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FORM 10-K

Sino Agro Food, Inc. - N/A

Filed: April 17, 2018 (period: December 31, 2017)

Annual report with a comprehensive overview of the company

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

Commission File Number: 000-54191

SINO AGRO FOOD, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction of Incorporation)

33-1219070
(IRS Employer Identification Number)

**Room 3801, Block A, China Shine Plaza
No. 9 Lin He Xi Road
Tianhe District, Guangzhou City, P.R.C. 510610**
(Address of principal executive offices, including zip code)

Registrant's Telephone Number, including area code: (860) 20 22057860

Copies to:

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Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$0.001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer
Non-Accelerated Filer

Accelerated Filer
Smaller Reporting Company
Emerging growth 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

The aggregate market value of the voting stock held by non-affiliates of the issuer on June 30, 2017, based upon the \$2.1 per share closing price of such stock on that date, was \$46,282,861.80.

There were 29,362,365 shares of our common stock issued and outstanding as at December 31, 2017.

Documents incorporated by reference: None

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (the "Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "expects," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predict," "should" or "will" or the negative of these terms or other comparable terminology. These statements are only predictions; uncertainties and other factors may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Our expectations are as of the date this Annual Report is filed, and we do not intend to update any of the forward-looking statements after the date this Annual Report is filed to confirm these statements to actual results, unless required by law.

This Annual Report also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other industry data. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified the statistical and other industry data generated by independent parties and contained in this Annual Report and, accordingly, we cannot guarantee their accuracy or completeness, though we do generally believe the data to be reliable. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this Annual Report. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

In this Annual Report, unless the context requires otherwise, references to the “Company,” “Sino Agro,” “SIAF,” “we,” “our company” and “us” refer to Sino Agro Food, Inc., a Nevada corporation together with its subsidiaries.

Sino Agro Food, Inc.

SIAF is an agriculture technology and natural food holding company with principal operations in the People’s Republic of China. The Company acquires and maintains equity stakes in a cohesive portfolio of companies that SIAF forms according to its core mission to produce, distribute, market and sell natural, sustainable protein food and produce, primarily seafood and cattle, to the rapidly growing middle class in China. SIAF provides financial oversight and strategic direction for each company, and for the interoperation between companies, stressing vertical integration between the levels of the Company’s subsidiary food chain. The Company owns or licenses patents, proprietary methods, and other intellectual properties in its areas of expertise. SIAF provides technology consulting and services to joint venture partners to construct and operate food businesses, primarily producing wholesale fish and cattle. Further joint ventures market and distribute the wholesale products as part of an overall “farm to plate” concept and business strategy.

Revenues by division were as follows (in millions of U.S. dollars):

Division (on Sales of Goods)	2016	2017
Fisheries (CA) (Discontinued operation from October 5, 2016)	\$ 61.4	\$ -
Organic Fertilizer (HSA, SJAP & QZH)	155.2	84.4
(QZH derecognized as variable interest entity from December 30, 2017)		
Cattle (MEIJ)	29.8	20.4
Plantation (JHST)	13.3	4.6
Corporate, Marketing & Trading (SIAF)	72.4	71.8
Total Revenues derived on sales of goods	\$ 332.1	\$ 181.2
Division (on consulting & services)	2016	2017
CA (Fishery related developments)	\$ 72.2	\$ 17.0
Total Revenues derived on consulting & services	\$ 72.2	\$ 17.0

History

The Company, which was formerly known as Volcanic Gold, Inc. and A Power Agro Agriculture Development, Inc., was incorporated on October 1, 1974 in the State of Nevada. The Company was formerly engaged in the mining and exploration business but ceased the mining and exploring business in 2005. On 24 August 2007, the Company entered into a merger and acquisition agreement with CA, a Belize corporation and its subsidiaries CS and CH. Effective of the same date, CA completed a reverse merger transaction with the Company.

For two years after its introduction in China, the Company operated in the dairy segment, but sold the dairy business in December of 2009 and began to implement its five-year plan to develop its vertically integrated business operations consisting of (i) cattle fattening and production of beef products and (ii) cultivation of fish and prawn and related products. The Company now operates as an engineering, technology and consulting company specializing in building and operating agriculture and aquaculture farms in China.

Our principal executive office is located at Room 3801, 38th Floor, Block A, China Shine Plaza, No. 9 Lin He Xi Road, Tianhe District, Guangzhou City, Guangdong Province, PRC, 510610.

The table below provides an overview of key events in the development of the business of the Company.

Year	Event
2006	<ul style="list-style-type: none"> Initiates agriculture and aquaculture consulting activities in China.
2007	<ul style="list-style-type: none"> Changes name from A Power Agro Agriculture Development, Inc. to Sino Agro Food, Inc. Acquires the Belize holding company Capital Award. Today, Capital Award is Sino Agro Food's subsidiary operating many of the Company's aquaculture activities. Acquires the dairy operations through a 78 percent ownership stake in ZhongXing Agriculture and Husbandry. Acquires the HU Plantation through a 75 percent ownership stake in Jiang Men City Heng Sheng Tai Agriculture Development.
2009	<ul style="list-style-type: none"> Conducts a strategic review and divests the dairy business in December due to poor industry fundamentals with control of the industry concentrated in a few very large value-added manufacturers. Founded Qinghai Sanjiang A Power Agriculture ("SJAP"). SJAP manufactures bioorganic fertilizer, livestock feed and develops other agriculture projects in the County of Huangyuan, in the vicinity of Xining City, Qinghai Province.
2010	<ul style="list-style-type: none"> Creates a five-year plan to develop vertically integrated businesses in primary production, distribution and marketing of beef cattle, beef products and seafood through proprietary recirculating aquaculture systems. Begins construction of the Company's first fish farm, Fish Farm 1, with targeted capacity of 1,000 metric tons per year.
2011	<ul style="list-style-type: none"> Begins construction of Prawn Farm 1 & 2, Cattle Farm 1 and Fish Farm 2. Becomes a fully reporting SEC company on the OTCQB (as defined below).
2012	<ul style="list-style-type: none"> Acquires a 75 percent ownership in Fish Farm 1 and Cattle Farm 1. Advances construction of Cattle Farm 2 and Wholesale Center 1 in Guangzhou. Produces 1,800 MT of seafood and raises 6,000 head of cattle.
2013	<ul style="list-style-type: none"> Closes the Zhongshan Prawn Farm agreement, targeting production of 10,000 MT of prawn p.a. in 2016/2017 and 100,000 MT in 2024. SJAP awarded Dragon Head Enterprise status by the Qinghai provincial government. Mr. George Yap and Mr. Nils-Erik Sandberg join SIAF's Board of Directors, as independent directors. Produces 4,700 MT of seafood and raises 15,000 head of cattle.
2014	<ul style="list-style-type: none"> SJAP's abattoir and meat processing facilities commence operations. SJAP signs supplier and concession agreements with Tesco, PLC China for packaged meat products. Advances construction of a wholesale and distribution center in Shanghai, targeting ultimate capacity of 12,000 MT of meat and 6,000 MT of seafood per annum. Mr. Anthony Soh and Mr. Dan Ritchey join SIAF's Board of Directors as independent directors. Ms. Olivia Lai is hired as Chief Financial Officer. Produces 5,600 MT of Seafood and raises 26,000 head of cattle during 2014.
2015	<ul style="list-style-type: none"> Sino Agro Food announces a long-term vision to become a leading sustainable aquaculture company focused on organically farmed fish and prawns. Wholesale Center 2 in Shanghai initiates operations Mr. Bertil Tiusanen is hired as Chief Financial Officer. Ms. Lai becomes the Company's Chief Corporate Affairs Officer. Sino Agro Food announces contemplated plan to divest its aquaculture operations and seek a separate listing on the Oslo Stock Exchange.
2016	<ul style="list-style-type: none"> Sino Agro Food was admitted to the Merkur market in Oslo. The Company upgraded to OTCQX Premier from the OTCQB® Venture Market. Mr. Bertil Tiusanen resigned as Chief Financial Officer and appointed as SVP Business Development, New Ventures Europe Officer and Mr. Dan Ritchey appointed as Chief Financial Officer. Sino Agro Food Inc.'s carve-out of Tri-way resulting in categorization of Tri-way as an Investor in Associate from a subsidiary status. As such, Sino Agro Food Inc.'s fully owned subsidiary namely, Capital Award Inc (CA), retains its main business activity in the sector of technology and engineering consulting and related services, and Tri-way has assumed all activity regarding aquaculture operations and the sale of all products produced by them. Tri-way has purchased Master Developer and Operating licensing rights from CA for purposes of future development of aquaculture projects in China utilizing CA's APM-indoor and ODRAS technology, and has contracted with CA to provide its turnkey contractor services for those projects in China.
2017	<ul style="list-style-type: none"> Mr. George Yap resigned as independent director and Audit Committee chairman and member of Nomination Committee. The Company increase its equity interest in Triway from 23.89% to 36.6% in the fourth quarter by converting the amount due from Triway into equity interest. On December 30th 2017 the Company sold its (35.36%) equity in QZH to a third party. (Further details provided throughout report).

Through December 31, 2017, the Company has been contracted as turnkey contractor to the owners and developers of the C&S Project Companies and acted as the master engineer, pioneering the construction and building of farms, from raw land into fully operational facilities. In each development the Company completes the construction and building of infrastructure including staff quarters, offices, processing facilities, storage, and all related production facilities. The Company's management teams are responsible for developing all business activities into effective and efficient operations. From October 1, 2016, onward, Tri-way has assumed the role as developer of aquaculture projects in China with CA contracted to provide turnkey contracted services for those projects.

In just a few years, Sino Agro Food has matured into a company dedicated to the agriculture and aquaculture industry in China. The Company currently maintains operations of its HU Plantation (see description in section 4.10 below) as well as its services in engineering consulting and specializing in the development of two major products, namely meat derived from the rearing of beef cattle and seafood derived from the growth of fish, prawns, eel and other marine species.

Background

After successfully developing many aquaculture fishery farms, cattle farms and related business operations (along with sales and marketing of produce and products) in Australia and Malaysia since 1998, SIAF's management team introduced our business activities in China in 2006. We are an engineering and consulting company that specializes in building and operating agriculture and aquaculture farms.

To accomplish this, we use our expertise and know how in specific agriculture and aquaculture technologies. Our "A Power Re-circulating Aquaculture System," sometimes referred to herein as APRAS, is a patented and proven technology for indoor fish farming. We have developed modern techniques and technologies to grow, feed and house both fish and cattle. These are engineered into the designs of, and the management systems for, indoor and outdoor fishery and cattle farms. Our experience managing crops, and employing technologies, including hydroponic, to work within climate and growing conditions optimizes production of organic, green and natural agricultural produce.

In all of our developments we have acted as the master engineer, pioneering the construction and building of farms, from raw land into fully operational facilities. We complete the construction and building of infrastructure including staff quarters, offices, processing facilities, storage, and all related production facilities. Our management teams are responsible for developing all business activities into effective and efficient operations.

In just a few years, SIAF has matured into a company dedicated to the agriculture and aquaculture industry in China. We currently maintain operation of our HU Plantation as well as our services in engineering consulting, specializing in the development of two major products, namely meat derived from the rearing of beef cattle and seafood derived from the growth of fish, prawns, eel and other marine species.

Revenues are generated from activities that we divide into five stand-alone business divisions or units: (1) Fishery development, (2) Cattle & Beef, (3) Organic Fertilizer, (4) HU Plantation, and (5) Marketing and Trading. This fifth and newest division, "Marketing and Trading" represents our strongest push to vertically integrate the Company's operations, furthering the Company's overall "farm to plate" concept.

Corporate Acquisitions

On September 5, 2007, we acquired two businesses in the People's Republic of China ("PRC"):

(a) Tri-Way Industries Ltd., Hong Kong ("TRW") (formerly known as Tri-way Industries Limited), a company incorporated in Hong Kong; and

(b) Macau EIJI Co. Ltd., Macau ("MEIJI") (formerly known as Macau Eiji Company Limited), a company incorporated in Macau, and the owner of 75% equity interest in Enping City Juntang Town Hang Sing Tai Agriculture Co. Ltd. ("HST"), a PRC corporate Sino Foreign joint venture.

On November 27, 2007, MEIJI and HST established a corporate Sino Foreign joint venture, Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd, China ("JHST") (formerly known as Jiang Men City Heng Sheng Tai Agriculture Development Co. Ltd.), a company incorporated in the PRC with MEIJI owning a 75% interest and HST owning a 25% interest. HST was dissolved in 2010.

In September 2009, we formed a 100% owned subsidiary in Macau, A Power Agriculture Development (Macau) Ltd., China ("APWAM") (formerly known as A Power Agro Agriculture Development (Macau) Limited). APWAM presently owns 45% of a corporate Sino Foreign joint venture, Qinghai Sanjiang A Power Agriculture Co. Ltd. ("SJAP"). On March 23, 2017, a third party, Qinghai Quanwang Investment Management Company Limited acquired a 8.3% equity interest and APWAM owned 41.25% equity interest of SJAP as of December 31, 2017. SJAP is engaged in the business of manufacturing bioorganic fertilizer, livestock feed and development of other agriculture projects in the County of Huangyuan, in the vicinity of the Xining City, Qinghai Province, PRC.

On February 28, 2011, TRW applied to form a corporate joint venture, Enping City A Power Prawn Culture Development Co. Ltd., China (“**EBAPCD**”) (formerly known as Enping City Bi Tao A Power Fishery Development Co., Limited), which is incorporated in the PRC. TRW initially owned a 25% equity interest in EBAPFD. On November 17, 2011, TRW formed Jiangmen City A Power Fishery Development Co. Ltd, China (“**JFD**”) (formerly known as Jiang Men City A Power Fishery Development Co., Limited) in which it acquired a 25% equity interest, while withdrawing its 25% equity interest in EBAPFD. As of December 31, 2011, we had invested \$1,258,607 in JFD. JFD operates an indoor fish farm. On January 1, 2012, we acquired an additional 25% equity interest in JFD for total cash consideration of \$1,662,365. On April 1, 2012, we acquired an additional 25% equity interest in JFD for the amount of \$1,702,580. Prior to October 5th 2016 we owned a 75% equity interest in JFD and control its board of directors. As of September 30, 2012, we had consolidated the assets and operations of JFD. From October 5th 2016 we brought out the remaining 25% equity interest in JFD for consideration of \$4,517,426 and sold the 100% equity interest in JFD to Triway (inclusive all original assets of its one farm namely Fish Farm 1 that was changed to name Aqua-Farm 1 and of other additional assets transferred from work in progress etc.) for \$33,538,480; and converted JFD into a Wholly Owned Foreign Entity (WOFE) such that Triway is holding 100% equity interest in JFD; and simultaneously (on October 5th 2016) JFD completed the acquisition: of the assets and operation from owners and investors of four other aquaculture farms (namely Aqua-farm 2, 3 and 4) for \$277,055,897 collectively; and the acquisition of a Master License from CA for the rights of future development and operation of our APRAS farms in China for \$30,000,000 resulting that we were owing 23.89% equity interest in Triway as at October 5th 2016. The Company converted the amount due from unconsolidated equity investee into equity interest during the fourth quarter of 2017, which resulted in equity interest in TRW from 23.89% to 36.60%.

On April 15, 2011, MEIJI applied to form Enping City A Power Beef Cattle Farm 2 Co. Ltd., China (“**EAPBCF**”) (formerly known as Enping City A Power Cattle Farm Co., Limited), all of which we would indirectly own a 25% equity interest in as of November 17, 2011. On September 13, 2012 MEIJI formed Jiangmen City Hang Mei Cattle Farm Development Co. Ltd., a company incorporated in the PRC (“**JHMC**”) (formerly known as Jiang Men City Hang Mei Cattle Farm Development Co., Limited) in which it owns 75% equity interest with an investment of \$3,636,326, while withdrawing its 25% equity interest in ECF. As of September 30, 2012, we had consolidated the assets and operations of JHMC.

Cross-Listing on the Merkur Market

On January 13, 2016, securities representing beneficial interests in the shares of common stock on the Company, referred to as VPS Shares, began to be traded on the Oslo Børs’ Merkur Market under the symbol “SIAF-ME.” The Company’s common shares continued to trade on the OTCQB under the symbol “SIAF.”

The Merkur Market is a multilateral trading facility operated by Oslo Børs ASA. The Merkur Market is subject to the rules in the Norwegian Securities Trading Act and the Securities Trading Regulations that apply to such marketplaces. These rules apply to companies admitted to trading on the Merkur Market, as do the marketplace’s own rules, which are less comprehensive than the rules and regulations that apply to companies listed on Oslo Børs and Oslo Axess. The Merkur Market is not a regulated market, and is therefore not subject to the Norwegian Stock Exchange Act or to the Stock Exchange Regulations. Investors should take this into account when making investment decisions.

Uplisting to the OTC QX Premier

On January 19, 2016, the Company’s shares of common stock began to be traded on the OTCQX® Best Market in the U.S. under its existing ticker symbol “SIAF.” The Company upgraded to OTCQX Premier from the OTCQB® Venture Market.

The OTCQX® Market is the top tier of the U.S. over-the-counter markets operated by OTC Markets Company. It is reserved for established investor-focused companies meeting high financial and governance standards, and sponsored by professional third party advisors. SIAF has qualified to trade on OTCQX U.S. Premier, for which eligibility standards are higher still. For comparison, as of December 31, 2015, there were 942 companies traded on the OTCQB, 425 companies traded on the OTCQX and 98 companies traded on OTCQX U.S. Premier, of which only 17 are non-bank companies.

With OTCQX admission, OTC Market Company’s Blue Sky Monitoring Service provides the Company with a customized daily audit of its compliance status in all 50 states. Blue Sky compliance is mandatory for broker-dealers and registered investment advisors to solicit or recommend a security to investors.

U.S. investors can find current financial disclosure and Real-Time Level 2 quotes for the Company on www.otcmarkets.com.

Emerging Growth Company

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) in which we have total annual gross revenue of at least \$1.0 billion or (b) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeded \$700.0 million as of the prior June 30, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period. We refer to the Jumpstart Our Business Startups Act of 2012 herein as the “JOBS Act” and references herein to “emerging growth company” shall have the meaning associated with it in the JOBS Act.

As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- only two years of audited consolidated financial statements in addition to any required unaudited interim financial statements with correspondingly reduced “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” disclosure;
- reduced disclosure about our executive compensation arrangements;
- no requirement that we hold non-binding advisory votes on executive compensation or golden parachute arrangements; and
- exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

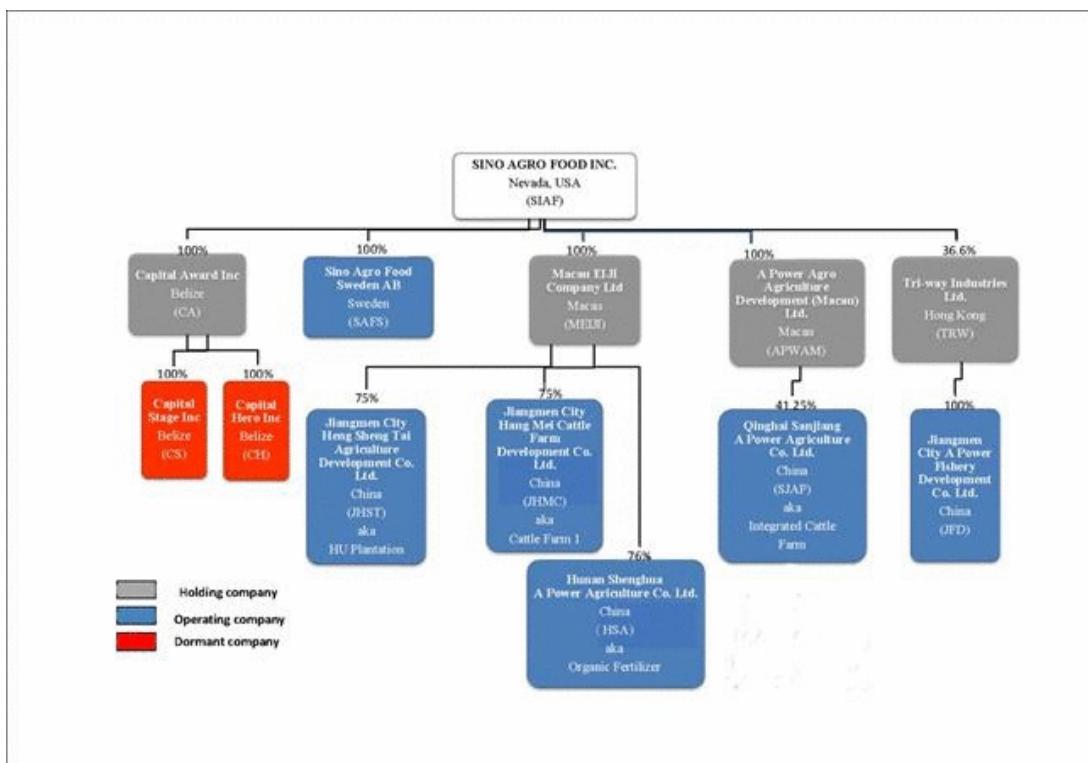
We have taken advantage of some of these reduced burdens, and thus the information we provide stockholders may be different from what you might receive from other public companies in which you hold shares.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to “opt out” of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Legal structure

The Company is primarily a holding company whose operations are carried out through its subsidiaries.

The table below sets out information about the entities in which the Company, as of the date of this Annual Report, holds (directly or indirectly) more than 10 percent of the outstanding capital and votes.



The table below sets out a brief description of the companies within the Company as well as the Company's respective holdings within such companies and their domiciles.

Company	Country of incorporation	Field of activity	% Holding
Sino Agro Food, Inc.	US	Engineering consulting (general types of developments), business management, trading, sales and marketing	
Capital Award Inc. (CA)	Belize	Engineering consulting (mainly in development of fishery), management of fishery operation, marketing and sales of fishery produces and products	100
Tri-way Industries Limited (TRW)	Hong Kong	Holding company and holder of technology licenses	36.6
Macau Eiji Company Limited (MEIJI)	Macau	Engineering consulting (mainly in cattle farming and vegetable farming), 100 management service and marketing and sales of cattle and related products	100
A Power Agro Agriculture Development (Macau) Limited (APWAM)	Macau	Holding company	100
Sino Agro Food Sweden AB (Private) (SAFS)	Sweden	Various support and service to parent company, asset management, finance, 100 consulting and provision of services in agriculture and aquaculture, marketing and sale of agricultural products, consultancy for business development in China, and related business	100
Capital Stage Inc. (CS)	Belize	Dormant	100
Capital Hero Inc. (CH)	Belize	Dormant	100
Jiangmen City A Power Fishery Development Co. Ltd. (JFD)	China	(1): Operator in growing of fish (sleepy cod species), eels (flower pattern species) and prawns; Research and Development of growing technique and knowhow of live-seafood and (2) Marketing and Trading of seafood	100 % owned by Triway
Jiangmen City Hang Mei Cattle Farm Development Co. Ltd. (JHMC or Cattle Farm 1)	China	A demonstration farm for growing cattle in a semi-tropical climate	75
Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd. (JHST)	China	HU plantation, immortal vegetable and cash crops of vegetables planting, 75 processing and sales of produces and products	
Hunan Shenghua A Power Agriculture Co. Ltd. (HSA)	China	Existing activities: manufacturing of organic fertilizer, 100% pure organic mixed fertilizer and lake fish farming organic fertilizer. Cattle rearing.	76
Qinghai Sanjiang A Power Agriculture Co. Ltd. (SJAP)	China	Existing activities: manufacturing of organic fertilizer bulk and concentrated livestock feed, and rearing of cattle and cooperative farming. Slaughter and deboning of cattle and value added processing of beef products.	41.25% owned by SIAF

In addition to the legal entities included in the chart and table above, the Company is providing technology know-how with consulting service and turnkey contracting services ("C&S") to various Chinese owned Project Companies ("C&S Project Company") which mainly are private companies formed in China with Chinese citizens acting as legal representatives. Sino Agro Food does not have any ownership in these C&S Project Companies. However, in consideration of the Company's right to protect its technology and know-how granted to the C&S Project Companies, the Company has an option to acquire equity stakes in the future SFJVC at an agreed value equivalent to the project's development cost.

In addition, regarding the investment agreement between QZH and QQI, (i) QQI enjoyed 6% annual interest on its capital contribution, but not any profit distribution; (ii) investment period was 3 years, and (iii) SJAP shared 100% (2016: 100%) on profit or loss after 6% interest payment to QQI and enjoyed 100% (2016: 100%) voting rights of QZH's board and stockholders meetings.

As of December 30, 2017, the Company register authority approved the transferred of the Company's (35.36%) equity interest in QZH to an unrelated third party, such that as from December 30, 2017 QZH was derecognized as a variable interest entity. (Further related information is provided throughout this report).

Business model

The Company works with Chinese investors to form operating companies, in which Sino Agro Food retains the option to acquire equity interest. After a certain period of time and successful operating results, the Company and the Chinese investor may form a Sino Foreign Joint Venture Company ("SFJVC"). Prior to the formal naming, registration, and incorporation of an anticipated SFJVC, the Company prepays a deposit toward the consideration of its future SFJVC stake as a percentage of the assets of the fully developed farm. Upon conversion, the prepayments become equity capital.

The Company oversees financing and provides interoperating strategies, encouraging vertically integrated growth. China has problems with quality assurance in primary production, distribution and poor origin traceability, as well as low food quality. This has created a market where consumers will eventually pay significant price premiums for "BAP (Best Aquaculture Practice) Certified" seafood with brands guaranteeing quality and consistency.

A vertically integrated operation in a fragmented and poorly regulated environment such as in China is the strategy that will yield the most success for the Company. Our presence in retailing and wholesale markets generates market power and provides potential for both margin maintenance and expansion.

Integration into fertilizer and feed production for rearing of beef cattle together with breeding of prawn brood stock help decrease primary production operational risks as well as helping to offset price fluctuations that sometimes occur in raw product input prices..



Sino Agro Food uses expertise and know-how in specific agriculture and aquaculture technologies. The Company's "A Power Re-circulating Aquaculture System" (the "APRAS") is a proven recirculating aquaculture system ("RAS") technology for indoor fish farming. Sino Agro Food has developed modern techniques and technologies to grow, feed and house both fish and cattle. These are engineered into the designs of, and the management systems for, indoor and outdoor fishery and cattle farms. Today Sino Agro Food is the world's largest operator of RAS aquaculture for prawns. In all developments Sino Agro Food acts as the master engineer, pioneering the construction and building of farms, from raw land into fully operational facilities. Sino Agro Food builds the infrastructure including staff quarters, offices, processing facilities, storage, and all related production facilities; then, manages developing of all business activities into effective and efficient operations. Sino Agro Food's largest customer represents a Company of thirty separate live seafood wholesalers at the Guangzhou wholesale markets.

The Company holds licenses for fertilizer formulas, enzyme patents, and for indoor fish farm techniques, including a "master license" in China for "A Power Technology" ("APT"), a modular land-based fish growing system and technology utilizing RAS.

Sino Agro Food partners with Chinese investors in food projects as a turnkey project manager

The Company engages in projects as a technological and engineering expert, partnering with local and regional investors in food related projects. Sino Agro Food generally has exclusive marketing, sales and distribution rights for each project company. For example, MEIJI purchases all marketable cattle from Cattle farm 2 and distributes them to wholesale markets. Up until September 30, 2016, prior to SIAF becoming an investment associate of Tri-way (i.e. post-carve-out), CA had been purchasing all seafood produced by the fishery farms and also supplied the fishery farms with fingerling, baby or adult fish or prawns and stock feed. Thus, CA is no longer involved in any sales, marketing and supplies of fishery goods being operated by Tri-way yet will continue to carry out its current contracts with other entities, as well as developing other business ties that are interested in utilizing its services.

Division of responsibility in a Consulting & Services Project

Developer Responsibilities	Chinese Investor responsibilities
 Sino Agro Food <ul style="list-style-type: none"> - Turnkey project provider - Project and engineering management - Appointment of subcontractors - Equipment supplier - Facility Installation, commissioning - HR and training - Part of financing - Management of on-going operations - Exclusive supplier of feed, broodstock, spare parts etc. - Exclusive selling agent of Live prawn, eel, fish 	<ul style="list-style-type: none"> - Financing - Procurement of land - Attain approval and licenses from relevant Chinese authorities concerning land, business license - Import / Export clearance - Assist in HR matters

Generally, Sino Agro Food exercises an option to acquire a majority equity stake in the project company once development of the operating company has matured and successful operating results are demonstrated. Prior to acquisition, Sino Agro Food prepays a deposit toward the acquisition consideration of the project company. Upon acquisition and conversion into a SFJVC, the pre-payments together with a cash consideration become equity capital, with Sino Agro Food becoming a major shareholder.

Acquired project companies are operated and managed by the management team and the Chinese investor, and overseen by Sino Agro Food.

Lifecycle of a Consulting & Services and SFJVC project company



Land ownership in China

In China, nearly all land is owned by the Central Government or local village collectives, which grant "usufructuary" rights (i.e., the right to use and enjoy the derived benefits for a period of time) in the form of land use rights. This is similar to "leasehold" land rights in the United States. Corporate entities and individuals may own the property (buildings) erected on Government land. Land use rights may be transferred, but they are based on agricultural contracts, and cannot be changed arbitrarily to non-agricultural purposes.

Business overview

Introduction

Sino Agro Food is an agriculture technology and natural food holding company with principal operations in China participating in the ongoing transformation of China's fragmented agrarian sector into a modern food production industry using sustainable and profitable methods. Sino Agro Food focuses on seafood and beef production with integrated wholesale distribution. The Company acquires and maintains equity stakes in a cohesive portfolio of companies that Sino Agro Food forms according to its core mission to produce, distribute, market and sell natural, sustainable protein food and produce, primarily seafood and cattle, to the rapidly growing middle class in China.

Sino Agro Food employs a strategy of vertical integration from primary production through processing, distribution and marketing of high quality, organic food products in the food value chain. China's fast growing middle class is creating rapidly rising demand for gourmet and high-quality protein food. The Company's core products are live prawns, live eels, whole beef cattle and packaged beef meat.

The Company's operations and strategy are executed through a number of subsidiaries located in China, and the Company contributes financial oversight and strategic direction to otherwise independent management teams which employ the Company's intellectual property and proprietary methods within aquaculture, beef cattle rearing and production of organic fertilizer.

Sino Agro Food has enjoyed strong growth since the Company initiated its business activities in China in 2006. During the fiscal year of 2017, the Company's consolidated revenues amounted to USD \$198,166,939. The four principal factors that have enabled the growth are:

- Joint venture investment models with existing local Chinese investors in agriculture and aquaculture;
- Technological competitive advantages in recirculating aquaculture, beef rearing and livestock slaughter;
- Strong growth in Chinese consumers' demand for quality protein food; and
- The Chinese Government's policy to consolidate the agrarian sector and increase the efficiency of China's food production industry.

Sino Agro Food provides consulting and services to a number of private Chinese third party companies to construct and operate primary production facilities for fish, prawn and beef cattle, as well as wholesale marketing and distribution centers. As part of its consulting and service agreements, Sino Agro Food has the option to acquire these operations in order to expand Sino Agro Food's proprietary production and wholesaling capacity.

Revenues are generated from activities that are divided into five stand-alone business divisions:

- (i) Aquaculture (CA: inclusive Technology engineering consulting & services (Project Development division) and sales of goods)
- (ii) Integrated Cattle Farm (SJAP & QHZ) and Organic Fertilizer (HSA)
- (iii) Cattle Farm (MEIJI: sales of goods)
- (iv) Plantation, and
- (v) Seafood & Meat Trading (SIAF GZ: inclusive Technology engineering consulting & services (Project Development division) and sales of goods and corporate affairs)

Aquaculture division

CA has entered into and completed several CSC's (i.e. the Fish Farm 1 (or Aqua-Farm 1) for JFD, the Prawn Farm 1 (Or Aqua-Farm 3) for EBAPCD and construction work still in progress for the Prawn Farm 2 (or Aqua-Farm 2) at Xin Hui District and the Prawn Farm 3 (or Aqua-Farm 4) and Prawn Farm 4 (or Aqua-Farm 5) at San Jiao Town Zhongshan for ZSAPP.

Prior to September 30, 2016, CA was the sole marketing, sales and distribution agent of the APRAS fishery and prawn farms. CA had purchased all marketable fish and prawn from the farms, and then sold them to wholesale markets. CA also supplied the farms with fingerlings, baby or adult fish or prawns, and stock feed. CA generated revenue from the sale of seafood bought from farms that either had been Company subsidiaries or C&S Project Companies.

However, since then, Tri-way has acquired all assets and operation of CA's C&S related project farms (i.e. Aqua-Farm 1 to 5) and SIAF has carved-out its controlling interest in Tri-way to 23.89% + debt converted to equity of 12.71% totaling to 36.6%, such that Tri-way, the subsidiary, is categorized as an "investment in associate" holding of SIAF, as a result of SIAF's deemed disposal of equity interest in the subsidiary.

Integrated Cattle Farm division (SJAP & QZH)

Operated by SJAP, the Integrated Cattle Farm division is the business unit of Sino Agro Food active in beef cattle rearing and value added processing of domestic and imported beef meat. Revenue for fiscal year ended December 31, 2017 was USD 77.19 million or 42.6 percent of the Company's total sales of goods revenue of USD 181.18 million in the same period. Gross profit for SJAP's integrated cattle farm division in the fiscal year ended December 31, 2017 was USD 0.91 million, or 5.63% percent of the Company's total gross profit in sales of goods of USD 16.21 million in the same period.

1. Beef cattle rearing and fattening

The beef cattle rearing and fattening division's Revenue for fiscal year ended December 31, 2017 was USD 9.15 million or 5.0 percent of the Company's total sales of goods revenue of USD 181.18 million in the same period. Gross profit for same division in the fiscal year ended December 31, 2017 was USD 0.7 million, or 4.3 % of the Company's total gross profit in sales of goods of USD 16.21 million in the same period.

This division has two production sources; one by the cooperative farmers and one by SJAP's own farm:

Cattle raised by the Cooperative farmers:

At SJAP it is a common practice to make cash advances to our cooperative growers (presently standing at 2200 members) who are our suppliers, to carry them through respective growing periods (for cropping or pasturing or cattle growing purposes) before final harvests of produce or sale of their cattle. On average, it works out at less than \$8,850 per member based on the total of \$19.5 million, however part of that amount has been offset by RMB1,000 / head of cattle / year given to the growers as a grant by the Government amounting to over \$4.165 million placed with SJAP holding on trust for and on behalf of the growers that in the management's opinion is a normal season to season process deemed fair and equitable. In this respect, as the said average increases it means that the average cooperative farmer is increasing his productivity (whether in the growing of crops or cattle), and in simple terms, would indicate that SJAP's revenue is also increasing.

Initial Drivers relevant to cattle purchased from Co-op farmers:

- a.) SJAP requires certain breed and genetic standards for cattle it sells, either live or processed, to market.
- b.) SJAP, because of the volume discount it can receive from suppliers on cattle purchased for purpose of raising them in-house, provides an opportunity to have that same cost savings passed onto Co-op farmers who are interested in developing a business relationship with SJAP, insomuch that they decide to purchase young cattle directly from the same suppliers at the same discount afforded SJAP.

The Co-op farmer is under no obligation to purchase young cattle from the mentioned suppliers and does not preclude cattle purchased from other outside sources, once fattened, from being purchased by SJAP as long as the genetic and breed conditions mentioned above, are met. Any transaction between SJAP cattle suppliers and the Co-op farmers is strictly a transaction between those two parties and is not a transaction of which SJAP is party to, neither receiving compensation or finder fee on those transactions.

Co-op farmers wishing to raise their cattle for purchase and subsequent resale by SJAP requires that a certain feed standard, that is vitamin and protein requirements, be provided to cattle in order for SJAP to consider their purchase for resale. SJAP cultivates its own food supply that meets or exceeds that content standard and offers it to Co-op farmers interested in buying it for their livestock. Feed sales transacted between SJAP and the Co-op farmers provides flexible payment terms under the following scenario:

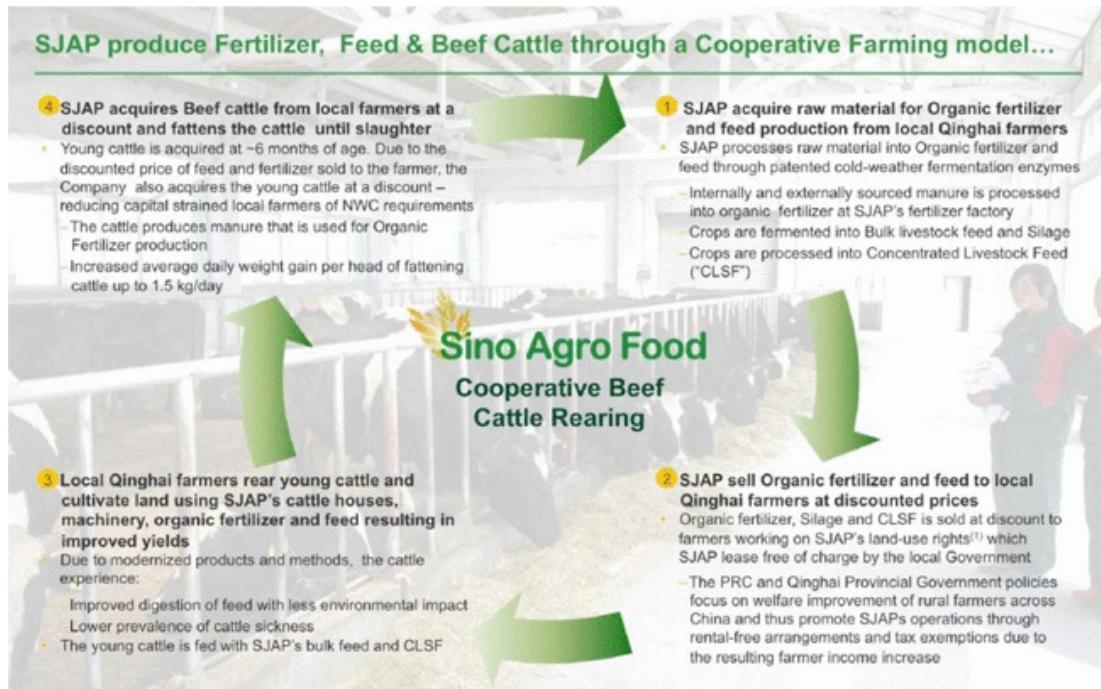
- a.) If SJAP decides to purchase Co-op farmed cattle that have been raised with feed purchased with credit terms from SJAP, SJAP will credit the outstanding balance owed by the Co-op farmer for the feed from the purchase price it pays the Co-op farmer for their cattle, that is allowing the Co-op farmer to carry credit against feed charges outstanding until their cattle is sold to SJAP.
- b.) If SJAP decides not to purchase Co-op raised cattle and credit terms had been extended to them on feed purchased, then the Co-op farmer is provided 90 to 120 days to repay their credit while the accounts receivable associated with that transaction continues to be outstanding until the bill, or any portion thereof, is paid to SJAP. As a security against non-payment by the Co-op, SJAP has received a \$300 local economic subsidy grant, per head of cattle, that can be applied toward any outstanding unpaid (bad debt) balance on feed purchased from SJAP.
- c.) If cattle are purchased by SJAP from the Co-op, then in addition to the purchase price having been credited with what is owed on feed purchased, the \$300 subsidy is applied as credit against their outstanding accounts payable, and the net balance of credit owed deducted from the consideration paid the Co-op farmer for their cattle.

Feed purchased under credit terms by Co-ops as well as feed purchased by any other third-party purveyor of cattle livestock is recorded as Bulk Livestock Feed Sales (please reference Table 1, Beef and Organic Fertilizer Divisions (SJAP and QZH), for sales, cost of goods sold, and gross profit under this category), and the applicable amount of credit provided the feed buyer recorded under accounts receivable.

As previously mentioned, since SJAP requires certain breed and genetic makeup of cattle it wishes to purchase from Co-op farmers, it certainly serves as a convenient method for those farmers to afford themselves both, the availability as well as the cost discount afforded them by purchasing these cattle typically supplied to SJAP. Nonetheless, there is no obligation for Co-op farmers to purchase young cattle from those suppliers, and, as well, does not preclude SJAP purchasing cattle from them if the cattle they raise meet the standard required for purchase and (market) resale by SJAP.

Under no circumstance is SJAP under contracted obligation to purchase cattle that had been purchased by Co-op farmers from SJAP's cattle suppliers, nor is SJAP obligated to purchase any cattle raised by Co-op farmers that were fed with SJAP bulk feed sold to them so as to recoup the credit provided on those sales. Again, credit owed by Co-ops to SJAP that is not offset from the purchase price of fattened cattle purchased from them by SJAP, continues to be recorded as an accounts receivable until such time as that debt is repaid, with further understanding that the \$300 government subsidy per head of cattle remains available in case any portion of those outstanding debts are recorded as bad debt, which in the case of SJAP's history with its Co-op farmers, has seldom occurred.

The key features of the co-operative farming model are set out in the illustration below:



These arrangements were working smoothly and efficiently until Q3 2015 when the Government relaxed its import restriction on beef meats that gradually lowered the domestic grown cattle prices to a point that it is no longer commercially viable to maintain the fattening contracts with the corporative farmers such that SJAP cancelled and terminated its fattening contracts with the cooperative farmers at year end of December 2017 and to compensate the corporative farmers calculated to RMB5,000 / head of cattle based on 22,000 heads that were contracted since the beginning of 2017 to 31.12.2018 amounting to RMB110 million (or \$17.6 million) in total compensation.

Cattle raised by SJAP itself

SJAP now has in its own property twelve cattle houses, with its smaller buildings housing a minimum of 200 head and larger cattle houses accommodating up to 350 head.

2. *The Organic fertilizer Chain:*

The SJAP's fertilizer division's Revenue for fiscal year ended December 31, 2017 was USD 2.23 million or 1.23 percent of the Company's total sales of goods revenue of USD 181.18 million in the same period. Gross profit for same division in the fiscal year ended December 31, 2017 was USD 0.52 million, or 0.29 % of the Company's total gross profit in sales of goods of USD 16.21 million in the same period.

