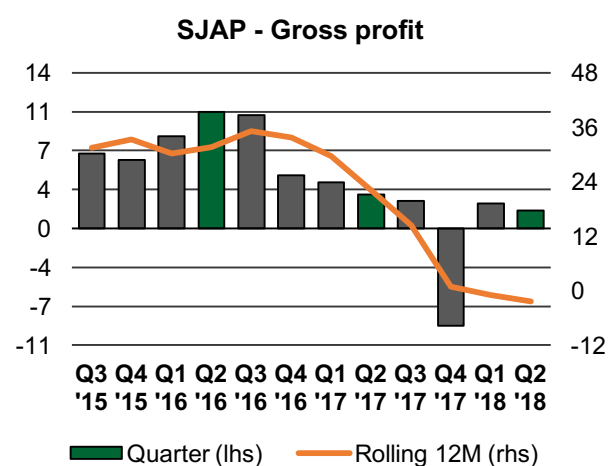
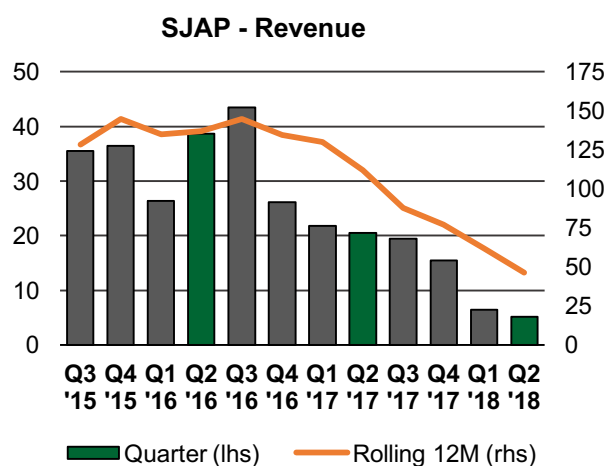
## Integrated Cattle Farm (SJAP)

The Integrated Cattle Farm business segment (SJAP) discontinued its value-added processing subsidiary (QZH) December 30, 2017. Factoring out QZH, SJAP revenue decreased by USD 2.2M, or 30% from USD 7.3M in Q2 2017 to USD 5.1M in Q2 2018. Gross profits decreased USD 0.7M, or 29% from USD 2.3M in Q2 2017 to USD 1.6M in Q2 2018.

While revenue from the sale of live cattle decreased 41% YoY to USD 1.5M, gross profit increased 122% to USD 0.26M.

Overall, despite continued depressed market conditions, and reflecting stricter cost controls, SJAP demonstrated financial self-sufficiency, recording a net operating profit of USD 0.5M in its standalone financial report.

The environment for SJAP has stabilized in the near term, while management continues working with local government officials to develop a revitalization plan, including a longer term plan for a large regional cattle and meat trading center.



## Cattle Operation

Sales volume per product (SJAP live beef cattle)	Q2 '18	Q2 '17	6M '18	6M '17
<b>Beef cattle (#)</b>	<b>858</b>	<b>1 019</b>	<b>2 693</b>	<b>2 101</b>
- o/w sold externally as live cattle	858	691	2 693	1 458
- o/w sold internally for valued added processing	0	328	0	643
ASP per head (USD)	1 740	2 450	2 381	2 479
Gross profit margin	18%	5%	4%	10%

## Fertilizer and feed

<b>SJAP fertilizer and animal feed</b>	<b>Q2 '18</b>	<b>Q2 '17</b>	<b>6M '18</b>	<b>6M '17</b>
<b>Organic fertilizer (MT)</b>	<b>7 790</b>	<b>3 351</b>	<b>12 701</b>	<b>6 355</b>
ASP / MT (USD)	190	181	149	187
Gross profit margin	14%	34%	15%	38%
<b>Bulk livestock feed (MT)</b>	<b>2 668</b>	<b>6 767</b>	<b>18 130</b>	<b>13 992</b>
ASP / MT (USD)	180	167	176	176
Gross profit margin	54%	55%	54%	55%
<b>Concentrated livestock feed (MT)</b>	<b>4 626</b>	<b>6 790</b>	<b>19 400</b>	<b>15 020</b>
ASP / MT (USD)	447	437	438	437
Gross profit margin	45%	44%	44%	44%
<b>Total feed volume (MT)</b>	<b>7 294</b>	<b>13 557</b>	<b>32 101</b>	<b>21 375</b>

The live cattle market remained depressed, which negatively impacted sales of livestock feed. SJAP increased fertilizer sales by incentivizing district farmers to plant new crops, overcoming the loss of traditional sales to local cooperative cattle raisers.

Fertilizer, and bulk and concentrated livestock feed contributed USD 1.4M or 84% of Q2 gross profit.

