Sino Agro Food

Q1 2019 Q & A

June 3, 2019

Legacy Debt

Could you provide clarification on $47 million of current liabilities from note 19 in the 10-Q balance sheet: (i) Due to a third party = $11.347 million and (ii) Straight note payable $35.67 million? How can cash flow cover these repayments listed as "current liabilities?" What happens when these repayments are stretched past one year (current)?

Other payable (Current liabilities)

	$ million
Straight notes	26.49
Third party loan	7.34
Other third parties loans (collectively)	9.29
CB notes	3.89
	47.01

As previously explained, the best repayment plan is to generate cash flow to service debts as a base case, and by generating "extra cash flow" after obtaining short and/or long term financing and putting the newly sourced funds to work, striving to maximize return on investment.

The Company believes that under such circumstances, most of our creditors will allow us sufficient time as long as we shall have made reasonable repayments consistently during the interim period. Some of the obligations will have to be reclassified as non-current, or become current in 2020.

A restructuring charge of $2.4 M was recorded on the income statement in the quarter related to what a appears to be a renegotiation of an existing loan, which now calls for three separate payments of over $2M during 2019. Please explain.

This is a non-cash charge and is fully explained in Note 21 of the Q1 10-Q.

Relevantly: "On October 20, 2017, the Company issued another Convertible Note (the "Note 2") with a principal amount of $4,000,000 due on February 28, 2018 and on February 19. 2019 an additional loan of $301,480 … As of March 31, 2019 … the Company and the note holder entered into a restructuring agreement regarding the settlement of the Note 2 and the additional loan … to be paid in 3 installments by August 31, 2019, October 30, 2019 and December 31, 2019, respectively." As a result, under the restructured agreement, the amount outstanding totaling to $7,304,702 representing principal sum of $6,301,480 and interest of $1,045,222 that was reclassified under other payable.

Is there a possible scenario of early repayment of the collateral share loans, and if so, how soon could the collateral shares be returned, lowering the outstanding share count?

It is a higher priority in 2019 to pay down the current liabilities mentioned above satisfactorily. However, we still strive to have them finalized on schedule. In the meantime, one might reasonably regard our outstanding share count as reducible by the number of collateralized shares, not if, but when the loans are repaid or refinanced. Also, in the meantime, the collateral provides the backbone for working capital for SIAF's trading business.

When was the convertible promissory note to Illiad Research& Trading LP issued? As I understand it, Illiad has the option to get paid in cash or shares. Shares seem inadvisable at this point; therefore, what is the projected pay down for this loan?

The Company intends to use cash to pay down these notes.

I believe that Tri-Way owes SIAF approximately $57M. Can some of these funds be used to repay other payables?

Part of the $57M is allocated to 12.71% of Tri-way shares, which are in turn to be distributed to be SIAF's shareholders. This leaves a balance of about $14M. that will be partly employed to service part of SIAF's legacy debts Once Tri-way is well positioned to repay the cash debt,

Is it possible for the Company to do an equity raise of a new class of shares? Is there demand, and where would it come from?

The Company is pursuing most available means to raise capital. None of them are speedy, nor without prerequisites of all kinds, including regulatory and procedural. This is certainly true of any type of equity raise. The Company does believe this is plausible, and if properly structured, would have reasonable initial demand within the Asian investment community. As with all alternatives, when a material event occurs, the Company will announce it. In the case of an offering, the first announcement would be in the form of an SEC filing.

All of these questions address the bottom half of the balance sheet. The bottom half of the balance sheet is best served by improvements to the top half and bottom lines of the income and cash flow statements.

The Company is hard at work "smart-sizing" operations to align cash flow and debt service. This involves a balancing act between operational cash flow, both current baseline and from possible incremental efforts, cash infusion possibilities, and the pace of negotiated and renegotiated legacy debt repayment. Progress is being made currently; albeit, with fits and starts. The Company hopes to smooth and quicken progress, and has announced initiatives to do so. However, often these plans are contingent on third parties, and follow a chicken and egg scenario between the two of these: loans needed for working capital and improved cash flow (and consequent pay downs).

Loans

For several quarters you've updated the status of a large syndicated loan, indicating cautious optimism. Can you please add some color about this loan? Is the delay because the banks really aren't interested? Or perhaps because the banks need to see a demonstrated level of improved cash flow? Exactly what is the loan dependent on, now that you've secured proper collateral?

As above, we've heard about smaller loan possibilities. Are these truly delayed just because of bureaucracy? Or is there some other reason. Such as creditworthiness or specific debt ratios? Specifically, what causes the delays that somehow allow you to maintain what appears to be genuine optimism that they will materialize, when, quarter after quarter, they have not?

Please refer to last quarter's Q & A from less than a month ago for an explanation of some of the delays, perseverance and processes required for these loan applications:
http://sinoagrofood.investorroom.com/news-releases?item=239

The Company shares possible shareholder frustration with these protracted processes. It simply comes with the territory. We will report any resolution of a materially important loan application.

Other

Can you please provide an update on the possible CA project development in Malaysia and/or India? Is it realistic to think one will start during 2019? What would be the approximate contract revenue?

Can you please provide an update on the Mexican White Pawn ODRAS project at aquafarm 4, the one stemming from a successful trial and requiring $2M in retrofitting, as well as other Tri-Way progress?

Basically, these two questions have the same answer. The Company has informed shareholders of these initiatives being underway. They are forward looking plans being worked on. As such – forward looking – it is not appropriate to go into too much detail, entailing risk of setting expectations either too optimistic or too pessimistic, until outcomes are evident or major milestones toward initiation are 100% complete. At this point, both efforts rely on prerequisites before any definitive announcement(s), be it financing or contracts.

Please refer again to last quarter's Q & A for an explanation of Tri-Way's trajectory, as well as the distribution/IPO process: http://sinoagrofood.investorroom.com/news-releases?item=239

Can you provide any specifics about the "corporate exercises" mentioned in the filings? Are these designed to alleviate debt repayment directly or to increase cash flow?

The short answer to the second question is yes; ultimately to improve cash flow.

And the answer to the first question has been talked about in these earlier answers, along with some other exercises. We're engaged in about 14 short and long term debt financing applications; all would be invested to generate incremental cash flow. We are confident about a few in the relatively short term, particularly one to fund the first phase of an ODRAS project at aquafarm four. We've have not ruled out other fund raising possibilities.

We have reported some asset and facility rentals and joint ventures aimed at providing incremental cash flow with no capital expenditure; there are potential others in the works.

Can updated pictures of the MegaFarm be posted online to allow shareholders and new investors to see the exciting progress being done (assuming $2M loans are acquired)?

The numbers at aquafarm 1-3 and existing ODRAS ponds speak for themselves.

We think that the new project at aquafarm 4 provides a good case for posting progress, because it is new and will generate new revenue. When ready and sufficient preparatory work has completed, we do plan pictorial web updates. Another potential case is Tri-Way's trading business, if and when business scales.