The Company prepares its agricultural wastes into bioorganic fertilizer through the environmentally friendly "Bacterial and Bio-organic Fertilizer Manufacturing Technology." Also, the livestock feed is prepared into bioorganic livestock feed. Livestock feed consists of raw material consisting of crop wastes as well as locally grown and available wild wheat plus wild wheat stems, wild peas with stems and leaves, and selective pastures grown in the wild. These raw materials will be finely cut and put through several aging and fermentation processes by adopting a technology and method called "Stock Feed Manufacturing Technology," and catalyzed by the enzyme developed by SJAP. Thereafter, the end materials will be packed and sealed in airtight and weatherproof packaging ready for storage.

Bioorganic fertilizer and the bio-organic livestock feed is sold to farmers that work on the Company's land-use rights, which is owned by the government and leased with a subsidy or rent free, due to the many benefits for the community. Fertilizer and livestock feed are prepared based on the Company's patented enzyme. The use of the enzyme is synergistic, as the production of fertilizer and livestock feed is permissible all 12 months of the year, which is a competitive advantage.

The farmers use the bioorganic fertilizer on the soil and feed the grain to the cattle and sheep together with the livestock feed. Government tests show:

- Additional average weight gain per head of fattening cattle;
- Additional fresh milk is produced;
- All feeds are much easier to digest resulting in much cleaner environment in the cattle yards and houses;
- No ill effects were recorded due to the Company's feed;
- All cattle preferred to eat the Company's feed and were reluctant to revert back to the consumption of their old feed after they had consumed the Company's feed during the period.

Through an acquired patent,¹ the fat content of a 24 month-old cattle can be decreased from 18 kg to 5 kg, which improves the quality of the meat and its yield. The inventor of the patent is now an equity partner in SJAP.

3. *Feed*

The SJAP's feed division's Revenue for fiscal year ended December 31, 2017 was USD 16.54 million or 9.1 percent of the Company's total sales of goods revenue of USD 181.18 million in the same period. Gross profit for same division in the fiscal year ended December 31, 2017 was USD 7.74 million, or 47.75 % of the Company's total gross profit in sales of goods of USD 16.21 million in the same period.

On February 28, 2013, SJAP completed its development of the Concentrated Livestock Feed ("CLF") manufacturing factory, and started the production and sales of CLF. This CLF complements SJAP's bulk livestock feed to provide the local cattle and sheep farming industry with a completed feed formula that can cater to the rearing of cattle and sheep at various growing cycles (e.g., specially formulated mixes with efficient nutrients for dairy cows and sheep, weaning, fattening and mature cattle and sheep). The advantage of the formulated feed combination is that the cattle and sheep growers will realize cost savings in production knowing precisely the amount of concentrated feed that will be needed by their livestock, thus avoiding wasted excess concentrated feed due to over feeding, which results in worthless excess fat in mature animals. In this respect, the Chinese central government has placed an order with SJAP to reserve up to 5,000 MT of CLF annually as part of the country's annual reserve emergency livestock feed inventory. Thus, since March 2013 onward, SJAP has generated additional revenue generated from the sales of CLF.

SJAP sells its organic fertilizer and bulk livestock feed mainly to its cooperative and regional farmers in addition to using it to rear its own grown cattle, but because its geographic location is so far away from other major provinces there are high costs associated with selling its fertilizer, bulk livestock feed and live cattle other than to local purchasers. Conversely, equivalent imports from other provinces must be purchased at a higher cost, providing SJAP with a competitive edge. Furthermore, Qinghai Province is a region rearing millions of cattle and sheep per year, providing an ample market for SJAP's fertilizer and livestock feed.

In the longer term, the Company believes that wholesale prices of SJAP's livestock feed will maintain a steady growth rate of 5% to 10% per annum influenced mainly by rising labor cost of the country.

¹ T1 Enzyme Technology (T1), Patent number ZL2005 10063039.9.

4. Value Added Processing and distribution (VAP)

This particular division (recorded under QZH)'s Revenue for fiscal year ended December 31, 2017 was USD 49.28 million or 27.20 percent of the Company's total sales of goods revenue of USD 181.18 million in the same period. Gross profit was negative for same division in the fiscal year ended December 31, 2017 losing USD (8.04) million, or (49.58) % of the Company's total gross profit in sales of goods of USD 16.21 million in the same period.

In 2014 the Company initiated operations in slaughter and deboning services to farmers at its abattoir and deboning facilities. SJAP received a business permit from the Chinese authorities on April 17, 2013, and construction commenced on April 21, 2013 on the abattoir, deboning factory, and related packaging facility. Since it is rare and difficult to obtain a permit for an abattoir facility in China, having this facility is expected to become a very valuable asset for the Company. To date, SJAP's abattoir, deboning factory and packaging facilities are fully operational.

Before the abattoir and related facilities were operational, the Company sold mostly live cattle to or through various cattle wholesalers to existing wholesale and distribution markets that did not require much marketing efforts and networking.

In China, beef is customarily distributed through various tiers of established wholesalers and distributors that source their beef from various slaughter and deboning houses located across many districts in China. Most of these wholesalers sell multiple types of frozen or freshly chilled meats (including pork and poultry, etc.), and some slaughterhouses specialize in and solely supply beef. These wholesalers and distributors supply beef to regional supermarket chain stores, retailing wet and frozen food markets, the catering industry, etc. Therefore, after having established its own slaughterhouse and deboning factory, SJAP is expected to automatically become the primary supplier of beef. As such, many existing wholesalers and distributors will source their beef supplies directly from the Company. With the ever-increasing demands of quality beef meats due to the increase of middle class consumers, the Government's enforcement of food safety regulation, and of anti-smuggling and illegal imports of beef, the right opportunity exists for SJAP to market its high-quality beef product. Therefore, the Company is confident it will successfully sell its beef meats in domestic markets. Also, a portion was exported to South Asian countries (i.e., Malaysia, Singapore, Hong Kong, Middle East countries and Thailand etc.) in 2014, as the Local Government encourages the Company to do.

That was the plan until the impact of China governmental change of policy during the 2nd quarter of 2015 relaxing the restriction on beef imports from eleven countries (e.g., New Zealand, Brazil, Australia, etc.), continued to affect the local cattle and beef industry throughout 2016, such that the local cattle industry has not been able to map out any firm direction under the current volatile pricing environment. At the same time, e-commerce has also affected sales through the traditional marketing outlets, requiring new marketing approaches being adopted, which consequently has absorbed some of the capital previously earmarked for capital projects under construction.

Throughout 2016, and 2017 the Company's beef operations had begun implementing trials on various business plans aiming to minimize the adverse impact from those items mentioned, namely

- Increasing its VAP activities by importing more beef from other countries (Australia and Brazil, etc.), however, volatile pricing and marked competition between exporting countries attempting to gain a lion-share of China's fledgling beef market has made it difficult to determine export vendors providing the best long-term guarantee on both quality and price when compared to new exporters having just entered or just entering the market.
- Upgrading cattle herds by 2018 to Wagyu cattle, 500-day grain-fed Angus and pure organically grown Angus while gradually reducing its current breeds down to zero. However, this has limitations in the mid-term, mainly due to the impact of import market prices competing with the disposal of these breeds at break-even or better price points.
- The plan of adding more value-added processing lines (VAP), i.e. canning division, etc., to gain more export sales apart from domestic sales, which had been viewed as potentially the ultimate solution for SJAP's operations due to the following factors:
 - a. Quality of labor available in the Value Added Processed goods industry is readily available at a competitive cost.
 - b. Land and construction cost in Xining are still cheap when compared to other major cities in China, providing a lower cost to capital expenditures.
 - c. Abundance of raw materials as a result of imports having helped reduce the overall cost of these items.
 - d. Transportation costs to deliver value added products remain at affordable levels.
 - e. Consistent food safety and quality can be maintained within a controlled environment.
 - f. There exists sufficient demand for value added beef products in China as well as offshore markets that can be targeted through e-commerce websites, supermarket chains, distribution networks, etc. resulting in capturing a healthy return on investment.

Although, our feasibility study on this plan reflected good commercial viability and sustained long term potential, it will involve a substantial amount of capital expenditure (CapEx) and working Capital (WC) that the Company cannot currently afford and intends to have it remain dormant until a suitable time.

(i) The live cattle division

The average price paid to cooperatives for their fattened cattle is at RMB50 / Kg or at RMB4 / kg above average market prices, whichever is higher. A commitment by SJAP to the cooperative farmer to exercise its option to purchase cattle is made well in advance to lock-in the price before other buyers step in and also to obtain the producer's commitment to raise its cattle based on SJAP's quality standard for purchase. Again, if the quality of cattle raised by the cooperative does not meet SJAP standards, then there is no purchase obligation on SJAP's part to carry out its commitment. Over the past few years until Q3 2015, when the Government relaxed its beef import policy, SJAP had generated good profit margins working under this arrangement. Since then, profit margins have steadily been depleted, such that by mid-2017 if SJAP had continued to commit buying additional heads of cattle from the cooperatives, it would have resulted in continuous operating losses for SJAP in 2017 and 2018 estimated to total \$46.75 million (cumulative) based on an average market loss of RMB11.5/Kg (or \$1.75 / Kg), excluding other operating expenses. This alone had provided incentive for the Company to decide on what its alternatives were to sustain (and absorb) such losses, which for all intents and purposes was not an option considering current cash flow issues with the Company.

The local Government had been working with SJAP to develop a long-term plan to help ameliorate the problem faced by SJAP as well as other cattle houses throughout the region, yet the timeframe that appeared necessary to carry out a solution would also mean incurring more losses without the means to cover those losses in the meantime.

What has been decided between SJAP and its investors, including SIAF, and the local Government in the interest of its stakeholders was the following solution:

- 1) The local Government was able to work out an agreement with cooperatives to have them accept a portion of the loss they had incurred in 2017 and the losses they have already incurred preparing for 2018 resulting from SJAP no longer capable of making do on its commitment to purchase.
- 2) SJAP agreed to pay the cooperatives a deeply discounted portion of its commitment/obligation to them at an average price of \$800/head, about one-third of the out of pocket cost typically paid cooperatives in exchange for release from its commitment to purchase, which totals a one-time cost of \$17.75 million. When compared to the estimated cumulative total loss to be incurred of \$46.75 million in 2017/2018 due to SJAP's lock-in commitment to buy, the estimated amount of out of pocket loss to SJAP is estimated to be reduced by about \$30 million.

Also, consideration had to be given to the cost being incurred to meet the new regulations implemented by the Central Government on Abattoir operations, which license is currently held by QZH. Currently, it's estimated that having both the funding and Abattoir operations underway meeting these new standards will take approximately 2 years to materialize; again, another source of income that would be completely curtailed until Abattoir operations were back online.

Taking into consideration and weighing its options, SJAP decided to eliminate any additional losses being incurred through QZH and has decided to discontinue QZH operations with the understanding that if favourable market conditions were to reoccur as well as the Abattoir license reinstated in addition to Governmental assistance in developing a long-range plan being implemented that consideration will be given to resuming QZH operations in the future.

Thus, as of December 30, 2017 (the "deemed date of disposal"), QZH was derecognised as variable interest entity and SIAF, based on its proportional ownership of QZH through its variable interest entity SJAP, had incurred a net loss on disposal totalling \$9,365,543 as delineated in the following table:

NET LOSS FROM DISPOSAL OF A VARIABLE INTEREST ENTITY

(a) Net loss from disposal of a variable interest entity, QZH

Cash and cash equivalents	\$ 17,060
Inventories	4,567,530
Prepayments	2,692,571
Accounts receivables	16,403,731
Other receivables	1,855,971
Plant and equipment	3,888,987
Intangible assets	2,870
	29,428,720
Less: Accounts payable	(7,140,439)
Other payables	(5,811,425)
Short term borrowings	(1,530,456)
Non-controlling interests	(5,082,410)
Accumulated exchange difference	(498,347)
Net assets and liabilities disposed as of December 30, 2017	\$ <u>9,365,643</u>
 Satisfied by: Cash consideration	 \$ <u> </u> -

Under the arrangement of the disposal agreement between all parties, it was agreed to that:

- SJAP is no longer liable and responsible for the liabilities of QZH
- If Profit will be derived from the sale of existing fixed assets of QZH, 50% of any gained profit will be paid to SJAP with SIAF receiving its proportional share of the proceeds.
- There will be an annual royalty fee paid by QZH to SJAP / SIAF calculated at 25% of QZH net income over the next 3 years beginning January 1, 2018, if operations were to be reinstated within this period.
- Also, if QZH operations were to resume under the Government's plan to establish QZH as a regional hub for beef processing, value-added production, etc. within the next 3-years, an option to buy up to 25% equity of QZH at its fair book value (net of the loss incurred from disposal) would be made available to the Company or its nominee, on or before December 30, 2020.

Taking into consideration all issues related to the ongoing losses incurred by QZH, the Company believes that its support in favour of QZH's disposal is the best option for its shareholders at this time foregoing incurring further and greater losses from QZH while leaving the door open to reinvest in QZH if, and when, the larger issues are resolved and the regional beef hub plan is able to be implemented.

Organic Fertilizer (HSA) division

The Organic fertilizer (HSA)'s revenue generated in fiscal year ended December 31, 2017 was USD 7.17 million, or 3.96 %, of the Company's total sales of goods revenue of USD 181.18 million in the same period. Gross profit for this division for the 12 months ended December 31, 2017 was USD 2.18 million, or 13.45 % of the Company's total gross profit on sales of goods of USD 16.21 million in the same period.

The operation in Linli District, Hunan Province, is run by HSA, a 76% owned Chinese subsidiary. HSA conducts the following business activities, both of which are in the development stage:

- manufacturing and sales of organic and mixed fertilizer,
- cultivation of pastures and crops in preparation for the establishment of beef cattle farms to rear and grow a selective Chinese National Breed of cattle mainly for the domestic market of China.

By January 2013, the first organic fertilizer production plant was established and started its production of organic fertilizer (OF). On March 5, 2013, HSA secured the rights to use an enzyme developed by a Hong Kong company some twenty years ago that has been utilized by global manufacturers of organic fertilizer. The advantage of this particular enzyme is that when it is applied to the organic fertilizer it has the ability to convert part of the organic raw materials into potash and phosphate without having to add in chemically formulated potash and phosphate, such that the Company's end fertilizer can be qualified as pure organic fertilizer made with 100% natural organic raw materials. With this pure organic fertilizer, HSA is in a position to fully explore the potential market for fish in farm lakes and thereby to attempt to align itself with the government's policy of encouraging lake fish farmers to use pure organic fertilizer instead of chemical fertilizers. In addition, cost savings from avoiding the use of chemical potash and phosphate will, in management's belief, result in a better profit margin for the Company. Sales of pure organic fertilizer commenced at the end of Q1 2013. By 2014 HSA successfully developed a different mixed organic fertilizer specially designed and composed for the application in lakes to provide nutrients to enhance growth of water plants and microorganisms in the lakes that the fish are fed on. We called this type of fertilizer "the Organic mixed Fertilizer" (OMF). In the same year, HSA also developed a domestic pack of fertilizer called the "Retailed Pack Fertilizer" (RPF) supplying to the super market chain. As such there are three types of fertilizers being produced with:

- (a). The Organic fertilizer (OF) are being used for the growing of crops, vegetables and plants,
- (b). The Organic mixed fertilizer (OMF) are being used for the growing of fish in the lakes, and
- (c). The Retailed Pack fertilizer" (RPF) are being used by domestic households.

By Q2 2016, HSA completed its construction work of and started production operation with its second fertilizer production plant.

Construction work to develop HSA's cattle station that began in March 2012 by cutting half of the hill at site next to the fertilizer production site that cost far more than the budget originally estimated (from the budgeted \$8 million to almost \$20 million) due mainly to extra-work required to satisfy compliance of the additional environmental impact conditions implied in the Government's 2016 regulation and to additional work required to reconstruct the foundation of the land due to a number of land-slides occurred during the rainy season, however related main construction work were 95% completed by year end of 2017 containing a 2,000 head capacity cattle farm built and pending on the completion of the installation of associated plants and equipment, accessories and operational fittings and other necessities, it will be ready for stocking of cattle for rearing and fattening operation targeting to be within 2018. In this respect, the Company is recruiting and selecting the right management team specializing in the growing of the selected native breed cattle (namely the "Asian Yellow Cattle" or AYC) in readiness to start-up the operation. The AYC are mainly found in Guangxi district and grown in free range conditions by small farms such that our initial stocking up to 2000 heads is rather significant in comparison that really needs a good management team to carry out its operation efficiently. The Company cultivated 75 acres of its land, situated below the fertilizer factory, and planted a high yielded pasture that have been developed in our Cattle Farm 1 in Enping District harvesting up to 200 MT / acre / year for the past year that has been proven as quality livestock feed suitable to the growing and fattening of AYC. The pasture will be harvested from the said 75 acres are the main bulk livestock feed fed to the AYC that will be sufficient for the growing of 2000 heads of AYC per year starting from 2018. In term, the plan is that; the cattle's liquid waste will be used to fertilize the pasture field and the cattle's solid waste will be used as raw materials by the fertilizer factory such that all wastes will be recycled.

HSA produced over 50,000 MT of organic fertilizer and organic mixed fertilizer in 2016 that reduced to 24,448 Mt in 2017 (a decrease of 59.25%) primarily due to (i) the production of the fertilizer in HSA being affected in the second half of 2017 by the ongoing construction work of cattle station during the year and (ii) the retrofitting of the fertilizer plant to accommodate the application of cattle waste as the main source of raw material versus chicken waste as its main product source. By Q4 2017, HSA's production lines were back to online. Organic Fertilizer generated sales of 15,334 MT in 2017 from 14,896 MT sold in 2016. Organic Mixed Fertilizer, on the other-hand (OMF), a product specifically designed and designated for the growing environment of lake fish, had fallen behind in 2017 from 2016 primarily due to: (A) it takes time to complete various testing cycles at lake-farms' sites to ensure that the application of OMF made from cattle wastes will: (i) enhance similar economic benefits to the growers and (ii) achieve similar healthy ecological environment to the water quality in the lakes and (B) the supply of raw cattle waste to support full scale of production wasn't sufficient once the equipment and facilities had been retrofitted due to limited supply of availability of cattle waste from HSA's operations. As such, it is anticipated that HSA's targeted annual OMF production of 40,000 MT likely will be reached sometime mid-year of 2019.

The main hardship related to selling fertilizer is the requirement to provide longer credit terms (sometimes up to 180 days from crop growers and up to one year for lake fish producers) who are the Company's end buyers because these end users normally can afford to pay for them only after they sell their products. Therefore, the Company must assess creditworthiness of its prospective customers, and only consider the farmers who can be deemed creditworthy, and who follow the Company's requirements for planting their fields and harvesting crops each year etc.

Development of HSA follows SJAP's business model. HSA is situated in a much better growing environment than SJAP. Thus, HSA benefits from cheaper logistics costs, close proximity to large markets, and a more favorable climate (milder winters and longer summers versus SJAP's long bitterly cold winters and short summers). However, financial support from the Government is more difficult to obtain in the Hunan Province because more entities share the Government's support provisions.

HSA endures both higher development costs and longer time to construct its facilities when compared to SJAP, whose property had 40 older (yet salvageable) buildings, which it has renovated to meet its needs.

Hunan Province is one of the biggest primary producing provinces of China with over four million primary producers that grow rice, tea, tobacco, grapes, citrus, cotton, seedlings, sunflowers, herb plants and many varieties of cash crops. Hunan also has a long-standing history in lake-aquaculture producing millions of tons of fish and other seafood annually

The Company's plan for HSA is to process cattle solid waste from its own cattle farm to be used as raw materials for the manufacturing of fertilizer, thus there will be substantial saving in its cost of fertilizer manufacturing (estimated at over USD2.5 million per year based on current sales), and with such cost of saving, HSA will be able to self-finance the development of its AYC Program (inclusive breeding) designed to eventually produce the AYC into one of the top quality native beef cattle in Asia, aiming to reach meat quality on par with Japanese Wagyu Cattle to satisfy China's own domestic market especially for the southern regions of China. The AYC Cattle is very similar in body size and weight and quality to the Japanese Wagyu cattle and has distinct meat texture, flavor and quality that are in high demand in China. In this respect, HSA's cattle development is very different compared to SJAP's cattle business since HSA's business is aimed at developing a brand of cattle strictly of Chinese origin, whereas SJAP's original (or old before said changes mentioned in early chapter) cattle business is a fully integrated model as primary producer, value added processor, canning operator, stock-feed producer, as well as, marketer and distributor of imported beef and other commercially recognized breeds of cattle.

The Company's other future plan is to merge Cattle Farms (1) & (2) with HSA such that CF (1) & CF (2) will become breeding stations supplying yearlings for HSA to raise into fully mature cattle (up to 3 years old) that will be sold in the Chinese market. Again, these operations will require sufficient capital to meet this plan's overall development, likely to be sourced through financing vehicles, such as debt, government subsidies, overall increase in sales revenue from organic mixed fertilizer, etc. The Company will provide assistance where it can to help attract funding sources for the purposes described, herein.

Cattle farms (MEIJI) division

The business division Cattle Farms, or MEIJI, refers to SIAF's cattle rearing operations in Jiangmen, Guangdong Province. Revenue for fiscal year ended December 31, 2017 was \$20.4 million, or 11.26 %, of the Company's total sales of goods revenue of USD 181.18 million in the same period. Gross profit for the Cattle Farm (MEIJI) division for the 12 months ended December 31, 2017 was \$3.77 million, or 23.26% percent of the Company's total gross profit on sales of goods of \$16.21 million in the same period.

Currently there are two operations in this segment, Cattle Farm 1 and Cattle Farm 2.

Cattle Farm 1: Cattle Farm 1 was built as a demonstration farm to show that cattle can be raised in a semi-tropical climate using the Company's semi-grazing and housing method. Using the Company's semi-free growing management system, the cattle are allowed to graze in the field during the early morning and kept indoors and out of the sun during the hot summer days. This method has proven reliable, with the growth rate of the cattle measuring slightly higher than the cattle at SJAP (i.e., averaging around 0.28 kg per day per cattle).

Cattle Farm 2: Cattle Farm 2 is a beef cattle farm situated in Guangdong Province, Guangzhou City. Cattle Farm 2 is operated by a private company formed in China with Chinese citizens acting as its legal representative as required by Chinese law. *Cattle Farm 2* is complementary to Cattle Farm 1, having an additional 76 acres of land suitable for growing the Company's type of pasture (a cross between elephant grass and yellow grass) that has a very high yield rate of over 35 MT per 1/6 acre per year, and containing an average of over 9 percent protein that is very suitable for consumption by cattle. Between the two farms, under normal seasons, they have a capacity to produce up to 30,000 MT of pasture/year collectively that is capable to feed up to 5,000 head of cattle/year based on the consumption rate on average of 6 MT/head.

MEIJI is the marketing and distribution agent for all cattle farms that have been and will be developed by MEIJI using its "Semi-free growing" management systems and aromatic-feed programs and systems to grow beef cattle.

Similar to CA in its business model, MEIJI purchases fully-grown cattle from Cattle Farm 1 and sells them to the cattle wholesalers. MEIJI also buys young cattle from other farmers and sells the young stock to Cattle Farm 1. All cattle farms developed by MEIJI will utilize its "semi-free growing" management system and aromatic-feed programs and systems (which is a feeding program with special selected Chinese herbs to improve the health of the cattle to avoid the use of antibiotics) to raise beef cattle, such that cattle raised under this program have a distinct aromatic flavor sought by many restaurants in the Guangdong Provinces.

AYC (Beef meat) is traditionally a high-end market in China, as it is mainly sold in higher end markets (i.e. its 2016 / 2017 average of wholesale price was between RMB70 to RMB78 / kg (live weight) while the average of other (western origin breed beef) cattle like Angus, etc. was between RMB36 to RMB 48 / kg (live weight). We are anticipating that the AYC situation is rapidly changing, though, owing to urbanization and rising incomes, the rising demand for such quality beef, such that we foresee that eventually, locally grown and produced high quality beef from local breeds like the AYC will establish its "Brand" and market niche, returning premium prices in China similar to how many locally bred Japanese Cattle found their market niches in Japan that are not be affected by the supplies of imported beef.

Initially (as demonstration farms) these farms were going smoothly rearing and fattening mainly the western origin beef cattle (WOBC) breeds (i.e. Angus and / or Simmental) similar to cattle fattened at SJAP until the adverse impact caused by said relaxed importation of cattle from other countries that reduced the activity of the fattened WOBC and to grow more AYC. However, although the domestic prices of the AYC were not being affected by the imports, they do have much lower growth rates due to their small stature and in turn reduces these farms' sales revenues based on volume yet make up the difference on their return on gross profit as evidenced in 2017 for gross profit of \$3.77 million derived from sales of \$20.40 million when compared to 2016 for gross profit of \$1.54 million derived from sales of \$29.84 million of WOBC.

Presently, these farms are carrying on with the growing and fattening mainly AYC and that the Company's plan (mentioned earlier) to merge Cattle Farms (1) & (2) with HSA such that CF (1) & CF (2) will become breeding stations supplying yearlings for HSA to grow into full grown cattle (up to 3 years old) that will be sold in the Chinese market, is now delayed to later months of 2018 or to 2019 if necessary due to the Company's mandate in 2017 to restrict capital expenditures until such time as its overall liquidity improves.

Plantation (JHST) division

The business division Plantation refers to SIAF's produce production, situated at Enping City, Guangdong Province. Revenue for 12 months ended December 31, 2017 was \$4.64 million or 2.56% of the Company's total sales of goods revenue of \$181.18 million in the same period. Gross profit for the plantation division for the 12 months ended December 31, 2017 was \$1.38 million, or 8.51% percent of the Company's total gross profit for sales of goods of \$16.21 million in the same period.

JHST is an SFJVC that is 75% owned by SIAF consolidated as a subsidiary, and is the owner and operator of a Plantation where mainly *Hylocereus Undatus*, or Dragon Fruit, and cash crop vegetables, are grown.

Hylocereus Undatus is a cactus commonly referred to as dragon fruit. JHST conducts two main operations: (i) growth and sales of flowers that are consumed as vegetables in China, and (ii) drying and value added processing and sales of HU flower products (used in health-related soups and teas). JHST cultivates 187 acres of *Hylocereus Undatus* in the Guangdong Province.

HU cacti take three years to reach maturity, though they will flower a little even in their first year, and can produce for as long as twenty years. JHST began planting in late 2007, and by 2015 all of the plants are mature (averaging over four years). HU blooms for a very short period, sometimes only one night, and flowers must be 20 to 25 cm long when picked before they turn from green to white. HU is a delicate crop and the harvest season runs from July through October.

Small amount of fresh flowers are sold to regional wholesale and retail markets due to their short shelf life and most of the flowers are dried and packed; these flowers are sold to a few major wholesalers, who distribute them to wholesale and retail markets and export traders through the winter and spring months (from October to June) in Guangdong Province. HU is a seasonal revenue product; more than half of JHST's revenues are recognized in the third quarter. No sales are made in the first quarter.

The Company originally expected that by 2014, dried and pickled flowers would make up 96 percent of the division's flower income as produce is diverted away from delicate fresh flowers. In 2013, the Company also planted a special selenium-rich Chinese herb (called *XueYingZi*, or "Immortal Vegetable" in China and *Snowsakurako* in Japan) and tried many treatment methods hoping to prolong the shelf life of the fresh flowers from 2-3 days up to 12-14 days aiming to increase the sales of fresh flowers. This experimentation had not produced the desired outcome; thus the Company instead has processed up to 80 percent of HU as dried flowers from 2013, onward.

- HU flowers are in greater demand than supply can meet for several reasons; (i) In Guangdong Province, HU plants can only be grown commercially along certain districts; there were over 40,000 acres of HU Plantation in 2005, but due to the growth of industrialization and modernization, acreage is now less than 4,000 acres, and (ii) farm laborers are getting harder to find. With the increase of cost of wages and salaries, the rapid rise of the land cost and the increase cost of farm developments, it is extremely difficult to start up a big acreage HU plantation. For these reasons the Company anticipates that prices of dried HU flowers will enjoy a steady rise at an average rate of 8 to 12 percent per year, which has been the trend since 2009. However, the biggest risk to yield is weather, as substantially wet rainy seasons can limit the yield of any harvest and damage their roots in term inducing diseases to the plants.

Our plantation experienced very heavy wet seasons for more than 4-5 years (2013 to 2017) requiring the Company to combat and treat diseases and related problems continuously during the period, but by 2017 had exhausted all various means to recover and to revitalize the HU plantation. With continued wet conditions experienced over the past years, damage to the soil and plant roots has increased disease problems to the HU plantation affecting its overall yield as well as quality of harvested flowers (i.e. sales of 224,000 Kg dried HU flowers and 480,813 pieces fresh HU flowers in 2017 compared to 584,000 Kg dried HU flowers and 6,163,100 pieces fresh HU flowers in 2016). Even though new plants were being planted each year increasing the area of planting by over 900 Mu to a total of over 1700 Mu with the intent to increase productivity, proportionately, the outcome has fell well short of intended results. Furthermore, poor soil and weather conditions adversely affected the quality of the HU flowers products which caused a significant drop in selling prices (i.e. the unit selling price of fresh HU flowers decreased from \$0.16 in 2016 to \$0.09 in 2017 while that of dried HU flowers decreased from \$12.35 /kg in 2016 to \$5.19 /kg in 2017). At the same time, the regional farmers suffered the same fate that we could not buy enough fresh flowers from them to dry to maintain the sales of dried flowers. Therefore, due to deteriorating conditions recurring in the HU sector, the Company is reviewing the following options with the hope to remedy the situation.

One of the plans of JHST was to plant other cash crops to provide an alternative source of income for the plantation. Immortal Vegetable (IV) plants have properties that some believe induce good health. The Company has processed these into small herbal tea bags - selling them as organic herbal health tea. Laboratory test results show that each kilo of fresh Immortal Vegetables contains 0.58 gram of selenium, which adds value to their sales. As of the 2015 season there were 70 Mu designated for growing immortal vegetables on the plantation, however sales of this products did not reach targeted levels such that in 2017 the Company maintained only a small plot of about 10 Mu for growing IV. We did not sell any dried IV tea in 2017, but we kept over 20,000 Kg dried IV tea in inventory planning to relaunch its sales by one of the country's top e-commerce operators in 2018 that will involve (a). Repackaging the products by a well-known and reputable health food processor and promoter into three separate and different health products with each product reflecting its own health property instead of an all-in-one application like had been, previously, (b). To promote the product under one of the China's best brand names of health herbal products. Our herbal health tea products (The HHTP) have been accepted by one of their franchisees during March 2018, and, as such, we are working on trials with the processor over the coming months to start launching the HHTP onto an e-commerce platform targeting Q3 2018 depending on the successful outcome of the trials to meet various marketing markers, satisfactorily. If HHTP is launched successfully, there is good potential for JHST's plantation to generate sustainable high sales revenues and profit from 2018 onward because the IV are very durable plants with strong disease resistant characteristics having good growth rates producing 5 yields per year (average of 50 MT of fresh produce / acre / year) at a reasonable cost of production averaging at RMB1000 / MT or the equivalent of RMB50,000 / acre. Practically speaking, the whole plant (that is, the flowers, leaves, stems and roots) can be dried into the HHTP averaging 5 MT of HHTP / acre / year. We are targeting to plant about 15 acres in year 1 (starting from Q3 2018) to process into 75 MT of HHTP to generate direct farm sales (excluding marketing and other associated sales revenue and costs, etc.) up to RMB45 million / year 1 (or the equivalent of \$7.2 million) at about a 70% gross profit margin. If successful, it will enhance revenue and profit by more than 200% of JHST's annual sales revenue and gross profit generated in either FY2016 or FY2017.

In March 2018, JHST signed two growing contracts that have stable pricing conditions: (1). With a herbal plant oil processor to grow 50 acres of plants called “Pogostemon Patchouli” (“PP” or 广藿香叶 in Chinese) for processing into a type of natural aromatic oil that has experienced a good market in China. 50 acres of trial will be run this year but can be expanded to 150 acres next year if proven successful. It is estimated that the 50 acres of PP will generate sales revenues over \$1 million with 50% gross profit margins based on two harvests for the year 2018; and (2). To grow 200 acres of Passion Fruit for a Juice Manufacturer from 2018 to 2020 for 3 years initially estimated to produce around 2,400 MT of fruit / year contracted at RMB8,000 / MT (or \$1,280 / MT) to generate over \$3 million in sales revenue. The combination of both fruits and PP will enhance revenue and gross profit to JHST that again will exceed its performance of either FY2016 or FY2017, if their outcomes prove successful.

Marketing & Trading Division

Revenue for 12 months ended December 31, 2017 was \$71.79 million or 39.6 % of the Company’s total sales of goods revenue of \$181.18 million in the same period. Gross profit for the plantation division for the 12 months ended December 31, 2017 was \$7.96 million, or 49.11% percent of the Company’s total gross profit for sales of goods \$16.21 million in the same period.

The Company distributes imported meat and seafood through two completed and operational facilities from which it has acted as turnkey project developer to construct and to provide supervision to these operations:

- 1) Wholesale and distribution facilities (“**Wholesale Center 1**”) for Guangzhou City NaWei Trading Co. Ltd (“NWT”), an unrelated Chinese third party owned company situated at the Guangzhou City, LiWan District, New Wholesale Market.
- 2) The Shanghai Distribution Center which was built to accommodate a capacity of 50 metric tons of meat per day and to distribute 5,000 metric tons of seafood per year.

In 2013, the Company also constructed a trading complex (the “Trading Center”) for the Import and Export at another building adjacent to Wholesale Centers 1 and 2. The Trading Center has imported frozen and fresh chilled and live seafood (i.e., cuttlefish, squid, prawns, salmon, crabs and eels) from Malaysia, Thailand, Russia and Madagascar and other local coastal fishing towns. The seafood was sold to Wholesale Center 1, which distributed and sold it into various reputable food chain outlets, wholesale market stores and supermarket chains in the Guangzhou City, Shanghai City as well as in the southern coastal towns of the Guangdong Province.

Primarily, the Company distributes meat imported from Australia and seafood from other countries through these operations under their import and export permits conditioned under the China Government’s regulations.

We believe this division has excellent growth potential due mainly to the needs of import foods in China, but the sales of this division is limited mainly by “insufficient working capital” to really drive up the sales’ turn over. For instance the company’s average of gross profit of import trade is at 10.5% (derived from average of 12.5% in mark-up) for selling the imported goods to its sales agencies to distribute in China when the total working capital(WC) needs for the 1st month’s import and the subsequent 2nd months import calculated to about 4 months’ “good-sold” when considering that it will require 2 months times to complete one cycle of the monthly import allowing time provided for “ordering, shipping, custom clearance, good inspection, discharging & local transportation, storing and selling time etc. and another 2 months for subsequent month’s import totaling to 4 months. As such, if the Company wants to generate \$120 million in sales in one year it will require WC of about \$40 million (or 33.3%) to be locked up month after month continuously during the year whilst the Company did not have \$40 million in WC in the past or currently for that purpose, such that it could only build up sales of this division gradually pending on the availability of working capital from time to time.

Project Development Division

The project developments (or Technology engineering consulting and services) work are carried out by CA on aquaculture related projects and by SIAF on non-aquaculture projects:

Introduction

The Project Development division earns revenue by providing turnkey project management and engineering services today mainly within aquaculture. Project development revenue for 12 months ended December 31, 2016 was \$16.99 million or 8.57% of the Company's total revenue of \$198.17 million (derived collectively from \$181.12 million in Sales of goods and Project Development of \$16.99 million) in the same period. Gross profit for project development for the 12 months ended December 31, 2017 was \$3.42 million or 17.42% of the Company's total gross profit of \$19.63 million (derived collectively from \$16.21 million of Sales of goods and Project development of \$3.42 million) in the same period. All project development activity for the year was carried out through Capital Award for its unconsolidated investee, Tri-way.

Historical events:

Historical Information and status of CA's consulting and engineering service are shown in the table below:

Number	Year	Name	Stage of completion
1	2010	Fish Farm 1 (JFD)	Completed and acquired by SIAF
2	2011	Fish Farm 2	Under expansion by Triway
3	2011	Cattle Farm 1 (JHMC)	Completed and acquired by SIAF
4	2011	Prawn Farm 1 (EBAPCD)	Completed with hydroponic farm to go
5	2011	Prawn Farm 2 (ZSAPP)	Under expansion by Triway
6	2012	Cattle Farm 2 (EAPBCF)	Completed
7	2012	Wholesale Center 1 - Guangzhou (APNW)(Phase 1 & 2)	Completed
8	2012	Central kitchen, distribution network, signature restaurants	Completed
9	2013	Zhongshan New Prawn Project (ZSNP)	Under construction
10	2014	Wholesale Center 2 - Shanghai (APNW) (Phase 1)	Completed

Together with its subsidiaries, the Company essentially constitutes an engineering company providing services in engineering consultancy, supervision and management on the development of agriculture and food based projects in China. These include the construction of farms (or other facilities) as well as the development of business operations of related projects that are apply and use the Company's principal technologies, including the following:

- An indoor recirculating aquaculture system (APM-RAS) and designs for the growing of aquatic animals (fishery indoor);
- An open-dam recirculating Aquaculture System (ODRAS) for the growing of aquatic animals (Fishery outdoor);
- Semi-free range cattle growing systems and design for raising cattle and sheep in China tropical climate locations, (e.g. Cattle Farm 1 at Enping district); and
- Other associated technologies.

CA's standard principal terms and conditions for its Aquaculture project development consulting and service contracts are outlined below:

- CA is the consulting and service provider as the turnkey contractor of the project;
- The Chinese businessmen are the clients of CA and the investors and owners of the project company;
- CA creates and manages development schedules for the project;
- CA is responsible to build the Aquaculture project (including development of its business operation) using the Company's APRAS technology, systems, know-how, and management expertise and systems for and on behalf of the developer;
- The developer is responsible to pay CA for its work, including all subcontractors and suppliers appointed by CA in a timely manner, normally a 60-day term;
- Provision clauses allow CA to appoint and to select sub-contractors and suppliers;

- Clauses allow extra work and additional work and extra cost provisions; and
- Contracts generally include i) warranty and limitation of liabilities, ii) scope of work and lists of supplies (including all plant and equipment), iii) installation, training and commissioning of the developments and business operation; and iv) granting to CA rights to management of operation, and marketing and sales of the produce and products from the farm's operation.

The Company's services are comprehensively supportive with vertically integrated operational activities to provide service for the construction of and the business development of the projects to joint ventures. Consulting services include research and development on grown and growing animals, supply of foundation animals (baby calves, fingerling and breeding stocks etc.), supplying designed and configured plants and equipment to the marketing and sales of the end product.

Aquaculture Project Development

Engineering consulting and services provide a comprehensive range of services in the field of aquaculture. These include research and development, brood stock supply, nurturing of fish fingerlings and prawn post-larvae as well as growing of fish and prawns, engineering designs and planning of farms and associated operations, technology and related implementation, supervision, training and conducting trials, management of farm operation and construction, supply of plants and equipment, training of maintenance and operational services, sales, transportation and marketing of fish and prawns, as well as financing. The Company's management team and staff in Guangzhou conduct the engineering and consulting work. Sino Agro Food directs the scope of work so that building subcontractors deliver projects efficiently and cost effectively. Using locally manufactured equipment, parts and components customized to the Company's proprietary designs and engineering specifications, production costs for machinery and facilities are far lower compared to foreign aquaculture systems. The Company believes that it delivered the first indoor re-circulated aquaculture prawn farm in Asia.

From October 1, 2016, onward:

CA has granted to Tri-way a Technology Master License for China, such that starting from October 1, 2016, all future fishery project development in China using APM-RAS or ODRAS will be developed by Tri-way. CA has been hired by Tri-way as the Company's turnkey contractor to provide consultation respective of Tri-way's operations.

CA's aim, in addition to providing quality service to Triway in China, is expecting to expand its reach to introduce and help implement its APM-RAS and ODRAS plant and equipment and services, worldwide.

2017 Research and development (R&D) works on technologies and associated future developments

The Mexican White Prawns (MWP)

During Q4 2017, CA started the construction and development of an indoor APM-RAS experimental farm (MWEF) at Enping's Aqua-farm (1) (or FF1) for the growing of Mexican White prawns ("MWP") which is a salt water species of prawns grown mostly in China or other countries in open dams and channels that have access to sea water. However, due to the rapid growth of industrialization and the increase of prawn growing farms over the past years, pollution has been affecting the quality of sea water in terms of increasing diseases and other associated problems to the MWP industry, thus, reducing the economic viability of the prawn industry by reducing its productivity. The aim of the MWEF is to achieve the growing of MWP economically and commercially in stable environmental conditions supported by economic sustainability so that they can be developed at a lower capital expenditure and returning on capital investments within a reasonable period of time (targeting within 18 to 24 months).

Our teams (including some newly recruited technicians and experts) are working diligently on the project having already overcome various problems in construction and associated preparation work on growing MWP, expecting to stock prawn fingerling (PL7days) within the 1st week in April 2018 and if all goes according to plan, are anticipating harvests to begin taking place 7 weeks later (beginning of June 2018) for the smaller sized prawns (i.e. 50/60 pieces / Kg) and final harvest on or before end of June for the larger sized prawns (i.e. 20 / 25 pieces / Kg). This MWEF is being constructed on a 1000 m² surface area that has 4 grow-out tanks (to contain 480 m³ of water, collectively) with each tank to have 120m³ of water that is being recycled and serviced by 2 tanks (each of 25m³) that have inbuilt filtration and water treatment systems aiming to produce 3Kg of small sized prawns / m³ of water within 7 weeks and 6Kg / m³ of larger sized prawns within 10 weeks. This production aims to enhance harvests by approximately 3,000 Kg (or 3 MT) per harvest (15 MT / year) of larger sized prawns based on 5 harvests per year. In 2017, the average of wholesale prices of (MWP) prawns is RMB50 / kg for small sized prawn and RMB150 / Kg for larger sizes. This will mean that there will be RMB2.25 million sales revenues generated per year per 1,000 m² of developed floor area. We are optimistic to achieve this milestone of securing sound fundamentals for the growing MWP in China.