<b>(USD M)</b>	<b>Q2 '18</b>	<b>Q2 '17</b>	<b>%</b>	<b>6M '18</b>	<b>6M '17</b>	<b>%</b>
Live cattle	1,5	2,5	-40%	3,6	5,2	-32%
Bulk livestock feed	0,5	1,2	-59%	1,2	2,5	-52%
Concentrated livestock feed	2,2	3,0	-27%	5,2	6,6	-21%
Fertilizer	1,0	0,6	55%	1,6	1,2	37%
<b>Revenue</b>	<b>5,1</b>	<b>7,3</b>	<b>-30%</b>	<b>11,5</b>	<b>15,4</b>	<b>-25%</b>
Live cattle	0,3	0,1	122%	0,6	0,5	20%
Bulk livestock feed	0,3	0,7	-60%	0,6	1,4	-53%
Concentrated livestock feed	1,0	1,3	-26%	2,3	2,9	-21%
Fertilizer	0,1	0,2	-37%	0,4	0,4	-13%
<b>Gross profit</b>	<b>1,6</b>	<b>2,3</b>	<b>-29%</b>	<b>3,9</b>	<b>5,2</b>	<b>-25%</b>
Live cattle	17,6%	4,7%		17,5%	10,0%	
Bulk livestock feed	54,1%	55,5%		54,0%	55,3%	
Concentrated livestock feed	44,9%	43,9%		44,3%	44,1%	
Fertilizer	13,8%	34,1%		21,9%	34,6%	
<b>Gross profit margin</b>	<b>31,9%</b>	<b>31,6%</b>		<b>33,9%</b>	<b>33,6%</b>	



## Organic Fertilizer (HSA)

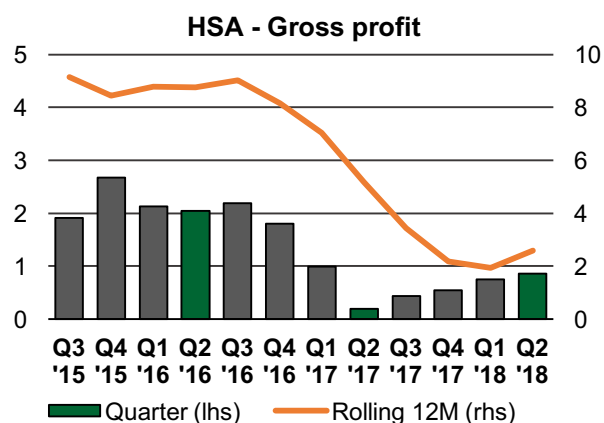
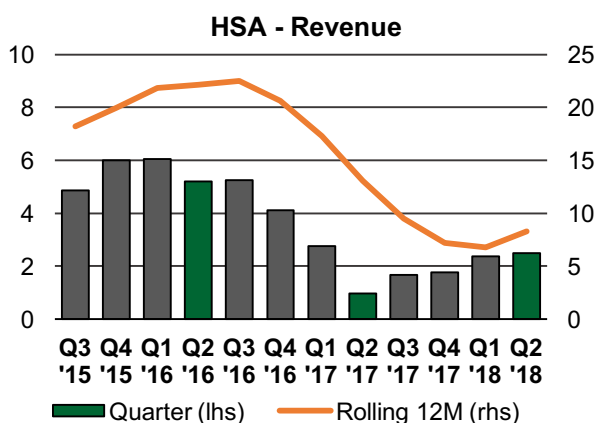
(USD M)	Q2 '18	Q2 '17	%	6M '18	6M '17	%
Organic fertilizer	0,9	1,0	-3%	1,9	1,8	7%
Organic mixed fertilizer	1,6	0,0	<i>n.a.</i>	2,9	1,9	54%
<b>Revenue</b>	<b>2,5</b>	<b>1,0</b>	<b>160%</b>	<b>4,9</b>	<b>3,7</b>	<b>31%</b>
Organic fertilizer	0,2	0,2	-17%	0,3	0,4	-8%
Organic mixed fertilizer	0,7	0,0	<i>n.a.</i>	1,3	0,8	54%
<b>Gross profit</b>	<b>0,9</b>	<b>0,2</b>	<b>343%</b>	<b>1,6</b>	<b>1,2</b>	<b>35%</b>
Organic fertilizer	17,3%	20,1%		17,1%	19,7%	
Organic mixed fertilizer	44,1%	<i>n.a.</i>		43,6%	43,5%	
<b>Gross profit margin</b>	<b>34,2%</b>	<b>20,1%</b>		<b>33,0%</b>	<b>31,9%</b>	

Revenue at HSA increased by USD 1.5M, or 160%, from USD 0.96 M in Q2 2017 to USD 2.5M in Q2 2018. Gross profits increased by USD 0.7M, or 343%, from USD 0.19M in Q2 2017 to USD 0.85M in Q2 2018.

The Company expects continued quarterly production increases in the short term, with full operation of two production plants.

Cattle operations at HSA have been delayed due to the Company's restriction on capital expenditures, as well as limited progress made by the local government with its industrial development plan. HSA owns 250 MU (approximately 42 acres) of industrial zoned land, the sale value of which is constrained until the industrial development plan is finalized. In the interim, HSA is negotiating leasing some of these assets to third parties, in an effort to generate non-operational income. Closing of some lease(s) is expected during the third quarter.

