

Sino Agro Food, Inc. Reports Audited 2018 Annual Results

Revenue of USD 141.7 M; EPS of USD 0.46

Q4 Revenue of USD 35.7 M; Q4 EPS of USD 0.18

April 15, 2019

GUANGZHOU, China-- Sino Agro Food, Inc. (OSE: SIAF-ME a company focused on high protein food including seafood and cattle announces results for the fiscal year ending December 31, 2018.

Financials

All business segments of Sino Agro Food, Inc.(the “Company,” or “SIAF”) recorded gross profits in 2018, totaling USD 21.7 M, and turning a loss in 2017 of USD .53 per share to a gain of USD .46 in 2018.

Total revenue decreased USD 56.5M, or 28%, to USD 141.7 M for the year ended December 31, 2018 when compared to the year ended December 31, 2017. The Company’s slaughterhouse and deboning facility, which had 2017 revenue of USD 49.7 M, was discontinued at the end of 2017. When comparing continuing operations, annual revenue decreased USD 6.8M or 3% from fiscal year 2017 to fiscal year 2018.

Revenue from the sale of goods for continuing operations during FY 2018 decreased USD 1.4M or 1% to USD 130.5M. Revenue from project development during 2018 decreased USD 5.9 M, or 35%, to USD 11.1 M.

FY 2018 gross profits totaled USD 21.7 M compared to USD 19.6M during FY 2017, an increase of 10%, reflecting a 53% increase in gross profit margins from 10.8% in 2017 to 16.5% in 2018.

Overview

After discontinuing the slaughterhouse and deboning business in December 2017, the Company reprioritized remaining business initiatives according to bottom line performance and guided by stricter cost control and capital expense rationale for each. These efforts have resulted in each standalone business stabilizing or improving.

All business segments maintained positive gross profits, averaging 15.4% of revenue. Net income swung from a loss of USD 13.1 M, or USD (0.53) per share, in 2017 to a gain of USD 17.3 M, or USD 0.46 per share, in 2018. This was mainly due to discontinuing the slaughterhouse, lower operating expenses, and higher income from SIAF’s Investment Associate, Tri-way, Industries Ltd (“T-W”).

Seafood and Meat Trading has had consistent revenue with gross margins over many quarters. The Organic Fertilizer (HSA) and the Cattle Farms (MEIJI) segments are both exhibiting generally growing trends expected to continue as previous capital investments are

beginning to generate returns and/or strategic partnerships are adding revenue without new capital investment.

Notwithstanding the benefits of business reprioritization, the Company still faces legacy obligations incurred before the reprioritization; accordingly, equity shares were issued to cover some current and non-current other payables during the year. Prospects for long term and other funding are improving in 2019. If and when funding materializes, more working capital funds will be employed to improve the bottom line of the fishery sector while servicing legacy debts without the past practice of using equity to settle debts. In fact, there was no equity issued for such practice in the fourth quarter and none is anticipated in the foreseeable future.

The Company's aquaculture business was spun out into T-W in October 2016, creating a standalone, "pure play," private corporation based in Hong Kong. Several advantages are believed to have accrued, including focused operations and the ability to secure funding. The latter proved more difficult in 2018 than anticipated, as the goal posts for requirements seem to have moved several times. However, progress is being made toward the latest goal posts.

SIAF retains a 36.6% interest in T-W and records results as a single line item on its income statement: "share of income from unconsolidated equity investee." Income from T-W increased USD 2.25 M, or 21%, from USD 12.0 M in 2017 to USD 14.25 M in 2018. T-W accounted for 82% of Sino Agro Food's 2018 net income. As such, T-W remains SIAF's top priority.

Other Key Points

- Revenue in the fourth quarter of 2018 was USD 35.2 M, an increase of 12% from the fourth quarter of 2017.
- Fully diluted EPS of USD .18 in the fourth quarter of 2018 versus a loss in the fourth quarter of 2017.
- Capital expenditure is being restricted to shorter-term, positive profile returns for all businesses to improve cash flow, resulting in all segments booking positive annual gross profits.
- As of December 31 2018, the Company had net working capital of USD 175 M, versus USD 169 M end of year 2017.
- Stockholders' equity increased in 2018 by USD 16.3 M to USD 628.7 M.

Strategy

Management believes its top priority in 2019 is to raise long term debt capital to support the already strong capital assets deployed across the aquaculture farms. As shown in the yearly results the important divisions are profitable. Growth will occur when sustainable capital is deployed at T-W and the trading divisions. Prospective additional debt based capital deployment is targeted exclusively for aquaculture and trading businesses. Management is engaged with several different banking and credit providers; some are short term and others long term lenders. The Company is rigorously working toward securing from each separate credit provider an appropriate debt facility. In Asia, credit facilities require extensive effort and more time than in the United States, but management is hopeful that during 2019 some credit facilities will materialize.

The deployment of debt capital is fundamentally different than equity capital in that very low risk applications of borrowed funding must be management's top priority. The goal is to use debt capital only in proven, reliable, predictable cash flow positive generating operations associated with the aquaculture and trading business.