Therefore, the plan going forward subsequent to this MWEF is to initially develop 150 Mu (or the equivalent of approximately 100,000 m²) on land located next to FF1 in 2018 with the aim to produce over 1500 MT of the MWP / year 1 of operation, generating annual sales revenue of up to RMB225 million (or \$36 million). Based on experience, we estimate the overall capital expenditure (CAPEX) required to fund the construction and development cost on 150 Mu for this APM-RAS farm (MWP farm 1) to produce 1500 MT per year will be RMB200 million (or \$32 million) calculated on cost of RMB2000 / m². CA will earn its share of service fees as the turnkey contractor to Tri-way who will be the developer and operator of the MWP farm including funding the necessary CAPEX, including through the use of income derived from MWP sales produced from this farm. CA will only start the construction of the MWP farm only when Tri-way has secured sufficient financing to have it constructed.

● The Fresh Water Prawns (BJP)(M. rosenbergii)

During 2017, the Aqua-farm (4) (AF4) at the Mega Farm Project tried to grow multiple batches of Fresh Water Prawns (BJP) in commercial quantity (i.e. stocked over 1 million fingerling (of PL24 days) per APM tank of 200m³ of water to nurture the fingerling up to 54 days old supported with 4 other APM tanks for further grow-out up to 18 weeks old) but did not obtain optimal results mainly due to the BLP having not reached their desired size on schedule, with the majority of them not showing any further growth occurring after week 12. As such, AF 4 had to alter its plan of growing mainly BLP to growing fish (i.e. Jade Perch, Silver cods and other mixed fish) within some of the APM tanks in order to maintain a certain level of productivity at the farm. In conjunction with this exercise, AF4 had to develop 800 Mu of open dams (“ODRAS” that were built using CA’s 2nd generation open dam recirculating aquaculture systems) to grow fish to certain sizes before they were transferred to the indoor APM farm for final grow-out, and allow the transfer of the 12 week old BLP grown in the indoor APM tanks to be moved to the ODRAS dams for further grow-out in a larger area.

Also, in Q3 2017, AF4’s ODRAS open dams suffered damage to its temporary built properties (i.e. the staff quarters, offices, laboratory, etc.) as well as use of AF4, itself, losing many fish and prawns stocked in the open ODRAS dams by one of the strongest typhoons in the past decade hitting the Mega Farm property and other areas of the southern coast of Guangdong Province. Although there was no structural damage done to the main APM farm buildings the damage had interrupted production until repairs were performed to both the APM tanks and ODRAS dams for the transfer of the prawn and fish, and, as such, AF4 decided in Q4 2017 to slow down its grow-out activities until after the Chinese New Year (ended end of February 2018) and in the interim to concentrate on its research and development work on the grow-out of BLP in the APM tanks aiming to find a solution to improve the growth rates and grow-out sizes of BLP to 18-weeks. Research will be focused on system design and water quality limitations. Progress is being made to improve in-tank water chemical and physical characteristics, and source water mineral composition for prawn growth. In addition, progress has been made to understand and manipulate in-tank bacterial populations to create a healthier overall rearing environment. During the first quarter of 2018, research will also assess the biological and economic feasibility of all-female and all-male populations of prawns, using patented endocrine disruptor technologies from third-party collaborators. Such non-GMO technologies result in overall faster and more uniform growth of cohorts compared to mixed populations of both males and females. Our teams are confident that they will complete this R&D work and to expand it to reactivate and to focus on the prawn growing activity in the AF4 planned originally within the coming quarter (Q2 2018).

● R&D work and development the 3rd generation ODRAS.

During Q1 2017 CA acted as the turnkey contractor to Tri-way’s Aqua-Farm 3 (formerly, PF2) helping it complete the construction and development of a 150 Mu open dam farm using its 3rd generation ODRAS technology and system (ODRAS (3G) Farm 1) at a sea-shore property in YangJiang district of Guangdong Province to grow Mexican White Prawns (MWP). This farm started operation in Q2 2017 and by the end of Q4 2017, it produced over a 9 month-period a total of 600 MT of small to large sized MWP generating sales revenue of RMB7.2 million (or \$1.152 million) representing an average yield of 6 MT / Mu / 9 months / 3 harvests (annually yielding 8 MT / Mu) on 100 Mu of net-effective grow-out areas.

On December 2017, CA also acted as a turnkey contractor to AF3 starting the construction and development of ODRAS (3G) Farm 2 on 186 Mu of land located opposite to AF3’s old open dam farm’s property at Shenwan Town, Zhongshan City, Guangdong Province. ODRAS(3G) farm (2) is expecting to start production operation within April 2018 targeting annual production to exceed 1000 MT (annually yielding 8 MT / Mu) on net-effective grow-out area of 130 Mu.

AF3’s old open dam farm’s property located at Shenwan Town, Zhongshan City, Guangdong Province was originally 390 Mu that had been expanded to 600 Mu in 2016 and among which 350 Mu are still operating on its old ODRAS systems, wherein 250 Mu was retrofitted into ODRAS(2G) using CA’s 2nd generation ODRAS technology and systems, starting production in Q2 2017. It is the intention of Tri-way to retrofit the original 350 mu farm into ODRAS(3G) within 2018, again dependent on when Tri-way will secure long-term financing.

At the same time throughout 2017, CA has been servicing groups of farmers aiming to develop some of their properties (estimated over 600 Mu collectively) in nearby regional districts within 2018 as well as over 400 Mu of land next to ODRAS(3G) farm (1) in 2018.

During 2017, CA improved its designs in ODRAS(3G) technology to have more frequencies in water flows, smaller sized grow-out dams (i.e. average of 6 Mu per dam reduced to 2.5 Mu) that will reduce energy costs by having the dams covered by greenhouse designed structures shaded by trees in between to act as wind breakers and weather adjusters that we think will be very adaptable in southern China to grow both MWP and BLP. These ODRAS(3G) farms can be built at 1/3 of the price of the MWP Farm (1) mentioned earlier for approximately RMB700 / m².

Other Project Development (historical)

The Company has also, acting as a turnkey project developer, built 8 restaurants with central kitchen and bakery facilities in the greater Guangzhou area.

- Restaurant 1, at River South District, Guangzhou. Operated since Q1 2012.
- Restaurant 2, at the UU Park Complex in Tianhe District, Guangzhou. Operated since Q3 2012.
- Restaurant 3, at the Sporting Complex in Tianhe District, Guangzhou. Operated since Q1 2013. The Company stopped operating Restaurant 3 in Q3 2013 due to landlord's failure to provide a Fire Safety Permit.
- Restaurant 4, at Harbor City Shopping Center, Guangzhou. Operated since Q3 2013.
- Restaurant 5, at the center of Zhungzhen City. Operated since Q1 2014.
- Restaurant 6, at the Li Wan District and next to Wholesale Center 1, Guangzhou. Operated since 2014.
- Restaurant 7, at Xining City which is the 2nd “BULL” restaurant established in Qinghai Province operated since 2015.
- Restaurant 8, at JianJiang City, JianJiang District, Guangdong Province, operated since August 2015.

Intellectual Property Rights

The Company and its business are, to some extent, dependent on patents, licenses and other intellectual property rights. As of the date of this Annual Report, the Company holds intellectual property for fertilizer formulas, livestock feed fermenting formulas and indoor fish farm techniques. These include an enzyme technology master license registered under a Chinese patent for the manufacturing of livestock feed and bioorganic fertilizer, and an aromatic-feed formula technology for the production of aromatic cattle, and a bacterial cellulose technology license.

On 12 November 2008, Tri-way Industries Limited entered into a Sales and Purchase of Technology Master License Agreement with the inventor of a patent, Mr Shan Dezhang, concerning the sale and purchase of the master licence rights of a patent registered in China under the name of “Zhi Wu Jei Gan Si Liao Chan Ye Hua Ji Qi Zhi Bei Fang Fa”, with patent number ZL200510063039.9. The patent relates to methods of processing plant straw into animal fodder and industrialisation of product of plant straw fodder. Under the agreement, Tri-way Industries Limited is licenced to use and to licence others to use the secrets, copyrights processes and other intellectual property rights associated with the patent in any territories in the world free from all encumbrances with all rights to the patented intellectual property and related brand and label as provided under the laws of China. The total purchase price of the patent was USD 8,000,000, to be paid in several installments. As Tri-way Industries Limited is not a Chinese company, relevant Chinese authorities must under applicable Chinese law, approve the assignment. The patent assignment has not been registered. Consequently, under Chinese law, the patent shall not take priority over the interests of third parties who are in good faith.

On 15 May 2009, Tri-way Industries Limited (as licensor) entered into a sub-licence agreement with Qinghai Sanjiang A Power Agriculture Co. Ltd (as licensee) concerning the sub-licensing of the above-mentioned patent (ZL200510063039.9). The licence period is 50 years, and the annual licence fee is stipulated at USD 450,000. However, as effective patent protection for the patent is 20 years, the excess part of the term is void under Chinese law. The contracting parties of the aforesaid sub-licence agreement have never performed the terms of the said agreement and no payment has ever been made by the licensee to the licensor. The parties have no intention to perform the sub-licence agreement, and the contracting parties have terminated the said agreement accordingly.

Rights to this technology has been transferred to HSA by SIAF after SIAF attained this, as well as other assets, in exchange for assumed liabilities of Triway as a result of the carve-out.

On 20 June 2011, SJAP entered into an agreement with Guangzhou City Garwor Trading Company Limited, pursuant to which Guangzhou City Garwor Trading Company Limited transferred its trademarks with registration numbers, 3713869 and 3713868, as well as a microbial patent with patent number ZL200610033295.8. The total transfer fee for the trademarks and the patent was RMB 12 million and the transfer fee for the technology secrets was RMB 1 million. According to the said agreement, the transfer fees shall be paid by the interest generated from the utilization of the patent. Moreover, the said agreement stipulates that any new technology improvements of the invention shall belong to both parties, and that any resulting profits shall be shared equally. Guangzhou City Garwor Trading Company Limited is a shareholder in the transferee and therefore a related party. An evaluation report was not filed with the transaction. Although this is not a formal requirement under Chinese law and the contract is valid, this may lead to the contract being challenged in the future on the basis of unfairness. Moreover, as the transferor, Guangzhou City Garwor Trading Company Limited, is not the owner of the trademark, the said agreement is void under Chinese law and SJAP has therefore not obtained ownership of the aforementioned trademarks. This may be corrected if and when SJAP enters into an agreement with the trademark owner. If SJAP uses the trademark without prior consent of the trademark owner, this would constitute trademark infringement. However, SJAP is intending to write off said trademark, and does not intend to use the trademark in question.

Loans and contractual obligationShort-term financial debt

Name of Lender	Total facility	Utilized facility	Interest Rate	Tenure	Comment
China Development Bank, Beijing City, the P.R.C.	RMB 10,000,000 (USD 1,530,455)	RMB 10,000,000 (USD 1,530,455)	5.2835%	December 14, 2017 - December 13, 2018	Issued to SJAP Guaranteed by third party
China Development Bank, Beijing City, the P.R.C.	RMB 20,000,000 (USD 3,060,913)	RMB 20,000,000 (USD 3,060,913)	5.2835%	November 29, 2017 - November 28, 2018	Issued to SJAP Guaranteed by third party
Convertible note Independent 3 rd Party	USD 4,000,000	USD 4,000,000	10.5%	20 October, 2017 – 28 Feburary, 2018	Convertible

Long-term financial debt

Name of Lender	Total facility	Utilized facility	Interest Rate	Tenure	Comment
China Development Bank Beijing City, the P.R.C.	RMB 40,000,000 (USD 6,121,824)	RMB 40,000,000 (USD 6,121,824)	5.39%	December 16, 2016 – December 15, 2026	Issued to SJAP Secured by land use rights, plant and machinery and guaranteed by SJAP's directors

Agricultural Development Bank of China Credit Facilities:

On the October 23, 2015, the Company's subsidiary SJAP entered into three agreements regarding credit facilities with the Agricultural Development Bank of China, Huangyuan County Branch. The agreements grant SJAP a credit of RMB 35 million, RMB 20 million and RMB 35 million, respectively, at an interest rate of 6.40 percent. The agreements are valid for 12 and 60 months after the date of each agreement. The credit facilities are personally guaranteed by Mr. Zhao Yilin, the general manager and legal representative of SJAP who has given personal guarantees for the repayment of the loan sums of RMB 25 million and RMB 15 million plus interest and charges payable under the loan agreements. Land use rights and building ownership rights with net carrying amount of USD 471,048 also secure the credit facilities. Agreements between SJAP and the Agricultural Development Bank of China regarding credit facilities have been entered into on a yearly basis during the last three years. As of December 2016 SJAP repaid all loan facilities to Agriculture Development Bank of China and has taken up a long term long facility (for loan amount of RMB 40,000,000 over a period of 10 years) from China Development Bank on December 16, 2016. No additional loan or facility were taken out in 2017.

Negotiable Convertible Promissory Note (NCP Notes)

On August 29, 2015, TRW issued negotiable promissory notes to three fund companies and one individual for \$3,450,000 with SIAF acting as guarantor for repayment.

- Issuer: Tri-way Industries Limited ("TRW")
- Principal amount: \$3,450,000
- Interest rate 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
- Repayment date: Repaid in full within 120 calendar days from the issue of notes
- Security: Corporate guarantee by the Company

- 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 notice 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. The initial conversion price is \$12.00. In the event of 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.

Since SIAF has assumed all accrued liabilities of Tri-way in exchange for equity holdings in the company, two NCP Notes were transferred to SIAF on September 30, 2016 amounting to \$1,013,397.00 (includes principal and accrued interest to 31.03.2017), and the other amounting to \$669,129.00 (principal) at 5% interest, repayable on or before July 31, 2017.

As of April 15, 2018 (date of this report), Tri-way's transfer of equity to the Company has been transacted with its official registration with the HK Registrar anticipated to be effected on or before June 30 2018. However, the Company has redeemed the Notes with their holders in the meantime leaving an outstanding balance of \$977,155 as at December 31, 2017.

EuroChina Capital Convertible Note:

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 in the aggregate principal amount of up to \$33,300,000. 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.

The Company and the Note holder agreed to enter into a restructuring agreement regarding the settlement of the Note. The reasons for seeking the settlement consisted of a) the Company seeking an early pay-off on the Note so as to limit the amount of total debt service required if the Note were to run through term (the principal and the accrued but unpaid interest amounts outstanding under Note being reduced by \$19,096,347 as a result of having this early payoff adopted); b) the additional cost of the Note running through full-term and its impact on the Company's ability to repay the full debt plus interest upon its due date in 2020; and c) the depreciation in share price having curtailed any value for the Note holder to accept the amount of accrued interest to date into shares of common shares and the viability of exercising their option to convert any portion of the Note's principal and future interest into SIAF common shares at \$9.90 per common share (terms of the original Note) considering that the market had not been reacting more favorably toward the stock over an extended period of time while leaving little indication that there would be any reversal in this trend for the foreseeable future.

Both parties have agreed to restructure the indebtedness represented by the Note, as follows: (a) SIAF issues 5,196,333 shares of its common stock at \$3.00 per common share and the transfer of 400,000 common shares of Tri-way Industries Ltd. to the Note holder; and (b) SIAF executes a new promissory note in the principal amount of \$15,589,000 to the Note holder to be paid in installments over a period of time. However, both parties remain open to negotiate an all-cash settlement of the Note.

The Company feels that this arrangement serves its shareholders' best interest by reducing the overall cost of the Note to the Company had it been carried out to full-term.

● Third Party Loans to Tri-way secured by shares of the Company:

The Company has depended from time to time on bridge loan financing, namely from four individual third parties (ITP) whose loans had been repaid either in cash, shares or both. The issuance of shares (referred to as "Debt Settlement") was in practice until the time that the Company committed in the Note to discontinue repayment of loans through the issuance of Debt Settlement shares.

The current ITP loans (provided through the same third parties) were provided to Tri-way ("Borrower") with the final agreement entered on August 5, 2016. The loan proceeds were incrementally received between July 15, 2016 through September 28, 2016, as follows:

Face value of the total 4 loans:	US\$ 13,904,058
75% loan to value available to borrow:	US\$ 10,428,034
Secured at 75% of face value in SIAF shares at:	US\$ 8.00 / share

General terms of the loans, include:

- a) Tri-way Industries Limited (Tri-way) is the responsible party to cover loan principal, interest, closing and any other related loan costs.
- b) SIAF, on behalf of Tri-way, acts as "Security Provider" providing shares of common stock as collateral against the loans.
- c) SIAF's only liability is contingent upon failure of Tri-way to repay the loan. Since the shares have not been sold, but strictly are utilized as security collateral, and, to date, have not incurred further liability to SIAF, the Company has recorded the Consideration (Face Value \$13.9m ; LTV \$10.4m) as Non-Current Assets, offset by the issuance of (collateral) shares, which are reported in our Qs and Ks, accordingly.

Because of the precipitous decline in SIAF's share price, SIAF is committed under the terms of the agreement to safe-guard the Lenders' interests against the full face-value of the loan by increasing its share collateral against the loan as described in the table below:

Summary: Changes in Third Party Loan collateralized shares

Date of issuance	Shares issued to third party loans named Loan (1) & (2) granted by 4 third parties collectively			Loan face amount	Net loan amount	Loan balance	Equivalent value / share	Notes
	Basic required collateralized shares	Top Up required collateralized shares	Total balance of collateralized shares in Loans					
27.12.2016	749,304		749,304	5,966,665	4,797,332	4,797,332	8	Loan (1) collectively from 2 third parties
27.12.2016	520,696		1,270,000	7,038,390	5,630,712	10,428,044	8	Loan (2) collectively from 2 other third parties
31.12.2016				3,729,776	-2,000,000	6,189,829		Repayment of loan (1) by Triway
06.02.2017				4,523,329	-2,238,215			Repayment of loan (2) by Triway
30.06.2017	550,000		1,820,000	3,729,776		6,189,829	2.86	Additional collateralized shares (Top Up) for Third Party Loan (1)
30.06.2017	342,735		2,162,735	4,523,329				Additional collateralized shares (Top Up) for Third Party Loan (2)
30.09.2017	250,000		2,412,735	3,729,776		6,189,829	3.10	Additional collateralized shares (Top Up) for Third Party Loan (1)
30.09.2017	250,000		2,662,735	4,523,329				Additional collateralized shares (Top Up) for Third Party Loan (2)
18.12.2017		2,662,735	2,396,443		-1,000,000	4,694,829		Repayment of loan (1) by Triway
19.12.2017			3,856,663		-500,000			Repayment of loan (2) by Triway
31.12.2017	2,662,735		6,253,105			4,694,829	2.35	

● The Trade Facility secured by shares of the Company:

The Trade Facility was originally entered into on September 22, 2015 under the following terms:

Face value of the Facility:	US\$ 26,666,666
Maximum Facility amount to be employed:	US\$ 20,000,000.
Secured at 75% of face value in SIAF shares at:	US\$ 12.50 / share
Revolving LOC (Facility) maturity date:	September 30, 2019

Initial draws up to \$20 million incur an Establishment Fee of 6% based on the issuance value of each Letter of Credit (L/C) or Document Presentation (DP) or

Trust Receipt Drawn (TRD), all part of a Revolving Trade Facility with repayment for each issued L/C, DP or TRD due within 45 days from date of withdrawal payable at an annual interest rate between 1.5 to 2%, plus LIBOR. There are no restrictions or minimum days required between repayment and revolving withdrawal against the Facility.

SIAF provided its shares as collateral against the security on behalf of a Third-Party Agent (TPA) that operates the import/export trading house in Shanghai. The shares do not carry any voting or dividend rights and are returned to SIAF once the TPA reduces its outstanding balance (plus interest) with the lender.

The agreement basically consists of SIAF having securitized the loan with 2,133,333 of its common shares valued at \$12.50/share equivalent to the full face-value of the loan (\$26,666,666), and the TPA having the full use of the trade facility to borrow and repay, against, as warranted, i.e. revolving LOC.

As such, the principal terms of this agreement are:

- SIAF acts as “Security Provider” to initiate the Trade Facility to be employed.
- The Third-Party Agent (TPA) (described as an Import & Export Trading House in Shanghai) is the responsible party to cover loan principal, interest, closing and any other related loan costs.
- SIAF’s only liability is contingent upon failure of TPA to repay the loan. Since the shares are strictly utilized as security collateral, and, to date, have not incurred further liability to SIAF, the Company has recorded the Consideration (Face Value: \$26,666,666; LTV: \$20,000,000) as Non-Current Assets, offset by the issuance of collateral shares.

Because of the precipitous decline in SIAF’s share price, SIAF has agreed with the Lender to safe-guard the Trade Facility provider’s interest and not impede the TPA’s use of the full face-value of the loan by providing additional shares as collateral (Top Up shares) against the loan.

Shares issued as security were not issued for market trading, but as security against the loan required to be returned to SIAF upon full loan repayment by TPA, which, to date, has not incurred any liability to the Company.

As of December 19, 2017 TPA repaid \$5,000,000 in Cash payment to the Trade Facility Provider and agreed to have its facility face-value reduced to \$20,000,000 and the net amount employed to \$15,000,000. This amended arrangement was agreed to avoid further issuance of shares due to the current share price. Thus, the total issuance of shares for the Trade Facility remains at 5,708,312 shares, carrying an average value at \$2.63 / share, which stands above SIAF’s current market value.

Summary: Changes in Collateralized Trade Facility shares

Date (of Conversion) or issuance	Shares issued for Trade Facility			Available net usable facility	Equivalent in	Notes
	Basic required collateralized shares	Top Up required collateralized shares	Total balance of shares in trade facility			
22.09.2015	280,000		280,000			
06.11.2015	185,000		465,000			
13.11.2015	300,000		765,000			
23.11.2015	100,000		865,000			
22.12.2015	250,000		1,115,000			
28.12.2015	120,000		1,235,000			
22.02.2016	365,000		1,600,000	20,000,000	12.50	Old shares (not newly issued shares) were transferred to cover collateral
17.06.2016		533,333	2,133,333	20,000,000	9.38	shares for the Trade Facility. (These actions did not require filing or reporting)
15.05.2017		1,267,340	3,400,673	20,000,000	5.88	
30.06.2017		425,393	3,826,066	20,000,000	5.23	
19.07.2017		1,690,699	5,516,765	20,000,000	3.63	
30.09.2017		191,547	5,708,312	20,000,000	3.50	
31.12.2017			5,708,312	15,000,000	2.63	Repayment by PTA to reduce Trade Facility's net usable amount by US\$5,000,000

Loan agreements

All the loan agreements set out above under the heading “Borrowings, loans receivables and contractual obligations” in the tables above contain regular provisions requiring timely repayment of principal amount and accrued interest, payment of default interest in the event of default, and contain no specific financial covenants. To the Company’s knowledge, the Company is currently in compliance with the loan agreements.

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.

Material Agreements

Joint Venture Agreements

The Company has two types of SFJVCs established under Chinese law:

- Contractual Joint Ventures (“**CJV**”); and
- Equity Joint Ventures (“**EJV**”).

Of the five Chinese joint venture project companies which are CJVs or EJVs, four are CJVs (JFD, JHMC, JHST, SJAP) and one is an EJV (HSA).²

The main difference between an EJV and a CJV is that in a CJV, the obligation of capital contribution shall be determined by the contractual parties themselves. The proportions of capital contribution do not have to be fixed between the Chinese and foreign parties. Profit distribution and risk sharing ratio shall also be determined by the contracting parties themselves which do not have to be the same proportions as the parties’ capital contribution or shareholding therein. The capital contributing parties may specify their profit and risk sharing ratio only and may or may not specify their shareholdings in the CJV. One party may make capital contribution by way of non-monetary assets such as rights in lands, factories and machineries etc. while the other party may make capital contribution by way of cash.

In an EJV, the shareholders contribute capital and operate business jointly, and share profits, risks and losses in proportion to their equity contributions. Foreign investor’s capital contribution shall not be less than 25 percent of the total registered capital.

The Company engages in projects based on consulting and service agreements (as described under “Consulting and Services agreements” below), whereby Sino Agro Food can choose whether the cooperation shall continue under a consulting and service agreement or be acquired by Sino Agro Food.

Consulting and Services Agreement (through September 30, 2016)

Consulting and service (“**C&S**”) agreements are important for the operation of Sino Agro Food’s subsidiaries and partners. Only the Sino Agro Food subsidiaries SJAP and HSA do not and have not operated under C&S agreements.

Initially, agriculture and aquaculture investors invite Sino Agro Food to act as a developer and project manager of an agribusiness or food-related project. If the management of Sino Agro Food sees the proposal as interesting, Sino Agro Food carries out an in-depth study of the target company including legal due diligence, business plan, budget and projected financial information. Sino Agro Food makes the decision through a resolution of the Board of Directors. If Sino Agro Food determines to proceed, the Chinese investor forms a private Chinese company dedicated to the project and the parties sign a C&S agreement.

² According to the official documents of Sino Agro Food’s Chinese subsidiary JHMC, the registered capital of such subsidiary is USD 2 million that was paid in full by year ended 31 December 2014. As of the date of this Annual Report, MEIJI, a subsidiary of Sino Agro Food, has contributed USD 400,000 of the subscribed capital, whereas USD 1.6 million of the subscribed capital has not been paid. Moreover, according to the official documents of Sino Agro Food’s Chinese subsidiary HSA, the registered capital of such subsidiary is USD 2.5 million and shall be paid in full no later than 18 July 2013. As of the date of this Annual Report, MEIJI, a subsidiary of Sino Agro Food, has contributed USD 865,000 of the subscribed capital, whereas USD 234,500 of the subscribed capital has not been paid by the Chinese owner. The aforementioned deadlines can be re-arranged by all the promoters. If no new deadline is agreed upon, failure by MEIJI to make full payment may lead to the other promoters making full payment of the capital contribution on MEIJI’s behalf and requesting MEIJI to compensate for their payment and losses.

Sino Agro Food acts as the project manager providing turnkey services to the Chinese developer of the project, meaning that Sino Agro Food builds the project using Sino Agro Food's technology, systems, know-how, and management expertise and systems. As such, Sino Agro Food's expenditure in the project includes Sino Agro Food's own administration and operational expenses provided for and incurred in the project (charged and recorded under Sino Agro Food's general and administrative operation expenses), which are billed to the Chinese developer. All other development expenditures (inclusive of Sino Agro Food's subcontractors' and sub-suppliers' costs and Sino Agro Food's marked up profits) are billed to the Chinese developer who will pay accordingly.

When the project company initiates production Sino Agro Food acts as the sole marketer of food products and the supplier for the C&S Project Company under the terms and conditions of the C&S agreement. Sino Agro Food acts as the selling supplier and buying wholesaler to the company supplying items such as feed, young cattle, and RAS technological components and buys mature prawns, sleepy cod, eels and live cattle. Sino Agro Food earns a gross profit of between 10-15 percent based on the C&S Project Company's revenue on this exclusivity.

The C&S Project Company will remain wholly-owned by the Chinese developer until Sino Agro Food exercise the acquisition option and subsequently converts the company into an SFJVC where the Chinese investor remains as a minority shareholder. The acquisition price is normally determined in accordance with the book value of the Chinese company as of the acquisition date. Consideration will normally consist partly of cash and partly of project loans owed by the Chinese investor, which offset and decrease the purchase proceeds in the corresponding amount. Generally, the agreements that Sino Agro Food has entered into governing the formation of the unincorporated companies into SFJVCs do not regulate the maturity date for the formation of SFJVC. The date for the formation of the SFJVC is generally left to the discretion of the Company, based on the development and profitability of the relevant project.

As of the date of this Annual Report, Sino Agro Food has entered into ten C&S agreements. A portion of the C&S agreements contain an acquisition premium clause, in which the accumulated C&S project development fees billed by Sino Agro Food will be paid in addition to the equity book value at the time of acquisition. In the event that either of the investors decides to sell all or part of its equity in the SFJVC to any third party, a portion of the agreements require the selling investor to obtain prior consent of the other investor before such sale and to grant the right of first refusal to the other investor on the like terms for the intended sale.

As of October 1, 2016, when Tri-way became the developer and operator of all fishery C&S Projects formerly under SIAF, CA's new role is one of turnkey operator appointed by and working on behalf of Tri-way.

Land leases

Private ownership of land is not permitted in China. Therefore, Sino Agro Food leases land that is either collectively owned land or state owned land, through land use rights. Corporate entities and individuals may own the property (buildings) erected on the land.

Land use rights may be transferred, but they are based on agricultural contracts and cannot be changed arbitrarily to non-agricultural purposes. The lease term varies from 27 to 60 years. There are certain uncertainties (e.g., lease term may not exceed 30 years and all transfers have not yet been registered correctly) in respect of certain leased land due to the fact that not all requirements have been fulfilled or not yet registered. However, the Company believes it is protected against these uncertainties through its agreements with the relevant local Chinese partners and relevant registration processes have been initiated. The Company's subsidiary HSA has acquired land use rights for state owned land located in OuChi Village, FengHuo Town, LinLi County, Hunan Province. However, HSA has not obtained a land use right certificate for such land, which therefore, for the time being, cannot be lawfully mortgaged or transferred. Moreover, the Company's subsidiary CA has entered into a Rural Land Management Rights Sub-Sales Agreement for the acquisition of the contractual operating and use rights of 202 mu of collective owned land located in Da San Dui Wei You Nan Village, Shenwan Town, Zhongshan City for a period of 30 years. However, the transfer procedures for the land in question have not been completed. CA is not an enterprise registered in mainland China and therefore, according to Chinese law, cannot acquire the contractual operating and use rights of collective owned land. The Company is currently negotiating with Beijing Hengxintianyi Investment Guarantee Co. Ltd. to designate a subsidiary of the Company in China for the purpose of entering into a new Rural Land Management Rights Sub-Sales Agreement.

Currently, the Company has leased the following lots of land:

Owner	Location	Acres	Date Acquired	Tenure	Cost, USD	Nature of ownership	Zoning type
HSA	Ouchi Village, Fenghuo Town, Linli County	31.92	April 5, 2011	43	235,534	Lease	Agriculture
HSA	Ouchi Village, Fenghuo Town, Linli County	8.24	May 24, 2011	40	367,309	Land use right	Industrial
HSA	Ouchi Village, Fenghuo Town, Linli County	247.05	Jul 18, 2011	60	35,383,104	Management right	Agriculture
JHST or HU Plantation	Yane Village, Liangxi Town, Enping City	8.23	Aug 10, 2007	60	1,033,058	Management right	Agriculture
JHST or HU Plantation	Nandu Village of Yane Village, Liangxi Town, Enping City	27.78	March 14, 2007	60	1,006,635	Management right	Agriculture
JHST or HU Plantation	Nandu Village of Yane	60.72	Apr 18, 2007	60	2,200,390	Management right	Agriculture
JHST or HU Plantation	Village, Liangxi Town, Enping City	54.68	Sept 12, 2007	60	1,981,635	Management right	Agriculture
JHST or HU Plantation	Jishilu Village of Dawan Village, Juntang Town, Enping City	28.82	Sept 12, 2007	60	932,048	Management right	Agriculture
JHST or HU Plantation	Liankai Village of Niujiang Town, Enping	31.84	Jan 1, 2008	60	797,181	Management right	Agriculture
JHST or HU Plantation	Nandu Village of Yane Village, Liangxi Town, Enping City	41.18	Jan 1, 2011	26	5,547,903	Management right	Agriculture
JHST or HU Plantation	Shangchong Village of Yane Village, Liangxi Town, Enping City	11.28	Jan 1, 2011	26	1,520,125	Management right	Agriculture
JHMC or Cattle Farm 1	Xiaoban Village of Yane Village, Liangxi Town, Enping City	41.18	April 1, 2011	20	4,831,401	Management right	Agriculture
SJAP	Chengguan Town of Huangyuan County, Xining City, Qinghai Province	21.07	Nov 1, 2011	40	508,353	Land use right & building ownership	Commercial
JHST or HU Plantation	Niu Jiang Town, Liangxi Town, Enping City	6.27	April 1, 2013	10	465,259	Management right	Agriculture
CA	Da San Dui Wei ,You Nan Village, Conghua District of Guangzhou City	33.27	Oct 28, 2014	30	4,453,665	Management right	Agriculture

License Rights

Through the past 10 years (from 2007 to present) the Company has improved and modified the Recirculating Aquaculture System (RAS) originally pioneered in Germany into a unique system designed for indoor systems referred to as A Power Module ("APM indoor") and an outdoor module called open dam RAS ("ODRAS"). We provide two types of licenses under this technology namely, a Developer License permitting a fishery project license to utilize the technology in its design of the APM-indoor or ODRAS farms, and an Operator license permitting the use of APM-indoor or ODRAS technology at their respective farms. Each license is granted a 50-year term per assigned module unit for a one-time fee of \$50,000 per license, that is a \$50,000 fee for rights to the Developer license and a \$50,000 fee for rights to the Operator license for 50 years per developed module.

On November 12, 2008, the Company's subsidiary TRW entered into an agreement with the inventor of a patent, Mr. Shan Dezheng, concerning the sale and purchase of the master licence rights of a patent registered in China with patent number ZL200510063039.9.

On May 15, 2009, TRW (as licensor) entered into a sub-liscence agreement with SJAP (as licensee) concerning the sub-licensing of the above-mentioned patent (ZL200510063039.9). For further information on the aforementioned agreements, please refer to the section entitled "Intellectual Property Rights" above.

Carve-outs

The Company has announced that it has begun the first of three or four contemplated divestitures. The Company is currently exploring various opportunities for reorganizing or restructuring some of its current assets into new companies by means of mergers and / or acquisitions with the aim to establish higher independent fair market values for said companies (or respective related assets) by either listing each of said companies on a suitable stock exchange or selling them in a receptive market (or to a receptive buyer) The first carve-out (Tri-way) is comprised of aquaculture operations. The new company holds one single share class and shall conform to corporate governance standards assigned by the Hong Kong Securities and Futures Commission as well as the potential Stock Exchange targeted for its listing. The Company's aquaculture operations, namely the C&S Project farms are, as follows:

- Jiang Men City A Power Fishery Development Co., Ltd. (Fish Farm 1);
- Enping City Bi Tao A Power Prawn Culture Development Co., Ltd. (Prawn Farm 1);
- Zhongshan A Power Prawn Culture Farms Development Co., Ltd. (Prawn Farm 2), and;
- Zhongshan New Prawn Project (ZSNPP) Phase 1 as well as an opportunity to acquire additional phases of the project as development continues. The ZSNPP is targeted to reach an annual production capacity of at least 200,000 metric tons over the long term.

Establishing the proposed new company would in management's view expedite several strategic objectives:

- Simplify the structure of the Company by creating a rapidly growing, profitable aquaculture company focused on the production of seafood with unique expansion potential;
- Create a company with an independent board of directors, a shareholder nomination committee, a single share class, a separate management team and auditors, dedicated reporting and investor relations functions;
- Expose the new company to institutional investors with in-depth knowledge and high appreciation of aquaculture businesses. Facilitate funding to increase ownership in existing aquaculture facilities, and;
- Create an independent company to secure funding for the future development of additional stages at the significant Zhongshan New Prawn.

As a result of the carve-out, Tri-way, as of October 1, 2016, is now categorized under SIAF as an investor in associate status from its original categorization as a SIAF subsidiary. Prior to the carve-out, Tri-way had assumed 100% holdings in JFD (previously, a 75% owned subsidiary) on August 16, 2016. Subsequently, Tri-way has merged / acquired in exchange for equity, all C&S farm projects and their respective assets.

Legal proceedings

The Company is not involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, a significant effect on the Company's and/or the Company's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

Industry Overview

This section discusses the industry in which the Company operates. Certain of the information in this section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information are estimates based on data compiled by professional organizations, consultants and analysts, in addition to market data from other external and publicly available sources.

Economic outlook in China

China's economy is at present second only to that of the United States, having overtaken Japan's role as number two in 2010.³ China's GDP grew by 6.9% in 2017 according to official data.⁶ Growth has slowed somewhat but remains strong. The strong growth in China has delivered major improvements in living standards and poverty has been reduced dramatically.⁴ Based on the World Bank's classification, China recently graduated from lower to upper middle-income status. A growing emphasis on improving access to health and education as well as high investment in infrastructure have helped spread the benefits of growth nationally including in rural areas, where incomes have enjoyed consistently strong gains.

³ The World Bank: China 2030, Building a Modern, Harmonious, and Creative Society (pages 3, 376-377), 2013

⁶ National Bureau of Statistics of China

⁷ The World Bank; China 2030, Building a Modern, Harmonious, and Creative Society, 2013 (pages 3, 376-377)

Agriculture in China

Agriculture is a vital industry in China, employing over 300 million farmers. China ranks first in worldwide farm output, primarily producing rice, wheat, potatoes, tomato, sorghum, peanuts, tea, millet, barley, cotton, oilseed and soybeans and also the largest consumer of many agricultural products, such as pork, rice and soybeans. Although accounting for only 10 percent of arable land worldwide, it produces food for 20 percent of the world's population. While China generally has been successful in meeting its rapidly rising demand for food and grains by increasing domestic production, it has emerged as a leading global importer of several agricultural commodities, including cotton, soybeans, vegetable oils, and animal hides. As its domestic agricultural production has grown, China has also become the largest exporter in global markets for several horticultural products, including mandarin oranges, apples, apple juice, garlic and other vegetables.

China's increasingly important position in global agricultural markets followed decades of gradual growth in domestic food production and consumption. After the introduction of market-based reforms in 1978 that included the elimination of the collective production system and relaxation of government direction over certain farmer production and marketing decisions, Chinese agricultural output grew significantly. Between 1978 and 2008, China almost doubled its production of grains (rice, wheat and corn) and quadrupled its production of meats; the production of fruit and milk was about 30 times greater in 2008 than in 1978. During these three decades, population growth of about 1 percent annually, coupled with annual per capita income growth of 8 percent, fueled a large increase in demand for more and higher-value agricultural products, especially by China's large and growing middle class. China's rapid growth in food consumption was largely met by domestic production growth, enabling it to remain self-sufficient in most major commodities.

About 40 percent of China's population of 1.3 billion is employed in the agricultural sector, and agriculture contributes about 11 percent to China's GDP.⁵

China's support for agriculture

China's government support for agriculture is low compared to that of developed countries, such as the United States and European Union, but in line with that of other rapidly growing economies, according to USITC. As measured by the OECD's PSE⁶, the amount of support provided to Chinese farmers was low (and sometimes negative) during the 1990's, but gradually rose during the period 2008-2010. Compared with other countries at a similar level of development, including Brazil, Mexico, Russia, and South Africa, China's support for farmers falls in the middle of the range. China's PSE reflects changes in the central government's policy priorities from grain self-sufficiency and low consumer prices toward a stronger focus on raising farm household incomes, according to USITC. Government support to China's agricultural sector indicates that Chinese policymakers are placing a renewed emphasis on the rural economy. Indirect support, in the form of general services, is very high relative to similar support programs in other countries, due largely to investments in agricultural infrastructure. General services include modern research and extension services, food safety agencies, and agricultural price information services, most of which provide benefits to producers and consumers throughout the economy. Compared with direct payments to farmers, general services support is less production-distorting to the sector.

Agricultural consumption

China is a major global consumer of agricultural products. It consumes one-third of the world's rice, one-fourth of all corn, and half of all pork and cotton, and it is the largest consumer of oilseeds and most edible oils. The traditional Chinese diet centers around staple foods (mainly grains and starches), which account for nearly half of the daily caloric intake. Average Chinese per capita consumption recently stabilized at approximately 3,000 calories per day, one of the highest levels among Asian countries.

Chinese food consumption is influenced by factors such as population size and demographics, income, food prices, and general preferences. Per capita income growth and urbanization are the two factors most responsible for altering recent consumption patterns in China. Rising income translates into higher per capita food consumption, while increasing urbanization is driving diversification of food choices because of greater availability and choice offered through increasingly diverse sales outlets.

Chinese consumers generally fall into one of three categories: rural consumers; urban low-income consumers; or urban high-income consumers. Although urban high-income consumers can afford to buy more and better-quality food, the ubiquity of food outlets in cities means that nearly every urban resident, regardless of income, has available an increasingly diverse food selection. Compared to rural diets, urban diets contain less grain and more non-staple items, including processed and convenience foods. Rural migrants to cities tend to adopt the urban diet.

Expenditure on food

Food is the largest class of household expenditure for all Chinese income groups; even housing takes a smaller share of average household income, according to USITC. As income rises, the absolute amount of food expenditure increases, although the share of income spent on food falls. Urban residents spend substantially more on food than their rural counterparts, according to USITC. Higher incomes lead to an increase in both the quantity and quality of food demanded. However, while demand for higher quantities of food appears to level off in the top income households, demand for higher-quality foods continues to rise with income.

⁸ USITC: China's Agricultural Trade: Competitive Conditions and Effects on U.S. Exports, March 2011 pages 1-1 and 1-8

⁹ OECD: PSE is defined as the estimated monetary value of transfers from consumers and taxpayers to farmers, expressed as a percentage of gross farm receipts (defined as the value of total farm production at farmgate prices), plus budgetary support.

Spending on food consumed outside the home is on the rise. In 2003, about 18 percent of urban household food expenditures and over 11 percent of rural household food expenditures were made outside the home. In 2008, the average per capita annual expenditure on dining out was USD 127 among urban residents, up 26 percent from a year earlier. Per capita expenditures on food consumed away from home vary among regions, with Shanghai spending the most (USD 300) and Tibet the least (USD 84). Most such expenditures are made in restaurants, both independent establishments and fast-food chains. Although consumption away from the household is increasing, most foods are still eaten at home. The exception is meat, with about half of all meat consumed outside the home.