HSA fertilizer	Q2 '18	Q2 '17	6M '18	6M '17
<b>Organic fertilizer (MT)</b>	<b>3 717</b>	<b>3 913</b>	<b>7 879</b>	<b>7 470</b>
ASP / MT (USD)	249	239	246	238
Gross profit margin	19%	19%	18%	19%
<b>Organic mixed fertilizer (MT)</b>	<b>3 690</b>	<b>0</b>	<b>6 790</b>	<b>4 680</b>
ASP / MT (USD)	426	0	430	406
- Gross profit margin	44%	<i>n.a.</i>	44%	43%
<b>Total fertilizer volume (MT)</b>	<b>7 407</b>	<b>3 913</b>	<b>14 669</b>	<b>12 150</b>



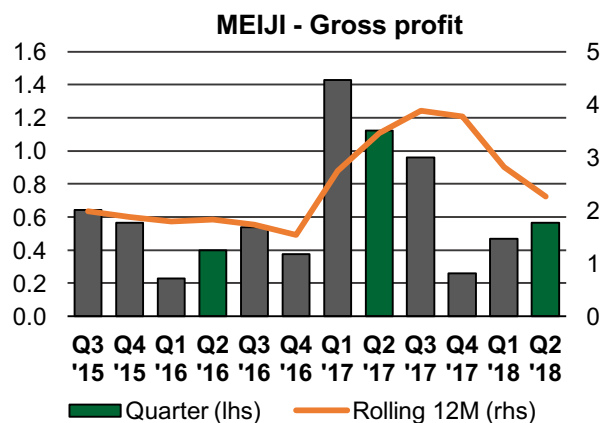
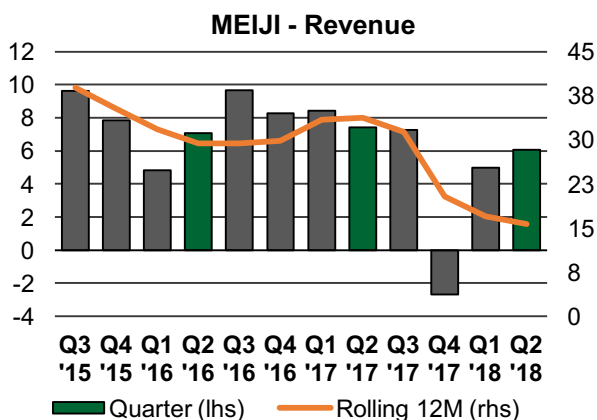
## Cattle Farms (MEIJI)

(USD M)	Q2 '18	Q2 '17	%	6M '18	6M '17	%
Sale of live cattle	6,1	7,4	-18%	11,1	15,8	-30%
<b>Revenue</b>	<b>6,1</b>	<b>7,4</b>	<b>-18%</b>	<b>11,1</b>	<b>15,8</b>	<b>-30%</b>
Sale of live cattle	0,57	1,12	-50%	1,0	2,6	-59%
<b>Gross profit</b>	<b>0,57</b>	<b>1,12</b>	<b>-50%</b>	<b>1,0</b>	<b>2,6</b>	<b>-59%</b>
Sale of live cattle	9,3%	15,2%		9,4%	16,1%	
<b>Gross profit margin</b>	<b>9,3%</b>	<b>15,2%</b>		<b>9,4%</b>	<b>16,1%</b>	

Revenue for Q2 2018 totaled USD 6.1M, a YoY decrease of USD 1.3M, but a QoQ increase of USD 1.1M. Gross profit in Q2 2018 was USD 0.6M, slightly more than during Q1.

The MEIJI farms are growing and fattening Asian Yellow Cattle (“AYC”). The domestic prices of AYC have not being affected by imports; however, their growth rate is slower due to smaller stature, which in turn reduces volume and therefore sales.

Sales volume per product (MEIJI)	Q2 '18	Q2 '17	6M '18	6M '17
<b>Head of beef cattle (#)</b>	<b>1 799</b>	<b>4 112</b>	<b>3 386</b>	<b>8 513</b>
ASP per head (USD)	3 376	1 800	3 270	1 858
- Gross profit margin	9,3%	15,2%	9,3%	16,1%