Management is encouraged with operational stabilization during 2018, and sees 2019 – if and when sufficient debt capital is secured -- as the beginning of the initiative toward multi-year efforts to drive revenue and profit growth.

Annual Comparison

(USD M, except per share and margin data)	FY 2018	FY 2017	%
Revenue	141.7	198.2	(28) %
Gross Profit	21.6	19.6	10 %
Gross Profit Margin	16.5 %	10.8 %	53 %
Earnings Per Diluted Share (FD) (USD) - from continuing and discontinued operations	.46	(.53)	N/A

The following table breaks out revenue by business segment, comparing the FY 2018 to FY 2017:

Revenue (USD M)	FY 2018	FY 2017	%
Integrated Cattle Farm (SJAP)	19.2	84.4	(75)%
Organic Fertilizer (HSA)	9.7	7.2	35%
Cattle Farms (MEIJI)	29.6	20.4	45%
Plantation (JHST)	3.6	4.6	(22)%
Seafood & Meat Trading	68.5	71.8	(5)%
Sale of Goods Total	130.5	181.2	(28)%
Project Development Total	11.1	17.0	(34) %

Group total	141.7	198.2	12 %	
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The following table breaks out gross profit by business segment, comparing the FY 2018 to FY 2017:

Gross Profit (USD M)	FY 2018	FY 2017	%
Integrated Cattle Farm (SJAP)	4.3	9.0	(52)%
Organic Fertilizer (HSA)	2.8	2.2	27%
Cattle Farms (MEIJI)	4.8	3.8	36%
Plantation (JHST)	.5	1.4	(60)%
Seafood & Meat Trading	7.2	8.0	(10%)
Sale of Goods Total	19.6	16.2	21%
Project Development Total	2.1	3.4	(38) %
Group total	21.7	19.6	11 %

Integrated Cattle (SJAP)

The Integrated Cattle Farm business segment (SJAP) discontinued its value-added processing subsidiary (QZH) December 30, 2017. In addition, the SJAP has downsized its business until such time as market conditions rebound. It has longer term plans to revitalize and develop the HuangYuen City Center into a trading center for the cattle and beef industry, capitalizing on its current and proposed commercially zoned land bank used by local farmers who contribute to the region's sale of four million head of cattle annually. Realistically, these plans depend on improved macroeconomics for the beef industry in China.

Factoring out QZH, SJAP revenue decreased by 31% to USD 19.2 M in 2018. Gross profit decreased by 52% to USD 4.3 M in 2018. This was due to the continued market price for live cattle remaining below growing cost, resulting in a negative gross profit of USD .9 M in the live cattle segment. In turn, cooperative farmers were no longer required to fatten cattle, reducing sales of bulk and concentrated livestock feed. Reduced feed sales were offset by sales to other local users.

Overall gross margins for smaller operations were 22%. Gross margins for livestock feed and fertilizer were 42%. Therefore, any return toward historical pricing norms for live cattle would reverse trends, potentially eliminating live cattle sale losses or creating positive gross

profit while also increasing volumes of livestock feed and fertilizer which maintain healthy margins.

Overall, despite continued depressed market conditions, and reflecting stricter cost controls, SJAP demonstrated financial self-sufficiency.

Organic Fertilizer (HSA)

Revenue at HSA increased by USD 2.5 M, or 35%, from USD 7.2 M in 2017 to USD 9.7 M in 2018. Gross profits increased by USD .6M or 28% from USD 2.2 M in Q3 2017 to USD 2.8 M in 2018. Gross margins were 28%. Results suffered from the foreign exchange rate.

HSA's production had been capacity constrained due to the retrofitting of a production plant. The second production plant started operation during 2018.

HSA will maintain its direction to keep its capital expenditure as low as possible and to lease out some of its assets that are currently unproductive until such time as it will have built up enough of a cash flow position to afford further capital expenditure.

In October 2018, HSA leased 10 acres of land situated at the front entrance of its property for annual rental of USD 80,000 for 24 months.

There are no capital projects expected in 2019 for HSA. The Company expects modest organic growth.

Cattle Farms (MEIJI)

Revenue for 2018 totaled USD 29.6 M, an increase of USD 9.2 M, or 45%. Gross profit in 2018 was USD 4.8 M, a 27% increase.

Locally bred Asian Yellow Cattle command prices of USD 12/Kg, approximately double the live weight price of cattle at SJAP.

Longer term plans call for merging MEIJA and HSA operations, with MEIJI cattle farms providing breeding stations supplying yearlings for HSA to grow into full grown cattle, unless alternatives to achieve improved returns emerge.

Plantation (JHST)

Revenue at JHST decreased by USD 1.0 M, or 22% from USD 4.6 M in 2017 to USD 3.6M in 2018. The decrease was primarily due poorer quality flowers and consequent lower market prices, resulting from root disease caused by excessive rain in past years. Gross profits totaled USD .17M, also about the same as the previous quarter.

The experimental crop of Passion Fruits harvested during the quarter had good initial reception with reasonable and stable prices. We also contracted with an herbal plant oil processor to grow 50 acres of Pogostemon Patchouli ("PP") for processing into aromatic oils.