Food preferences

Along with more varied consumption, higher incomes are leading to changing food preferences, including the demand for better quality and safer foods. Food preferences determine where urban Chinese purchase their foods, whether it be at local “wet markets”, urban supermarkets, or restaurants. Chinese value the diversity in food products that different shopping outlets offer. In the future, analysts predict that further income growth and urbanization will continue to increase demand for a variety of higher quality foods, according to USITC.

Like that of other countries at similar stages of development, the traditional Chinese diet comprises mostly grains and other starches. Consumption of non-staple, higher-value foods such as meat, dairy, fruits, vegetables, and processed food has grown significantly in the past three decades; 30 percent of the food currently consumed in China has been processed in some way, according to USITC.

China's per capita expenditures for animal proteins for 2008 averaged USD 184, up from USD 137 in the previous year. The Chinese consume about four times as much pork as poultry, the second most popular animal protein. Pork consumption has been encouraged by improved cold storage distribution, as the product can be transported greater distances to reach more customers. Pork consumption levels are also high due to government support programs, including purchasing pork for reserves and occasionally subsidizing pork purchases for low-income consumers.

The market for aquatic products and aquaculture in China

The information in this section regarding aquatic and aquaculture, including graphs, is taken from the USDA's GAIN Report Number: CH12073 per 12/28/2012 unless otherwise stated.⁷

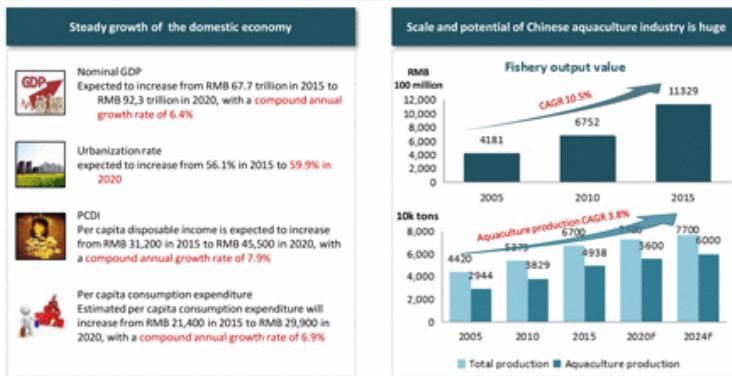
Total Aquatic Products Production

China has the world's largest aquatic production and its market share of the world's fish production has risen from 7 percent in 1961 to 37 percent by 2012. China alone accounted for 62.5 percent of the aquaculture production in the world by volume in 2015. Aquaculture represents more than 71.9 percent of the total fish production in China. Total 2015 aquatic production in China increased 4.38 percent to reach 47.9 million tons, compared to the 45.8 million tons in 2014, per the FAO.¹¹

⁷ Definition of terms: China's definition of aquatic products includes both cultured (farm-raised) and wild caught products; aquatic products include fish, shrimp/prawn/crab, shellfish, algae, and other. Aquatic catch production is total volume of both fresh and seawater wild caught aquatic products; Aquaculture production is the total volume of both fresh and seawater cultured (farmed) aquatic products. This report will use Chinese terminology to maintain consistency between Chinese statistics and product categories. Total aquatic trade statistics below do not include fishmeal.

China is the world's largest aquatic products producer & consumer

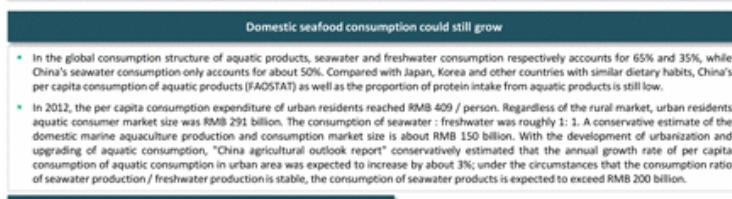
- China's domestic economy grew steadily, GDP growth in the first half of 2016 was 6.7% year-on-year, the contribution rate of final consumption expenditure to economic growth is 73.4%.
- China's aquaculture market is huge and the scale of the aquaculture industry is growing steadily.



Source : 2016 The State of World Fisheries and Aquaculture, China Fishery Yearbook, China Agricultural Outlook Report (2015-2024) , Frost & Sullivan

China is the world's largest aquatic products producer & consumer

- China's per capita aquatic food consumption is lower than Japan, South Korea and other countries, there is still room for growth.
- The per capita consumption of aquatic products is expected to continue to increase.



Source : 2016 The State of World Fisheries and Aquaculture, Development Trend and Policy Research of International Aquatic Products Trade, China Society of Fisheries(CSF), China Agricultural Outlook Report(2015-2024)

Fish production accounts for 59 percent of the total aquatic production, followed by shellfish and crustaceans at 22.6 percent and 10 percent, respectively. Fish production is, according to the USDA, expected to continue its upward growth trend to reach 34.5 million tons in 2012, up from 33 million tons in 2011 and 31.3 million tons in 2010.

In 2011, Shandong, Guangdong, Fujian and Zhejiang provinces profited from favorable coastal locations and abundant freshwater resources/facilities to rank as the top four aquatic production areas. In terms of freshwater cultured production, Hubei, Guangdong, and Jiangsu provinces are the largest producers.

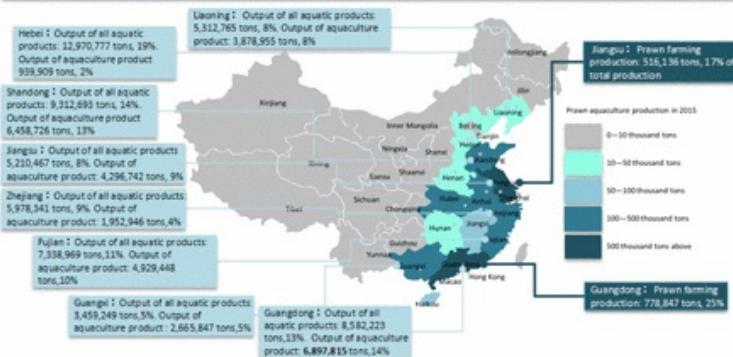
Aquaculture

China remains the world largest aquaculture producer with total cultured aquatic production accounting for about 70 percent of the world total in recent years. Total aquaculture production is increasing steadily and world aquaculture reached 90.4 million tons, with 66.6 million tons of food fish and 23.8 million tons of aquatic algae in 2012. Unconfirmed numbers state that world food fish aquaculture production rose 5.8 percent to 70.5 million tons in 2013. China alone accounted for 43.5 million tons of food fish and 13.5 of aquatic algae in 2013. China has had a CAGR of 5.5 percent in aquaculture production from the year 2000 through 2012.

Total aquatic products in China amounted to 59.1 million tons, where seawater aquatic products represented 30.3 million tons or 51.34 percent and freshwater aquatic products amounted to 28,743,000 tons or 48.66 percent of the total production. Fish is the most produced product and accounts for almost 61 percent of the total production, followed by shrimp, prawn and crab and shellfish. The majority of the production is in the region Shandong, Guangdong, Fujian, Zhejiang and Jiangsu. These five regions represented more than 55 percent of the total production of aquatic products in China. All regions are located nearby water and fish and other aquatic products is a common source of protein for the inhabitants in these regions.⁸

Guangdong has the largest aquaculture production in China

- Guangdong province ranked first in aquaculture production in China. With the rapid development in the past 30 years, it has become an important pillar in Guangdong province.
- In 2015, China's total output of prawns and shrimps amounted to 3.03 million tons. Guangdong has the highest yield of nearing 779 thousand tons.
- Guangdong is located in the tropical and subtropical monsoon climate, climate conditions are very conducive to prawn farming.



China has now become the third largest importer of aquatic products, behind only the United States and Japan. Total import of aquatic products in 2013 amounted to USD 8.0 billion. The increase in the import levels in China is mainly a result of outsourcing. China's processors import raw material from all major regions, including South and North America and Europe, for re-processing and re-export. However, this growth also reflects China's surging domestic demand of species not available from local sources.

Recirculating Aquaculture Systems

Recirculating aquaculture systems ("RAS") is a technology that enables the same water to be reused within the same tank, and operates through filtering this water, at a high frequency, making it an efficient and environmentally friendly method to operate water tanks. The advantages of RAS include improved productivity, lower labor requirements and lower mortality rate of the animals. Historically, the Chinese population are used to fresh aquatic products and prefer locally produced food if they can be assured of food quality and safety. Studies show that consumers overall are willing to pay an average premium of 3.9 percent for Closed Containment Aquaculture ("CCA") compared to conventional farming methods such as sea water farming.¹⁰

The market for meat in China

China is by far the world's largest producer and consumer of meat which includes pork, poultry and beef. Historically, this situation did not have a large impact on the rest of the world, as China, for the most part, maintained self-sufficiency in meat. However, since 2007 the situation has changed dramatically. China has gradually turned into a net importer of meats.

World meat production is expected to be around 322 million tons in 2017. Global trade in meat is forecast to register a second year of expansion in 2017, increasing by 2.5 percent to 32 million tonnes.¹⁵ China's meat production reached 81.93 million tons in 2016. where total meat production in the United States amounted to 44.65 million tons in 2016.

With strong economic growth, China's urbanization has occurred at a faster pace than commonly expected. By the end of 2011, the urban population for the first time exceeded the rural population, reaching 51.3 percent of the total population. If rural migrants working in urban areas are included, the population working and living in urban areas accounted for about 70 percent of the total population. Urbanization and rising purchasing power has led to a dietary pattern change switching from the consumption of traditional food grain products to an increase in consumption of meat.¹¹ The change in consumer preferences, meaning higher priced red meat representing a major part of Chinese consumers main protein source, partly derives from the perception that consumption of red meat is equal to higher status than consumption of poultry or pork.¹²

There are several other specific market drivers which underpin the increase in demand for red meat. One driver is the improved living standard in China which stimulates the growth of beef markets since beef often sells at a much higher price and traditionally has been more expensive than what most people can afford. Another is the fact that Chinese people's dietary structure is becoming more diversified and reasonable, bringing larger amount of beef consumption since beef has nutritional benefits. Lastly, a gradual lowering of import taxes is likely to support sufficient supply of cattle.

The strong rise in feed grain prices in the past five years is now moving substantially through the market chain and is being reflected in higher meat prices with the exception of poultry where adjustments have been made. On the contrary, world meat consumption continues to grow at one of the highest rates among major agricultural commodities. Thus, developing countries can expect an increase in meat imports despite strong meat prices, driven by population and income growth with high elasticity of demand. Equally so, strong prices will result in sustained export earnings, which will encourage large meat exporting countries to invest in international meat markets. When breaking the expected increase of demand down by region it is evident that the Asia and Pacific region is projected to stand for the largest increase in demand by far.¹³

Market drivers

The improvement of living standard stimulates the growth of beef markets:

Traditionally, Chinese people eat pork and chicken to satisfy their desire for meat. This is largely due to the much higher price of beef which goes beyond normal people's affordable level. With the improvement of living standards, Chinese people have begun the upgrade of their consumption of meat, and began to eat more beef.

¹⁰ Review of Recirculation Aquaculture System Technologies and their Commercial Application, Stirling Aquaculture, Institute of Aquaculture.

¹⁵ Food Outlook, FAO, June 2017

¹¹ China's growing appetite for meats: Implications for World meat trade. A Multi-Client Study, April 2012

¹² China and Hong Kong: Food Opportunities for Maine, Maine International Trade Center, March 2012

¹³ Meat - OECD-FAO Agricultural Outlook 2012-2021

Chinese people's dietary structure becomes more diversified and reasonable, bringing larger amount of beef consumption:

At present, Chinese people are changing their diet patterns to higher and richer nutrition. From a nutritional perspective, beef not only contains high unsaturated fatty acids and high protein, it also has low fat and lots of nutrition, which makes it perfect for the healthy diet. Thus, in the future, beef is expected to replace some parts of the market shares in pork, chicken and other meats.¹⁴

The market for fertilizer in China

Sales of fertilizers are expected to be supported by healthy expansion of agricultural activities as the amount of sown areas continues to grow and rural income levels rise. Farmers will continue to register steadily increasing incomes, the result of growing crop prices and government subsidies designed to supplement their revenues and reduce their material costs. Subsidies aimed directly at cutting the cost of fertilizers is expected to encourage additional use. In addition, rising crop prices have encouraged farmers to invest in fertilizers to further boost crop yields. Advances will also be driven by increases in the acreage of sown land dedicated to growing cash crops. However, increasing demand for organic food and improved understanding of the correct application of fertilizers is expected to prevent demand from rising at a faster pace.

In value terms, fertilizer demand is expected to grow 6.0 percent per year to RMB 548 billion, outpacing gains in volume terms. Faster value growth will be driven by strong demand for higher value multi-nutrient fertilizers. In addition, advances will be supported by continued growth in fertilizer prices as the cost of natural gas, oil, coal, and other raw materials continues to increase.

Demand for fertilizer nutrients in China is projected to grow 4.4 percent annually through 2015 to 98.1 million metric tons. Nutrient demand will be stimulated by increasing use of higher nutrient level products as income levels grow in rural areas in China. In addition, government efforts to promote multi-nutrient fertilizers will also support gains in fertilizer nutrient demand. Accounting for more than three-fourths of total fertilizer demand in 2010, single-nutrient fertilizers will remain the larger product type through 2015, despite a relatively low growth rate of 2.1 percent per year. Sales of single nutrient fertilizers will continue to be supported by their relatively low prices.

The size, growth and composition of fertilizer demand in the six regions that make up China vary considerably. The Central-South and Central-East will remain the two largest regional fertilizer markets. Due to the comparatively high income levels in the Central-South and Central-East – which enable residents to afford more expensive food items – demand for cash crops such as fruits and vegetables will rise in these regions, which in turn will fuel demand for fertilizer. Sales in the Northeast and Northwest regions will outpace the average through 2015, benefiting from the Great Western Development Strategy, the Northeast Revitalization Policy, and increasing income levels for farmers.¹⁵

In 2006, the central government started a program intended to partially compensate farmers for price increases in fuel, fertilizer and other agricultural inputs. In the case of fertilizers, government support is part of several separate programs targeting fertilizer producers, with cost reductions being passed along to farmers purchasing the input. By 2009, fuel and fertilizer subsidies totaled USD 10.5 billion.¹⁶

Market for fruits and vegetables in China

The information in this section regarding the market for fruit in China is taken from the International Trade Center report "Overview of the markets for selected tropical fruits and vegetables in China" unless otherwise stated.

China is the biggest producer of fruit in the world, with a total of approximately 10,734,259 hectares of fruit planting area and a fruit output of approximately 192,202,000 tons as of 2008, according to the National Bureau of Statistics of the PRC. The per capita annual fruit consumption in China as of 2008 amounted 149 kilograms per capita, well above the global average of 69.09 kilograms per capita, according to FAO. In 2009, China exported 5,255,000 tons of fruit, an 8.5 percent year-on-year increase compared to the previous year, equivalent to a value USD 3.83 billion according to China Customs. The Chinese import of fruit in 2009 amounted to 2,309,000 tons, valued to USD 1.63 billion, a 37.0 percent increase year-on-year compared to 2008. This led to a fruit trade surplus of USD 2.2 billion, approximately a 27.6 percent decrease compared to 2008 according the Ministry of Agriculture of the PRC.

The global tropical fruit output, where the dragon fruit (*Hylocereus Undatus*) is included, reached roughly 82,700,000 tons in 2008 according to FAO. The output was led by mango, followed by pineapple, guava and avocado. According to the Ministry of Agriculture of the PRC, tropical fruit accounted for approximately 25 percent of the total fruit planting area in China in 2009, equivalent to roughly 2,500,000 hectares providing a total output of more than 20,000,000 tons. The research adds that an additional 17,500,000 hectares spread over China is suitable for planting tropical fruits.

The most commonly consumed tropical fruits in China are pineapple, mango, banana, litchi, coconut, longan and cashew. However demand for, e.g., mangosteen, star fruit, durian and dragon fruit is quickly growing among the population in the first and second tier cities. The China Fruit Marketing Association estimates that the consumption of tropical fruits accounts for roughly 10 percent of all the fruit in China, equivalent to approximately 19,000,000 tons. Analysts estimate that about 80 percent of the tropical fruit in China is consumed fresh, contrary to canned or processed fruit.

¹⁴ Frost & Sullivan: China's beef market has great growth potential

¹⁵ Fertilizers in China, Industry Study with Forecasts for 2015 & 2020, Freedonia Group; June 2012

¹⁶ USITC: China's Agricultural Trade: Competitive Conditions and Effects on U.S. Exports, March 2011

Consumer trends

Consumers in the northern and central parts of China generally prefer more sweet tasting fruit, preferably tropical fruits. In the southern regions of China however, the population consumes a broader range of fruits. Overall in China, consumers have started to consume more fruit with distinctive smells, for example durian and jackfruit. During recent years there has been a significant increase in consumption of more expensive fruit, such as durian, mangosteen and jackfruit thanks to the increasing standard of living of the population as well as the increased availability of such imported fruits.

The most commonly consumed imported fruits in China include kiwi, durian, mangosteen, grapes, cherries and dragon fruit. Generally, the Chinese population prefers to consume fresh fruit; so when domestic, fresh fruit is available during summer, consumption of the fresher and cheaper domestic fruit increases. In winter, when domestic products cannot be harvested or sold, the import of fruits, and especially tropical fruits, increases immensely.

Organic fruits are mostly sold domestically in China and have become increasingly popular in the market; however, the supply is still relatively small and the price is still more expensive (approximately RMB 1-2 more expensive per kg).

GOVERNMENT REGULATION

Regulation of M&A and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce (the “MOFCOM”), the State Assets Supervision and Administration Commission, the State Administration of Taxation (“SAT”), the State Administration of Industry and Commerce (the “SAIC”), the China Securities Regulatory Commission (“CSRC”), and the State Administration of Foreign Exchange (the “SAFE”), jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rule”), which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rule includes provisions that purport to require that an offshore special purpose vehicle formed for purposes of the overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

On September 21, 2006, the CSRC published on its official Website procedures regarding its approval of overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC. The application of this new PRC regulation remains unclear, with no consensus currently existing among leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.

The M&A Rules also establish procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a Chinese domestic enterprise.

In February 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (“Circular 6”), which established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire “de facto control” of domestic enterprises with “national security” concerns. In August 2011, the MOFCOM promulgated the Rules on Implementation of Security Review System (the “MOFCOM Security Review Rules”), to replace the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the MOFCOM in March 2011. The MOFCOM Security Review Rules, which came into effect on September 1, 2011, provide that the MOFCOM will look into the substance and actual impact of a transaction and prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

Regulation of Foreign Currency Exchange and Dividend Distribution

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (the “FX Regulations”), which were last amended in August 2008. Under the FX Regulations, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. On August 29, 2008, the SAFE issued a notice, Circular 142, regulating the conversion by a foreign-invested company of foreign currency into RMB by restricting how the converted RMB may be used. Circular 142 requires that the registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, the SAFE increased its oversight of the flow and use of the registered capital of a foreign-invested company settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without the SAFE’s approval, and may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of Circular 142 will result in severe penalties, such as heavy fines. As a result, Circular 142 may significantly limit our ability to transfer cash or other assets from Sino Agro Food, Inc. and/or our other non-PRC subsidiaries into our subsidiaries in the PRC, which may adversely affect our business expansion and we may not be able to convert the net proceeds into RMB to invest in or acquire any other PRC companies, or establish other variable interest entities (“VIEs”) in the PRC.

Dividends paid by a PRC subsidiary to its overseas shareholder are deemed income of the shareholder and are taxable in the PRC. Pursuant to the *Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996)*, foreign-invested enterprises in the PRC may purchase or remit foreign currency, subject to a cap approved by the SAFE, for settlement of current account transactions without the approval of the SAFE. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

In October 2005, the SAFE promulgated the *Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment through Offshore Special Purpose Vehicles* ("Circular 75"). Under Circular 75, which was issued by SAFE effective November 1, 2005, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to the registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company. Moreover, Circular 75 applies retroactively. As a result, PRC residents who, prior to November 1, 2005, had established or acquired control of offshore companies that had made onshore investments in the PRC prior to were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006.

Since May 2007, the SAFE has issued a series of guidance to its local branches with respect to the operational process for the SAFE registration under Circular 75. The guidance provides more specific and stringent supervision of the registration required by Circular 75. For example, the guidance imposes obligations on onshore subsidiaries of an offshore entity to make true and accurate statements to the local SAFE authorities regarding any shareholder or beneficial owner of the offshore entity who is a PRC citizen or resident. Untrue statements by the onshore subsidiaries will lead to potential liability for the subsidiaries and, in some instances, for their legal representatives and other related individuals.

Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including increases in its registered capital, payment of dividends and other distributions to its offshore parent or affiliate and capital inflows from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control our company from time to time are required to register with the SAFE in connection with their investments in us.

On December 25, 2006, the People's Bank of China (the "PBOC") issued the *Administration Measures on Individual Foreign Exchange Control and related Implementation Rules* were issued by the SAFE on January 5, 2007. Both became effective on February 1, 2007. Under these regulations, all foreign exchange transactions involving an employee share incentive plan, share option plan, or similar plan participated in by onshore individuals may be conducted only with approval from the SAFE or its authorized branch. Under the *Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company* ("Offshore Share Incentives Rules"), which was issued by the SAFE on February 15, 2012, PRC citizens who are granted share options, restricted share units or restricted shares by an overseas publicly listed company are required to register with the SAFE or its authorized branch and to comply with a series of other requirements. If we, or the PRC employees of ours who hold options, restricted share units or restricted shares fail to comply with these registration or other procedural requirements, we, and/or such employees may be subject to fines and other legal sanctions.

The principal regulations governing distribution of dividends of foreign holding companies include the *Foreign Investment Enterprise Law* (1986), which was amended in October 2000, and the *Administrative Rules under the Foreign Investment Enterprise Law* (2001). Under these regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in China are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Laws and Regulations Related to Employment and Labor Protection

On June 29, 2007, the National People's Congress promulgated the *Employment Contract Law of PRC* ("Employment Contract Law"), which became effective as of January 1, 2008, and was amended on December 28, 2012. The Employment Contract Law requires employers to provide written contracts to their employees, restricts the use of temporary workers and aims to give employees long-term job security.

Pursuant to the Employment Contract Law, employment contracts lawfully concluded prior to the implementation of the Employment Contract Law and continuing as of the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Employment Contract Law but no written employment contract was concluded, a contract must be concluded within one month after its implementation.

On September 18, 2008, the State Council promulgated the Implementing Regulations for the PRC Employment Contract Law which came into effect immediately. These regulations interpret and supplement the provisions of the Employment Contract Law.

As of December 31, 2015, we had entered written employment contracts with three of our employees.

Income Tax

On March 16, 2007, the National People's Congress approved and promulgated the Enterprise Income Tax Law (the "EIT Law"). On December 6, 2007, the State Council approved the Implementing Rules. Both the EIT Law and its Implementing Rules became effective on January 1, 2008. Under the EIT Law and the Implementing Rules, which superseded the previous Income Tax Law, the enterprise income tax rate for both domestic companies and foreign invested enterprises is unified at 25%. On December 26, 2007, the State Council promulgated the Circular on Implementation of Enterprise Tax Transition Preferential Policy, or the Preferential Policy Circular. The EIT Law, its Implementing Rules and the Preferential Policy Circular provide a five-year transitional period for certain entities that had enjoyed a favorable income tax rate of less than 25% under the previous Income Tax Law and were established before March 16, 2007, during which period the applicable enterprises income tax rate shall gradually increase to 25%.

On April 14, 2008, the Administration Measures for Recognition of High and New Technology Enterprises, or the Recognition Measures, were jointly promulgated by the Ministry of Science and Technology, the Ministry of Finance, and the SAT, which sets out the standards and process for granting the high and new technology enterprises status. According to the EIT Law and its Implementing Rules as well as the Recognition Measures, enterprises which have been granted the high and new technology enterprises status shall enjoy a favorable income tax rate of 15%. The new EIT Law and its Implementation Rules also provide that "software enterprises" enjoy a two-year income tax exemption starting from the first profit making year, followed by a reduced tax rate of 12.5% for the subsequent three years.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules merely defines the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located." The SAT issued the Circular regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. The SAT issued the Bulletin regarding the Administrative Measures on the Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Interim) on July 27, 2011, which became effective on September 1, 2011, providing more guidance on the implementation of Circular 82. This bulletin clarifies matters including resident status determination, post-determination administration and competent tax authorities. Although both Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises, not companies like us, the determining criteria set forth in Circular 82 and the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. Based on a review of surrounding facts and circumstances, the Company does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, should the Company be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC tax on worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a Foreign Invested Enterprise (an "FIE") to its immediate holding company outside of China if such immediate holding company is considered a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Such withholding income tax was exempted under the previous law. The State of Nevada, where the Company is incorporated, does not have such tax treaty with China. The SAT further promulgated a circular, or Circular 601, on October 27, 2009, which provides that the tax treaty benefits will be denied to "conduit" or shell companies without business substance and that a beneficial ownership analysis will be used based on a "substance-over-form" principle to determine whether to grant the tax treaty benefits. Most our subsidiaries in China are directly held by our non-Chinese subsidiaries. If we are regarded as a non-resident enterprise and our non-Chinese subsidiaries are regarded as resident enterprises, then our non-Chinese subsidiaries may be required to pay a 10% withholding tax on any dividends payable to us. If our non-Chinese subsidiaries are regarded as non-resident enterprises, then our PRC subsidiaries may be required to pay a 5% withholding tax for any dividends payable to our non-Chinese subsidiaries, however, it is still unclear at this stage whether Circular 601 applies to dividends from our PRC subsidiaries paid to our non-Chinese subsidiaries, and if our non-Chinese subsidiaries were not considered as "beneficial owners" of any dividends from their PRC subsidiaries, whether the dividends payable to our non-Chinese subsidiaries would be subject to withholding tax at a rate of 10%.

The EIT Law and its Implementation Rules have tried to scrutinize transactions between related parties. Pursuant to the EIT Law and its Implementation Rules, the tax authorities may impose mandatory adjustment on tax due to the extent a related party transaction is not in line with arm's-length principle or was entered with a purpose to reduce, avoid or delay the payment of tax. On January 8, 2009, the SAT issued the Implementation Measures for Special Tax Adjustments (Trial), which clarifies the definition of "related party" and sets forth the tax-filing disclosure and documentation requirements, the selection and application of transfer pricing methods, and transfer pricing investigation and assessment procedures.

On December 10, 2009, the SAT issued a circular on Strengthening the Administration of Enterprise Income Tax Collection on Income Derived from Equity Transfer by Non-resident Enterprise, or Circular 698. Pursuant to Circular 698, non-resident enterprises should declare any direct transfer of equity interest of PRC resident enterprises and pay taxes in accordance with the EIT Law and relevant laws and regulations. For an indirect transfer, if the effective tax rate for the transferor (a non-PRC-resident enterprise) is lower than 12.5% under the law of the jurisdiction of the direct transferred target, the transferor is required to submit relevant transaction materials to PRC tax authorities for review. If such indirect transfer is determined by PRC tax authorities to be a transaction without any reasonable business purpose other than for tax avoidance, the gains derived from such transfer will be subject to PRC income tax.

In addition to the above, after the EIT Law and its Implementing Rules were promulgated, the SAT released several regulations to stipulate more details for carrying out the EIT Law and its Implementing Rules. These regulations include:

- *Notice of the State Administration of Taxation on the Issues Concerning the Administration of Enterprise Income Tax Deduction and Exemption (2008);*
- *Notice of the State Administration of Taxation on Strengthening the Withholding of Enterprise Income Tax on Non-resident Enterprises' Interest Income Sourcing from China (2008);*
- *Notice of the State Administration of Taxation on Several Issues Concerning the Recognition of Incomes Subject to the Enterprise Income Tax (2008);*
- *Opinion of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax (2008);*
- *Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies in Respect of Enterprise Income Tax (2008);*
- *Interim Measures for the Administration of Collection of Enterprise Income Tax on the Basis of Consolidation of Trans-regional Business Operations (2008);*
- *Several Issues Concerning the Enterprise Income Tax Treatment on Enterprise Reorganization (2009);*
- *Circular of the State Council on Printing and Distributing Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (2011); and*
- *Circular on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry (2012).*

ITEM 1A. RISK FACTORS.

Investing in our common stock involves a high degree of risk. You should carefully consider each of the following risks and all other information in this Annual Report before deciding to invest in our common stock. If any of these risks actually occur, our business, financial condition, results of operations, and our future growth prospects would suffer. Under these circumstances, the share price and value of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties described in this Annual Report are the only material risks and uncertainties that we presently know to be facing our company.

This Annual Report contains forward-looking statements. Forward-looking statements anticipate future events or future financial performance. This Annual Report also contains market data related to our business and industry. This market data includes projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results may differ from projections based on them. As a result, our markets may not grow at the rates projected by these data, or at all. The failure of these markets to grow at these projected rates may have a material adverse effect on our business, results of operations, financial condition and the market price of our common stock.

Currently, we conduct our business operations in the People's Republic of China. As China's economy and its laws, regulations and policies may and do differ from those found in the West, and change continually, we face certain risks that are summarized in this section.

Risks Related to Our Company

Subsequent to the Tri-way carve-out, the number of direct major customers associated with SIAF subsidiaries has been reduced, with the concentration of major customers now handled through SJAP and SIAF / CA's import / export trading division ("Corporate Division") via its main distribution agent, Shanghai Virgo Trading Co. Ltd. ("Virgo"), such that a loss of business with Virgo will have an adverse affect on SIAF's Corporate Division operational performance.

The Corporate Division accounted for 8.2% of consolidated revenues during the fiscal year ended December 31, 2017.

We may be unable to maintain an effective system of internal control over financial reporting, and as a result we may be unable to accurately report our financial results.

Our reporting obligations as a public company place a significant strain on our management, operational and financial resources and systems. If we fail to maintain an effective system of internal control over financial reporting, we could experience delays or inaccuracies in reporting our financial information, or non-compliance with SEC reporting and other regulatory requirements. This could subject us to regulatory scrutiny and result in a loss of public confidence in our management, which could, among other things, cause our stock price to drop.

Because we will require additional financing to expand our vertically integrated operations according to our business plan and growth strategy, our failure to obtain necessary financing will impair our growth strategy; in addition, the risks of vertical integration are significant.

As of December 31, 2017, we had net working capital of \$168,323,106, including cash and cash equivalents of \$560,043. Our capital requirements to accomplish our planned vertically integrated development and growth plan of our business are significant.

In most developed countries, risks of agriculture operations are shared to a certain degree by different sectors in the industry. For example:

- Research and development are often initiated and supported by government departments;
- Primary producers are mainly concerned with the growing risks of the produce;
- Marketing companies assume the risks of marketing the produce;
- Trading houses sell the produce and assume the credit risks of the sales; and
- Logistics companies assume the risks of transporting the produce.

However, as a vertically integrated operator, we must assume all the above-mentioned risks. China is a developing country; compared to other developed nations, its agriculture industry is not modern. Thus, management believes that it is essential for us to develop our business operation in a vertically integrated manner so that we can achieve reasonable profit margins for our products. We believe that the multiple layers of profits generated through vertical integration may compensate to some degree for the variety of risks that we face through the multiple operations; however, the overall risks are much greater. At the same time, our five year plan for vertically integrated developments is not fully completed, and the remaining developments may require significant capital expenditures and management resources. Failure to implement these vertically integrated developments could hurt our ability to manage our growth and our financial position.

To accomplish the objectives discussed above and to execute our business strategy, we need access to capital on appropriate terms. We currently have no commitments with any third party to obtain such additional financing and we cannot assure you that we will be able to obtain the requisite additional financing on any terms and, if we are able to raise additional funds, it may be necessary for us to sell our securities at a price which is at a significant discount from the market price and on other terms which may be disadvantageous to us. In connection with any such financing, we may be required to provide registration rights to the investors and pay damages to the investors in the event that the registration statement is not filed or declared effective by specified dates. The price and terms of any financing which would be available to us could result in both the issuance of a significant number of shares and significant downward pressure on our stock price. We cannot assure you that our business objectives, particularly over the longer term, will be met on a timely basis, if at all. Consequently, we may be unable to meet fixed obligations and expenses that will be generated in the operation of our business, whether as presently in existence or as proposed. Any failure to obtain requisite financing on acceptable terms could have material and adverse effect on our business, financial condition and future prospects.

No assurance of successful expansion of operations.

Our significant increase in the scope and the scale of our operations, including the hiring of additional personnel, has resulted in significantly higher operating expenses. We anticipate that our operating expenses will continue to increase. Expansion of our operations may also make significant demands on our management, finances and other resources. Our ability to manage the anticipated future growth, should it occur, will depend upon a significant expansion of our accounting and other internal management systems and the implementation and subsequent improvement of a variety of systems, procedures and controls. We cannot assure that significant problems in these areas will not occur. Failure to expand these areas and implement and improve such systems, procedures and controls in an efficient manner at a pace consistent with our business could have a material adverse effect on our business, financial condition and results of operations. We cannot assure that attempts to expand our marketing, sales, manufacturing and customer support efforts will succeed or generate additional sales or profits in any future period. As a result of the expansion of our operations and the anticipated increase in our operating expenses, along with the difficulty in forecasting revenue levels, we expect to continue to experience significant fluctuations in its results of operations.

We may be unable to successfully expand our production capacity, which could result in material delays, quality issues, increased costs and loss of business opportunities, which may negatively impact our product margins and profitability.

Part of our future growth strategy is to increase our production capacity to meet increasing demand for our goods. Assuming we obtain sufficient funding to increase our production capacity, any projects to increase such capacity may not be constructed on the anticipated timetable or within budget. We may also experience quality control issues as we implement any production upgrades. Any material delay in completing these projects, or any substantial cost increases or quality issues in connection with these projects could materially delay our ability to bring our products to market and adversely affect our business, reduce our revenue, income and available cash, all of which could harm our financial condition.

Our business and operations are growing rapidly. If we fail to effectively manage our growth, our business and operating results could be harmed.

We have experienced, and may continue to experience, rapid growth in our operations. This has placed, and may continue to place, significant demands on our management, operational and financial infrastructure. If we do not manage our growth effectively, the quality of our products and services could suffer, which could negatively affect our operating results. To effectively manage our growth, we must continue to improve our operational, financial and management controls and reporting systems and procedures. These systems improvements may require significant capital expenditures and management resources. Failure to implement these improvements could hurt our ability to manage our growth and our financial position.

If the Chinese government were to change its presently favorable policy toward the agriculture industry, we would no longer enjoy our present tax-related privileges, which would materially and adversely impact our sales performance, margins, and net profit and our costs structure.

As producers active in the agriculture industry, our subsidiaries are presently exempt from income tax and enjoy various incentive grants and subsidies given by the Chinese government. If the Chinese government were to change its presently favorable policy toward the agriculture industry, we would no longer enjoy our present tax-related privileges, which would materially and adversely impact our sales performance, margins, and net profit and our costs structure. We have experienced, and may continue to experience, quick changes of policies by the Chinese government. If we do not effectively and efficiently manage our growth on time due to lack of capital, we could suffer adversely from the consequences of any such policy changes.

Our intellectual property rights are valuable, and any inability to adequately protect, or uncertainty regarding validity, enforceability or scope of them could undermine our competitive position and reduce the value of our products, services and brand, and litigation to protect our intellectual property rights may be costly.

We attempt to strengthen and differentiate our product portfolio by developing new and innovative products and product improvements. As a result, our patents, trademarks, trade secrets, copyrights and other intellectual property rights are important assets to us. Various events outside of our control pose a threat to our intellectual property rights as well as to our products and services. For example, effective intellectual property protection may not be available in China and other countries in which our products are sold. Also, although we have registered our trademark in China, our efforts to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete and hurt our results of operation. Also, protecting our intellectual property rights is costly and time consuming. Policing unauthorized use of our proprietary technology can be difficult and expensive. Litigation might be necessary to protect our intellectual property rights. But due to the relative unpredictability of the Chinese legal system and potential difficulties to enforce a court's judgment in China, there is no guarantee that litigation would result in a favorable outcome. Furthermore, any such litigation may be costly and may divert our management's attention from our core business. An adverse determination in any lawsuit involving our intellectual property is likely to jeopardize our business prospects and reputation. Although we are not aware of any of such litigation, we have no insurance coverage against the litigation costs so we would be forced to bear all litigation costs if we cannot recover them from other parties. All foregoing factors could harm our business, financial condition, and results of operations. Any unauthorized use of our intellectual property could make it more expensive for us to do business and harm our operating results.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined against us, could adversely affect our business and subject us to significant liability to third parties.

Our success mainly depends on our ability to use and develop our technology and product designs without infringing upon the intellectual property rights of third parties. We may be subject to litigation involving claims of patent infringement or violations of other intellectual property rights of third parties. Holders of patents and other intellectual property rights potentially relevant to our product offerings may be unknown to us, which may make it difficult for us to acquire a license on commercially acceptable terms. There may also be technologies licensed to us and that we rely upon that are subject to infringement or other corresponding allegations or claims by third parties which may damage our ability to rely on such technologies. In addition, although we endeavor to ensure that companies that work with us possess appropriate intellectual property rights or licenses, we cannot fully avoid the risks of intellectual property rights infringement created by suppliers of components used in our products or by companies we work with in cooperative research and development activities. Our current or potential competitors may have obtained or may obtain patents that will prevent, limit or interfere with our ability to make, use or sell our products. The defense of intellectual property claims, including patent infringement suits, and related legal and administrative proceedings can be both costly and time consuming, and may significantly divert the efforts and resources of our technical personnel and management. These factors could effectively prevent us from pursuing some or all of our business operations and result in our customers or potential customers deferring, canceling or limiting their purchase or use of our products, which may have a material adverse effect on our business, financial condition and results of operations.

We rely on highly skilled personnel and the continuing efforts of our executive officers and, if we are unable to retain, motivate or hire qualified personnel, our business may be severely disrupted.

Our performance largely depends on the talents, knowledge, skills, know-how and efforts of highly skilled individuals and in particular, the expertise held by our chief executive officer, Solomon Lee. His absence, were it to occur, could impact development and implementation of our projects and businesses. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Our continued ability to compete effectively depends on our ability to attract new technology developers and to retain and motivate our existing contractors. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some customers.

Our financial and operating performance may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes.

Our financial and operating performance may be affected adversely by epidemics, bad weather conditions, natural disasters and other catastrophes. For example, in early 2003, several economies in Asia, including China, were affected by the outbreak of severe acute respiratory syndrome, or SARS. In May-June 2003, many businesses in China were closed by the PRC government, to prevent transmission of SARS. Our business could be materially and adversely affected by the effects of H1N1 flu (swine flu), avian flu, SARS, or other epidemics or outbreaks. In April 2009, an outbreak of H1N1 flu first occurred in Mexico and quickly spread to other countries, including the U.S. and China. In the last decade, China has suffered health epidemics related to such outbreaks. Any prolonged occurrence or recurrence of H1N1 flu (swine flu), avian flu, SARS or other adverse public health developments in China may have a material adverse effect on our business and operations. These health epidemics could result in severe travel restrictions and closures that would restrict our ability to ship our products. Potential outbreaks could also lead to temporary closure of our manufacturing facilities, our suppliers' facilities and/or our end-user customers' facilities, leading to reduced production, delayed or cancelled orders, and decrease in demand for our products. Any future health epidemic or outbreaks that could disrupt our operations and/or restrict our shipping abilities may have a material adverse effect on our business and results of operations.

We do not expect to encounter any epidemics in our aquaculture fishery farms in districts of the Guangdong Province or cattle farms in Huangyuan District of the Qinghai Province. However in the event of epidemics, we expect that our marine animals and our cattle will be quarantined until such time as a sanitary certificate for clean bill of health is obtained, before any of our products will be sold. In an extreme situation where our products would fail to obtain the sanitary certificate, they will be destroyed subject to the direction of the Inspection Authorities of the Agriculture Department of China. There is compensation granted by the Chinese government for the destruction of our products but only for a fraction of our cost of production; as such the Company will bear virtually all losses under such circumstances.

Furthermore, the 2008 Sichuan earthquake also had a negative impact on many businesses in that region. Losses caused by epidemics, adverse weather conditions, natural disasters and other catastrophes, including SARS, avian flu, swine flu, earthquakes or typhoons, will adversely affect our operations.

If we make any acquisitions, they may disrupt or have a negative impact on our business.

Although we have no present plans for any specific acquisitions, in the event that we make acquisitions, we could have difficulty integrating the acquired companies' personnel and operations with our own. In addition, the key personnel of the acquired business may not be willing to work for us. We cannot predict the effect expansion may have on our core business. Regardless of whether we are successful in making an acquisition, the negotiations could disrupt our ongoing business, distract our management and employees and increase our expenses. In addition to the risks described above, acquisitions are accompanied by a number of inherent risks, including, without limitation, the following:

- difficulty of integrating acquired products, services or operations;

- potential disruption of the ongoing businesses and distraction of our management and the management of acquired companies;
- difficulty of incorporating acquired rights or products into our existing business;
- difficulties in disposing of the excess or idle facilities of an acquired company or business and expenses in maintaining such facilities;
- difficulties in maintaining uniform standards, controls, procedures and policies;
- potential impairment of relationships with employees and customers as a result of any integration of new management personnel;
- potential inability or failure to achieve additional sales and enhance our customer base through cross-marketing of the products to new and existing customers;
- effect of any government regulations which relate to the business acquired;
- potential unknown liabilities associated with acquired businesses or product lines, or the need to spend significant amounts to retool, reposition or modify the marketing and sales of acquired products or the defense of any litigation, whether or not successful, resulting from actions of the acquired company prior to our acquisition.

Our business could be severely impaired if and to the extent that we are unable to succeed in addressing any of these risks or other problems encountered in connection with these acquisitions, many of which cannot be presently identified, these risks and problems could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations.

We face significant competition, including changes in pricing.

The markets for our products are both competitive and price sensitive. Many competitors have significant financial, operations, sales and marketing resources, plus experience in research and development, and compete with us by offering lower prices. Competitors could develop new technologies that compete with our products to achieve a lower unit price. If a competitor develops lower cost superior technology or cost-effective alternatives to our products and services, our business could be seriously harmed.