## HU Plantation (JHST)

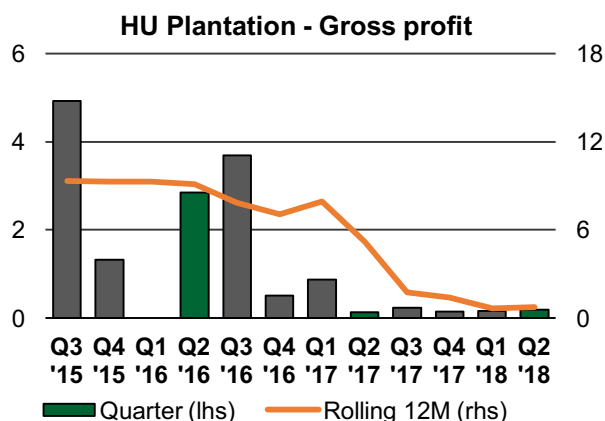
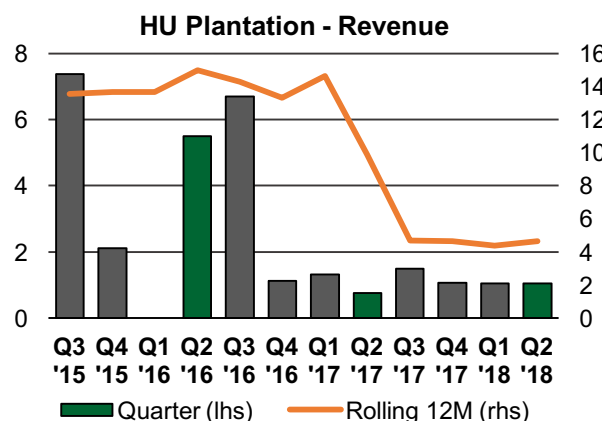
(USD M)	Q2 '18	Q2 '17	%	6M '18	6M '17	%
Fresh HU-flowers	-	0,0	-100%	-	0,5	-100%
Dried HU-flowers	0,1	0,3	-58%	0,1	5,2	-97%
Immortal vegetables	0,1	-	n.a.	0,1	(0,0)	-321%
Vegetable products	0,8	0,4	97%	1,9	2,2	-14%
<b>Revenue</b>	<b>1,0</b>	<b>0,8</b>	<b>38%</b>	<b>2,1</b>	<b>7,8</b>	<b>-73%</b>
Fresh HU-flowers	-	0,0	-100%	-	0,3	-100%
Dried HU-flowers	0,0	0,0	-59%	0,0	3,0	-100%
Immortal vegetables	0,0	-	n.a.	0,0	(0,0)	-207%
Vegetable products	0,2	0,1	57%	0,3	0,9	-65%
<b>Gross profit</b>	<b>0,2</b>	<b>0,1</b>	<b>47%</b>	<b>0,3</b>	<b>4,2</b>	<b>-92%</b>
Fresh HU-flowers	n.a.	14,2%		n.a.	58,6%	
Dried HU-flowers	6,9%	7,1%		6,9%	58,9%	
Immortal vegetables	25,6%	n.a.		25,6%	53,2%	
Vegetable products	18,8%	23,6%		16,6%	40,5%	
<b>Gross profit margin</b>	<b>17,7%</b>	<b>16,6%</b>		<b>16,3%</b>	<b>53,7%</b>	

Revenue at JHST increased by USD .3M, or 25% from USD 0.76M in Q2, 2017 to USD 1.04M in Q2 2018, roughly equal to Q1 2018. Gross profits totaled USD 0.18M, 47% YoY and a 23% QoQ.

In late July, JHST started planting 15 acres for Immortal Vegetables to be processed and repackaged into 75 metric tons of herbal health tea product (“HHTP”), and expects to complete the 15 acres within Q3. If successful, JHST targets sales of up to USD 7.2M and gross profits up to USD 5M in its first full year of operation.

In late March JHST signed contracts to grow 50 acres of plants (Pogestemon Patchouli or “PP”) used to process into a natural aromatic oil that has a good and stable market, and 200 acres of Passion Fruit for a juice manufacturer. JHST expect to harvest 15 acres of passion fruit in late August, and planted another 20 acres in June and July. Initial planting of PP awaits the results of soil testing.

In the meantime, JHST has signed a joint venture agreement with another third party, who will develop 500 MU (about 83 acres) for the planting and harvesting various fruit trees, and the distribution and sale of fruits to its market outlets. During Q2, 200 MU were planted. JHST supplies the land, infrastructure and equipment in return for up to 25% of the profits.



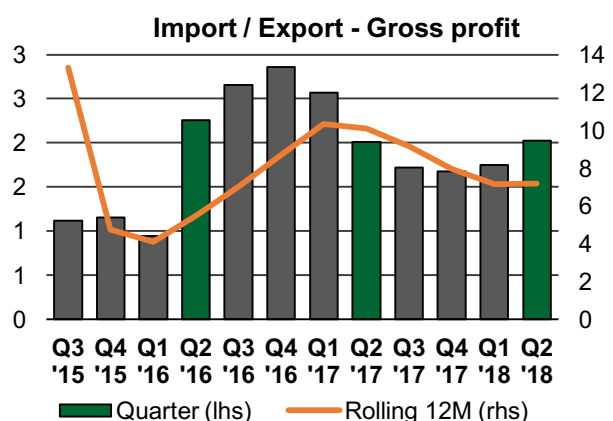
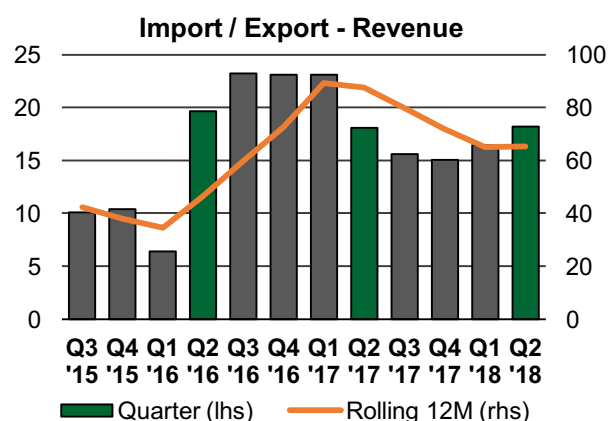
## SIAF Corporate (Import / Export)