Typhoon Mangkut's flooding spoiled part of the cash vegetable crops (about 100 acres) which severely impacted income in Q4 2018, and will delay the development of passion fruit and PP, the aforementioned projects in 2019.

Seafood and Meat Trading (Corporate)

Revenue from Seafood and Meat trading decreased USD 3.3 M, or 17% from USD 71.8 M in 2017 to USD 68.5 M in 2018. Gross profits decreased by USD .8 M, or 10% from USD 8.0 M in 2017 to USD 7.2 M in 2018. Overall gross margins were 11%.

Revenue and gross profits from seafood trading increased mid-teens percentage while beef trading exhibited the opposite trend.

Growth potential for the trading division is strong, but currently constrained by working capital availability.

Engineering Technology, Consulting and Services -- Project Development (CA)

Revenue from project development totaled USD 11.1 M in 2018, a decrease of 38% from 2017.

While maintaining gross margins, gross profit of USD 2.1 M decreased 33% from 2017, less than the decrease in revenue.

Under current conditions, working capital at T-W is better deployed to generate continuing and constant revenue from sale of goods. This superior use of funds will increase if the positive results from efficiency trial translate to higher sales volume and/or margin improvement in 2019.

CEO Commentary

Solomon Lee, Chief Executive Officer of Sino Agro Food, commented, “2018 was a transitional year, bridging the company from losses and other difficulties in 2017 into a smaller, focused set of businesses. Although challenges remain, SIAF is presently more able to sustain top and bottom line results in 2019.

“All business segments recorded gross profits in 2018, turning a loss in 2017 of USD .53 per share to a gain of USD .46 in 2018. We continue to restructure operations and pursue financing, addressing one side of the balance sheet while negotiating the other side facilitated by progress with operations and hopefully later with funding.

“The focus in 2019 will be supporting the steps needed to capitalize on the considerable potential of T-W and Capital Award.

“T-W’s aquaculture farms 1 -3 and seven other contracted open dams produced good results. Because of quite good results of open dam trials in the Yang Jiang District of Guangdong Province, T-W decided in February to migrate the procedures to raise predominantly Mexican White Prawns at the indoor and open dam RAS facilities at Aquafarms 4 and 5 in order to fairly dramatically raise profit margins over 2018 levels. Completed engineering work indicates less than \$2M in capital expense to retrofit open dams, and will commence once T-W procures a dedicated short-term loan.

“Meanwhile, SIAF is working on a number of corporate plans to bring financial benefits to its shareholders, including assisting T-W in converting land and facility assets into acceptable collateral in order to consummate a larger syndicated loan and to promote procuring other funds. During past years, the Company spent a significant amount of its earnings on capital expenditure for developing production assets. Future capital expenditure will be capped within a reasonable sum to maintain positive gross profits as demonstrated in 2018. Depending on the success with these 2019 corporate plans, SIAF will be positioned to generate higher revenues and increasing profits.

“The trading business at Tri-way is also quite scalable, relying on underlying working capital, which can be leveraged by drawing and repaying larger credit lines as product turns over.

“Further, Capital Award is in discussions about significant milestone based long-term contracts in two foreign countries to construct aquaculture facilities. We have nothing to announce at this time, but these bear mention as progress is being made.

“To conclude, although sales are not as high as they were a year ago, we are pleased with the trend toward improved profitability and more sustainable margins. These results validate our strategy to “right size” businesses in the near term while pursuing strategies to grow the business.”

FY 2018 Interim Report

For detailed segment operational performance and developments, please take the time to read our latest 10-K filing, or refer to the FY 2018 Interim Report posted to the Company website [at http://sinoagrofood.investorroom.com/download/Sino-Agro-Food_FY-2018-Interim-Report.pdf](http://sinoagrofood.investorroom.com/download/Sino-Agro-Food_FY-2018-Interim-Report.pdf).

Earnings Call Information

Like last quarter, the Company will provide prepared remarks discussing financial results and replacing an audio call on May 6, 2019. Again, there will be a written Q & A.

Please submit questions by email to info@sinoagrofood.com. These will be organized, answered, and posted, with an accompanying press release.

About Sino Agro Food, Inc.

SIAF focuses on high protein food including seafood and cattle. 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.

News and updates about Sino Agro Food, Inc., including key information, are published on the Company’s website (<http://www.sinoagrofood.com>), the Company’s Facebook page (<https://www.facebook.com/SinoAgroFoodInc>), and on twitter [@SinoAgroFood](https://twitter.com/SinoAgroFood).

Forward Looking Statements

This release may contain forward-looking statements relating to the business of SIAF and its subsidiary companies. All statements other than historical facts are forward-looking statements, which can be identified by the use of forward-looking terminology such as “believes,” “expects” or similar expressions. These statements involve risks and uncertainties that may cause actual results to differ materially from those anticipated, believed, estimated or expected. These risks and uncertainties are described in detail in our filings with the Securities and Exchange Commission. Forward-looking statements are based on SIAF’s current expectations and beliefs concerning future developments and their potential effects

on SIAF. There is no assurance that future developments affecting SIAF will be those anticipated by SIAF. SIAF undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

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