The markets for some of our products are also subject to specific competitive risks because these markets are highly price competitive. Our competitors have competed in the past by lowering prices on certain products. If they do so again, we may be forced to respond by lowering our prices. This would reduce sales revenues and increase losses. Failure to anticipate and respond to price competition may also impact sales and aggravate losses.

Many of our competitors are larger and have greater financial and other resources than we do.

Our products compete and will compete with similar if not identical products produced by our competitors. These competitive products could be marketed by well-established, successful companies that possess greater financial, marketing, distribution personnel, and other resources than we do. Using said resources, these companies can implement extensive advertising and promotional campaigns, both generally and in response to specific marketing efforts by competitors. They can introduce new products to new markets more rapidly. In certain instances, competitors with greater financial resources may be able to enter a market in direct competition with us, offering attractive marketing tools to encourage the sale of products that compete with our products or present cost features that consumers may find attractive.

Risks Related to our Industry

Our agricultural assets are situated in three provinces in China and crop disease, severe weather, natural disasters and other conditions affecting the environment, including the effects of climate change, could result in substantial losses and weaken our financial condition.

Our agricultural operations are situated in Qinghai Province, Hunan and Guangdong Province. Qinghai Province in particular is subject to occasional periods of drought. Crops require water in different quantities at different times during the growth cycle. The limited water resource at any given point can adversely impact production. In Qinghai our cropping and pasture land presently comprises over 5,000 acres, an area too big and too costly to afford drip irrigation systems for our crops. In Hunan, the district of Linli where we have over 300 acres of crop and pasture land may from time to time be subject to flooding that could affect our agriculture production. In Enping, Guangdong, our HU Plants are very susceptible to dry and wet seasonal variation that could also affect our agriculture production.

Crop disease, severe weather conditions, such as floods, droughts, windstorms and hurricanes, and natural disasters, may adversely affect our supply of one or more products, reduce our sales volumes, increase our unit production costs or prevent or impair our ability to ship products as planned. Since a significant portion of our costs are fixed and contracted in advance of each operating year, volume declines due to production interruptions or other factors could result in increases in unit production costs, which could result in substantial losses and weaken our financial condition. We may experience crop disease, insect infestation, severe weather and other adverse environmental conditions from time to time.

Severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change.

An occurrence of such an event might result in material disruptions to our operations, to the operations of our customers or suppliers, resulting in a decline in the agriculture industry. There can be no assurance that our facilities or products will not be affected by any such occurrence in the future, which occurrence may lead to adverse conditions to our operations and financial results.

Prices of agricultural products are subject to supply and demand, a market condition which is not predictable.

Because our agricultural products are commodities, we are not able to predict with certainty what price we will receive for our products. Additionally, the growth cycle of such products in many instances dictates when such products must be marketed to achieve the maximum profitability. Excessive supplies tend to cause severe price competition and lower prices throughout the industry affected. Conversely, shortages may drive the prices higher. Shortages often result from adverse growing conditions which can reduce the availability of the agricultural products affected. Since multiple variables can affect supply and demand, we cannot accurately predict or control from year to year what prices, either favorable or unfavorable, it will receive from the market.

In addition, general public perceptions regarding the quality, safety or health risks associated with particular food products could reduce demand and prices for some of our products. To the extent that consumer preferences evolve away from products that we produce for health or other reasons, and we are unable to modify our products or to develop products that satisfy new consumer preferences, there will be a decreased demand for our products. However, even if market prices are unfavorable, some of our agricultural products which are ready to be, or have been, harvested must be brought to market promptly. A decrease in the selling price received for our products due to the factors described above could have a material adverse effect on our business, results of operations and financial condition.

We could realize losses and suffer liquidity problems due to declines in sales prices for our agriculture products.

Sales prices for agricultural products are difficult to predict. It is possible that sales prices for our products will decline in the future, and sales prices for other agricultural products may also decline. In recent years, there has been increasing consolidation among food retailers, wholesalers and distributors. A significant portion of our costs is fixed, so that fluctuations in the sales prices have an immediate impact on our profitability. Our profitability is also affected by our production costs, which may increase due to factors beyond our control.

We are subject to the risk of product contamination and product liability claims.

The sales of our products may involve the risk of injury to consumers. Such injuries may result from tampering by unauthorized personnel, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, or residues introduced during the growing, packing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, including internal product safety policies, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our brand image. We do not maintain product liability insurance.

We may not be successful in the implementation of our new technologies and new products, and our new products may not be widely accepted.

Our new technologies such as our drip irrigation system for precision agriculture or the introduction, testing and promotion of new agricultural varieties, must be able to adapt to local conditions. The term "drip irrigation" refers to a system whereby the exact amount of water is supplied to the plants' roots at the correct moment. On the one hand, there exists the failure risk due to not being suitable for the local environment and market conditions; on the other hand, there are risks of loss of competitive advantages due to the rising of producing similar products enterprises and other enterprises that follow to produce the similar products.

We are a holding company whose subsidiaries are given certain degree of independence and our failure to integrate our subsidiaries may adversely affect our financial condition.

According to the specific characteristics of agricultural production in China, we have given our subsidiary companies and their farms a certain degree of independency in decision-making. On one hand, this independency increases the sense of ownership at all levels, on the other hand it has also increased the difficulty of the integration of operation and management, which has resulted in increased difficulty of management integration. In the event we are not able to successfully manage our subsidiaries this will result in operating difficulties and have a negative impact on our business.

One or more distributors could engage in activities that harm our brand and our business.

Our products are sold primarily through distributors, who are responsible for ensuring that our products have the appropriate licenses to be sold to farmers in their provinces, and are stored at the correct temperature to ensure freshness and meet shelf life terms. If distributors do not obtain the appropriate licenses, their sales of our products in those provinces may be illegal, and we may be subject to government sanctions, including confiscation of illegal revenues and a fine of between two and three times the amount of such illegal revenues. Unlicensed sales in a province may also cause a delay for our other distributors in receiving a license from the authorities for their provinces, which could further adversely impact our sales. In addition, distributors may sell our products under another brand licensed in a particular province if our product is not licensed there. If our products are sold under another brand, the purchasers will not be aware of our brand name, and we will be unable to cross-market other seed varieties or other products as effectively to these purchasers. Moreover, our ability to provide appropriate customer service to these purchasers will be negatively affected, and we may be unable to develop our local knowledge of the needs of these purchasers and their environment. Furthermore, if any of our distributors sell inferior seeds produced by other companies under our brand name, our brand and reputation could be harmed, which could make marketing of our branded seeds more difficult. As of the date of this Annual Report, we are not aware of the occurrence of any of the potential violations by our distributors described above.

The PRC agricultural market is highly competitive and our growth and results of operations may be adversely affected if we are unable to compete effectively.

The agricultural market in China is highly fragmented, largely regional and highly competitive, and we expect competition to increase and intensify within the sector. We face significant competition in our lines of business. Many of our competitors have greater financial, research and development and other resources than we have. Competition may also develop from consolidation within our industry in China or the privatization of producers that are currently operated by local governments in China. Our competitors may be better positioned to take advantage of industry consolidation and acquisition opportunities than we are. The reform and restructuring of state-owned equity in enterprises involved primarily in producing sectors will likely lead to the reallocation of market share in the agriculture industry, and our competitors may increase their market share by participating in the restructuring of state-owned agriculture companies. Such privatization would likely result in increased numbers of market participants with more efficient and commercially viable business models. As competition intensifies, our margins may be compressed by more competitive pricing and we may lose our market share and experience a reduction in our revenues and profit.

We may not possess all of the licenses required to operate our business, or we may fail to maintain the licenses we currently hold. This could subject us to fines and other penalties, which could materially adversely affect our results of operations.

We are required to hold a variety of permits and licenses to conduct business in China. We may not possess all of the permits and licenses required for each of our business segments. In addition, the approvals, permits or licenses required by governmental agencies may change without substantial advance notice, and we could fail to obtain the approvals, permits or licenses required to expand our business. If we fail to obtain or to maintain such permits or licenses, or if renewals are granted with onerous conditions, we could be subject to fines and other penalties and be limited in the number or the quality of the products that we could offer. As a result, our business, results of operations and financial condition could be materially and adversely affected.

Risks Related to Doing Business in China

Under PRC law, we are required to obtain and retain permits and business licenses, and our failure to do so would adversely impact our ability to conduct business in China.

We hold various permits, business licenses, and approvals authorizing our operations and activities, which are subject to periodic review and reassessment by the Chinese authorities. Standards of compliance necessary to pass such reviews change from time to time and differ from jurisdiction to jurisdiction, leading to a degree of uncertainty. If renewals, or new permits, business licenses or approvals required in connection with existing or new facilities or activities, are not granted or are delayed, or if existing permits, business licenses or approvals are revoked or substantially modified, we may not be able to continue to operate our facilities which would have a material adverse effect on our operations. If new standards are applied to renewals or new applications, it could prove costly for us to meet these new standards.

The PRC economic cycle may negatively impact our operating results.

We believe that the rapid growth of the PRC economy before 2008 generally led to higher levels of inflation. We believe that the PRC economy has more recently experienced a decrease in its growth rate. We believe that a number of factors have contributed to this deceleration, including appreciation of the RMB, the currency of China, which has adversely affected China's exports. In addition, we believe the deceleration has been exacerbated by the recent global crisis in the financial services and credit markets, which has resulted in significant volatility and dislocation in the global capital markets. It is uncertain how long the global crisis in the financial services and credit markets will continue and the significance of the adverse impact it may have on the global economy in general or the Chinese economy in particular. Slowing economic growth in China could result in weakening growth and demand for our products, which could reduce our revenues and income. In the event of a recovery in the PRC, renewed high growth levels may again lead to inflation. The government's attempts to control inflation may adversely affect the business climate and growth of private enterprise. In addition, our profitability may be adversely affected if prices for our products rise at a rate that is insufficient to compensate for the rise in inflation.

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 exchange rate of the RMB is currently managed by the Chinese government. On July 21, 2005, the People's Bank of China, with the authorization of the State Council of the PRC, announced that the RMB exchange rate would no longer be pegged to the U.S. Dollar and would float based on market supply and demand with reference to a basket of currencies. According to public reports, the governor of the People's Bank has stated that the basket is composed mainly of the U.S. Dollar, the European Union Euro, the Japanese Yen and the South Korean Won. Also considered, but playing smaller roles, are the currencies of Singapore, the United Kingdom, Malaysia, Russia, Australia, Canada and Thailand. The weight of each currency within the basket has not been announced.

The initial adjustment of the RMB exchange rate was an approximate 2% revaluation from an exchange rate of 8.28 RMB per U.S. Dollar to 8.11 RMB per U.S. Dollar. The People's Bank announced that the daily trading price of the U.S. Dollar against the RMB in the inter-bank foreign exchange market would float within a band of 0.3% around the central parity published by the People's Bank, while trading prices of non-U.S. Dollar currencies against the RMB would be allowed to move within a certain band announced by the People's Bank. The People's Bank has stated that it will make adjustments of the RMB exchange rate band when necessary according to market developments as well as the economic and financial situation. In a later announcement published on May 18, 2007, the band was extended to 0.5%. Since July 2008, the RMB has traded at 6.83 RMB per U.S. Dollar. Recent reports indicate an upward revaluation in the value of the RMB against the U.S. Dollar may be allowed. The People's Bank announced on June 19, 2010 its intention to allow the RMB to move more freely against the basket of currencies, which increases the possibility of sharp fluctuations in the value of the RMB in the near future and thus the unpredictability associated with the RMB exchange rate.

Despite this change in its exchange rate regime, the Chinese government continues to manage the valuation of the RMB. The value of our common stock will be 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 would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars, as well as earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

The income statements of our operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currencies denominated transactions results in reduced revenue, operating expenses and net income for our international operations. Similarly, to the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions results in increased revenue, operating expenses and net income for our international operations. We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars will lead to a translation gain or loss, which is recorded as a component of other comprehensive income. In addition, we have certain assets and liabilities that are denominated in currencies other than the relevant entity's functional currency. Changes in the functional currency value of these assets and liabilities create fluctuations that will lead to a transaction gain or loss.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

Uncertainties with respect to the PRC legal system could adversely affect us and we may have limited legal recourse under PRC law if disputes arise under our contracts with third parties.

Since 1979, we believe PRC legislation and regulations have significantly enhanced protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, sometimes we may not be aware of our violation of these policies and rules until sometime after violation.

The Chinese government has enacted laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, their experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the Chinese government, and forces unrelated to the legal merits of a particular matter or dispute may influence their determination. Any rights we may have to specific performance, or to seek an injunction under PRC law, in either of these cases, are severely limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Under the PRC EIT Law, we may be classified as a "resident enterprise" of the PRC. Such classification could result in tax consequences to the Company or our non-PRC resident shareholders.

On March 16, 2007, the National People's Congress approved and promulgated a new tax law, the PRC Enterprise Income Tax Law, or "EIT Law," which took effect on January 1, 2008. Under the EIT Law, enterprises are classified as resident enterprises and non-resident enterprises. An enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define "de facto management bodies" as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise; however, it remains unclear whether the PRC tax authorities would deem our managing body as being located within China. Due to the short history of the EIT Law and lack of applicable legal precedents, the PRC tax authorities determine the PRC tax resident treatment of a foreign company on a case-by-case basis.

If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. First, we could be subject to the enterprise income tax at a rate of 25 percent on our worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, under the EIT Law and its implementing rules, dividends paid between “qualified resident enterprises” are exempt from enterprise income tax. As a result, if we are treated as a PRC “qualified resident enterprise,” all dividends paid from our Chinese subsidiaries to us would be exempt from PRC tax.

Finally, the new “resident enterprise” classification could result in a situation in which a 10% PRC tax is imposed on dividends we pay to our non-PRC stockholders that are not PRC tax “resident enterprises” and gains derived by them from transferring our common stock, if such income is considered PRC-sourced income by the relevant PRC authorities. In such event, we may be required to withhold a 10% PRC tax on any dividends paid to non-PRC resident stockholders. Our non-PRC resident stockholders also may be responsible for paying PRC tax at a rate of 10% on any gain realized from the sale or transfer of our common stock in certain circumstances. We would not, however, have an obligation to withhold PRC tax with respect to such gain.

Moreover, the SAT released Circular Guoshuihan No. 698 (“**Circular 698**”) on December 15, 2009 that reinforces the taxation of non-listed equity transfers by non-resident enterprises through overseas holding vehicles. Circular 698 addresses indirect share transfers as well as other issues. Circular 698 is retroactively effective from January 1, 2008. According to Circular 698, where a foreigner (non-PRC resident) who indirectly holds shares in a PRC resident enterprise through a non-PRC offshore holding company indirectly transfers equity interests in a PRC resident enterprise by selling the shares of the offshore holding company, and the latter is located in a country or jurisdiction where the effective tax burden is less than 12.5 percent or where the offshore income of his, her, or its residents is not taxable, the foreign investor is required to provide the PRC tax authority in charge of that PRC resident enterprise with certain relevant information within 30 days of the transfer. The tax authorities in charge will evaluate the offshore transaction for tax purposes. In the event that the tax authorities determine that such transfer is abusing forms of business organization and a reasonable commercial purpose for the offshore holding company other than the avoidance of PRC income tax liability is lacking, the PRC tax authorities will be able to re-assess the nature of the equity transfer under the doctrine of substance over form. A reasonable commercial purpose may be established when the overall international (including U.S.) offshore structure is set up to comply with the requirements of supervising authorities of international (including U.S.) capital markets. If the SAT’s challenge of a transfer is successful, it may deny the existence of the offshore holding company that is used for tax planning purposes and subject the seller to PRC tax on the capital gain from such transfer. Since Circular 698 has a relatively short history, there is uncertainty as to its application. We (or a foreign investor) may become at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we (or such foreign investor) should not be taxed under Circular 698, which could have a material adverse effect on our financial condition and results of operations (or such foreign investor’s investment in us).

If any such PRC taxes apply, a non-PRC resident stockholder may be entitled to a reduced rate of PRC taxes under an applicable income tax treaty and/or a foreign tax credit against such stockholder’s domestic income tax liability (subject to applicable conditions and limitations). Prospective investors are encouraged to consult with their own tax advisors regarding the applicability of any such taxes, the effects of any applicable income tax treaties, and any available foreign tax credits.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may materially adversely affect us.

In October 2005, the SAFE issued the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents inside China, generally referred to as Circular 75. The policy announced in this notice required PRC residents to register with the relevant SAFE branch before establishing or acquiring control over an offshore special purpose company, or SPV, for the purpose of engaging in an equity financing outside of China on the strength of domestic PRC assets originally held by those residents. Failure to comply with the requirements of Circular 75 and any of its internal implementing guidelines as applied by SAFE in accordance with Notice 106 may result in fines and other penalties under PRC laws for evasion of applicable foreign exchange restrictions. Any such failure could also result in the SPV’s affiliates being impeded or prevented from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, or from engaging in other transfers of funds into or out of China.

We requested our shareholders who are PRC residents to make the necessary applications, filings and amendments as required under Circular 75 and other related rules. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot provide any assurances that our shareholders who are PRC residents will comply with our request to make any applicable registrations, and nor can we provide any assurances that our shareholders who are PRC residents will be able to obtain such applicable registration or comply with other requirements required by Circular 75 or other related rules or that, if challenged by government agencies, the structure of our organization fully complies with all applicable registrations or approvals required by Circular 75. Moreover, because of uncertainty over how Circular 75 will be interpreted and implemented, and how or whether SAFE will apply it to us, we cannot predict how it will affect our business operations or future strategies. Failure by such PRC resident shareholders or future PRC resident shareholders to comply with Circular 75 or other related rules, if SAFE requires it, could subject these PRC resident shareholders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries’ ability to make distributions or pay dividends, or affect our ownership structure, which could adversely affect our business and prospects.

Adverse changes in political and economic policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and materially and adversely affect our competitive position.

Our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including:

- the amount of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange; and
- the allocation of resources.

While the Chinese economy has grown significantly in the past 20 years, we believe the growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. We believe some measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the Chinese government. The Chinese government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Contract drafting, interpretation and enforcement in China involve significant uncertainty.

We have entered into numerous contracts governed by PRC law, many of which are material to our business. As compared with contracts in the United States, contracts governed by PRC law tend to contain less detail and to not be as comprehensive in defining contracting parties' rights and obligations. As a result, contracts in China are more vulnerable to disputes and legal challenges. In addition, contract interpretation and enforcement in China is not as developed as in the United States, and the result of any contract dispute is subject to significant uncertainties. Therefore, we cannot assure you that we will not be subject to disputes under our material contracts, and if such disputes arise, we cannot assure you that we will prevail.

The application of PRC regulations relating to the overseas listing of PRC domestic companies is uncertain, and we may be subject to penalties for failing to request approval of the PRC authorities prior to listing our shares in the U.S.

As mentioned above, on August 8, 2006, six PRC government agencies, i.e., MOFCOM, the SAIC, the CSRC, SAFE, the State-Owned Assets Supervision and Administration Commission ("SASAC") and SAT, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "New M&A Rules"), which became effective on September 8, 2006. The New M&A Rules purport, among other things, to require offshore "special purpose vehicles" that are (1) formed for the purpose of overseas listing of the equity interests of PRC companies via acquisition and (2) are controlled directly or indirectly by PRC companies and/or PRC individuals, to obtain the approval of the CSRC prior to the listing and trading of their securities on overseas stock exchanges. On September 21, 2006, pursuant to the New M&A Rules and other PRC Laws, the CSRC published on its official website relevant guidance with respect to the listing and trading of PRC domestic enterprises' securities on overseas stock exchanges (the "Related Clarifications"), including a list of application materials regarding the listing on overseas stock exchanges by special purpose vehicles. We were and are not required to obtain the approval of CSRC under the new M&A Rules in connection with this transaction because we were and are not a special purpose vehicle formed or controlled by PRC individuals.

However, there are substantial uncertainties regarding the interpretation, application and enforcement of these rules, and CSRC has yet to promulgate any written provisions or formally to declare or state whether the overseas listing of a PRC-related company structured similar to ours is subject to the approval of CSRC. Any violation of these rules could result in fines and other penalties on our operations in China, restrictions or limitations on remitting dividends outside of China, and other forms of sanctions that may cause a material and adverse effect to our business, operations and financial conditions.

The New M&A Rules also established additional procedures and requirements that are expected to make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise that owns well-known trademarks or China's traditional brands. We may grow our business in part by acquiring other businesses. Complying with the requirements of the New M&A Rules in completing this type of transaction could be time-consuming, and any required approval processes, including CSRC approval, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may face regulatory uncertainties that could restrict our ability to issue equity compensation to our directors and employees and other parties who are PRC citizens or residents under PRC law. The grant of stock options under any incentive plan that we adopt in the future would require registration with SAFE.

On April 6, 2007, SAFE issued the “Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Ownership Plan or Stock Option Plan of An Overseas Listed Company,” also known as “Circular 78”. It is not clear whether Circular 78 covers all forms of equity compensation plans or only those that provide for the grant of stock options. For any equity compensation plan which is so covered and is adopted by a non-PRC listed company after April 6, 2007, Circular 78 requires all participants who are PRC citizens to register with, and obtain the approval of, SAFE prior to their participation in any such plan. In addition, Circular 78 also requires PRC citizens to register with SAFE and make the necessary applications and filings if they participate in an overseas listed company’s covered equity compensation plan prior to April 6, 2007. As of the date of this filing, we have not adopted any incentive plans, but may do so in the future. Any such plan may grant equity compensation, including, but not limited to, stock options, to our PRC employees and/or directors. The grant of any equity compensation under such a plan to a PRC citizen, however, may under Circular 78 require the PRC citizen to register with and obtain approval of SAFE. We believe that the registration and approval requirements contemplated in Circular 78 will be burdensome and time consuming. If it is determined that our such a plan, or any equity compensation grant under such a plan, is subject to Circular 78, failure to comply with such provisions of Circular 78 may subject us and any recipients thereof to fines and legal sanctions and prevent us from being able to grant equity compensation to our PRC employees and/or directors. In that case, our ability to compensate our employees and directors through equity compensation would be hindered and/or prevented.

Capital outflow policies in the PRC may hamper our ability to remit income to the United States.

The PRC has adopted currency and capital transfer regulations. These regulations may require that we comply with complex regulations for the movement of capital and as a result we may not be able to remit all income earned and proceeds received in connection with our operations or from the sale of our operating subsidiary to the U.S. or to our stockholders.

Our operations and assets in the PRC are subject to significant political and economic uncertainties.

Government policies are subject to rapid change and the government of the PRC may adopt policies that have the effect of hindering private economic activity and greater economic decentralization. There is no assurance that the government of China will not significantly alter its policies from time to time without notice in a manner which reduces or eliminates any benefits from its present policies of economic reform. In addition, a substantial portion of productive assets in China remains government-owned. For instance, all lands are state or rural collective economic organizations owned and leased to business entities or individuals through governmental grants of the land use rights. The grant process is typically based on government policies at the time of the grant, which could be lengthy and complex. This process may adversely affect our business. The government of China also exercises significant control over China’s economic growth through the allocation of resources, controlling payment of foreign currency and providing preferential treatment to particular industries or companies. Uncertainties may arise as a result of changing governmental policies and measures. In addition, changes in laws and regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency, the nationalization or other expropriation of private enterprises, as well as adverse changes in the political, economic or social conditions in China, could have a material adverse effect on our business, results of operations and financial condition.

Our use of the allocated land may be subject to challenges in the future.

All land use rights that we own are land use rights relating to allocated land. The local governmental authorities have granted such land use rights to us for free use or at a discounted levy rate given our contribution to the development of the local economy. However, pursuant to the Catalogue on Allocated Land issued by the Ministry of Land Resources of the PRC (the “Catalogue”), the land use rights for allocated land may only be granted to those specific projects which are in compliance with the Catalogue, subject to the approval of the competent governmental authorities. We, as a privately owned agricultural producer, may not be qualified to be granted such land use rights for allocated land according to the Catalogue. Consequently, our use of such land may be subject to challenge in the future, and the legal consequences could include the confiscation of such land by the governmental authorities or a demand that we pay a market price for purchasing the land use rights for such land and converting the allocated land use right to a granted land use right.

Because Chinese law governs almost all of our material agreements, we may not be able to enforce our legal rights within China or elsewhere, which could result in a significant loss of business, business opportunities, or capital.

Chinese law governs almost all of our material agreements. We cannot assure you that we will be able to enforce any of our material agreements or that remedies will be available outside of China. The system of laws and the enforcement of existing laws in China may not be as certain in implementation and interpretation as in the United States. Our inability to enforce or obtain a remedy under any of our current or future agreements could result in a significant loss of business, business opportunities or capital. It will be extremely difficult to acquire jurisdiction and enforce liabilities against our officers, directors and assets based in China.

Substantially all of our assets will be located in the PRC and all of our officers and our present directors reside outside of the United States. As a result, it may not be possible for United States investors to enforce their legal rights, to effect service of process upon our directors or officers or to enforce judgments of United States courts predicated upon civil liabilities and criminal penalties of our directors and officers under federal securities laws. Moreover, we have been advised that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States. Further, it is unclear if extradition treaties now in effect between the United States and China would permit effective enforcement of criminal penalties of the federal securities laws.

We do not have insurance coverage.

We currently do not purchase property insurance for our properties, including raw materials, semi-manufactured goods, manufactured goods, buildings and machinery equipment, livestock, and we currently do not carry any product liability or other similar insurance, nor do we have business liability or business disruption insurance coverage for our operations in the PR. There is no insurance covering risks incurred through seasonal variation consequences. In this respect, we as an engineering based company have qualified personnel and staffs to manage and to limited the happenings of these relevant risk factors; however there is no guarantee that accidents will not happen, and if they happen, the consequences may have a material adverse effect on our business, financial condition and results of operations.

Because our cash and cash equivalent are held in banks that do not provide capital guarantee insurance, the failure of any bank in which we deposit our funds could affect our ability to continue in business.

Banks and other financial institutions in the PRC do not provide insurance for funds held on deposit. A significant 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. Depending upon the amount of cash we maintain in a bank that fails, our inability to have access to such cash deposits could impair our operations, and, if we are not able to access funds to pay our suppliers, employees and other creditors, we may be unable to continue in business.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some that may compete with us, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time to time in the PRC. We cannot assure you that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Labor laws in the PRC may adversely affect our results of operations.

On June 29, 2007, the PRC government promulgated a new labor law, namely, the Labor Contract Law of the PRC, or the New Labor Contract Law, which became effective on January 1, 2008. The New Labor Contract Law imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires that certain terminations be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the New Labor Contract Law could adversely affect our ability to effect such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations.

Your ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, will be limited because we conduct substantially all of our operations in the PRC and because the majority of our directors and officers reside outside of the United States.

We are a Nevada holding company and substantially all of our assets are located outside of the United States. Substantially all current operations are conducted in the PRC. In addition, all but one of our directors and officers are nationals and residents of countries other than the United States. Substantial portions of the assets of these persons are located outside the United States. Thus, it may be difficult to effect service of process within the United States upon these persons. It may also be difficult to enforce in U.S. courts judgments on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, none of whom are residents in the United States and the substantial majority of whose assets are located outside of the United States. It is also uncertain whether the courts of the PRC would recognize or enforce judgments of U.S. courts. Our PRC legal counsel has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. Courts in the PRC may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions. The PRC does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates basic principles of PRC law or national sovereignty, security or the public interest. It is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

Risks Related to Ownership of our Common Stock

Volatility in our common stock price may subject us to securities litigation.

Stock markets, in general, have experienced in recent months, and continue to experience, significant price and volume volatility, and the market price of our common stock may continue to be subject to similar market fluctuations unrelated to our operating performance or prospects. This increased volatility, coupled with depressed economic conditions, could continue to have a depressing effect on the market price of our common stock. The following factors, many of which are beyond our control, may influence our stock price:

- the status of our growth strategy including the building of our new production line with any proceeds we may be able to raise in the future;
- announcements of technological or competitive developments;
- regulatory developments in the PRC affecting us, our customers or our competitors;
- announcements regarding patent or other intellectual property litigation or the issuance of patents to us or our competitors or updates with respect to the enforceability of patents or other intellectual property rights generally in the PRC or internationally;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of our competitors;
- additions or departures of our executive officers;
- release or expiration of lock-up or other transfer restrictions on our outstanding common stock; and
- sales or perceived sales of additional shares of our common stock.

In addition, the securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. Any of these factors could result in large and sudden changes in the volume and trading price of our common stock and could cause our stockholders to incur substantial losses. In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted securities class action litigation against that company. If we were involved in a class action suit or other securities litigation, it would divert the attention of our senior management, require us to incur significant expense and, whether or not adversely determined, have a material adverse effect on our business, financial condition, results of operations and prospects.

One of our directors and officers controls a majority of our common stock and his interests may not align with the interests of our other stockholders.

Solomon Lee, our chairman, chief executive officer and president, controls our company and beneficially owns in excess of 50.1% of our issued and outstanding common stock. This significant concentration of share ownership may adversely affect the trading price of our common stock because investors often perceive a disadvantage in owning shares in a company with one or several controlling stockholders. Furthermore, our directors and officers, as a Company, have the ability to significantly influence or control the outcome of all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. This concentration of ownership may have the effect of delaying or preventing a change in control of our company that could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our common stock. In addition, without the consent of Mr. Lee, we could be prevented from entering into transactions that could be beneficial to us. Mr. Lee may cause us to take actions that are opposed by other stockholders as his interests may differ from those of other stockholders.

Future issuances of capital stock may depress the trading price of our common stock.

Any issuance of shares of our common stock (or common stock equivalents) after the date hereof could dilute the interests of our existing stockholders and could substantially decrease the trading price of our common stock. We may issue additional shares of our common stock in the future for a number of reasons, including financing our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions).

Sales of a substantial number of shares of our common stock in the public market could depress the market price of our common stock, and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

We believe that the price of our shares in the OTC QX markets is adversely affected by the current stigma associated with Chinese companies quoted or listed publicly in the United States.

Although we managed to maintain our liquidity to a certain degree, our share price has suffered. Many Chinese companies suffer from this stigma, which tends to affect both market prices and liquidity, and our company is no exception. Reasons with varying degrees of legitimacy explain this stigma, including but not limited to: (i) investors' experience of losses suffered in the course of investing in other Chinese companies, (ii) the difficulty some Chinese companies have had in preparing auditable financial statements, and (iii) the difficulty in enforcing US judgments in foreign courts generally. All of these have contributed to a negative perception by some US investors regarding all Chinese companies publicly traded on US markets. Regardless of the reasons for this perception, if it continues over a sustained period of time our market prices may continue to trade below net tangible asset value per share. This would increase risk that our shareholders could lose the funds they invested in our company. It could also impact our ability to maintain our growth plan on schedule, which would adversely affect our business and financial condition.

The issuance of any of our equity securities pursuant any equity compensation plan we may adopt may dilute the value of existing stockholders and may affect the market price of our stock.

In the future, we may issue to our officers, directors, employees and/or other persons equity based compensation under any equity compensation plan we may adopt to provide motivation and compensation to our officers, employees and key independent consultants. The award of any such incentives could result in an immediate and potentially substantial dilution to our existing stockholders and could result in a decline in the value of our stock price. The exercise of these options and the sale of the underlying shares of common stock and the sale of stock issued pursuant to stock grants may have an adverse effect upon the price of our stock. In addition, if the holders of outstanding convertible securities convert such securities into common stock, you will suffer further dilution.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

We are a public company and subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. For example, Section 404 of the Sarbanes-Oxley Act requires that our management report on the effectiveness of our internal controls structure and procedures for financial reporting. Section 404 compliance may divert internal resources and will take a significant amount of time and effort to complete. If we fail to maintain compliance under Section 404, or if in the future management determines that our internal control over financial reporting are not effective as defined under Section 404, we could be subject to sanctions or investigations by the NASDAQ Stock Market should we in the future be listed on this market, the SEC, or other regulatory authorities. Furthermore, investor perceptions of our company may suffer, and this could cause a decline in the market price of our common stock. Any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal controls from our independent auditors. We may need to hire a number of additional employees with public accounting and disclosure experience in order to meet our ongoing obligations as a public company, particularly if we become fully subject to Section 404 and its auditor attestation requirements, which will increase costs. Our management team and other personnel will need to devote a substantial amount of time to new compliance initiatives and to meeting the obligations that are associated with being a public company, which may divert attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations.

Our shares of common stock may be thinly traded, so you may be unable to sell at or near ask prices or at all.

We cannot predict the extent to which an active public market for our common stock will develop or be sustained. Our common stock is currently traded on the OTC QX where the shares have historically been thinly traded, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent.

This situation may be attributable to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community who generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we have become more seasoned and viable. As a consequence, there may be periods of several days, weeks or months when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot assure you that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained or not diminish.

We may become involved in securities class action litigation that could divert management's attention and harm our business.

The stock market in general, and the shares of early stage companies in particular, have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of the companies involved. If these fluctuations occur in the future, the market price of our shares could fall regardless of our operating performance. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. If the market price or volume of our shares suffers extreme fluctuations, then we may become involved in this type of litigation, which would be expensive and divert management's attention and resources from managing our business.

As a public company, we may also from time to time make forward-looking statements about future operating results and provide some financial guidance to the public markets. Our management has limited experience as a management team in a public company and as a result projections may not be made timely or set at expected performance levels and could materially affect the price of our shares. Any failure to meet published forward-looking statements that adversely affect the stock price could result in losses to investors, stockholder lawsuits or other litigation, sanctions or restrictions issued by the SEC.

Securities analysts may elect not to report on our common stock or may issue negative reports that adversely affect the stock price.

At this time, to our knowledge no securities analysts provide research coverage of our common stock, and securities analysts may not elect not to provide such coverage in the future. It may remain difficult for our company, with its small market capitalization, to attract independent financial analysts that will cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect the stock's actual and potential market price. The trading market for our common stock may be affected in part by the research and reports that industry or financial analysts publish about our business. If one or more analysts elect to cover our company and then downgrade the stock, the stock price would likely decline rapidly. If one or more of these analysts cease coverage of our company, we could lose visibility in the market, which, in turn, could cause our stock price to decline. This could have a negative effect on the market price of our common stock.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2 PROPERTIES

We use the following properties:

Summary of Our Land Assets

Item	Owner	Location	Acres	Date Acquired	Tenure	Expiry dates	Nature of ownership	Nature of project
Hunan Lot 1	HSA	Ouchi Village, Fenghuo Town, Linli County	31.92	4/5/2011	43	3/31/2054	Lease	Fertilizer production
Hunan Lot 2	HSA	Ouchi Village, Fenghuo Town, Linli County	247.05	7/18/2011	60	7/17/2071	Management Right	Pasture growing
Hunan Lot 3	HSA	Ouchi Village, Fenghuo Town, Linli County	8.24	5/24/2011	40	5/23/2051	Land Use Rights	Fertilizer production
Guangdong Lot 1	JHST	Yane Village, Liangxi Town, Enping City	8.23	8/10/2007	60	9/8/2067	Management Right	HU Plantation
Guangdong Lot 2	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	27.78	3/14/2007	60	4/15/2067	Management Right	HU Plantation
Guangdong Lot 3	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	60.72	4/18/2007	60	4/17/2067	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	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	Management Right	HU Plantation
Guangdong Lot 6	JHST	Liankai Village of Niujiang Town, Enping City	31.84	1/1/2008	60	1/1/2068	Management Right	HU Plantation
Guangdong Lot 7	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	41.18	1/1/2011	26	12/31/2037	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	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	Management Right	Cattle Farm
Qinghai Lot 1	SJAP	No. 498, Bei Da Road, Chengguan Town of Huangyuan County, Xining City, Qinghai Province	21.07	11/1/2011	40	10/30/2051	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	4/1/2013	10	3/31/2023	Management Right	Processing factory
Guangdong lot 11	CA	Da San Dui Wei ,You Nan Village, Conghua District of Guangzhou City	33.27	10/28/2014	30	10/27/2044	Management Right	Agriculture

We do not own any of the land mentioned in the table above; as such the nature of the land “ownership” is further clarified as follows:

In general, the Government owns all land. In urban areas, the land is owned directly by the central Government. In rural and suburban areas, the local village collectives, usually through the villagers' collective economic organization, or the village committees, own the agricultural land. Uncultivated land in mountain and other remote areas is also Government-owned. Corporate entities and individuals may own the enhancements (buildings, fences, and other structures) erected on Government land.

As such, any transferable rights to the land are in the form of usufructuary rights (i.e., the right to use and enjoy the benefits derived therefrom for a period of time).

There are several types of usufructuary rights. These include the right to land contractual management (granted by local village collectives for agriculture land), the right to use of construction land (state land in urban areas), etc. The right to land contractual management allows a party the rights to possess, utilize, and obtain profits from agricultural land. This right is transferable, but this land use right is based on agricultural household contracts and cannot be changed arbitrarily to non-agricultural purposes.

A usufructuary right properly granted in accordance with the laws may be transferred, leased, or mortgaged in accordance with the laws and the terms of the land-grant contract.

1. A lease confers on the recipient the same right to use and enjoy the benefits, except for the right to own the building erected by the recipient and the right to transfer. In case of government acquisition of the land, the compensation paid by the government for the building will go to the lessor, unless the lease agreement states otherwise. The Agreement for the 109.79MU land of HSA is stated to be a lease agreement but the terms therein seem to suggest that HSA is being granted a Management Right.

2 & 3. Land Use Rights and Management Rights confer the same right to use and enjoy the benefits. “Land Use Right” is one granted by the State and usually used in the context of urban land, whereas local village collectives grant “Management Rights” and the term usually applies to rural land.

4. The term Land Use Right relates to the right to use the land and enjoy the benefits derived there from, whereas Building Ownership Right relates to the right to ownership of the building erected on the land concerned. SJAP was granted a Land Use Right by the State for the land (state-owned land), and a Building Ownership Right for the buildings erected thereon.

As producers active in the agriculture industry, our subsidiaries are presently exempt from income tax and enjoy various incentive grants and subsidies given by the China Government. If the Chinese government were to change its presently favorable policy toward the agriculture industry, we would no longer enjoy our present tax-related privileges, which would materially and adversely impact our sales performance, margins, and net profit and our costs structure. We have experienced, and may continue to experience, quick changes of policies by the Chinese government. If we do not effectively and efficiently manage our growth on time due to lack of capital, we could suffer adversely from the consequences of any such policy changes.

SIAF's Company of Companies - Rented Premises Profiles

Company	Location	Usage	Landlord	Tenure
Sino Agro Food, Inc.	Room 3801, Block A, China Shine Plaza, No. 9, Linhexi Rd., Tianhe District, Guangzhou City	Head Office	Guangzhou Shine Real Property Development Limited Company	July 9, 2016 to July 8, 2018
Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd.	Unit 1-5, Jiangzhou Shuizha Building, No. 19 Jiangjun Rd., Juntang Town, Enping City	Office	Enping City Jiangzhou Water Engineering Management Dept.	April 1, 2014 to March 31, 2019

ITEM 3 LEGAL PROCEEDINGS

In the ordinary course of business, we may be involved in legal proceedings from time to time. As of the date hereof, except as set forth herein, there are no known legal proceedings against the Company. No governmental agency has instituted proceedings, served, or threatened the Company with any complaints.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

On July 24, 2007, our Common Stock began to be quoted on the Pink OTC Markets under the symbol "SIAF.PK." Commencing January 5, 2012, our common stock has been quoted on the OTC QB under the symbol of "SIAF" and was recently quoted on the OTC QX Premier. The following table lists the closing sale price for our Common Stock as reported by The NASDAQ Stock Market for each quarter within the last two completed fiscal years. The figures below reflect the Reverse Split.

Year 2016

	High	Low
First Quarter	\$ 11.40	\$ 7.70
Second Quarter	\$ 8.05	\$ 4.34
Third Quarter	\$ 5.85	\$ 4.51
Fourth Quarter	\$ 4.93	\$ 3.35

Year 2017

	High	Low
First Quarter	\$ 4.22	\$ 2.72
Second Quarter	\$ 4.03	\$ 2.05
Third Quarter	\$ 3.15	\$ 1.35
Fourth Quarter	\$ 2.01	\$ 0.85
First Quarter of 2018 through April 15, 2018	\$ 1.25	\$ 0.31

The closing price of our common stock on the OTC QX on April 13, 2018 was \$0.45 per share.

Holders

As of December 31, 2017, an aggregate of 29,362,365 shares of our common stock were issued and outstanding and were owned by approximately 115 holders of record.

ITEM 6 SELECTED FINANCIAL DATA

Not applicable.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Annual Report 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 Annual Report 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 Annual Report 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 herein.

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 (Derecognized as variable interest entity on December 30, 2017) and (ii) HSA)
Plantation Division	(Marked 2. JHST)
Fishery Division	(Marked 3. A. CA Engineer & Technology and 3.B. Seafood sales — (Discontinued operation from October 5, 2016)
Cattle Farm Division	(Marked 4. MEIJI and JHMC)
Corporate & Others Division	(Marked 5. SIAF)

A summary of each business division is described below:

- **1. Beef and Organic Fertilizer Division** refers to:

- (i) 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: (a) cattle that are not being slaughtered in our own slaughter house operated by Qinghai Zhong He Meat Products Co., Limited (“**QZH**”) are sold live to third party livestock wholesalers, and (b) cattle that are sold to QZH and slaughtered and deboned and packed by QZH; and the sales of meats deboned and packed by QZH that are sold to various meat distributors, wholesalers and super market chains and our own retail butcher stores. QZH is a fully owned subsidiary of our partially owned subsidiary Qinghai Sanjiang A Power Agriculture Co., Ltd. (“**SJAP**”); as such, the financial statements of these three companies (SJAP, QZH and HSA) 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 we exercise significant control. As of December 30, 2017, QZH was derecognized as variable interest entity and its operating profit and/or loss no longer accretive to the Company’s 41.25% holding in SJAP, a variable interest entity. More details related to QZH’s discontinuance of operations is delineated throughout other sections of this report.
- (ii) The operation of Hunan Shenghua A Power Agriculture Co. Ltd. (“**HSA**”) in 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), crops of vegetables and immortal vegetables (dried) 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, where;

Capital Award generates revenues from providing engineering consulting services as turnkey contractors 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”) as follows:

(A). Engineering and Technology Services; via Consulting and Service Contracts (“CSC’s”) for the development, construction, and supply of plant and equipment, and management of fishery (and prawn or shrimp) farms and related business operations.