(USD M)	Q2 '18	Q2 '17	%	6M '18	6M '17	%
Seafood	9,5	7,5	27%	18,3	14,9	23%
Beef & mutton	8,7	10,6	-18%	16,3	26,3	-38%
<b>Revenue</b>	<b>18,2</b>	<b>18,1</b>	<b>1%</b>	<b>34,6</b>	<b>41,2</b>	<b>-16%</b>
Seafood	1,1	0,8	27%	2,0	1,7	18%
Beef & mutton	1,0	1,2	-18%	1,8	2,9	-38%
<b>Gross profit</b>	<b>2,0</b>	<b>2,0</b>	<b>1%</b>	<b>3,8</b>	<b>4,6</b>	<b>-18%</b>
Seafood	11,1%	11,1%		10,7%	11,1%	
Beef & mutton	11,1%	11,1%		11,1%	11,1%	
<b>Gross profit margin</b>	<b>11,1%</b>	<b>11,1%</b>		<b>10,9%</b>	<b>11,1%</b>	

Revenue from Seafood and Meat trading increased by USD 0.1M, or 1% from USD 18.07M in Q2 2017 to USD 18.19M in Q2 2018. Gross profits also increased by USD 0.01M or 1% from USD 2.01M in Q2 2017 to USD 2.02M in Q2 2018.

A revenue decrease in imported meat of USD 1.92M (18%) was more than offset by a revenue increase in seafood trading of USD 2.04M (27%).

Traded volume per product (SIAF)	Q2 '18	Q2 '17	6M '18	6M '17
<b>Mixed seafood (MT)</b>	<b>524</b>	<b>396</b>	<b>1 027</b>	<b>666</b>
ASP / kg (USD)	18	19	18	22
Gross profit margin	11%	11%	11%	11%
<b>Beef &amp; lamb (MT)</b>	<b>460</b>	<b>907</b>	<b>773</b>	<b>2 132</b>
ASP / kg (USD)	19	12	21	12
Gross profit margin	11%	11%	11%	11%
<b>Total volume traded</b>	<b>984</b>	<b>1 303</b>	<b>1 800</b>	<b>2 798</b>

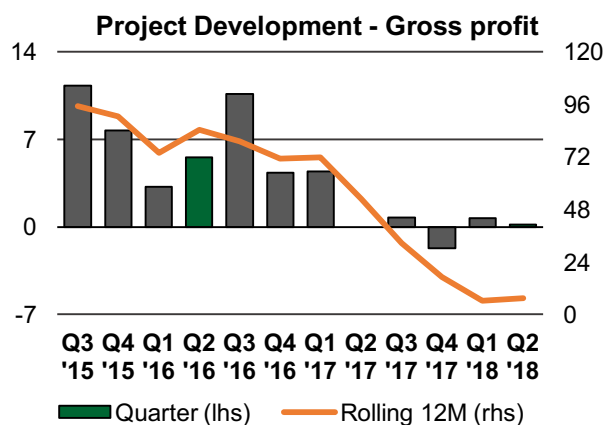
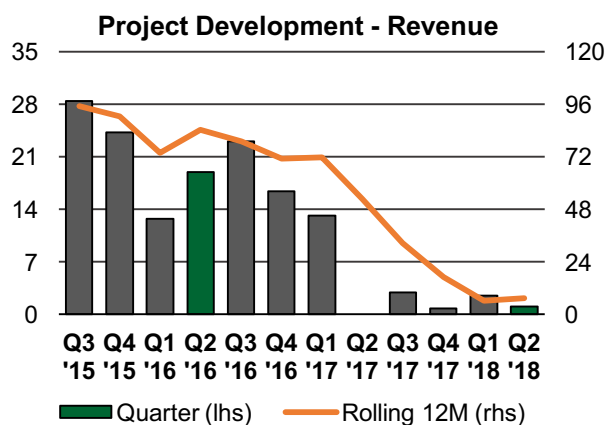


## Aquaculture Project Development

(USD M)	Q2 '18	Q2 '17	%	6M '18	6M '17	%
Revenue	1,1	0,0	<i>n.a.</i>	2,1	13,2	-84%
Gross profit	0,2	0,0	<i>n.a.</i>	0,4	4,4	-92%
Gross profit margin	17,1%	<i>n.a.</i>		17,1%	33,4%	

Revenue from project development totaled USD 1.06M, and generated gross profit of USD 0.18M. No revenue was booked in Q2 of 2017.

Profit from this segment is not expected to approach previous levels until cash flow and/or debt financing becomes available to carry out Tri-way's fishery development.



## Key figures

USD M (except for share data)	Q2 2018	Q2 2017	%	6M 2018	6M 2017	%
<b><u>Earnings</u></b>						
Revenue	34,0	47,7	-29%	67,7	118,3	-43%
Gross profit	5,4	6,5	-16%	11,5	20,9	-45%
EBITDA	2,9	3,4	-16%	14,3	14,9	-4%
Net income attributable to SIAF	0,9	0,4	135%	9,1	9,1	1%
<b><u>Share data</u></b>						
Earnings per share (USD) – basic	0,02	0,02	0%	0,2	0,4	-51%
Earnings per share (USD) – fully diluted	0,02	0,03	-33%	0,2	0,4	-50%
Weighted average number of shares (million)	37,6	23,0	63%	23,4	23,4	0%
Diluted weighted average number of shares (millions)	37,6	25,2	49%	25,6	25,6	0%
<b><u>Cash flow</u></b>						
Net cash provided by operating activities	10,9	3,5	215%	5,4	16	-67%
Net cash used in investing activities	1,1	-6,3	-117%	-4,4	-15,7	-72%
Net cash provided by (used in) financing activities	0,0	-1,0	-100%	0,0	-1,0	-100%
<b><u>Financial position*</u></b>						
Total assets	790,3	805,8	-2%			
Total liabilities	79,0	71,9	10%			
Total stockholder's equity	711,2	733,8	-3%			
Net debt	10,9	27,0	-59%			
Capital employed	722,2	760,8	-5%			
<b><u>Ratios</u></b>						
Gross margin (%)	16,0%	13,6%		17,0%	17,7%	
EBITDA margin (%)	8,4%	7,2%		21,1%	12,6%	
Return on capital employed (%)	0,0%	1,2%		2,6%	3,7%	
Total equity ratio (%)	90,0%	91,1%				

\*Closing balance for relevant period

## Consolidated income statement

(USD M)	Q2 2018	Q2 2017	6M 2018	6M 2017
Sale of goods	32,9	47,7	64,2	105,2
Consulting and service income from development contracts	1,1	-	3,5	13,2
<b>Total revenue</b>	<b>34,0</b>	<b>47,7</b>	<b>67,7</b>	<b>118,3</b>
Sale of goods	-27,7	-41,2	-53,5	-88,6
Consulting and service income from development contracts	-0,9	-	-2,7	-8,8
<b>Cost of goods sold and services</b>	<b>-28,6</b>	<b>-41,2</b>	<b>-56,2</b>	<b>-97,4</b>
Sale of goods	5,3	6,5	10,7	16,5
Consulting and service income from development contracts	0,2	-	0,9	4,4
<b>Total gross profit</b>	<b>5,4</b>	<b>6,5</b>	<b>11,5</b>	<b>20,9</b>
General and administrative expenses	-4,1	-5,8	-7,8	-11,9
<b>Net income from operations</b>	<b>1,3</b>	<b>0,7</b>	<b>3,7</b>	<b>9,1</b>
Government grant	0,1	0,3	0,1	0,5
Other income	-	-	0,0	-
Non-operating expenses	-3,1	-	-	-
Interest expense	-0,4	-0,7	-0,9	-1,2
<b>Net income (expenses) before income taxes</b>	<b>-2,1</b>	<b>0,2</b>	<b>3,0</b>	<b>8,3</b>
Share of income from unconsolidated equity investee	1,6	1,3	5,4	4,1
<b>Net income</b>	<b>-0,5</b>	<b>1,5</b>	<b>8,4</b>	<b>12,4</b>
Net loss from disposal of variable interest entity - QZH	-	-	-	-
Less: Net (income) loss attributable to the NCI	1,4	-1,2	0,7	-3,3
<b>Net income attributable to SIAF</b>	<b>0,9</b>	<b>0,4</b>	<b>9,1</b>	<b>9,1</b>
Foreign currency translation gain (loss)	-20,4	6,8	1,4	8,0
Less: other comprehensive income attributable to the NCI	-	-0,9	-11,3	-1,0
<b>Comprehensive income attributable to SIAF</b>	<b>-19,5</b>	<b>6,4</b>	<b>-0,7</b>	<b>16,0</b>
<b>Earnings per share attributable to SIAF:</b>				
<b>from continuing and discontinued operations:</b>				
Basic (USD per share)	0,02	0,02	0,19	0,39
Diluted (USD per share)	0,02	0,03	0,19	0,38
<b>Weighted average number of shares outstanding:</b>				
Basic (in million shares)	37,6	23,0	23,4	23,4
Diluted (in million shares)	37,6	25,2	25,6	25,6