(B). Seafood Sales from CA’s projected farms; became a discontinued segment of operations from October 5, 2016 when Triway was disposed to other third parties in term Triway was reclassified as an unconsolidated equity investee on same date.

- **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 sell 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 operation 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 trading segment of business operations of the Group named internally under Corporate division 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.

CONSOLIDATED RESULTS OF OPERATIONS

Part A. Audited Income Statements of Consolidated Results of Operations for year ended December 31 201, compared to the year ended December 31, 2015 and

A (1) Income Statements (audited)

	Note	2017	2016
Continuing operations			
Revenue			
- Sale of goods	1	\$ 181,183,609	\$ 270,788,759
- Consulting and service income from development contracts	1	16,983,330	71,107,794
- Commission income	1	-	1,049,199
		198,166,939	342,945,752
Cost of goods sold	2	(164,974,247)	(211,593,774)
Cost of services	2	(13,566,203)	(47,415,205)
Gross profit	3	19,626,489	83,936,773
General and administrative expenses	5	(19,780,290)	(17,196,962)
Net (loss)/income from operations		(153,801)	66,739,811
Other income (expenses)			
Government grant		2,539,989	1,787,636
Other income		100,218	318,023
Change in fair value of derivative liability		209,219	-
Loss on restructuring		(6,225,204)	-
Bad debts written off		(14,394,402)	-
Impairment on interests in unconsolidated investees		(153,046)	-
Non-operating expenses		(10,717,693)	-
Net loss from disposal of variable interest entity - QZH		(9,365,643)	-
Share of income from unconsolidated equity investee		12,010,051	-
Interest expense		(3,952,631)	(4,010,699)
Net expenses	4	(29,949,142)	(1,905,040)
Net (loss)/income before income taxes		(30,102,943)	64,834,771
Provision for income taxes		(1,684)	(1,130)
Net (loss)/income from continuing operation		(30,104,627)	64,833,641
Less: Net loss/(income) attributable to non - controlling interest	6	17,000,482	(20,852,875)
Net (loss)/income from continuing operations attributable to Sino Agro Food, Inc. and subsidiaries		(13,104,145)	43,980,766
Net income from discontinued operations		-	14,869,216
Net gain from disposal of subsidiaries, TRW and JFD		-	56,947,005
Net income from discontinued operations		-	71,816,221
Less: Net loss/(income) attributable to non - controlling interest		-	(820,973)
Net income from discontinued operations attributable to the Sino Agro Food, Inc. and subsidiaries		-	70,995,248
Other comprehensive income/(loss) - Foreign currency translation income/(loss)		12,781,924	(7,576,607)
Comprehensive (loss)/income		(322,221)	107,399,407
Less: other comprehensive (income)/loss attributable to non - controlling interest		(5,602,048)	1,657,383
Comprehensive (loss)/income attributable to Sino Agro Food, Inc. and subsidiaries		(5,924,269)	109,056,790
Earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders:			
- from continuing and discontinued operations			
Basic	7	\$ (0.53)	\$ 5.46
Diluted	7	\$ (0.53)	\$ 5.00

Earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders:

- from continuing operations

Basic	7	\$ (0.53)	\$ 2.09
Diluted	7	\$ (0.53)	\$ 1.93

Weighted average number of shares outstanding:

Basic	<u><u>24,711,015</u></u>	<u><u>21,041,065</u></u>
Diluted	<u><u>24,711,015</u></u>	<u><u>23,194,083</u></u>

Comparative overview of FY2017 and FY2016 based on results as illustrated in Table A(1), above:

Note (1) to (3) to Table A.1:

(A): Information of Note (1, 2 & 3) Sales, cost of sales and gross profit and analysis:

The Company's revenues were generated from (A) Sale of Goods and (B) Consulting and Services provided in project and business developments covering technology transfers, engineering, construction, supervision, training, management and technology licensing fees etc.

Table (A.2). below reflects segmental break-down figures of Sales of Goods Sold, Cost of Goods Sold, and related Gross Profit for the twelve months ended December 31, 2017 and the twelve months ended December 31, 2016.

In US\$		Sales of goods		Cost of Goods sold		Sales of Goods' Gross profit	
		2017	2016	2017	2016	2017	2016
SJAP	Sales of live cattle	9,144,054	20,089,907	8,443,166	17,030,573	700,888	3,059,334
	Sales of feedstock						-
	Bulk Livestock feed	4,474,578	6,651,262	2,030,708	2,850,779	2,443,870	3,800,483
	Concentrate livestock feed	12,062,075	16,011,795	6,768,584	8,904,363	5,293,491	7,107,432
	Sales of fertilizer	2,230,973	2,709,147	1,719,162	1,767,857	511,811	941,289
SJAP Total		27,911,680	45,462,110	18,961,620	30,553,572	8,950,060	14,908,538
	* QZH's (Slaughter & Deboning operation)	300,212	495,991	107,021	214,879	193,191	281,112
	** QZH's (Deboning operation)						-
	on cattle & Lamb locally supplied	5,211,624	12,048,559	5,589,151	9,392,673	(377,527)	2,655,886
	on imported beef and mutton	43,765,625	76,578,139	51,618,555	60,675,940	(7,852,930)	15,902,199
	Sales of live cattle	-	-				-
	QZH Total	49,277,461	89,122,690	57,314,727	70,283,492	(8,037,266)	18,839,198
HSA	Sales of Organic fertilizer	3,445,674	3,699,377	2,876,173	2,937,669	569,501	761,709
	Sales of Organic Mixed Fertilizer	3,722,171	16,919,357	2,115,238	9,521,702	1,606,933	7,397,655
	HSA Total	7,167,845	20,618,734	4,991,411	12,459,371	2,176,434	8,159,364
	SJAP's & HSA./Organic fertilizer total	84,356,986	155,203,534	81,267,758	113,296,435	3,089,228	41,907,099
JHST	Sales of Fresh HU Flowers	42,956	958,063	38,443	379,711.10	4,513	578,352
	Sales of Dried HU Flowers	1,163,115	7,209,335	1,114,222	2,817,325	48,893	4,392,010
	Sales of Dried Immortal vegetables	-	1,673,511		787,989	0	885,522
	Sales of Vegetable products	3,432,024	3,477,674	2,101,902	2,289,881	1,330,122	1,187,792
	JHST/Plantation Total	4,638,095	13,318,582	3,254,567	6,274,906	1,383,528	7,043,676
MEIJI	Sale of Live cattle (Aromatic)	20,401,361	29,837,560	16,629,579	28,299,710	3,771,782	1,537,850
	MEIJI / Cattle farm Total	20,401,361	29,837,560	16,629,579	28,299,710	3,771,782	1,537,850
SIAF	Sales of goods through trading/import/export activities						-
	on seafood	30,402,652	28,844,210	27,038,775	25,217,223	3,363,877	3,626,988
	on imported beef and mutton	41,384,515	43,584,873	36,783,568	38,505,500	4,600,947	5,079,372
	SIAF/ Others & Corporate total	71,787,167	72,429,083	63,822,343	63,722,723	7,964,824	8,706,360
Group Total		181,183,609	270,788,759	164,974,247	211,593,774	16,209,362	59,194,985

The Company's revenues generated from sale of goods decreased by \$89,605,150 or 33% from \$270,788,759 for the year ended December 31, 2016 to \$181,183,609 for the year ended December 31, 2017. The decrease was primarily due to the decrease of revenues from the SJAP's & HS.A./Organic fertilizer sector (from \$155.2 million in 2016 to \$84.3 million in 2017), the JHST/Plantation sector (from \$13.3 million in 2016 to \$4.6 million in 2017) and the MEIJI/Cattle farm sector (from \$29.8 million to \$20.4 million), collectively.

The Company's cost of goods sold decreased by \$46,619,527 or 22% from \$211,593,774 for the year ended December 31, 2016 to \$164,974,247 for the year ended December 31, 2017. The decrease was primarily due to the decrease in cost of goods sold from the SJAP's & HS.A./Organic fertilizer sector (from \$113.3 million in 2016 to \$81.3 million in 2017) and the MEIJI/Cattle farm sector (from \$28.3 million in 2016 to \$16.6 million), collectively.

Gross profit of the Company generated from goods sold decreased by \$42,985,623 or 73% from \$59,194,985 for the year ended December 31, 2016 to \$16,209,362 for the year ended December 31, 2017. The marginal decrease was primarily due to the decrease of the SJAP's & HS.A./Organic fertilizer sector decrease of \$38.8 million in gross profit (from 2016's \$41.9 million to 2017's \$3.1 million). The decrease mainly attributable to the gross loss contributed by QZH, which experienced a gross loss of \$8.0 million in 2017 compared to a gross profit of \$18.8 million in 2016.

• **1. (i) Beef and Organic Fertilizer Division (SJAP and QZH):**

	In US\$	Sales of goods		Cost of Goods sold		Gross profit	
		2017	2016	2017	2016	2017	2016
SJAP	Sales of live cattle	9,144,054	20,089,907	8,443,166	17,030,573	700,888	3,059,334
	Sales of feedstock	-	-	-	-	-	-
	Bulk Livestock feed	4,474,578	6,651,262	2,030,708	2,850,779	2,443,870	3,800,483
	Concentrate livestock feed	12,062,075	16,011,795	6,768,584	8,904,363	5,293,491	7,107,432
	Sales of fertilizer	2,230,973	2,709,146	1,719,161	1,767,857	511,812	941,289
	SJAP Cattle section Total	27,911,680	45,462,110	18,961,619	30,553,572	8,950,061	14,908,538
	% of increase (+) or decrease (-)	-39%		-38%		-40%	
	* QZH's (Slaughter & Deboning operation)	300,212	495,991	107,021	214,879	193,191	281,112
	** QZH's (Deboning operation)	-	-	-	-	-	-
	on cattle & Lamb locally supplied	5,211,624	12,048,559	5,589,151	9,392,673	-377,527	2,655,886
	on imported beef and mutton	43,765,625	76,578,140	51,618,555	60,675,940	7,852,930	15,902,200
	Sales of live cattle	-	-	-	-	-	-
	QZH (beef section)'s Total	49,277,461	89,122,690	57,314,727	70,283,492	8,037,266	18,839,198
	% of increase (+) or decrease (-)	-45%		-18%		-143%	
HSA	Sales of Organic fertilizer	3,445,674	3,699,377	2,876,174	2,937,669	569,500	761,709
	Sales of Organic Mixed Fertilizer	3,722,171	16,919,357	2,115,238	9,521,702	1,606,933	7,397,655
	HSA Total	7,167,845	20,618,734	4,991,412	12,459,371	2,176,433	8,159,364
	% of increase (+) or decrease (-)	-65%		-60%		-73%	
	SJAP's & HS.A./Beef and Organic fertilizer total	84,356,986	155,203,534	81,267,758	113,296,435	3,089,228	41,907,099
	% of increase (+) or decrease (-)	-46%		-28%		-93%	

Revenue from the sector of beef and organic fertilizer decreased by \$70,846,548 or 46% from \$155,203,534 for the year ended December 31, 2016 to \$84,356,986 for the year ended December 31, 2017. The decrease was mainly due to the decrease in sales by QZH's sale from \$89.1 million in 2016 to \$49.2 million in 2017.

Cost of goods sold from beef and organic fertilizer decreased by \$32,028,677 or 28% from \$113,296,435 for the year ended December 31, 2016 to \$81,267,758 for the year ended December 31, 2017. The decrease was mainly due to the decrease in cost of goods sold in QZH from \$70.3 million in 2016 to \$57.3 million in 2017.

Gross profit from the beef and organic fertilizer sector decreased by \$38,817,871 or 93% from \$41,907,099 for the year ended December 31, 2016 to \$3,089,228 for the year ended December 31, 2017. The decrease was primarily due to the decrease of QZH's gross profit from slaughter and deboning operations of \$18.8 million in 2016 to a gross loss of \$8.0 million in 2017.

Table below shows the itemized sales of goods and related cost of sales in quantity and unit price for the year ended December 31, 2017 and 2016 of the beef and organic fertilizer divisions..

The average unit selling price of live cattle slightly increased by \$6/head. The sales of live cattle in terms of quantity decreased by 4,558 head (from 8,333 head in 2016 to 3,775 in 2017) due to keen competition in the live cattle market.

The decrease of sales in both bulk livestock feed of 10,163MT and 8,443MT in 2017 compared to 2016 reflects seasonal variation that occurs when local farms have abundant supply of crop-feed for their cattle herds requiring less supply supplemented by SJAP.

		<u>Description of items</u>		Difference 2017/2016
SJAP	Cattle Operation	2017	2016	
	Production and Sales of live cattle	Heads	3,775	8,333 (4,558)
	Average Unit sales price	US\$/head	2,417	2,411 6
	Unit cost prices	US\$/head	2,237	2,044 193
	Production and sales of feedstock	MT	25,355	35,518 (10,163)
	Average Unit sales price	US\$/MT	176	187 (11)
	Unit cost prices	US\$/MT	80	80 (0)
	Concentrated livestock feed	MT	27,630	36,073 (8,443)
	Average Unit sales price	US\$/MT	437	444 (7)
	Unit cost prices	US\$/MT	245	247 (2)
	Production and sales of fertilizer	MT	15,705	16,702 (997)
	Average Unit sales price	US\$/MT	156	162 (6)
	Unit cost prices	US\$/MT	123	106 17
* QZH (Slaughter & De-boning operation)				
	Slaughter operation			
	Slaughter of cattle	Heads	643	1,270 (627)
	Service fee	US\$/Head	12	10 2
	Sales of associated products	Pieces	643	1,270 (627)
	Average Unit sales price	US\$/Piece	374	380 (6)
	Unit cost prices	US\$/Piece	166	169 (3)
De-boning & Packaging activities				
	From Cattle supplied locally			
	De-boned Meats	MT	1,252	1,371 (119)
	Average Unit sales price	US\$/MT	4,149	8,788 (4,639)
	Unit cost prices	US\$/MT	3,785	6,851 (3,066)
	From imported beef	MT	8,047	8,914 (867)
	Average Unit sales price	US\$/MT	5,439	8,591 (3,152)
	Unit cost prices	US\$/MT	6,415	6,807 (392)
	From imported lamb	MT		
	Average of sales price	US\$/MT		
	Average of cost prices	US\$/MT		
	Production and Sales of live cattle	Heads		
	Average Unit sales price	US\$/head		
	Unit cost prices	US\$/head		

The Table below shows information of the sales of live cattle between corporative farmers and SJAP's own farm in 2016 / 2017

	Unit	2016		2017		SJAP's own farm
		SJAP as a Group	Cooperative farmers	SJAP's own farm	SJAP as a Group	
Cattle sold	Heads	8,333	2,133	6,200	3,775	-
Average unit sales price	US\$ / head	2,411	1,896	2,588	2,417	-
	RMB / head	15,913	12,514	17,081	15,106	-
RMB sales in live wt.	RMB / Kg	22	22	22	20	-
Sales Revenue	US\$	20,089,907	4,044,307	16,045,600	9,144,054	-
Unit cost price	US\$ / head	2,044	1,982	2,065	2,237	-
	RMB / head	13,490	13,083	13,628	13,981	-
RMB cost in live wt.	RMB / Kg	19	23	18	19	-
Cost of cattle in	US\$	17,030,573	4,228,139	12,802,434	8,443,166	-
Average live wt.	Kg / head	723	569	776	736	-
Total live wt.	Kg.	6,027,259	1,213,292	4,813,967	1,646,108	-
						1,646,108

At SJAP it is a common practice to make cash advances to our cooperative growers (which stood at 22 members in 2017) who are our suppliers, to carry them through respective growing periods (for cropping or pasturing or cattle growing purposes) before final harvests of produce or sale of their cattle. On average, it works out at less than \$8,850 per member based on the total of \$19.5 million, however part of that amount has been offset by RMB1,000 / head of cattle / year given to credit growers' accounts as a grant by the Government amounting to over \$4.165 million placed with SJAP holding on trust for and on behalf of the growers. In this respect, as the said average increases it means that the average cooperative farmer is increasing his productivity (whether in the growing of crops or cattle), and in simple terms, would indicate that SJAP's revenue is also increasing.

Initial Drivers relevant to cattle purchased from Co-op farmers:

- a.) SJAP requires certain breed and genetic standards for cattle it sells, either live or processed, to market.
- b.) SJAP, because of the volume discount it can receive from suppliers on cattle purchased for purpose of raising them in-house, provides an opportunity to have that same cost savings passed onto Co-op farmers who are interested in developing a business relationship with SJAP, insomuch that they decide to purchase young cattle directly from the same suppliers at the same discount afforded SJAP.

The Co-op farmer is under no obligation to purchase young cattle from the mentioned suppliers and does not preclude cattle purchased from other outside sources, once fattened, from being purchased by SJAP as long as the genetic and breed conditions mentioned above, are met. Any transaction between SJAP cattle suppliers and the Co-op farmers is strictly a transaction between those two parties and is not a transaction of which SJAP is party to, neither receiving compensation or finder fee on those transactions.

Co-op farmers wishing to raise their cattle for purchase and subsequent resale by SJAP requires that a certain feed standard, that is vitamin and protein requirements, be provided to cattle in order for SJAP to consider their purchase for resale. SJAP cultivates its own food supply that meets or exceeds that content standard and offers it to Co-op farmers interested in buying it for their livestock. Feed sales transacted between SJAP and the Co-op farmers provide flexible payment terms under the following scenario:

- a.) If SJAP decides to purchase Co-op farmed cattle that have been raised with feed purchased with credit terms from SJAP, SJAP will credit the outstanding balance owed by the Co-op farmer for the feed from the purchase price it pays the Co-op farmer for their cattle, that is allowing the Co-op farmer to carry credit against feed charges outstanding until their cattle is sold to SJAP.
- b.) If SJAP decides not to purchase Co-op raised cattle and credit terms had been extended to them on feed purchased, then the Co-op farmer is provided 90 to 120 days to repay their credit while the accounts receivable associated with that transaction continues to be outstanding until the bill, or any portion thereof, is paid to SJAP. As a security against non-payment by the Co-op, SJAP has received a \$300 local economic subsidy grant, per head of cattle, that can be applied toward any outstanding unpaid (bad debt) balance on feed purchased from SJAP.

- c.) If cattle are purchased by SJAP from the Co-op, then in addition to the purchase price having been credited with what is owed on feed purchased, the \$300 subsidy is applied as credit against their outstanding accounts payable, and the net balance of credit owed deducted from the consideration paid the Co-op farmer for their cattle.

Feed purchased under credit terms by Co-ops as well as feed purchased by any other third-party purveyor of cattle livestock is recorded as Bulk Livestock Feed Sales (please reference Table 1, Beef and Organic Fertilizer Divisions (SJAP and QZH), for sales, cost of goods sold, and gross profit under this category), and the applicable amount of credit provided the feed buyer recorded under accounts receivable.

As previously mentioned, since SJAP requires certain breed and genetic makeup of cattle it wishes to purchase from Co-op farmers, it certainly serves as a convenient method for those farmers to afford themselves both, the availability as well as the cost discount afforded them by purchasing these cattle typically supplied to SJAP. Nonetheless, there is no obligation for Co-op farmers to purchase young cattle from those suppliers, and, as well, does not preclude SJAP purchasing cattle from them if the cattle they raise meet the standard required for purchase and (market) resale by SJAP.

Under no circumstance is SJAP under contracted obligation to purchase cattle that had been purchased by Co-op farmers from SJAP's cattle suppliers, nor is SJAP obligated to purchase any cattle raised by Co-op farmers that were fed with SJAP bulk feed sold to them so as to recoup the credit provided on those sales. Again, credit owed by Co-ops to SJAP that is not offset from the purchase price of fattened cattle purchased from them by SJAP, continues to be recorded as an accounts receivable until such time as that debt is repaid, with further understanding that the \$300 government subsidy per head of cattle remains available in case any portion of those outstanding debts are recorded as bad debt, which in the case of SJAP's history with its Co-op farmers, has seldom occurred.

The average price paid to cooperatives for their fattened cattle is at RMB50 / Kg or at RMB4 / kg above average market prices, whichever is higher. A commitment by SJAP to the cooperative farmer to exercise its option to purchase cattle is made well in advance to lock-in the price before other buyers step in and also to obtain the producer's commitment to raise its cattle based on SJAP's quality standard for purchase. Again, if the quality of cattle raised by the cooperative does not meet SJAP standards, then there is no purchase obligation on SJAP's part to carry out its commitment. Over the past few years until Q3 2015, when the Government relaxed its beef import policy, SJAP had generated good profit margins working under this arrangement. Since then, profit margins have steadily been depleted, such that by mid-2017 if SJAP had continued to commit buying additional heads of cattle from the cooperatives, it would have resulted in continuous operating losses for SJAP in 2017 and 2018 estimated to total \$46.75 million (cumulative) based on an average market loss of RMB11.5/Kg (or \$1.75 / Kg), excluding other operating expenses. This alone had provided incentive for the Company to decide on what its alternatives were to sustain (and absorb) such losses, which for all intents and purposes was not an option considering current cash flow issues with the Company.

The local Government had been working with SJAP to develop a long-term plan to help ameliorate the problem faced by SJAP as well as other cattle houses throughout the region, yet the timeframe that appeared necessary to carry out a solution would also mean incurring more losses without the means to cover those losses in the meantime.

What has been decided between SJAP and its investors, including SIAF, and the local Government in the interest of its stakeholders was the following solution:

- 1) The local Government was able to work out an agreement with cooperatives to have them accept a portion of the loss they had incurred in 2017 and the losses they have already incurred preparing for 2018 resulting from SJAP no longer capable of making do on its commitment to purchase.
- 2) SJAP agreed to pay the cooperatives a deeply discounted portion of its commitment/obligation to them at an average price of \$800/head, about one-third of the out of pocket cost typically paid cooperatives in exchange for release from its commitment to purchase, which totals a one-time cost of \$17.75 million. When compared to the estimated cumulative total loss to be incurred of \$46.75 million in 2017/2018 due to SJAP's lock-in commitment to buy, the estimated amount of out of pocket loss to SJAP is estimated to be reduced by about \$30 million.

Also, consideration had to be given to the cost being incurred to meet the new regulations implemented by the Central Government on Abattoir operations, the license currently held by QZH. Currently, it's estimated that having both the funding and Abattoir operations underway meeting these new standards will take approximately 2 years to materialize; again, another source of income that would be completely curtailed until Abattoir operations were back online.

Taking into consideration and weighing its options, SJAP decided to eliminate any additional losses being incurred through QZH and has decided to discontinue QZH operations with the understanding that if favourable market conditions were to reoccur as well as the Abattoir license reinstated in addition to Governmental assistance in developing a long-range plan being implemented that consideration will be given to resuming QZH operations in the future.

Thus, as of December 30, 2017 (the "deemed date of disposal"), QZH's operations were discontinued and SIAF, based on its proportional ownership of QZH through its variable interest entity SJAP, had incurred a net loss on disposal totalling \$9,365,543 as delineated in the following table:

NET LOSS FROM DISPOSAL OF A VARIABLE INTEREST ENTITY (CONTINUED)

(a) Net loss from disposal of a variable interest entity, QZH

Cash and cash equivalents	\$ 17,060
Inventories	4,567,530
Prepayments	2,692,571
Accounts receivables	16,403,731
Other receivables	1,855,971
Plant and equipment	3,888,987
Intangible assets	2,870
	29,428,720
Less: Accounts payable	(7,140,439)
Other payables	(5,811,425)
Short term borrowings	(1,530,456)
Non-controlling interests	(5,082,410)
Accumulated exchange difference	(498,347)
Net assets and liabilities disposed as of December 30, 2017	\$ 9,365,643
Satisfied by:	
Cash consideration	\$ -

Under the arrangement of the disposal agreement between all parties, it was agreed to that:

- SJAP is no longer liable and responsible for the liabilities of QZH
- If Profit will be derived from the sale of existing fixed assets of QZH, 50% of any gained profit will be paid to SJAP with SIAF receiving its proportional share of the proceeds.
- There will be an annual royalty fee paid by QZH to SJAP / SIAF calculated at 25% of QZH net income over the next 3 years beginning January 1, 2018, if operations were to be reinstated within this period.
- Also, if QZH operations were to resume under the Government's plan to establish QZH as a regional hub for beef processing, value-added production, etc. within the next 3-years, an option to buy up to 25% equity of QZH at its fair book value (net of the loss incurred from disposal) would be made available to the Company or its nominee, on or before December 30, 2020.

Taking into consideration all issues related to the ongoing losses incurred by QZH, the Company believes that its support in favour of QZH's disposal is the best option for its shareholders at this time foregoing incurring further and greater losses from QZH while leaving the door open to reinvest in QZH if, and when, the larger issues are resolved and the regional beef hub plan is able to be implemented.

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

Overall decrease in sales in HSA was mainly contributed by the significant drop in the sales of organic mixed fertilizer ("OMF") where the sales volume decreased by 31,356MT and average unit selling price decreased by \$7/MT. The significant drop in sales volume had been due to a shutdown in production allowing for construction work to be completed at the cattle work station throughout the 2nd half of 2017, as reflected in the table, below:

	In US\$	Sales of goods		Cost of Goods sold		Gross profit	
		2017	2016	2017	2016	2017	2016
HSA	Sales of Organic fertilizer	3,445,674	3,699,377	2,876,174	2,937,669	569,500	761,709
	Sales of Organic Mixed Fertilizer	3,722,171	16,919,357	2,115,238	9,521,702	1,606,933	7,397,655
	HSA Total	7,167,845	20,618,734	4,991,412	12,459,371	2,176,433	8,159,364
	% of increase (+) or decrease (-)	-65%		-60%		-73%	

Description of items		2017	2016	Difference 2017/2016
HSA	Fertilizer operation			-
	Organic Fertilizer	MT	15,334	14,896
	Average Unit sales price	\$/MT	241	238
	Unit cost price	\$/MT	192	192
	Organic Mixed Fertilizer	MT	9,042	40,398
	Average Unit sales price	\$/MT	412	419
	Unit cost price	\$/MT	234	236
	Retailing packed fertilizer (for super market sales)	MT	71	229
	Average Unit sales price	\$/MT	687	692
	Unit cost price	\$/MT	353	361

HSA produced over 50,000 MT of organic fertilizer and organic mixed fertilizer in 2016 that reduced to 24,447 Mt in 2017 (a decrease of 59.25%) primarily due to (i) the production of the fertilizer in HSA being affected in the second half of 2017 by the ongoing construction work of cattle station during the year and (ii) the retrofitting of the fertilizer plant to accommodate the application of cattle waste as the main source of raw material versus chicken waste as its main product source. By Q4 2017, HSA's production lines were back online. Organic Fertilizer generated sales of 15,334 MT in 2017 from 14,896 MT sold in 2016. Organic Mixed Fertilizer (OMF), on the other-hand, a product specifically designed and designated for the growing environment of lake fish, had fallen behind in 2017 from 2016 primarily due to: (A) it takes time to complete various testing cycles at lake-farms' sites to ensure that the application of OMF made from cattle waste will: (i) enhance similar economic benefits to the growers and (ii) achieve similar healthy ecological environment to the water quality in the lakes and (B) the supply of raw cattle waste to support full scale of production wasn't sufficient once the equipment and facilities had been retrofitted due to limited supply of availability of cattle waste from HSA's operations. As such, it is anticipated that HSA's targeted annual OMF production of 40,000 MT likely will be reached sometime mid-year of 2019.

The main hardship related to selling fertilizer is the requirement to provide longer credit terms (sometimes up to 180 days for crop growers and up to one year for lake fish producers) who are the Company's end buyers because these end users normally cannot afford to pay until they sell their products. Therefore, the Company must assess creditworthiness of its prospective customers, and only consider the farmers who can be deemed creditworthy, and who follow the Company's requirements for planting their fields and harvesting crops each year etc.

Development of HSA follows SJAP's business model. HSA is situated in a much better growing environment than SJAP. Thus, HSA benefits from cheaper logistics costs, close proximity to large markets, and a more favorable climate (milder winters and longer summers versus SJAP's long bitterly cold winters and short summers). However, financial support from the Government is more difficult to obtain in Hunan Province because more entities share the Government's support provisions.

HSA faces both higher development costs and longer time to construct its facilities when compared to SJAP, whose property had 40 older (yet salvageable) buildings, which it has renovated to meet its needs.

Hunan Province is one of the biggest primary producing provinces of China with over four million primary producers that grow rice, tea, tobacco, grapes, citrus, cotton, seedlings, sunflowers, herb plants and many varieties of cash crops. Hunan also has a long-standing history in lake-aquaculture producing millions of tons of fish and other seafood annually

The Company's plan for HSA is to process cattle solid waste from its own cattle farm to be used as raw materials for the manufacturing of fertilizer, thus there will be substantial saving in its cost of fertilizer manufacturing (estimated at over USD2.5 million per year based on current sales), and with its savings, HSA will be able to self-finance the development of its AYC Program (inclusive breeding) designed to eventually produce the AYC into one of the top quality native beef cattle in Asia, aiming to reach meat quality on par with Japanese Wagyu Cattle to satisfy China's own domestic market especially for the southern regions of China. The AYC Cattle is very similar in body size and weight and quality to the Japanese Wagyu cattle and has distinct meat texture, flavor and quality that are in high demand in China. In this respect, HSA's cattle development is very different compared to SJAP's cattle business since HSA's business is aimed at developing a brand of cattle strictly of Chinese origin, whereas SJAP's original (before said changes mentioned in earlier) cattle business is a fully integrated model as primary producer, value added processor, canning operator, stock-feed producer, as well as, marketer and distributor of imported beef and other commercially recognized breeds of cattle.

The Company's other future plan is to merge Cattle Farms (1) & (2) with HSA such that CF (1) & CF (2) will become breeding stations supplying yearlings for HSA to raise into fully mature cattle (up to 3 years old) that will be sold in the Chinese market. Again, these operations will require sufficient capital to meet this plan's overall development, likely to be sourced through financing vehicles, such as debt, government subsidies, overall increase in sales revenue from organic mixed fertilizer, etc. The Company will provide assistance where it can to help attract funding sources for the purposes described, herein.

2. 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. JHST's financial statements are consolidated into the financial statements of MEIJI as one entity.

	In US\$	Sales of goods		Cost of Goods sold		Gross profit	
		2017	2016	2017	2016	2017	2016
JHST	Sales of Fresh HU Flowers	42,956	958,063	38,443	379,711.00	4,513	578,352
	% of increases (+) or decreases (-)	-96%		-90%		-99%	
	Sales of Dried HU Flowers	1,163,115	7,209,334	1,114,222	2,817,325	48,893	4,392,009
	% of increases (+) or decreases (-)	-84%		-60%		-99%	
	Sales of Dried Immortal vegetables	-	1,673,511	-	787,989	-	885,522
	% of increases (+) or decreases (-)	-100%		100%		100%	
	Sales of Vegetable products	3,432,024	3,477,674	2,101,902	2,289,881	1,330,122	1,187,793
	% of increases (+) or decreases (-)	-1%		-8%		12%	
	JHST/Plantation Total	4,638,095	13,318,582	3,254,567	6,274,906	1,383,528	7,043,676
	% of increases (+) or decreases (-)	-65%		-48%		-80%	

Revenue from our plantation decreased by \$8,680,487 or 65% from \$13,318,582 for the year ended December 31, 2016 to \$4,638,095 for the year ended December 31, 2017.

Cost of goods sold from the plantation decreased by \$3,020,339 or 48% from \$6,274,906 for the year ended December 31, 2016 to \$3,254,567 for the year ended December 31, 2017. The decrease was primarily due to the cost in cultivating and maintaining large acreage with higher associated labor costs, etc.

Gross profit from our plantation decreased by \$5,660,148 from \$7,043,676 for the year 2016 to \$1,383,528 for the year 2017.

The Table below shows the itemized unit sales and cost prices of the products and products:

JHST	Description of items	2017		2016	Difference 2017/2016
	Plantation of HU Flowers and Immortal vegetables				
	Fresh HU Flowers	Pieces	480,813	6,163,100	(5,682,287)
	Average Unit sales price	\$/Pieces	0.09	0.16	(0.07)
	Unit cost price	\$/Pieces	0.08	0.06	0.02
	Dried HU Flowers	Kg	224,000	584,000	(360,000)
	Average Unit sales price	\$/Kg	5.19	12.35	-7.16
	Unit cost price	\$/Kg	4.97	4.82	0.15
	Dried Immortal vegetables	MT	-	23,000	(23,000)
	Average Unit sales price	\$/MT	-	72.76	-72.76
	Unit cost price	\$/MT	-	34.26	-34.26
	Other Value added products	MT	3,223	4,551	(1,328)
	Average Unit sales price	\$/MT	1,065	764	300.70
	Unit cost prices	\$/MT	650	503	146.84

Our plantation experienced very heavy wet seasons for more than 4-5 years (2013 to 2017) requiring the Company to combat and treat diseases and related problems continuously during the period, but by 2017 had exhausted all various means to recover and to revitalize the HU plantation. With continued wet conditions experienced over the past years, damage to the soil and plant roots has increased disease problems to the HU plantation affecting its overall yield as well as quality of harvested flowers (i.e. sales of 224,000 Kg dried HU flowers and 480,813 pieces fresh HU flowers in 2017 compared to 584,000 Kg dried HU flowers and 6,163,100 pieces fresh HU flowers in 2016). Even though new plants were being planted each year increasing the area of planting by over 900 Mu to a total of over 1700 Mu with the intent to increase productivity, proportionately, the outcome has fell well short of intended results. Furthermore, poor soil and weather conditions adversely affected the quality of the HU flowers products which caused a significant drop in selling prices (i.e. the unit selling price of fresh HU flowers decreased from \$0.16 in 2016 to \$0.09 in 2017 while that of dried HU flowers decreased from \$12.35 /kg in 2016 to \$5.19 / kg in 2017). At the same time, the regional farmers suffered the same fate that we could not buy enough fresh flowers from them to dry to maintain the sales of dried flowers. Therefore, due to deteriorating conditions recurring in the HU sector, the Company is reviewing the following options with the hope to remedy the situation.

One of the plans of JHST was to plant other cash crops to provide an alternative source of income for the plantation. Immortal Vegetable ("IV") plants have properties that some believe induce good health. The Company has processed these into small herbal tea bags - selling them as organic herbal health tea. Laboratory test results show that each kilo of fresh Immortal Vegetables contains 0.58 gram of selenium, which adds value to their sales. As of the 2015 season there were 70 Mu designated for growing immortal vegetables on the plantation, however sales of this products did not reach targeted levels such that in 2017 the Company maintained only a small plot of about 10 Mu for growing IV. We did not sell any dried IV tea in 2017, but we kept over 20,000 Kg dried IV tea in inventory planning to relaunch its sales by one of the country's top e-commerce operators in 2018 that will involve (a). Repackaging the products by a well-known and reputable health food processor and promoter into three separate and different health products with each product reflecting its own health property instead of an all-in-one application like had been, previously, (b). To promote the product under one of the China's best brand names of health herbal products. Our herbal health tea products (The HHTP) have been accepted by one of their franchisees during March 2018, and, as such, we are working on trials with the processor over the coming months to start launching the HHTP onto an e-commerce platform targeting Q3 2018 depending on the successful outcome of the trials to meet various marketing markers, satisfactorily. If HHTP is launched successfully, there is good potential for JHST's plantation to generate sustainable high sales revenues and profit from 2018 onward because the IV are very durable plants with strong disease resistant characteristics having good growth rates producing 5 yields per year (average of 50 MT of fresh produce / acre / year) at a reasonable cost of production averaging at RMB1000 / MT or the equivalent of RMB50,000 / acre. Practically speaking, the whole plant (that is, the flowers, leaves, stems and roots) can be dried into the HHTP averaging 5 MT of HHTP / acre / year. We are targeting to plant about 15 acres in year 1 (starting from Q3 2018) to process into 75 MT of HHTP to generate direct farm sales (excluding marketing and other associated sales revenue and costs, etc.) up to RMB45 million / year 1 (or the equivalent of \$7.2 million) at about a 70% gross profit margin. If successful, it will enhance revenue and profit by more than 200% of JHST's annual sales revenue and gross profit generated in either FY2016 or FY2017.

In March 2018, JHST signed two growing contracts that have stable pricing conditions: (1). With a herbal plant oil processor to grow 50 acres of plants called "Pogostemon Patchouli" ("PP" or 广藿香叶 in Chinese) for processing into a type of natural aromatic oil that has experienced a good market in China. 50 acres of trial will be run this year but can be expanded to 150 acres next year if proven successful. It is estimated that the 50 acres of PP will generate sales revenues over \$1 million with 50% gross profit margins based on two harvests for the year 2018; and (2). To grow 200 acres of Passion Fruit for a Juice Manufacturer from 2018 to 2020 for 3 years initially estimated to produce around 2,400 MT of fruit / year contracted at RMB8,000 / MT (or \$1,280 / MT) to generate over \$3 million in sales revenue. The combination of both fruits and PP will enhance revenue and gross profit to JHST that again will exceed its performance of either FY2016 or FY2017, if their outcomes prove successful.

3. 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 are selling 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, such as Cattle Farm 2, or related projects.

	In US\$	Sales of goods		Cost of Goods sold		Sales of Goods' Gross profit	
		2017	2016	2017	2016	2017	2016
MEIJI	Sale of Live cattle (Aromatic) from own farm & from trading	20,401,361	29,837,560	16,629,579	28,299,710	3,771,782	1,537,850
	MEIJI / Cattle farm Total	20,401,361	29,837,560	16,629,579	28,299,710	3,771,782	1,537,850
	% of increases (+) & decreases (-)		-32%		-41%		145%

Revenue from the cattle farm decreased by \$9,436,199 or 32% from \$29,837,560 for the year ended December 31, 2016 to \$20,401,361 for the year ended December 31, 2017. The decrease was primarily due to the overall depressed situation of the domestic cattle industry such that CF1’s current operations plan is to be conservative as it works through the current market variables in the industry. The combination of a decrease in sales volume of 6,205 head (from 15,977 head sold in 2016 to 9,772 head in 2017) and the increase in average unit selling price of \$220 (from \$1,868/head in 2016 to \$2,088/head in 2017) contributed to the decrease in revenue.

Cost of goods sold from the cattle farm decreased by \$11,670,131 or 41% from \$28,299,710 for the year ended December 31, 2016 to \$16,629,579 for the year ended December 31, 2017.

Gross profit from cattle increased by \$2,233,932 or 145% from \$1,537,850 for the year 2016 to \$3,771,782 for the year ended December 31, 2017, mainly due to cost cutting strategies in cattle rearing implemented throughout the year.

	Production and trading on sale of Live cattle	Head	2017	2016	2017 to 2016
			\$/head	\$/head	(6,205)
	Average Unit sales price		2,088	1,868	220
	Unit cost prices		1,702	1,771	(69)

Currently there are two operations in this segment, Cattle Farm 1 and Cattle Farm 2.

Cattle Farm 1: Cattle Farm 1 was built as a demonstration farm to show that cattle can be raised in a semi-tropical climate using the Company’s semi-grazing and housing method. Using the Company’s semi-free growing management system, the cattle are allowed to graze in the field during the early morning and kept indoors and out of the sun during the hot summer days. This method has proven reliable, with the growth rate of the cattle measuring slightly higher than the cattle at SJAP (i.e., averaging around 0.28 kg per day per cattle).

Cattle Farm 2: Cattle Farm 2 is a beef cattle farm situated in Guangdong Province, Guangzhou City. Cattle Farm 2 is operated by a private company formed in China with Chinese citizens acting as its legal representative as required by Chinese law. *Cattle Farm 2* is complementary to Cattle Farm 1, having an additional 76 acres of land suitable for growing the Company’s type of pasture (a cross between elephant grass and yellow grass) that has a very high yield rate of over 35 MT per 1/6 acre per year, and containing an average of over 9 percent protein that is very suitable for consumption by cattle. Between the two farms, under normal seasons, they have a capacity to produce up to 30,000 MT of pasture/year collectively that is capable to feed up to 5,000 head of cattle/year based on the consumption rate on average of 6 MT/head.

MEIJI is the marketing and distribution agent for all cattle farms that have been and will be developed by MEIJI using its “Semi-free growing” management systems and aromatic-feed programs and systems to grow beef cattle.

Similar to CA in its business model, MEIJI purchases fully-grown cattle from Cattle Farm 1 and sells them to the cattle wholesalers. MEIJI also buys young cattle from other farmers and sells the young stock to Cattle Farm 1. All cattle farms developed by MEIJI will utilize its “semi-free growing” management system and aromatic-feed programs and systems (which is a feeding program with special selected Chinese herbs to improve the health of the cattle to avoid the use of antibiotics) to raise beef cattle, such that cattle raised under this program have a distinct aromatic flavor sought by many restaurants in the Guangdong Provinces.

AYC (Beef meat) is traditionally a high-end market in China, as it is mainly sold in higher end markets (i.e. its 2016 / 2017 average of wholesale price was between RMB70 to RMB78 / kg (live weight) while the average of other (western origin breed beef) cattle like Angus, etc. was between RMB36 to RMB 48 / kg (live weight). We are anticipating that the AYC situation is rapidly changing, though, owing to urbanization and rising incomes, the rising demand for such quality beef, such that we foresee that eventually, locally grown and produced high quality beef from local breeds like the AYC will establish its "Brand" and market niche, returning premium prices in China similar to how many locally bred Japanese Cattle found their market niches in Japan that are not be affected by the supplies of imported beef.

Initially (as demonstration farms) these farms were going smoothly rearing and fattening mainly the western origin beef cattle (WOBC) breeds (i.e. Angus and / or Simmental) similar to cattle fattened at SJAP until the adverse impact caused by said relaxed importation of cattle from other countries that reduced the activity of the fattened WOBC and to grow more AYC. However, although the domestic prices of the AYC were not being affected by the imports, they do have much lower growth rates due to their small stature and in turn reduces these farms' sales revenues based on volume yet make up the difference on their return on gross profit as evidenced in 2017 for gross profit of \$3.77 million derived from sales of \$20.4 million when compared to 2016 for gross profit of \$1.5 million derived from sales of \$29.84 million of WOBC.

Presently, these farms are carrying on with the growing and fattening mainly AYC and that the Company's plan (mentioned earlier) to merge Cattle Farms (1) & (2) with HSA such that CF (1) & CF (2) will become breeding stations supplying yearlings for HSA to grow into full grown cattle (up to 3 years old) that will be sold in the Chinese market, is now delayed to later months of 2018 or to 2019 if necessary due to the Company's mandate in 2017 to restrict capital expenditures until such time as its overall liquidity improves.

- **4. Corporate & Others Division** refers to the business operations of the Group called internally under the name of "Corporate & Other Division" 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\$	Sales of goods		Cost of Goods sold		Gross profit	
		2017	2016	2017	2016	2017	2016
SIAF	Sales of goods through trading/import/export activities						
	on seafood (via imports)	30,402,652	28,844,210	27,038,775	25,217,223	3,363,877	3,626,988
	% of increases (+) and decreases (-)	5%		7%		-7%	
	on imported beef mainly	41,384,515	43,584,873	36,783,569	38,505,500	4,600,946	5,079,372
	% of increases (+) and decreases (-)	-5%		-4%		-9%	
	SIAF/ Others & Corporate total	71,787,167	72,429,083	63,822,343	63,722,723	7,964,824	8,706,360
	% of increases (+) and decreases (-)	-1%		0%		-9%	

Revenue from the corporate decreased by \$641,916 or 1% from \$72,429,083 for the year ended December 31, 2016 to \$71,787,167 for the year ended December 31, 2017. The decrease was marginal primarily due to a decrease in the sales of imported beef from \$43.6 million in 2016 to \$41.4 million in 2017 that was offset by the increase of sales of imported seafood from 2016's \$28.84 million to 2017's \$30.4 million.

Cost of goods sold from corporate increased by \$99,620 from \$63,722,723 for the year ended December 31, 2016 to \$63,822,343 for the year ended December 31, 2017 due primarily to the increased prices of some of the imported goods.

Gross profit from the corporate decreased by \$741,536 or 9% from \$8,706,360 for the year ended December 31, 2016 to \$7,964,824 for the year ended December 31, 2017. The decrease was primarily due to corresponding increase of cost of sales.

Description of items		2017	2016	Difference
SIAF	Seafood trading from imports			
	Mixed seafood	MT	1,583	1,158
	Average of sales price	\$/MT	19,211	24,904
	Average of cost prices	\$/MT	17,085	21,772
	Beef & Lamb trading from imports	MT	2,885	4,344
	Average of sales price	\$/MT	14,343	10,034
	Average of cost price	\$/MT	12,748	8,865
				3,883

Primarily, the Company distributes meat imported from Australia and seafood from other countries through these operations under their import and export permits conditioned under the China Government's regulations.

We believe this division has excellent growth potential due mainly to the needs of import foods in China, but the sales of this division is limited mainly by "insufficient working capital" that helps drive sales' turnover. For instance, the company's average gross profit on import trade is at 10.5% (derived from a 12.5% mark-up) from selling imported goods to its sales agencies to distribute in China. Total working capital (WC) need for the 1st month's import and the subsequent 2nd month's import is calculated to about 4 months' worth of "goods-sold" when considering that it will require 2 months to complete one cycle of a monthly import's volume to allow sufficient time for "ordering, shipping, custom clearance, goods inspection, discharging & local transportation, storing and selling time etc. and another 2 months for the subsequent month's imports, a total of 4 months / WC cycle. As such, if the Company wants to generate \$120 million in sales in one year it will require WC of about \$40 million (or 33.3%) to be locked up month after month continuously during the year. Since the Company did not have \$40 million in WC in the past or currently for this purpose, it was only able to build up sales in this division gradually depending on the availability of working capital, from time to time.

● **5.A. Engineering technology consulting and services:**

Table (A.5) below shows the revenue, cost of services and gross profit generated from Consulting, services, commission and management fees for years 2017 and 2016.

	2017	2016	Difference
CA	16,983,330	72,156,993	(55,173,663)
SIAF		-	
Group Total Revenues	16,983,330	72,156,993	(55,173,663)
Cost of service			
CA	13,566,203	47,415,205	(33,849,002)
SIAF			
Group Total Cost of sales	13,566,203	47,415,205	(33,849,002)
Gross Profit			
CA	3,417,127	24,741,788	(21,324,661)
SIAF			
Group Total Gross Profit	3,417,127	24,741,788	(21,324,661)

Note (1) to Table A1 Revenues (consulting, service, commission and management fee):

Revenues decreased by \$55,173,663 or 76% from \$72,156,993 for the year ended December 31, 2016 to \$16,983,330 for the year ended December 31, 2017. The decrease was primarily due to following reasons:

- Prior to the acquisition of farms by JFD / Tri-way, their respective development and construction costs were mainly financed by their respective owners and investors and partly financed by CA's deferred account receivables. Since the acquisition, this has changed as a sole responsibility of JFD / Tri-way.
- Triway is applying for a long-term loan and in the interim, depending on the materialization of said loan, JFD / Tri-way can only afford to fund further expansion and development within the means provided by its available cash-flow (ACF) generated through internal operations.

(iii) As well, working capital to cover day-to-day operations is also the responsibility of JFD / Tri-way, which accounts for a portion of the ACF utilized to pay for those expenses.

In other words, there was not enough ACF in Triway to spend on farm development, thus reducing CA's C&S income in 2017.

Note (2) to Table A1 Cost of services (consulting, service, commission and management fee)

Cost of services for consulting, service, commission and management fee decreased by \$33,849,002 or 17% from \$47,415,205 for the year ended December 31, 2016 to \$13,556,203 for the year ended December 31, 2017. The decrease was primarily due to a decrease in overall construction costs.

Note (3) to Table A1 Gross profit (consulting, service, commission and management fee)

Gross profit of consulting, service, commission and management fees decreased by \$21,324,661 or 86%, from \$27,741,788 for the year ended December 31, 2016 to \$3,417,127 for the year ended December 31, 2017.

Note (4) to Table A1 Net expense:

Net expense increased by \$28,044,102 from \$1,905,040 in 2016 to \$29,949,142 in 2017 was mainly due to i) an increase in government grant of 752,353 from \$1,787,636 to \$2,539,989; ii) change in fair value of derivative liability of \$209,219 from a new convertible bond of \$4 million issued during the year; and iii) share of profit from a unconsolidated equity investee of \$12,010,051; offset by iv) a decrease in other income of \$217,805 from \$318,023 in 2016 to \$100,218 in 2017; v) a loss on restructuring of 6,225,204 which represents the non-amortized part of the discount upon the issuing of the convertible bond; vi) a bad debt written off of \$14,394,402 contributed by QZH; vii) impairment on interests in unconsolidated investees of \$153,046 Guangzhou Horan Taita Information Technology Co., Limited; viii) compensation indemnity of \$8,375,947 (included in non-operating expenses) paid for breach of obligation for the purchase of fattened cattle from the corporative farmers of QZH; and ix) net loss from disposal of variable interest entity-QZH of \$9,365,643.

Note (5) to Table A1 General and Administrative and interest Expenses:

General and administrative (including depreciation and amortization) and interest expenses (including in Note (4) net expenses) increased by \$2,525,260 or 12% from \$21,207,661 for the year ended December 31, 2016 to \$23,732,921 for the year ended December 31, 2017. The increase was mainly due to i) increase in others and miscellaneous (including research and development) of \$2,711,554 from \$2,294,767 for the year ended December 31, 2016 to \$5,006,321 for the year ended December 31, 2017; and ii) an increase in depreciation and amortization of \$1,500,854 from \$3.5 million in 2016 to \$5.0 million in 2017 (explained in Note (6)) as shown in the table below:

Table (i) to Note 5

Category	2017	2016	Difference
	\$	\$	\$
Office and corporate expenses	3,946,885	4,974,052	(1,027,167)
Wages and salaries	5,520,491	5,380,534	139,957
Traveling and related lodging	54,028	175,848	(121,820)
Motor vehicles expenses and local transportation	67,210	178,090	(110,880)
Entertainments and meals	143,735	652,904	(509,169)
Others and miscellaneous	5,006,321	2,294,767	2,711,554
Depreciation and amortization	5,041,620	3,540,766	1,500,854
Sub-total	19,780,290	17,196,962	2,583,328
Interest expense	3,952,631	4,010,699	(58,068)
Total	23,732,921	21,207,661	2,525,260

Note (i) to Note (5) Table (i):

Depreciation and amortization (under general and administrative expenses) increased by \$1,500,854 or 42% to \$5,041,620 for the year ended December 31, 2017 from \$3,540,766 for the year ended December 31, 2016. The increase was primarily due to the increase of depreciation by \$857,038 to \$3,052,971 for the year ended December 31, 2017 from depreciation of \$2,195,933 for the year ended December 31, 2016, and the increase of amortization by \$643,816 to \$1,988,649 for the year ended December 31, 2017 from amortization of \$1,344,833 for the year ended December 31, 2016.

Depreciation and amortization (under cost of goods sold) increased by \$3,190,180 or 138% to \$5,507,271 for the year ended December 31, 2017 from \$2,317,091 for the year ended December 31, 2016. The increase was primarily due to the increase of depreciation by \$3,352,144 to \$5,297,840 for the year ended December 31, 2017 from depreciation of \$1,945,696 for the year ended December 31, 2016 offsetting by the decrease of amortization by \$161,964 to \$209,431 for the year ended December 31, 2017 from amortization of \$371,395 for the year ended December 31, 2016.

In this respect, total depreciation and amortization amounted to \$10,548,891 for the year ended December 31, 2017, out of which amount \$5,041,620 was reported under general and administration expenses and \$5,507,271 was reported under cost of goods sold; whereas total depreciation and amortization was at \$5,857,857 for the year ended December 31, 2016 and out of which amount \$3,540,766 was reported under General and Administration expenses and \$2,317,091 was reported under cost of goods sold.

Note (6) to Table A 1 Non-controlling interest:

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

Name of China subsidiaries	Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd.(China)	Jiangmen City Hang Mei Cattle Farm Development Co. Ltd.(China)	Hunan Shenghua A Power Agriculture Co., Limited (China)	Qinghai Sanjiang A Power Agriculture Co Ltd (China)	Qing Hai Zhong He Meat product Co. Ltd (China)	Total
Effective shareholding	75%	75%	76%	41.25%	35.36%	
Abbreviated names	(JHST)	(JHMC)	(HSA)	(SJAP)	(QZH)	
Net income (loss) of the P.R.C. subsidiaries for the year in \$	-1,921,233	2,900,682	515,082	4,196,888	-30,682,576	
% of profit sharing of non-controlling interest	25%	25%	24%	58.75%	64.64%	
Non-controlling interest's shares of Net incomes in \$	-480,308	725,171	123,620	2,465,673	-19,834,636	17,000,482

The Net Loss attributed to non-controlling interest is \$17,000,482 shared by (JHST, JHMC, HSA, SJAP and QZH, collectively) for the year ended December 31, 2017 as shown in Table (F) above. QZH was disposed and derecognized as part of the Company's investment in SJAP, a variable interest entity, on December 30, 2017.

Note (7) to Table A 1 Earnings per share (EPS):

Earnings per share from continuing and discontinued decreased by \$5.99 (basic) and \$5.53 (diluted) per share from EPS of \$5.46(basic) and \$5.00 (diluted) in 2016 to loss per share of \$0.53 (basic) and \$0.53 (diluted) in 2017. Earnings per share from continuing operations decreased by \$2.62 (basic) and \$2.46 (diluted) per share from EPS of \$2.09 (basic) and \$1.93(diluted) in 2016 to loss per share of \$0.53 (basic) and \$0.53 (diluted) in 2017. The reason for the decrease is primarily due to i) the poor financial performance of the disposed PRC subsidiary, QZH and ii) loss on restructuring during 2017.

Part B. MD &A on Audited Consolidated Balance Sheet as of the year 2017 compared to year 2016 (fiscal year)

Consolidated Balance sheets	December 31, 2017	December 31, 2016	Changes	Note
			\$	
ASSETS				
Current assets				
Cash and cash equivalents	560,043	2,576,058	(2,016,015)	8
Inventories	52,628,947	62,592,272	(9,963,325)	9
Costs and estimated earnings in excess of billings on uncompleted contracts	1,249,187	740,984	508,203	
Deposits and prepaid expenses	70,459,650	79,848,950	(9,389,300)	10.1
Accounts receivable	82,971,418	122,912,086	(39,940,668)	11
Other receivables	20,680,478	47,120,800	(26,440,322)	15
Total current assets	228,549,723	315,791,150	(87,241,427)	
Property and equipment				
Property and equipment, net of accumulated depreciation	246,857,797	189,727,227	57,130,570	12
Construction in progress	6,178,308	35,157,213	(28,978,905)	13
Land use rights, net of accumulated amortization	54,838,031	53,673,690	1,164,341	14
Total property and equipment	307,874,136	278,558,130	29,316,006	
Other assets				
Goodwill	724,940	724,940	0	
Proprietary technologies, net of accumulated amortization	9,588,605	10,090,697	(502,092)	
Investment in unconsolidated equity investee	193,267,696	139,133,443		
Long term investment	-	720,773	(720,773)	
Temporary deposit paid to entities for investments in future Sino Joint Venture companies	34,917,222	15,644,998		10.2
Total other assets	238,498,463	166,314,851	72,183,612	
Total assets	774,922,322	760,664,131	14,258,191	
Current liabilities				
Accounts payable and accrued expenses	4,243,496	8,789,324	(4,545,828)	
Billings in excess of costs and estimated earnings on uncompleted contracts	5,740,065	2,630,752	3,109,313	
Due to a director	107,074	2,070,390	(1,963,316)	
Other payables	40,593,482	5,962,092	34,631,390	16A
Borrowings-Short term bank loan	4,667,890	2,883,090	1,784,800	
Negotiable promissory notes	977,155	1,113,140	(135,985)	
Derivative liability	2,100	-	2,100	
Convertible note payable	3,894,978	-	3,894,978	
Income tax payable	377	1,130	(753)	
Total current liabilities	60,226,617	23,449,918	36,776,699	16
Non-current liabilities				
Other payables	11,089,779	11,192,117	(102,338)	
Borrowing-Long term debt	6,045,302	5,766,182	279,120	
Convertible note payable		16,307,861	(16,307,861)	
Total non-current liabilities	17,135,081	33,266,160	(16,131,079)	
Stockholders' equity				
Preferred stock				
Series A preferred stock				
Series B convertible preferred stock				
Common stock	29,363	22,727	6,636	
Additional paid-in capital	169,743,640	155,741,280	14,002,360	
Retained earnings	441,488,507	454,592,652	(13,104,145)	
Accumulated other comprehensive income	2,346,174	(4,335,355)	6,681,529	
Treasury stock	(1,250,000)	(1,250,000)	0	
Total SIAF Inc. and subsidiaries' equity	612,357,684	604,771,304	7,586,380	
Non-controlling interest	85,202,940	99,166,749	(13,963,809)	
Total stockholders' equity	697,560,624	703,938,053	(6,377,429)	
Total liabilities and stockholders' equity	774,922,322	760,664,131	14,268,191	

Note (8) Cash and Cash Equivalents

The decrease in cash and cash equivalent of \$2,016,015 from \$560,043 to \$2,576,058 as of December 31, 2017 and 2016, respectively.

Note (9) Break down on Inventories:

	2017	2016	Difference
	\$	\$	\$
Sleepy cod, prawns, eels and marble gobie	-	481,509	(481,509)
Beef and mutton	-	13,217,456	(13,217,456)
Bread grass	976,514	2,115,815	(1,139,301)
Beef cattle	5,903,442	6,814,132	(910,690)
Organic fertilizer	16,832,390	15,901,153	931,237
Forage for cattle and consumables	7,397,910	6,536,517	861,393
Raw materials for bread grass and organic fertilizer	19,113,274	15,829,424	3,283,850
Immature seeds	2,405,417	1,696,266	709,151
	<u>52,628,947</u>	<u>62,592,272</u>	<u>(9,963,325)</u>

The decrease of \$9,963,325 or 16% in inventories from \$62.6 million in 2016 to \$52.6 million in 2017 mainly due to the following:

- The discontinuing operation of the sales of fishery good operations beginning October 1, 2016, there was no inventory of sleepy cod, prawns, eels and marble goby which was recorded in fishery segment in 2016.
- The disposal of a variable interest entity, QZH on December 30, 2017, there was no inventory of beef and mutton which was recorded in beef & organic fertilizer segment during the year.

Note (10) Breakdown of Deposits and Prepaid Expenses:

Note (10.1):

	2017	2016	Difference
	\$	\$	\$
Deposits for			
- purchases of equipment	2,815,774	5,555,471	(2,739,697)
- acquisition of land use rights	3,244,567	3,373,110	(128,543)
- inventories purchases	24,282,950	13,729,305	10,553,645
- aquaculture contracts		2,261,538	(2,261,538)
- consulting service providers and others		8,150,000	(8,150,000)
- construction in progress	11,365,748	13,719,339	(2,353,591)
- issue of shares as collateral	25,427,293	26,493,841	(1,066,548)
Prepayments - debts discounts and others		-	
Shares issued for employee compensation and overseas professional and bond interest	702,625	3,982,812	(3,280,187)
Others	<u>2,620,693</u>	<u>2,573,535</u>	<u>47,158</u>
	<u>70,459,650</u>	<u>79,838,950</u>	<u>(9,379,301)</u>

Note (10.1) Breakdown of Deposit for acquisition of Land Use Rights:

As of December 31, 2017, \$3,244,567 was on deposit paid for the acquisition of a Land Use Right (“LUR”) derived from the following transactions:

\$3,060,912 (or RMB20,000,000) was full payment made on June 6, 2012 for a LUR by HSA comprising a block of land measuring 150 Mu (or 25 acres of prime agriculture land) located at Linli District of Hunan Province within 10 Km of HSA's complex. The process of application to register the said LUR is in progress, and, as such, this payment is recorded as Deposit and Prepaid Expenses pending final authority estimated to be granted within 2016 as the new local ordinances on agriculture land delayed the processing of our application. Due to the delay in approving the LUR of the said block of land, HSA has revised and supplemented the contract of said land by a leasing agreement until such time said official approval will be granted, and, in the interim, the deposit and pre-payment on said land would be treated as a rent-to-own lease arrangement providing pre-payment toward said land once approval is granted.

\$183,655 (or RMB1,200,000) was paid by SJAP as deposit for the acquisition of an LUR on a block of land measuring 15 Mu (or 2.475 acres) located at Huangyuan district next to SJAP's complex on October 15, 2012. The process of rezoning this piece of land to residential (at present, agriculture) continues, and once completed will be transferred from the Local Government (Huangyuan County) to SJAP to build new staff quarters.

Note (10.2) Information of “Temporary deposit and pre-payments for investments in future assets and in future Sino Foreign Joint Venture companies” (TD&PSFJVC):

Under account of Subsidiary	Segment of	Project name	Estimated total Asset value \$	Estimated time of Acquisition	Current status of Project	Deposit & prepayments made as of December 31, 2017 \$	Land Bank or Built Up area m2
SIAF	Corporate	Trade Center	3.5 million	own development	30% completed	4,000,000	5,000
		Seafood Center			2 out of 4 phases	8,000,000	
CA	Fishery	Fish Farm (1)	26.22 Million	2016	completed	8,261,538	23,100
		Prawn Farm (2)				9,142,421	
MEIJI	Cattle	Cattle Farm (2)	15.88 Million	2014	100% completed	5,513,263	230,300
						<u>34,917,222</u>	

- The increase of 19,272,224 in TD&PSFJVC from \$15,644,998 in 2016 to 34,917,222 in 2017 had been primarily due to CA's temporary D & P of \$17,403,959 which had not been settled by Tri-way's equity interest after (JFD / Tri-way)'s acquisition of farms in 2017 and \$1,868,265 of SIAF's account receivables has been transferred into TD&PSFJVC.

Note (11): Breakdown of Accounts receivable:

	2017					
	Accounts receivable	0-30 days	31-90 days	91-120 days	over 120 days and less than 1 year	Over 1 year
	\$	\$	\$	\$	\$	\$
Engineering consulting service (CA)	49,065,385		953,078		18,631,362	29,480,945
Sales of imported seafood (SIAF)	14,730,554	4,910,447	7,289,827	2,530,280	-	-
Sales of Cattle and Beef Meats (MEIJI)	4,545,340	-	3,996,570	548,770	-	-
Sales of HU Flowers (Fresh & Dried) (JHST)	1,565,418	584,268	779,923	201,227	-	-
Sales Fertilizer, Bulk Stock feed and Cattle by (SJAP)	8,766,498	1,882,553	4,078,432	1,880,728	924,785	-
Sales Fertilizer from (HSA)	4,298,224	596,040	1,142,421	564,064	1,995,698	-
Total	82,971,418	7,973,308	18,240,251	5,725,069	21,551,845	29,480,945
% of total receivables	100%	10%	22%	7%	26%	36%
% of total sales	42%	4%	9%	3%	11%	15%

- In CA's engineering consulting services, over 120-day accounts receivable of \$48,112,307 (including over 1 year balance of \$29,480,945) represents a balance due from an unconsolidated investee, TRW, with 5 on-going engineering consulting services during the year. The management takes into consideration the significant influence it holds in TRW (36.6% of equity interest as of October 5, 2017) and its healthy financial situation, that no impairment issue is noted to the over 1-year balance of \$29.5 million.
- The normal credit period granted to the customers is 90 to 120 days. The Company will quarterly evaluate the recoverability of the over 120-day balance.

Information on Concentration of credit risk of account receivables:

Major customer's revenues / our total revenues:

We have 4 major long-term customers (referring to Customer A, B, C and D mentioned in the Financial Statements of this Annual Report), who have accounted for 69.34% of our consolidated revenues for the year ended December 31, 2017 as shown in the table below:

	% of total revenue	Customer's Total Revenue
Customer A	26.00%	51,512,062
Customer B	22.08%	43,765,625
Customer C	10.88%	21,568,048
Customer D	10.23%	20,275,105
	69.19%	137,120,840

Customer A is Shanghai Hongchang Yili company (Vigor) that sells much of the imported beef and seafood as well as locally produced seafood. During 2017, the Company sold \$51,512,062 of goods representing 26.00% of our total sales of goods revenue of \$198,166,939.

Customer B is BBK commercial chain Limited that buys our packed beef and mutton to sell them in its supermarkets in PRC. The fiscal year 2017, the Company sold \$43,765,625 of goods representing 22.08% of our total sales of goods revenue of \$198,166,939.

Customer C is Cattle Wholesale, represented by Mr. Zhen Runchi, who buys our fattened cattle to sell them in the Guangdong and Beijing cattle markets and at the same time supplies to us with young cattle. The fiscal year 2017, transactions through Mr. Zhen Runchi generated 10.88% of our total consolidated revenue (equivalent to \$21,568,048 out of our total revenue of \$198,166,939).

Customer D is GZ Nawei Trading Company who sells much of the imported beef and seafood as well as locally produced seafood. During 2017, the Company sold \$20,275,105 of goods representing 10.23% of our total sales of goods revenue of \$198,166,939.

Major customer's account receivables:

These 4 major long-term customers (referred to as Customer A, B, C and D above & mentioned in the Financial Statements of this Annual Report), constitute accounts receivable in the aggregate amount of \$31,717,234, which is equivalent to 16% of our consolidated revenues of \$198,166,939 for the year 2017 as shown in the table below:

	2017 Total consolidated revenue	December 31, 2017 % of total Accounts receivables	Total Accounts receivables
Customer A		7.34%	\$7,289,827
Customer B		12.31%	12,234,083
Customer C		4.78%	4,752,597
Customer D		7.49%	7,440,727
		31.92%	\$31,717,234
	\$ 198,166,939		
% to total consolidated revenue		16%	

Note (12) Property and equipment, (P&E) net of accumulation depreciation:

	2017
Plant and machinery	\$ 5,501,975
Structure and leasehold improvements	209,378,338
Mature seeds and herbage cultivation	49,685,830
Furniture and equipment	699,494
Motor vehicles	614,792
	<u>265,880,429</u>
Less: Accumulated depreciation	(19,022,632)
Net carrying amount	<u>\$ 246,857,797</u>

- Depreciation expenses were \$8,350,811 and \$4,141,629 for the years ended December 31, 2017, and 2016, respectively

Note (13) Construction in progress (CIP):

2017

Construction in progress						
- Office, warehouse and organic fertilizer plant in HSA						\$ -
- Oven room, road for production of dried flowers						-
- Organic fertilizer and bread grass production plant and office building						-
- Rangeland for beef cattle and office building						6,178,308
- Fish pond and breeding factory						-
						<u>\$ 6,178,308</u>

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

Item	Owner	Location	Acres	Date Acquired	Tenure	Expiry dates	Cost \$ USD	Accumulated Depreciation	2017.12.31 Balance \$	Nature of ownership	Nature of project
Hunan lot 1	HS.A	Ouchi Village, Fenghuo Town, Linli County	31.92	4/5/2011	43	3/31/2054	235,534	36,022	199,512	Lease	Fertilizer production
Hunan lot 2	HS.A	Ouchi Village, Fenghuo Town, Linli County	247.05	7/18/2011	60	7/17/2071	35,583,104	4,625,804	30,957,300	Management Right	Pasture growing
Hunan lot 3	HS.A	Ouchi Village, Fenghuo Town, Linli County	8.24	5/24/2011	40	5/23/2051	367,309	57,392	309,917	Land Use Rights	Fertilizer production
Guangdong lot 1	JHST	Yane Village, Liangxi Town, Enping City	8.23	8/10/2007	60	8/9/2067	1,033,058	179,350	853,708	Management Right	HU Plantation
Guangdong lot 2	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	27.78	3/14/2007	30	4/15/2036	1,006,635	181,754	824,881	Management Right	HU Plantation
Guangdong lot 3	JHST	Nandu Village of Yane Village, Liangxi Town, Enping City	60.72	4/18/2007	60	4/17/2067	2,200,390	538,782	1,661,608	Management Right	HU Plantation
Guangdong lot 4	JHST	Nadu Village of Yane Village, Liangxi Town, Enping City	54.68	9/12/2007	60	9/11/2067	1,981,635	481,455	1,500,180	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	932,048	160,520	771,528	Management Right	HU Plantation
Guangdong lot 6	JHST	Liankai Village of Nuijiang Town, Enping City	31.84	1/1/2008	60	1/1/2068	797,181	132,864	664,317	Management Right	HU Plantation
Guangdong lot 7	JHST	Nadu Village of Yane Village, Liangxi Town, Enping City	41.18	1/1/2011	26	12/31/2037	5,547,903	1,493,666	4,054,237	Management Right	HU Plantation
Guangdong lot 8	JHST	Shangcheng Village of Yane Village, Liangxi Town, Enping City	11.28	1/1/2011	26	12/31/2037	1,520,125	409,264	1,110,861	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	4,831,401	1,630,598	3,200,803	Management Right	Cattle Farm
Qinghai lot 1	SJAP	No. 498, Bei Da Road, Chengguan Town of Huangyuan County, Xining City, Qinghai Province	21.07	11/1/2011	40	10/30/2051	508,353	78,371	429,982	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	4/1/2013	10	3/31/2023	465,259	220,998	244,261	Management Right	Processing factory
Guangdong lot 11	CA	Da San Dui Wei, You Nan Village, Conghua District of Guangzhou City	33.27	10/28/2014	30	10/27/2044	4,453,665	482,480	3,971,185	Management Right	Agriculture
	JHST	Land improvement cost incurred					4,109,623	25,872	4,083,751		
			654				65,573,223	10,735,192	54,838,031		

Note (15) Other Receivables

	2017	Note
Advanced to employees	\$ 219,186	
Advanced to suppliers	3,768,585	15A
Advanced to customers	11,982,331	
Advanced to developers	399,449	15B
Others	<u>4,310,927</u>	
	<u><u>\$ 20,680,478</u></u>	

Note 15:

15A. A portion of this consists of molds, parts and components necessary to manufacture and fit-out various types of filters in the APM systems requiring suppliers (manufacturers) to carry additional inventory. This inventory is billed to the Company at such times when the components are called to manufacture the APM filtration systems. Until then, the Company provides advances to the supplier to manufacture the components and hold in inventory on the Company's behalf until the components are called and billed to the Company, i.e. offsetting the amount invoiced with the proceeds received in advance.

15B. The Developers, referring to 'Advance to developers' in the table, above are mostly owners and investors of other development projects (i.e. Cattle farms, restaurants and trade centers etc.) that were developed by SIAF and MEIJI as their respective "turkey contractor" during the past several years. The Company has the option to convert/effectuate these advances in these Project companies as an SFJVC investee, similar to CA's fishery development project.

Note (16) Current Liabilities:

	2017	Note
Current liabilities		
Accounts payable and accrued expenses	4,243,496	
Billings in excess of costs and estimated earnings on uncompleted contracts	5,740,065	
Due to a director	107,074	
Other payables	40,593,482	16A
Borrowings - Short term bank loans	4,667,890	
Negotiable promissory notes	977,155	
Derivative liability	2,100	
Convertible note payable	3,894,978	
Income tax payable	<u>377</u>	
	<u><u>60,226,617</u></u>	

Note (16A): Analysis of other payables (current liabilities):

As of December 31, 2017, we have other payables totaling \$40,593,482, comprised of the following:

Straight note payable of \$29,367,999 represents a 10.5% Convertible Note in the aggregate principal amount of up to \$33,300,000 issued on August 29, 2014. On July 18, 2017, the Company and the note holder entered into a restructuring agreement regarding the settlement of the Note as follows:

- (i) 50% in cash settlement of \$15,589,000 to be paid in monthly installments.
- (ii) The other 50% balance of \$15,589,000 to be settled by the issuance of 5,196,333 common shares of the Company and 400,000 shares of Tri-way Industries Limited.

As of the date of this report, the Company has paid \$4 million with \$11,589,000 remaining owed on the \$15,589,000 balance.

Further information regarding this settlement can be found throughout other sections of this report.

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 of America 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 filed USA tax returns for all previous year inclusive year 2015, and shall file the year 2016 and 2017 to the US IRS within May 2018.

As of December 31, 2017, the Company reviewed its tax position with the assistance of US tax professionals and believed that there would be no taxes and no penalties assessed by the IRS in the United States of America.

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

No Macau corporate income tax has been provided in the consolidated financial statements, since APWAM and MEIJI did not earn any assessable profits in Macau for the twelve months ended December 31, 2017 and 2016.

Sweden corporate income tax has been provided in the consolidated financial statements for SAFS at \$1,684 for the twelve months ended December 31, 2017 and \$1,130 for 2016.

No deferred tax assets and liabilities are payable as of December 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 using enacted tax rates in effect for the period in which the differences are expected to reverse.

Off Balance Sheet Arrangements:

None.

Liquidity and Capital Resources

As of December 31 2017, unrestricted cash and cash equivalents amounted to \$560,043 (see notes to the consolidated financial statements), and our net working capital as of December 31, 2017 was \$171,173,106.

Contractual Obligations	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Short Term Debts	4,667,890				4,667,890
Bonds payable	3,894,978				3,894,978
Long Term Debts	-	994,796	1,224,365	3,826,141	6,045,302
Negotiable Promissory notes	977,155				977,155

Cash provided by operating activities amounted to \$21,522,275 for the twelve months ended December 31, 2017. This compared with cash provided by operating activities totaled \$56,019,415 for the twelve months ended December 31, 2016. The decrease in cash provided by operations primarily resulted from i) the decrease in the adjusted net income before the non-cash (income) expense of \$2.4 million for the twelve months ended December 31, 2017 compared to that of \$92.5 million for the twelve months ended December 31, 2016, offset by ii) the change in the net operating assets from \$19.1 million to \$(36.5) million for the twelve months ended December 31, 2017 and 2016, respectively.

Cash used in investing activities totaled \$32,717,372 for the twelve months ended December 31, 2017. This compares with cash used in investing activities totaling \$59,178,387 for the twelve months ended December 31, 2016. The decrease in cash flows used in investing activities primarily resulted from the decrease in payment for construction in progress from \$54.9 million for the twelve months ended December 31, 2016 to that of \$10.8 million for the twelve months ended December 31, 2017.

Cash provided by financing activities totaled \$9,479,121 for the twelve months December 31, 2017 compared with cash used in financing activities totaling \$2,628,330 for the twelve months ended December 31, 2016. The increase in cash paid by financing activities is mainly due to net proceeds from convertible bonds payable of \$4,000,000 and capital contribution by non-controlling interest of 2,517,035 during the year.

CRITICAL ACCOUNTING POLICIES

BASIS OF PRESENTATION

The audited consolidated financial statements for the twelve months ended December 31, 2017 are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

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 \$16,748 and \$20,160 for the years ended December 31, 2017 and 2016, respectively.

ADVERTISING

Advertising costs are included in general and administrative expenses, which totaled \$1,777,383, and \$2,621,537 for the years ended December 31, 2017 and 2016, respectively.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in general and administrative expenses, which totaled \$1,332,938, and \$0 for the years ended December 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 ("PRC") 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 was a written off on bad debts of \$14,394,402 arising due to the dispose of QZH for the twelve months ended December 31, 2017 or (2016: Nil)

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 - 30 years
Mature seed and herbage cultivation	20 years
Furniture, fixtures and equipment	2.5 - 10 years
Motor vehicles	4 - 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.

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 20 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 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.

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 PRC 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 ownerships 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 area 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 PRC Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC's economy. The Company's operations in the PRC 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 December 31, 2017, the Company's impairment on interests in an unconsolidated investee of \$153,046 was recorded.(2016: Nil).

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 years ended December 31, 2017 and 2016, basic (loss)/earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders for continuing and discontinued operations amounted to \$(0.53) and \$5.46, respectively. For the years ended December 31, 2017 and 2016, diluted (loss)/earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries’ common stockholders for continuing and discontinued operations amounted to \$(0.53) and \$5.00, respectively.

For the years ended December 31, 2017 and 2016, basic (loss)/earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders for continuing operations amounted to \$(0.53) and \$2.09, respectively. For the years ended December 31, 2017 and 2016, diluted (loss)/earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries’ common stockholders for continuing operations amounted to \$(0.53) and \$1.93, 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 fiscal year ended December 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 December 31 2017 and December 31, 2016 were translated at RMB6.53 to \$1.00 and RMB6.94 to \$1.00, respectively. The average translation rates applied to the consolidated statements of income and comprehensive income and of cash flows for the years ended December 31, 2017 and December 31 2016 were RMB6.75 to \$1.00 and RMB6.64 to \$1.00, respectively.

For the fiscal year ended December 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 December 31 2016 and December 31, 2015 were translated at RMB6.94 to \$1.00 and RMB6.49 to \$1.00, respectively. The average translation rates applied to the consolidated statements of income and comprehensive income and of cash flows for the years ended December 31, 2016 and December 31 2015 were RMB6.64 to \$1.00 and RMB6.23 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

PRC 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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. 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. The new standard further requires new disclosures about contracts with customers, including the significant judgments the company has made when applying the guidance. We will adopt the new standard effective January 1, 2018, using the modified retrospective transition method. We finalized our analysis and the adoption of this guidance will not have a material impact on our consolidated financial statements.

In February 2016, the 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 will adopt the new standard effective January 1, 2019. We have selected a lease accounting system and we are in the process of implementing such system as well as evaluating the use of the optional practical expedients. While we continue to evaluate the effect of adopting this guidance on our consolidated financial statements and related disclosures, we expect our operating leases, as disclosed in Note 9 - Commitments and Contingencies, will be subject to the new standard. We will recognize right-of-use assets and operating lease liabilities on our consolidated balance sheets upon adoption, which will increase our total assets and liabilities.

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 when the transfer occurs, rather than when the asset has been sold to an outside party. We will adopt the new standard effective January 1, 2018, using the modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the effective date. A cumulative-effect adjustment will capture the write-off of income tax consequences deferred from past intra-entity transfers involving assets other than inventory, new deferred tax assets, and other liabilities for amounts not currently recognized under U.S. GAAP. Based on transactions up to December 31, 2017, we do not expect the adoption of this guidance 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. We will adopt the new standard effective January 1, 2018, using the retrospective transition approach for all periods presented. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

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. We will adopt the new standard effective January 1, 2018, on a prospective basis and 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.

Although there are several other new accounting pronouncements issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its consolidated financial position, operating results or statements of cash flows.

Other relevant historical events and subsequent matters:

● **Equity (Historical Balance)**

The bulk of the Company's agriculture-zoned land banks are owned by the Government that through land-usage rights permit the Company to develop properties, but to which no property title can be granted for them to be recognized as first-tier assets from which to borrow against, thus making obtaining any conventional lending based on those assets, virtually impossible to attain. Therefore, up until the time that the Company secured the Convertible loan of \$25m from ECAB the Company's CAPEX had been financed strictly through many individual investors and private entities either through private placements, debt, or services rendered to the Company settled with common shares. The table below summarizes the historical increase of TI&O shares and how they had been applied from 2007 to 2017:

As of	TI&O Post Reverse Split	Increase / year (inclusive)		Increase, excluding collateral shares	Allocation of shares to			Collateral shares without voting / dividend rights	
		Share Balance Year-end	Shares	%	%	Investors	Other Investors (based on debt conversion)	Staff, mgt & consultants	
31.12.2007	4,444,444			0%		4,444,444			
31.12.2010	5,603,448	1,159,004	21%			347,701	811,304		
31.12.2011	6,771,138	1,167,689	17%			200,000	507,009	460,680	
31.12.2012	10,101,500	3,330,362	33%			700,000	2,538,847	91,515	
31.12.2013	13,899,196	3,797,696	27%			1,000,000	2,500,487	297,209	
31.12.2014	17,162,716	3,263,520	19%			500,000	2,264,183	499,337	
31.12.2015	20,133,757	2,971,041	15%	4%		-	500,000	254,857	2,216,184
31.12.2016	22,726,859	2,593,102	13%	7%		-	799,229	532,626	1,261,247
31.12.2017	29,362,365	6,635,506	29%	7%		-	-	1,667,792	4,967,714
Total	29,362,365					7,192,145	9,921,059	3,804,016	8,445,145

- Debt Conversion: From 2010 to present, part of the capital funding realized by the Company has been by issuing shares to some of the unrelated third parties consisting of service providers, suppliers, lenders, and debtors, etc., totaling 9,921,059 shares.

● Shares issued to staff, management, professional consultants and agencies:

Since the beginning of the Company's operations in China the Company provided share entitlement programs to selective staff and personnel that exemplified services and performance beyond their standard responsibilities; the annual amount capped at \$1.5 million from 2007 to 2013, and increased to \$2.5 million to present date with share values calculated at their respective market rates with the understanding that the Company reserves the right to defer share distribution until a later date, based on the Company's assessment that market prices may improve and / or the rate at which they are issued could help mitigate any impact they could pose to the market.

Also, shares have been issued to professional consultants and agencies for services rendered that were pre-approved by the Company and written into their respective service contracts, some requiring immediate payment and others allowing their shares to be distributed over a period of time.

- Collateral shares: This includes the Trade Facility consisting of 5,708,312 collateral shares, and Third-Party Loans consisting of 2,662,735 collateral shares, collectively that do not hold voting or dividend rights to be returned to the Company upon repayment. The maturity date on the Third-Party Loans and Trade Facility run through September 2019, but the Company anticipates repayment of a portion or all the loan balances as well as a reduction in the maximum Trade Facility line to occur before that time, as exemplified in the reduction of the Trade Facility line from \$20,000,000 to \$15,000,000 in December 2017.
- The total consideration received from the above referred issuance of shares for \$169,773,003 (fully paid up capital) together with (i) retained earnings of \$435,831,675, (ii) accumulated other comprehensive income of \$2,346,174 and (ii) treasury stock of (1,250,000) forms the Company's total equity (or, net assets) of \$606,700,852 as December 31, 2017 (the equivalent of \$18.53 / share).
- The Company remains committed to minimize any further use of equity in helping to bridge finance its operations yet remains open to the use of equity whenever it serves the purpose of securing conventional financing and other purposes accretive to the Company and its shareholders.
- Third Party Loans to Tri-way secured by shares of the Company:

The Company has depended from time to time on bridge loan financing, namely from four individual third parties (ITP) whose loans had been repaid either in cash, shares or both. The issuance of shares (referred to as "Debt Settlement") was in practice until the time that the Company committed in its August 14, 2014 Convertible Bond agreement with Euro China AB (ECAB) to discontinue repayment of loans through the issuance of Debt Settlement shares.

The current ITP loans (provided through the same third parties) were provided to Tri-way ("Borrower") with the final agreement entered into on August 5, 2016; the loan proceeds having been incrementally received between July 15, 2016 through September 28, 2016:

Face value of the total 4 loans:	\$ 13,904,058
75% loan to value available to borrow:	\$ 10,428,034
Secured at 75% of face value in SIAF shares at	\$ 8.00 / share

General terms of the loans, include:

- a) Tri-way Industries Limited (Tri-way) is the responsible party to cover loan principal, interest, closing and any other related loan costs.
- b) SIAF, on behalf of Tri-way, acts as "Security Provider" providing shares of common stock as collateral against the loans.
- c) SIAF's only liability is contingent upon failure of Tri-way to repay the loan. Since the shares have not been sold, but strictly are utilized as security collateral, and, to date, have not incurred further liability to SIAF, the Company has recorded the Consideration (Face Value \$13.9 million ; LTV \$10.4 million) as Non-Current Assets, offset by the issuance of (collateral) shares, which are reported in our Qs and Ks, accordingly.