## Consolidated balance sheet

(USD M)	30-jun 2018	31-mar 2018
Cash and cash equivalents	0,6	0,6
Inventories	52,9	58,4
Costs and estimated earnings in excess of billings on uncompleted contracts	0,3	0,3
Deposits and prepayments	63,9	72,8
Accounts receivable net of allowance for doubtful accounts	89,0	86,6
Other receivables	26,0	27,3
<b>Total current assets</b>	<b>232,8</b>	<b>245,9</b>
Plant and equipment net of accumulated depreciation	243,4	255,7
Construction in progress	11,4	9,5
Land use rights net of accumulated amortization	56,4	56,3
<b>Total plant and equipment</b>	<b>311,3</b>	<b>321,4</b>
Goodwill	0,7	0,7
Investment in unconsolidated equity investee	201,3	196,1
Proprietary technologies net of accumulated amortization	9,3	9,5
Temporary deposits paid to entities for investments in SFJV companies	34,9	34,9
<b>Total other assets</b>	<b>246,2</b>	<b>241,2</b>
<b>TOTAL ASSETS</b>	<b>790,3</b>	<b>808,5</b>
Accounts payable and accrued expenses	6,2	5,4
Billings in excess of costs and estimated earnings on uncompleted contracts	5,6	5,7
Due to a director	0,0	0,4
Other payables	40,8	40,8
Borrowings - Short term bank debts	4,7	4,9
Negotiable promissory note	1,0	1,0
Derivative Liability	0,0	0,0
Convertible note payable	3,9	3,9
<b>Current liabilities</b>	<b>62,2</b>	<b>62,0</b>
Other payables	10,9	11,9
Borrowings - Long term debts	5,9	6,3
Convertible notes payables	0,0	0,0
<b>Non-current liabilities</b>	<b>16,8</b>	<b>18,2</b>
<b>TOTAL LIABILITIES</b>	<b>79,0</b>	<b>80,3</b>
Additional paid - in capital	176,7	172,8
Retained earnings	447,5	446,6
Accumulated other comprehensive income	2,9	13,0
Treasury stock	-1,3	-1,3
<b>Total SIAF stockholders' equity</b>	<b>625,9</b>	<b>631,1</b>
Non - controlling interest	85,3	97,1
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>711,2</b>	<b>728,3</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>790,3</b>	<b>808,5</b>



## Consolidated statement of cash flows

(USD M)	Q2 2018	Q2 2017	6M 2018	6M 2017
Net income for the period	-0,5	1,5	5,2	12,4
<b>Adjustments to reconcile net income from operations to net cash from operations:</b>				
Share of income from unconsolidated equity investee	-1,5	-1,3	-5,3	-4,1
Depreciation	2,7	2,4	5,3	4,5
Amortization	0,6	0,7	1,1	1,3
Inventory written off	3,1	-	3,1	-
Common stock issued for services	1,1	2,0	1,4	4,0
Other amortized cost	-	0,7	-	1,4
<b>Cash flow from operating activities before change in wc</b>	<b>5,4</b>	<b>5,9</b>	<b>10,8</b>	<b>19,4</b>
Change in inventories	2,3	-7,4	-3,5	-12,8
Change in costs and estimated earnings in excess of billings on uncompleted contracts	-	-0,5	-	-0,5
Change in deposits and prepaid expenses	3,5	-2,4	4,0	-4,5
Change in due to a director	-0,4	-2,5	-0,1	-1,8
Change in accounts payable and accrued expenses	1,9	3,0	3,1	5,8
Change in other payables	3,1	-5,7	4,2	3,7
Change in accounts receivable	-2,5	17,6	-6,1	17,3
Change in tax payable	-0,0	-	-	-
Costs and estimated earnings on uncompleted contracts	-0,1	3,5	-0,1	3,0
Change in amount due from unconsolidated equity investee	-3,6	-	-2,6	-
Change in other receivables	1,3	-5,0	-5,4	-13,6
<b>Change in working capital</b>	<b>5,5</b>	<b>-2,5</b>	<b>-5,5</b>	<b>-3,4</b>
<b>Cash flow from operating activities</b>	<b>10,9</b>	<b>3,5</b>	<b>5,4</b>	<b>16,0</b>
Purchases of property and equipment	2,4	-4,7	-0,0	-9,4
Investment in unconsolidated equity investee	-0,1	-	-0,1	-
Payment for construction in progress	-1,3	-1,6	-4,3	-6,3
<b>Net cash used in investing activities</b>	<b>1,1</b>	<b>-6,3</b>	<b>-4,4</b>	<b>-15,7</b>
Repayment of long term debts	-	-1,5	-	-1,5
Capital contribution from non-controlling interest	-	0,4	-	0,4
<b>Net cash (used in) provided by financing activities</b>	<b>0,0</b>	<b>-1,0</b>	<b>0,0</b>	<b>-1,0</b>
Effects on exchange rate changes on cash	-12,0	3,5	-0,9	1,7
<b>Increase in cash and cash equivalents</b>	<b>-0,0</b>	<b>-0,4</b>	<b>0,0</b>	<b>1,0</b>
Cash and cash equivalents, beginning of period	0,6	4,0	0,6	2,6
Cash and cash equivalents, end of period	0,6	3,6	0,6	3,6

## 5-year summary

USD million (except for share data)	2017	2016	2015	2014	2013
<b><u>Earnings</u></b>					
Revenue	198,2	342,9	429,1	404,3	261,4
Gross profit	19,6	83,9	111,2	129,3	101,5
EBITDA	10,4	102,6	97,3	119,6	98,3
Net income attributable to SIAF	-13,1	115,0	65,3	92,1	74,2
<b><u>Share data</u></b>					
Earnings per share (USD) – basic	-0,53	5,46	3,63	5,81	6,14
Earnings per share (USD) – fully diluted	-0,53	5,00	3,59	5,56	5,76
Weighted average number of shares (million)	24,7	21,0	18,0	15,8	12,1
Diluted weighted average number of shares (millions)	24,7	23,2	18,3	16,6	12,9
<b><u>Cash flow</u></b>					
Net cash provided by operating activities	21,5	2,6	44,6	22,0	84,2
Net cash used in investing activities	-32,7	-32,7	-32,7	-31,5	-93,3
Net cash provided by (used in) financing activities	9,5	12,9	9,5	9,9	0,9
<b><u>Financial position*</u></b>					
Total assets	774,9	816,3	639,5	532,7	367,5
Total liabilities	77,4	74,2	70,6	70,5	35,9
Total shareholders equity	697,6	742,1	568,9	462,2	331,6
Net debt (cash)	11,1	26,1	39,0	24,2	7,8
Capital employed	708,7	768,2	607,9	486,4	339,4
<b><u>Ratios</u></b>					
Gross margin (%)	9,9%	24,5%	25,9%	32,0%	38,8%
EBITDA margin (%)	5,2%	29,9%	22,7%	29,6%	37,6%
Return on capital employed (%)	-2,4%	13,5%	12,2%	23,7%	26,9%
Total equity ratio (%)	90,0%	90,9%	89,0%	86,8%	90,2%

\*Closing balance for relevant period

## Reconciliation of non-U.S. GAAP measures to U.S. GAAP

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

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

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

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

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

(USD M)	Q2 2018	Q2 2017	6M 2018	6M 2017
Net income from operations	1,3	0,7	3,7	9,1
Depreciation and Amortization	1,6	2,8	10,5	5,8
<b>EBITDA (Non-U.S. GAAP Measure)</b>	<b>2,9</b>	<b>3,4</b>	<b>14,3</b>	<b>14,9</b>

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

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

(USD M)	Q2 2018	Q2 2017	6M 2018	6M 2017
<b>Numerator</b>				
Net income	-0,5	1,5	8,4	12,4
Interest Expense	0,4	0,7	0,9	1,2
<b>ROCE Earnings (Non-U.S. GAAP Measure)</b>	<b>-0,1</b>	<b>2,3</b>	<b>9,3</b>	<b>13,6</b>
<b>Denominator</b>				
<b>Capital employed* (Non-U.S. GAAP Measure)</b>	<b>722</b>	<b>732</b>	<b>722</b>	<b>732</b>
<b>ROCE (Non-U.S. GAAP Measure)</b>	<b>0,0%</b>	<b>1,2%</b>	<b>2,6%</b>	<b>3,7%</b>

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

**Net Debt**

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

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

<b>(USD M)</b>	<b>30-jun 2018</b>	<b>31-mar 2018</b>
Borrowings - Short term bank debts	4,7	4,9
Negotiable promissory note	1,0	1,0
Borrowings - Long term debts	5,9	6,3
Convertible notes payables	0,0	0,0
Cash and cash equivalents	-0,6	-0,6
<b>Net Debt (Non-U.S. GAAP Measure)</b>	<b>10,9</b>	<b>11,5</b>

## **This is Sino Agro Food**

SIAF is a specialized investment company focused on protein food. The Company produces, distributes, markets, and sells sustainable seafood and beef to the rapidly growing middle class in China. Activities also include production of organic fertilizer and produce. SIAF is a global leader in developing land based recirculating aquaculture systems ("RAS"), and with its partners is the world's largest producer of sustainable RAS prawns.

Founded in 2006 and headquartered in Guangzhou, the Company had over 550 employees and revenue of USD 343 million in 2016. Operations are located in Guangdong, Qinghai, and Hunan provinces, and in Shanghai. Sino Agro Food is a public company listed on OTCQX U.S. Premier in the United States and on the Oslo Børs' Merkur Market in Norway.

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

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

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

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

Hunan Shenghua A Power Agriculture Co. Ltd. ("HSA") manufactures and sells organic fertilizer.

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

Cattle Farm refers to the operations of Cattle Farm (1) under Jiangmen City Hang Mei Cattle Farm Development Co. Ltd ("JHMC"). Cattle are sold live to third party livestock wholesalers who in turn resell them mainly in Guangzhou and Beijing livestock wholesale markets. The financial statements of JHMC are consolidated into MEIJI as one entity along with MEIJI's operation in the consulting and service for development of other Cattle Farms (i.e., Cattle Farm 2) or related projects.

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

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

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

SIAF Corporate / Seafood & Meat Trading refers to the business operations of Sino Agro Food, Inc., including import / export business and consulting and service operations provided to projects that are not included in the above categories, and are not limited to corporate affairs.

### **Aquaculture Project Development**

Aquaculture Project Development refers to the operations of Capital Award Inc. (CA) covering its engineering, technology and consulting service management of fishery operations. CA sells Engineering and Technology Services via Consulting and Service Contracts for the development, construction, and supply of plant and equipment, and management of fishery (and prawn or shrimp) farms and related business operations, including the Zhongshan New Prawn Project ("ZSNP").

## **Definitions and SEC filings**

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

## **Accounting policies**

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

## **Safe Harbor Statement**

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

## **Additional information**

### **Financial information**

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

### **Press and analyst conference**

Sino Agro will host a conference call on September 4<sup>th</sup> 2018 at 16:00 CET. The conference call can be accessed via our home page [www.sinoagrofood.com](http://www.sinoagrofood.com). The annual and quarterly reports are also published on [sinoagrofood.com](http://sinoagrofood.com).

### **The Company**

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