Because of the precipitous decline in SIAF's share price, SIAF is committed under the terms of the agreement to safe-guard the Lenders' interests against the full face-value of the loan by increasing its share collateral against the loan as described in the table below:

Summary: Changes in Third Party Loan collateralized shares

Date of issuance	Shares issued to third party loans named Loan (1) & (2) granted by 4 third parties collectively		Total balance of collectaralized shares in Loans	Loan face amount US\$	Net loan amount US\$	Loan balance US\$	Equivalent value / share US\$ / share	Notes
	Basic required collateralized shares	Top Up required collateralized shares						
27.12.2016	749,304		749,304	5,966,665	4,797,332	4,797,332	8	Loan (1) collectively from 2 third parties
27.12.2016	520,696		1,270,000	7,038,390	5,630,712	10,428,044	8	Loan (2) collectively from 2 other third parties
31.12.2016				3,729,776	-2,000,000	6,189,829		Repayment of loan (1) by Triaway
06.02.2017				4,523,329	-2,238,215			Repayment of loan (2) by Triaway
30.06.2017	550,000		1,820,000	3,729,776		6,189,829	2.86	Additional collateralized shares (Top Up) for Third Party Loan (1)
30.06.2017	342,735		2,162,735	4,523,329				Additional collateralized shares (Top Up) for Third Party Loan (2)
30.09.2017	250,000		2,412,735	3,729,776		6,189,829	3.10	Additional collateralized shares (Top Up) for Third Party Loan (1)
30.09.2017	250,000		2,662,735	4,523,329				Additional collateralized shares (Top Up) for Third Party Loan (2)
18.12.2017		2,662,735	2,396,443		-1,000,000	4,694,829		Repayment of loan (1) by Triaway
19.12.2017			3,856,663		-500,000			Repayment of loan (2) by Triaway
31.12.2017		2,662,735	6,253,105			4,694,829	2.35	

● The Trade Facility secured by shares of the Company:

The Trade Facility was originally entered into on September 22, 2015 under the following terms:

Face value of the Facility:	\$ 26,666,666
Maximum Facility amount to be employed:	\$ 20,000,000.
Secured at 75% of face value in SIAF shares at:	\$ 12.50 / share
Revolving LOC (Facility) maturity date:	September 30, 2019

Initial draws up to \$20 million incur an Establishment Fee of 6% based on the issuance value of each Letter of Credit (L/C) or Document Presentation (DP) or Trust Receipt Drawn (TRD), all part of a Revolving Trade Facility with repayment for each issued L/C, DP or TRD due within 45 days from date of withdrawal payable at an annual interest rate between 1.5 to 2%, plus LIBOR. There are no restrictions or minimum days required between repayment and revolving withdrawal against the Facility.

SIAF provided its shares as collateral against the security on behalf of a Third-Party Agent (TPA) that operates the import/export trading house in Shanghai. The shares do not carry any voting or dividend rights and are returned to SIAF once the TPA reduces its outstanding balance (plus interest) with the lender.

The agreement basically consists of SIAF having securitized the loan with 2,133,333 of its common shares valued at \$12.50/share equivalent to the full face-value of the loan (\$26,666,666), and the TPA having the full use of the trade facility to borrow and repay, against, as warranted, i.e. revolving LOC.

As such, the principal terms of this agreement are:

- SIAF acts as "Security Provider" to initiate the Trade Facility to be employed.

- The Third-Party Agent (TPA) (described as an Import & Export Trading House in Shanghai) is the responsible party to cover loan principal, interest, closing and any other related loan costs.
- SIAF's only liability is contingent upon failure of TPA to repay the loan. Since the shares are strictly utilized as security collateral, and, to date, have not incurred further liability to SIAF, the Company has recorded the Consideration (Face Value: \$26,666,666; LTV: \$20,000,000) as Non-Current Assets, offset by the issuance of collateral shares.

Shares issued as security were not issued for market trading, but as security against the loan required to be returned to SIAF upon full loan repayment by TPA, which, to date, has not incurred any liability to the Company.

As of December 19, 2017 TPA repaid \$5,000,000 in Cash payment to the Trade Facility Provider and agreed to have its facility face-value reduced to \$20,000,000 and the net amount employed to \$15,000,000. This amended arrangement was agreed to avoid further issuance of shares due to the current share price. Thus, the total issuance of shares for the Trade Facility remains at 5,708,312 shares, carrying an average value at \$2.63 / share, which still stands well above SIAF's current market value.

Summary: Changes in Collateralized Trade Facility shares

Date (of Conversion) or issuance	Shares issued for Trade Facility			Available net usable facility	Equivalent in	Notes
	Basic required collateralized shares	Top Up required collateralized shares	Total balance of shares in trade facility			
22.09.2015	280,000		280,000			
06.11.2015	185,000		465,000			
13.11.2015	300,000		765,000			
23.11.2015	100,000		865,000			
22.12.2015	250,000		1,115,000			
28.12.2015	120,000		1,235,000			
22.02.2016	365,000		1,600,000	20,000,000	12.50	Old shares (not newly issued shares) were transferred to cover collateral
17.06.2016		533,333	2,133,333	20,000,000	9.38	shares for the Trade Facility. (These actions did not require filing or reporting)
15.05.2017		1,267,340	3,400,673	20,000,000	5.88	
30.06.2017		425,393	3,826,066	20,000,000	5.23	
19.07.2017		1,690,699	5,516,765	20,000,000	3.63	
30.09.2017		191,547	5,708,312	20,000,000	3.50	
31.12.2017			5,708,312	15,000,000	2.63	Repayment by PTA to reduce Trade Facility's net usable amount by US\$5,000,000

● The disposal of JFD and Tri-way

At present, Tri-way remains a private company, but it is intended to be registered at the Hong Kong Stock Exchange within a few years. The Company's ownership in Tri-way has been valued at USD 124.7 million, equal to 36.6% of the enterprise value of USD 340.6 million. This includes (i) 23.89% (EV = USD 81.4 million) as a result of retained interest in Tri-way, and (ii) 12.71% (EV = USD 43.3 million) acquired in exchange for outstanding debt owed to the Company. These values result from Aquafarm 1, assets held in Aquafarms 2-5 and rights to technology licensed from Capital Award, a wholly owned subsidiary of the Company. An independent appraisal was obtained to determine fair value, and this appraisal resulted in a one-time (deemed) gain of USD 56.9 million for SIAF, as further detailed, below.

Amounts shown incorporate audited adjustments:	HK\$	HK\$	\$ 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 (\$27,872,348 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 (\$27,872,348 x 23.89%)		-45,214,856	-5,834,175
Gain on disposal (including master licensing fees)	441,339,286		56,947,005

- Table X below shows the derivation of \$ / shares after the injection of farms' assets

US\$1=RMB6.7 US\$1=HK\$7.7 In US\$ equivalent	Fair values of Injected farms' assets Inclusive respective indoor and open dams properties						Master License US\$	Total US\$
	FF1 AquaFarm(1) US\$	PF1 Aqua Farm 2 US\$	PF2 Aqua farm 3 US\$	PF3 Aqua Farm 4 US\$	PF4 Aqua Farm 5 US\$			
The Chattels	8,787,115.6	4,199,237.9	21,338,881.5	33,609,047.1	-	-		67,934,282.1
The P&E	5,148,769.2	5,391,657.1	2,326,044.8	24,045,576.5	-	-		36,912,047.6
The Intellectual Properties	5,672,862.0	6,348,029.3	13,669,794.7	30,228,181.0	69,053,863.7	30,000,000.0		154,972,730.7
The Buildings	8,256,870.8	12,832,764.2	12,659,859.0	11,883,710.4	-	-		45,633,204.4
Immovable structures	5,672,862.0	9,897,263.4	9,080,438.4	8,597,279.9	1,894,268.2	-		35,142,111.9
Total values	33,538,479.5	38,668,951.9	59,075,018.4	108,363,794.9	70,948,132.0	30,000,000.0		340,594,376.7

	Equity shares of Triway Industrial Limited (HK)							
	# of shares	Par value		Share Capital		Value / share		
		HK\$	HK\$	US\$ equivalent	HK\$	US\$ equivalent		
Shares issued prior to Injection	10,000	1	10,000	1,299	1	0.13		
Addition shares issued after injection	99,990,000	1	2,622,576,701	340,594,377	26.23	3.41		
Total Issued shares	100,000,000	1	2,622,586,701	340,595,675				

- Relevant dates of the transactions:

- 1 18-AUG-2016 Execution of Investment Agreement (IA)
- 2 18-AUG-2016 Jiangman Fishery Development Co. Ltd (JFD) acquired 25% of Guangzhou Kangi Enterprize Management Co. Ltd such that JFD becomes 100% owned by Triway Industries Limited (HK) (Tri-way)
- 3 18-AUG-2016 Effective Date that Investors agreed to inject their respective assets and businesses into the Assets Recipient, JFD, at the exchange value described in the Investment Agreement.
4. 30-SEP-2016 SIAF assumed ownership of Tri-way's original assets in exchange for its original investment in Tri-way, in conjunction with TRW/JFD's exercise of other farm assets owned by other investors injected into it, as well.
5. 05-OCT-2016 Completion Date on which Tri-way, with JFD having assumed ownership of said farms' assets (inclusive, all farms), allocated equitable allotments of shares to the Investors (or, their Nominees) in exchange for their injected farms' assets.

In reference to the press release dated January 17, 2017, wherein it had indicated that legal due diligence had been completed in relation to the carve-out of its aquaculture operations, the announcement that legal due diligence had been performed had been released in conjunction with what had been the main announcement, which was SIAF wishing to convey to its shareholders that JFD had been officially registered as a Wholly Foreign Owned Enterprise of Tri-way, making it legally eligible for SIAF shareholders to now own shares of Tri-way, directly.

- The list of shareholders of record in Tri-way filed with Hong Kong Company Registrar:

Owner	Shares	%
Sino Agro Food (OTCQX:SIAF)	36,590,000	36,6%
Ample Rise Limited	2,750,000	2,8%
Fortune Legend Investments Limited	2,750,000	2,8%
<i>Sino Agro Food (HK) Limited</i>	31,998,572	32%
Good Sea Limited	4,250,000	4,3%
Green & Natural Limited	3,250,000	3,3%
Lucky Shine Development Limited	2,750,000	2,8%
Yongfeng Agricultural Investment Co	4,180,068	4,2%
The Business Advocate	4,521,360	4,5%
Fine Happy Limited	2,750,000	2,8%
Flying Cristal Limited	4,200,000	4,2%

Tri-way Industries is a privately held company, and the Company (holding 36.6% of the shares) is not able to disclose the identity of the remaining holders.

Based on information which has been filed with the Hong Kong Companies Registrar and which is publicly available, the following information can be provided about the shareholders of record:

- Sino Agro Food (the Company) holds 36.6% of the shares
- Sino Agro Food (HK) Limited, holding 32%, is primarily formed as a holding company for certain outside owners (ownership interests in Aquafarms 2-5, other than the Company) that when combined with the ownership of the Company provides a majority voting block (68.6%) necessary to meet minimum listing requirements in Hong Kong for adequate “continuation of management/operations”. The Company has no ownership in Sino Agro Food (HK) Limited.
- The Business Advocate (4.5%) and Flying Cristal Limited (4.2%) are companies appointed by Tri-way to hold in trust on behalf of certain holders of debt owed by Aquafarms 2-5 to keep shares in reserve in the event that their respective debts owed are converted to equity, at maturity. The debt in question relates to costs of development of the Aquafarms 2-5 incurred in connection with the development and construction stages.
- The remaining smaller holding companies are held by Nominees of ownership interests in Aquafarms 2-5 with their related Beneficial Owners becoming registered at the time that Tri-way becomes a registered public company.

The carve-out of Tri-way Industries Inc. (“Tri-way”) from Sino Agro Food Inc. is not a related party transaction. Tri-way is held at 36.6 % by the Company and is thus considered an investment in associate and no longer registered as a subsidiary of the Company. Transactions made in connection with the carve-out process are with entities/parties not related to the Company.

Sino Agro Food (HK) Limited is not an affiliate of the Company. To this effect, its directors or officers have not been nor are they currently an officer, director, 10% (or greater) shareholder, or in any other way an affiliate of the Company as that term is defined by Rule 405 of the U.S. Securities Act of 1933, and are not directly or indirectly through one or more intermediaries, in control of, controlled by, or under common control with the Company.

No board members of Sino Agro Food Inc., nor members of management of Sino Agro Food Inc., have any positions in the Board of Directors or management of Sino Agro Food (HK) Limited.

- Status and progress of Tri-way's IPO exercise plan:

Tri-way, an investment in associate of SIAF, continues its work toward an Initial Public Offering (IPO) targeting its listing on the Stock Exchange of Hong Kong (HKEX) sometime in H2, 2020. A team of qualified HK licensed CPA's, securities attorneys, and Tri-way staff continue to organize and compile all Tri-way financial and legal records, past and present, throughout the pre-IPO process in accordance with its application to the exchange and regulatory authorities and in concert with its financial advisors providing guidance throughout the pre-IPO process. There are a variety of steps required to be completed from several different fronts; some of which are completed, some of which are in the process of being completed and are either waiting for additional documents and / or financial sources to continue, and some that cannot be processed until a later date when other matters are in place to do so.

One of the issues that Tri-way faces is generating sufficient stand-alone income that would meet both the minimum required to become eligible for listing on the senior exchange, but more importantly to demonstrate to the investing public that Tri-way has attained a certain level of stand- alone income (excluding JFD's income as a primary producer) that warrants investing in its future and with which our financial advisors help determine is necessary to warrant its participation in the process. To this end, Tri-way has needed to decide on how to meet its income goals while at the same time navigating the China tax code, namely China's exemption on primary producers of agricultural products.

Tri-way, a HK registered company with operations in China, has up until now been exclusively dependent on its farms in China as its primary source of income that with sufficient CapEx would be capable of having production levels ramping up over the next three years, and in turn, generate sufficient cash-flow to meet the income levels needed to be achieved throughout the pre-IPO process. The project's facilities in China can grow organically regardless of outside financing yet its chances for obtaining senior listing on the exchange as well as a successful IPO would be curtailed, significantly. Faced with developing a plan allowing Tri-way to work around the limits being discussed, Tri-way has been organizing a Trading Division based in HK to import frozen seafood and other frozen food products from other countries to be sold in China by JFD's commercial arms (which are special vehicles (or companies)) being established since mid-2017 each holding their respective import/export permits and licenses. In this regard, Tri-way's imports (Frozen seafood and other foods) will differentiate from SIAF's imports that mainly consist of live seafood and slaughtered/dressed beef. Having the Trading Division established in HK would 1) allow Tri-way's China operations to maintain its source of income as a primary producer of agriculture products and forego incurring any tax liability from value added and / or commercial sales of its product; and 2) allow Tri-way through its HK Trading Division to generate sufficient sales through the import/export industry helping it to attain a respectable IPO at a sooner date by helping to increase revenue in a shorter period of time than it would take to both build and initiate production at the Aquafarms in China. To date, Tri-way has approached and received interest from many suppliers from other countries (i.e. Brazil, India, Argentina, Malaysia, Indonesia, Vietnam, Philippine, Thailand, Taiwan and Russia) to supply various quality frozen seafood and food products (i.e. King crabs, different types of tropical marine fish, prawns, squids, shell fish, cold water marine fish and scallops, as well as chicken products) to be sold in China. Estimates of performance from this division initially shows trade sales amounting to \$300 to \$500m per year at a healthy profit margin.

Tri-way has applied for a series of short-term conventional bank loans to provide the necessary seed-capital to assist the Trade Division business get underway. Tri-way operations in China as part of JFD's primary activity are mainly dependent on obtaining a conventional long-term loan that will provide the necessary CapEx to build-out its farm facilities, primarily at Aquafarms 4 and 5. SIAF will continue to monitor the progress being made on Tri-way's funding efforts and will report any progress to its shareholders once it materializes. The Company and its financial advisors believe that the quicker stream of revenue anticipated from the Trading Division's operations when coupled with the primary production facilities in China will create a very attractive reception from the HK market for the IPO.

Update on distribution of Tri-way shares to Shareholders of Sino Agro Food, Inc.

The Company's intention to distribute 18.3% ownership of Tri-way Industries Ltd. to SIAF shareholders remains in effect and will be executed based on consideration of other items that need to be assessed and taken into consideration before its shares are available for transfer of ownership to SIAF shareholders. The main items having an impact on timing TRW share distribution are as follows:

After consultation with our tax advisor it had been determined that a distribution of TRW shares to SIAF shareholders would incur a tax liability to the Company just shy of \$10 million based on the distribution effectively constituting a dividend equivalent to one-half of the deemed gain on disposal that SIAF obtained at the time of TRW's carve-out from the Company. The new tax law passed this past December does not lessen the tax liability since the trigger (i.e. deemed gain on disposal) had occurred prior to the new tax law going into effect and would carry-over to whatever distribution of it occurs going forward. The Company has been investigating an option that would allow it to distribute the debt-based ownership it has just acquired from TRW (i.e. 12.71% transferred to the Company in Q4 2017) onto SIAF shareholders, essentially allowing each shareholder to receive ownership of the debt owed to SIAF and in exchange allow that debt to be converted into either cash and/or TRW shares just prior to the IPO, likely in the form of a warrant. By the transfer of debt, there is no tax liability on any of the gain incurred as compared to any portion of the 23.89% ownership being distributed, which holds a tax liability due to the value it received from the deemed gain on disposal. Although, transferring debt ownership only accounts for 12.71% of the 18.3% intended to be distributed, the Company is looking at a lesser tax burden in distributing the remaining 5.59% in TRW ownership, were the original distribution option exercised.

Keep in mind that any portion of the shares derived and distributed from the deemed gain on the disposal (i.e. dividend distribution versus a debt swap) would also require an F-1 filing with the SEC, that is, a registration of TRW shares. This exercise is not required when it comes to an exchange of debt for TRW shares, since SIAF shareholders would be direct noteholders of TRW and would, once their option is exercised, receive either cash and/or shares directly from TRW, not from SIAF. Further deliberations are underway seeking an alternative means of distributing the 5.59% ownership in TRW without SIAF having to incur additional obligations inherent with itself distributing TRW shares as dividend.

In addition to the above, distribution timing of TRW shares has also been curtailed due to the sensitivity of conventional lending (i.e. a \$100 million loan organized through a 5-bank syndicate in addition to two, possibly three, Stand-by Letters of Credit) and pre-IPO preparations that are underway, which TRW's advisors have requested are best served if no major change in ownership structure takes place beyond the structure existing at the time of carve-out. As these exercises move forward, the Company will determine an amenable time when the distribution of TRW ownership to SIAF shareholders appears less likely to affect their outcome. Tentatively, the Company aims/targets having a portion or all the intended 18.3% ownership in TRW distributed to SIAF shareholders sometime in Q3 2018.

Update on Cash Dividend to SIAF shareholders

As the Company moves closer toward carving-out its subsidiaries and retaining its ownership in each as an Investee in Associate as their valuations warrant over the next few years, each IOA will be operating independently of the Company raising and financing their own growth and development, each carrying out its own business plan. With time, the Company anticipates receiving stable dividends from each IOA that, in turn, it intends to distribute a portion of each onto its own shareholders; the amounts of which will increase at a rate equivalent to the dividend income received from the IOA's on an annual basis. All of this predicated on the IOA's ability to perform and themselves in a position to declare a dividend. The distribution of cash dividends paid by SIAF to its shareholders will be in addition to cash dividends paid by the IOA's directly to SIAF shareholders who also would have received shares in each of the IOA's through their respective carve-outs.

SIAF anticipates being able to payout a cash dividend sometime in 2018, with the intent of increasing its dividend payment to shareholders as the IOA's develop and provide stronger dividends to the Company. More details regarding distribution of a cash dividend in 2018 will be made available in the Company's Q1 2018 report due in May, allowing the Board additional time to assess both the amount and timing of the dividend based on current activity, still underway.

• Internal Control over Financial Reporting (ICFR)

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer, have concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of the end of such period. This conclusion was based on the material weakness identified in our internal control over financial reporting related, but which may or may not be entirely exclusive, to our accounting for disposal of assets resulting from discontinued operations, as described below.

As discussed under Note 33 to the consolidated and combined financial statements included in the 2016 Annual Report on Form 10-K, revisions had been made to our historical financial results to properly account for disposal of assets related to discontinued operations resulting from the carve-out of our subsidiary, Tri-way Industries Ltd. Because of the need to correct the way we apply accounting principles regarding reporting discontinued operations, specifically the disposal of its related assets component, we did not historically have adequate internal controls and processes in place to account for timely disclosure at the time of their disposal. Accordingly, management identified a material weakness in our internal control over financial reporting related, but which may or may not be entirely exclusive, to our accounting for disposal of assets related to discontinued operations.

Remediation Efforts to Address Material Weakness

To remediate the material weakness in our internal control over financial reporting described above, we are implementing new control procedures regarding our accounting for reporting discontinued operations and disclosures of disposal of asset components, specifically regarding 'timely disclosure' on matters related to Discontinued Operations. The changes to the control environment include, but are not limited to, the following:

- a) For future disposition of assets and / or discontinued operations, the Company has retained ECOVIS Financial Accounting specialists to augment internal resources utilized for due diligence and analysis of the technical accounting aspects of the transaction. Such resources will be retained by management at the direction of the audit committee.
- b) For future disposition of assets and / or discontinued operations, the Company will prepare an accounting memorandum for each disposal to address the guidance outlined in ASC 205-20 'Presentation of Financial Statements — Discontinued Operations' as necessary, as well as further educate itself regarding matters of disposition / discontinued operations through related accounting literature, that will be reviewed by the Chief Financial Officer and presented to the audit committee.

These remediation initiatives are intended to enhance the Company's timely disclosure by establishing a formal process and specific control activities regarding disposition of assets / discontinued operations. Management believes that these measures, as were currently implemented throughout the disposition of QZH's discontinued operations, will remediate the deficiency identified. Other than as noted above, other changes may be implemented in the future to enhance and improve the Company's ICFR measures to prevent this deficiency from recurring.

However, the material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period and the Chief Executive Officer, Chief Financial Officer, Independent Audit Committee, and Independent Auditor have concluded, through testing, that these controls are operating effectively.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are located following the signature page of this Annual Report.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer, have concluded that our disclosure controls and procedures have improved but yet were not deemed effective at a reasonable assurance level as of the end of such period. This conclusion was based on the material weakness identified in our internal control over financial reporting related, but which may or may not be entirely exclusive, to our accounting for disposal of assets resulting from discontinued operations, as described below.

Limitations on the Effectiveness of Controls

Our Chief Executive Officer and Chief Financial Officer do 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Our system of internal control over financial reporting is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of our consolidated and combined financial statements for external purposes in accordance with generally accepted accounting principles.

Our Chief Executive Officer and the Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2016 and December 31, 2017. In making this assessment, we used the framework included in Internal Control — Integrated 2013 Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria set forth in Internal Control — Integrated 2013 Framework, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2016, our internal control over financial reporting had not been effective due to the identification of a material weakness related, but which may or may not be entirely exclusive, to our controls over our accounting for disposal of assets related to discontinued operations. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

As discussed under Note 33 to the consolidated and combined financial statements included in our 2016 Annual Report on Form 10-K, this report includes revisions to our historical financial results to properly account for disposal of assets related to discontinued operations resulting from the carve-out of our subsidiary, Tri-way Industries Ltd. Because of the need to correct the way we apply accounting principles regarding reporting discontinued operations, specifically the disposal of its related assets component, we did not historically have adequate internal controls and processes in place to account for timely disclosure at the time of their disposal. Accordingly, management identified a material weakness in our internal control over financial reporting related, but which may or may not be entirely exclusive, to our accounting for disposal of assets related to discontinued operations.

Remediation Efforts to Address Material Weakness

To remediate the material weakness in our internal control over financial reporting described above, that Company has initiated implementing new control procedures regarding our accounting for reporting discontinued operations and disclosures of disposal of asset components, specifically regarding 'timely disclosure' on matters related to Discontinued Operations. The changes to the control environment include, but are not limited to, the following:

- For future disposition of assets and / or discontinued operations, the Company has retained ECOVIS Financial Accounting specialists to augment internal resources utilized for due diligence and analysis of the technical accounting aspects of the transaction. Such resources will be retained by management at the direction of the audit committee.
- For future disposition of assets and / or discontinued operations, the Company will prepare an accounting memorandum for each disposal to address the guidance outlined in ASC 205-20 'Presentation of Financial Statements — Discontinued Operations' as necessary, as well as further educate itself regarding matters of disposition / discontinued operations through related accounting literature, that will be reviewed by the Chief Financial Officer and presented to the audit committee.

These remediation initiatives are intended to enhance the Company's timely disclosure by establishing a formal process and specific control activities regarding disposition of assets / discontinued operations. Management believes that these measures, currently being implemented, will remediate the deficiency identified. Other than as noted above, other changes may be implemented in the future to enhance and improve the Company's ICFR measures to prevent this deficiency from recurring.

However, the material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period and the Chief Executive Officer, Chief Financial Officer, Independent Audit Committee, and Independent Auditor have concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

Except as described above, there were no other deficiencies discovered in our internal control over financial reporting during the fourth quarter period ended December 31, 2016 and throughout all periods of FY2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This annual report includes an attestation report of our independent registered public accounting firm regarding internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The Board of Directors elects our executive officers annually. A majority vote of the directors who are in office is required to fill vacancies. Each director shall be elected for the term of one year and until his successor is elected and qualified or until his earlier resignation or removal. Our directors and executive officers are as follows:

Name	Age	Position
Lee Yip Kun Solomon	75	CEO and Chairman of the Board
Daniel Ritche	49	Acting Chief Financial Officer and Director
Tan Poay Teik	59	Chief Marketing Officer and Director
Chen Bor Hann	53	Secretary and Director
Nils Erik Sandberg	77	Independent Director
Lim Chang Soh (Anthony)	54	Independent Director

Lee Yip Kun Solomon. Mr. Lee has been a Director and our Chief Executive Officer since August 2007. From March 2004 to date he has been Company Managing Director of Capital Award Inc. Since May, 1993, he has been the CEO of Irama Edaran Sdn. Bhd. (Malaysia), a modern fishery developer. There was no formal relationship between Sino Agro Food and Irama Edaran. He received a B.A. Major in Accounting and Economics from Monash University, Australia in July 1972. As a member of the board, Mr. Solomon contributes his knowledge of our company and a deep understanding of all aspects of our business, products and markets, as well substantial experience developing corporate strategy, assessing emerging industry trends, and business operations.

Daniel Ritchey. Mr. Ritchey has been an Independent Director of the Company since February 1, 2014. Having worked in both the public and private sectors, Mr. Ritchey has deployed his years of experience into developing partnerships and venture capital relationships throughout the agriculture and natural resource industries. Coupled with an undergraduate degree from Muskingum College (1989) and an MBA from Ohio State University (1994), Mr. Ritchey has as President of The Business Advocate, Inc. developed 3 successful partnerships, namely DC Capital LLC; 3-D Ranch LLC; and 3-D Oil and Gas LLC, whose business operations are mainly concentrated in Ohio, and whose commercial property development also extends into the Washington DC area. Mr. Ritchey continues to serve as a lobbyist on both the State and Federal level, with a focus on issues and industries related to natural resources and the environment.

Tan Paoy Teik. Mr. Tan has been a Director and our Chief Marketing Officer since August 2007. Since July, 2005, he has been Company Managing Director of Milux Corporation Bhd. (Malaysia), a manufacturer of home and gas appliances. He received an MBA from South Pacific University in 2005. Mr. Tan is currently the Managing Director of Milux Corporation Bhd; as such, he spends half of his working time with Milux and half with our company. As a member of the board, Mr. Tan contributes his knowledge of the company and a deep understanding of all aspects of our business, products and markets, as well substantial experience developing corporate strategy, assessing emerging industry trends, and business operations.

Chen Bor Hann. Mr. Chen has been a Director and Secretary since August 2007. Since March, 2004, he has been Director and Business Development Manager of Capital Award Inc. From September 1995 to March 2004, he was Fishery Supervisor of Irama Edaran Sdn. Bhd. (Malaysia). As a member of the board, Mr. Chen contributes his knowledge of the company and a deep understanding of all aspects of our business, products and markets, as well substantial experience developing corporate strategy, assessing emerging industry trends, and business operations.

Nils-Erik Sandberg. Mr. Sandberg has been an Independent Director of the Company since January 1, 2013. He brings international investment experience and skills in corporate governance, investor relations, and corporate finance with local knowledge of NASDAQ OMX Stockholm and Swedish Stock Exchange that will benefit the Company. He was appointed the Chairman of the Compensation Committee of the Company as of February 1, 2013. He is President of the Jordan Fund, a Swedish investment Company network since 1990. Mr. Sandberg also currently holds a position as an adviser for Gustavia Energy and Commodities Fund, formerly known as the Stockpicker JF Commodity Energy Fund, since 2008. Mr. Sandberg was the founder and served as the CEO of Hydrocarbon International HCI AB, a publicly traded Swedish oil Company, from 1986 to 1993. Mr. Sandberg was the founder and served as the CEO of Grauten Oil AB, a publicly traded Swedish oil company, from 1986 to 1993. Mr. Sandberg was a director of International Petroleum Corporation, predecessor of Lundin Oil, later Lundin Petroleum, which trades on both the NASDAQ-OMX and TSX exchanges.

Lim Chang Soh (Anthony). Mr. Soh was appointed as an Independent Director of the Company on February 5, 2014. He brings investment experience and skills in corporate governance, corporate finance, new business development and investment strategies with considerable knowledge in agriculture industry that will benefit the Company. Mr. Soh is a practicing lawyer with 20 years standing and a partner in the law firm, Edwin Lim Suren & Soh, in Kuala Lumpur, Malaysia. He served as Deputy Managing Director of Pontian United Plantations Berhad (“Pontian”), a Malaysian plantation company in the business of cultivating oil palm on 39,000 acres of land on a Company basis, and operating an oil mill, from the Year 2009 until October 31, 2013. Prior to his appointment as the Deputy Managing Director, Mr. Soh was appointed Director in Pontian in 2005, and subsequently promoted to the post of Executive Director from 2007. He holds an LL.B (Hons) degree from University of Hull, England. In his professional career, Mr. Soh specializes in mergers and takeovers and corporate re-structuring that are expected to benefit the Company.

Family Relationships

There are no family relationships among our officers or directors.

Involvement in Certain Legal Proceedings

None of the director(s) or executive officers of the Company: (i) has been involved as a general partner or executive officer of any business which has filed a bankruptcy petition; (ii) has been convicted in any criminal proceeding nor is subject to any pending criminal proceeding; (iii) has been subjected to any order, judgment or decree of any court permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (iv) has been found by a court, the United States Securities and Exchange Commission or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law.

Board Committees:

Audit Committee

Our Audit Committee currently consists of Mr. Sandberg. Mr. Ritchey was a member of the Audit Committee until his appointment as the Company's Acting Chief Financial Officer effective March 1, 2016. Mr. Yap resigned from our board of directors on August 15, 2017. The Board has determined that:

- all members of the Audit Committee (i) are "independent" under the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc., (ii) meet the criteria for independence as set forth in the Exchange Act, (iii) have not participated in the preparation of our financial statements at any time during the past three years and (iv) are financially literate and have accounting and finance experience.

Compensation Committee

Our Compensation Committee currently consists of three directors: Messrs. Sandberg (chairman) and Soh. The Board has determined that:

- all members of the Compensation Committee qualify as "independent" under the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc.;
- all members of the Compensation Committee qualify as "non-employee directors" under Exchange Act Rule 16b-3; and
- all members of the Compensation Committee qualify as "outside directors" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or Compensation Committee.

Code of Conduct

The Board has established a corporate Code of Conduct which qualifies as a "code of ethics" as defined by Item 406 of Regulation S-K of the Exchange Act. Among other matters, the Code of Conduct is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code of Conduct to appropriate persons identified in the code; and
- accountability for adherence to the Code of Conduct.

Waivers to the Code of Conduct may be granted only by the Board. In the event that the Board grants any waivers of the elements listed above to any of our officers, we expect to announce the waiver within four business days on a Current Report on Form 8-K.

The Code of Conduct applies to all of the Company's employees, including our principal executive officer, the principal financial and accounting officer, and all employees who perform these functions. If we amend our Code of Conduct as it applies to the principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions), we shall disclose such amendment through the filing of a Current Report on Form 8-K.

ITEM 11 EXECUTIVE COMPENSATION

Summary Compensation Table

The table below summarizes all compensation awarded to, earned by, or paid to our Principal Executive Officer, our two most highly compensated executive officers other than our CEO who occupied such position at the end of our latest fiscal year and up to two additional executive officers who would have been included in the table below except for the fact that they were not executive officers at the end of our latest fiscal year, by us, or by any third party where the purpose of a transaction was to furnish compensation, for all services rendered in all capacities to us or our subsidiary for the latest fiscal year ended December 31, 2017.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)	Non-equity incentive plan compensation	Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
Lee Yip Kun Solomon	2016	336,000	0	0	0	0	0	336,000
Chief Executive Officer	2017	336,000	0	0	0	0	0	336,000
Tan Paoy Teik	2016	174,000	0	0	0	0	0	174,000
Chief Marketing Officer	2017	174,000	0	0	0	0	0	174,000
Chen Bor Hann	2016	60,000	0	0	0	0	0	60,000
Secretary	2017	60,000	0	0	0	0	0	60,000

Summary Equity Awards or payments for remuneration

There has been no equity incentive award made to any of our executive officers as of our fiscal year ended December 31, 2016 and 2017. However there were 337,688 shares, 174,874 shares, and 60,301 shares paid to Solomon Lee, Tan Paoy Tan and Chen Bor Hann respectively on May 10th 2016 for services rendered (for 6 years that were paid in shares but un-paid) during year 2007 to 2012 calculated at \$5.97 / share.

Employment Agreements

Lee Yip Kun Solomon. On December 29, 2016, we renewed the three-year employment agreement effective and continuing as of January 1, 2019 with Lee Yip Kun Solomon, our Chief Executive Officer and President (the "Lee Agreement"). Pursuant to the Lee Agreement, Mr. Lee is entitled to an annual base salary of \$336,000 and to receive a certain number of our common stock per year calculated in accordance with a formula of (Number of shares (X) = \$336,000 / \$ / share (\$Y) at time of settlement). Such shares have not been issued to Mr. Lee. Mr. Lee shall also be eligible for discretionary performance bonus payments; no such bonus has been paid. The Lee Agreement provides for Mr. Lee to be eligible to participate in any incentive compensation established by the Company; no such plan has been established. The Lee Agreement also includes confidentiality obligations to which Mr. Lee must adhere.

Tan Paoy Teik. On December 29, 2016, we renewed the three-year employment agreement effective and continuing as of January 1, 2019 with Tan Paoy Teik, our Chief Marketing Officer (the "Tan Agreement"). Pursuant to the Tan Agreement, Mr. Tan is entitled to an annual base salary of \$174,000 and to receive a certain number of our common stock per year calculated in accordance with a formula of (Number of shares (T) = \$174,000 / \$ / share (\$Y) at time of settlement). Such shares have not been issued to Mr. Tan. Mr. Tan shall also be eligible for discretionary performance bonus payments; no such bonus has been paid. The Tan Agreement provides for Mr. Tan to be eligible to participate in any incentive compensation established by the Company; no such plan has been established. The Tan Agreement also includes confidentiality obligations to which Mr. Tan must adhere.

Chen Bor Hann. On December 29, 2016, we renewed the three-year employment agreement effective and continuing as of January 1, 2019 with Chen Bor Hann, our Secretary (the "Hann Agreement"). Pursuant to the Hann Agreement, Mr. Hann is entitled to an annual base salary of \$60,000 and to receive a certain number of our common stock per year calculated in accordance with a formula of (Number of shares (W) = \$60,000 / \$ / share (\$Y) at time of settlement). Such shares have not been issued to Mr. Hann. Mr. Hann shall also be eligible for discretionary performance bonus payments; no such bonus has been paid. The Hann Agreement provides for Mr. Hann to be eligible to participate in any incentive compensation established by the Company; no such plan has been established. The Hann Agreement also includes confidentiality obligations to which Mr. Hann must adhere.

General

At no time during the last fiscal year with respect to any person listed in the table above was there:

- any outstanding option or other equity-based award re-priced or otherwise materially modified (such as by extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined);
- any waiver or modification of any specified performance target, goal or condition to payout with respect to any amount included in non-stock incentive plan compensation or payouts;
- any option or equity grant;
- any non-equity incentive plan award made to a named executive officer
- any nonqualified deferred compensation plans including nonqualified defined contribution plans; or
- any payment for any item that should be included as All Other Compensation in a Summary Compensation Table.

We have no compensation arrangements (such as fees for retainer, committee service, service as chairman of the board or a committee, and meeting attendance) with directors. Directors did not receive any compensation except for that received as executive officers as set forth above.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially based on 29,362,365 issued and outstanding shares of common stock as of December 31, 2017 by: (i) each of our directors; (ii) each of our named executive officers; and (iii) each person or Company known by us to beneficially own more than 5% of our outstanding shares of common stock.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Other than as described in the notes to the table, we believe that all persons named in the table have sole voting and investment power with respect to shares beneficially owned by them. All share ownership figures include shares issuable upon exercise of options or warrants exercisable within 60 days of the date of this Annual Report, which are deemed outstanding and beneficially owned by such person for purposes of computing his or her percentage ownership, but not for purposes of computing the percentage ownership of any other person.

Name and address	Shares of Common Stock	Percent of Common Stock	Shares of Series A Preferred Stock	Percent of Series A Preferred Stock	Percent of Capital Stock (1)
Directors and Officers (2):					
Lee Yip Kun Solomon	2,459,697	8.38%	75	75%	61.68%
Tan Poay Teik	220,000	*	20	20%	16.29%
Chen Bor Hann	82,787	*	5	5%	4.11%
Nils Erik Sandberg (3)	421,372	*	—	0	*
Daniel Ritchey	161,352	*	—	0	*
Anthony Soh	14,887	*	—	0	*
All Officers and Directors as a Company (6 persons)	2,550,828	12.67%	100	100%	82.17%
5% or Greater Beneficial Owners					
Nordnet Pensionsförsäkring AB	2,718,846	9.26%	—	0	1.85%
Forsakringsaktiebolaget Avanza Pension	3,456,006	11.77%	—	0	2.35%
City National Rochdale, LLC	101,971	*	—	0	*
Garrett R. D'Alessandro	5,141,831	17.51%	—	0	3.50%

* Less than one percent

(1) Includes the voting power of the 100 shares of Series A Preferred Stock issued and outstanding, which in the aggregate carry the voting power of eighty percent (80%) of all votes entitled to be voted at any annual or special meeting of shareholders of our company or action by written consent of our 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.

(2) The address for each of the officers and directors is c/o Sino Agro Food, Inc., Room 3801, Block A, China Shine Plaza, No. 9 Lin He Xi Road, Tianhe District, Guangzhou City, P.R.C.

(3) Includes 92,631 shares of common stock owned of record by Mr. Sandberg's spouse and 90,858 shares of common stock owned of record by Ängby Sportklubb, a not-for-profit organization of which Mr. Sandberg is the chairman of the board of directors. Mr. Sandberg disclaims any beneficial ownership of the shares of common stock held by Ängby Sportklubb.

Equity Compensation Plan Information

The following table sets forth certain information as of December 31, 2017, with respect to compensation plans under which the Company's equity securities are authorized for issuance:

	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	The weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation Plans approved by Security holders	1,000,000	-	1,000,000
Equity compensation Plans not approved By security holders	None	-	None
Total	1,000,000	-	1,000,000

Entitlement of shares issued to Staffs and personnel and certain professional consultants and agencies:

Since the beginning of the Company's operation in China, it was due primarily to the lower scale of wages in China comparing to other developed countries, so in order to secure and to sustain the services of quality management personnel and staffs, the Company provided share entitlement programs to selective staffs and personnel passing certain internally regulated performance standards and recommended by respective heads of departments; the annual amount of which was capped within \$1.5 million (from 2007 to 2013) that was increased to \$2.5 million to present date with the values of the entitled shares are calculated at prevailing market values of the shares at date of issuance; and it is an understanding with said personnel and staffs that the Company obligates to pay said entitlements at time suitable to the Company, as such, there were cases that the said issuance were being deferred up to a number of years evidenced so frequently in the Company's Qs and Ks reports.

Over the years, there have been shares issued to professionals and agencies for services rendered that were pre-approved by the Company and requested under their respective service contracts evidenced so frequently in the Company's Qs and Ks reports.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

On December 31, 2016, the Company was indebted to Mr. Lee in the amount of \$2,070,390, and on December 31, 2017 is indebted to Mr. Lee in the amount of \$107,074. The amounts are unsecured, interest free and have no fixed term of repayment.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

(1) Principal Audit Fees

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountants ECOVIS David Yeung Hong Kong with respect to FYE 2017 ("Ecovis") and Anthony Kam & Associates Limited with respect to FYE 2016 ("Ecovis"), for our audit of annual financial statements and review of financial statements included in our quarterly reports or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were:

Ecovis	2016 \$ 180,000
Ecovis	2017 \$ 180,000

(2) Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported in the preceding paragraph:

Ecovis	2016 \$ 0
Ecovis	2017 \$ 0

PART IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(A) Financial Statements

See index to Financial Statements on Page F-1

(B) Exhibits.

Exhibit No.	Exhibit Description
<u>2.1</u>	<u>Stock Purchase Agreement and Share Exchange - Volcanic Gold and Capital Award. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 2.1 thereto.</u>
<u>2.2</u>	<u>Acquisition Agreement - Hang Yu Tai Investment Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 2.2 thereto.</u>
<u>2.3</u>	<u>Acquisition Agreement - Macau Eiji Company Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 2.3 thereto.</u>
<u>2.4</u>	<u>Acquisition Agreement - Tri-way Industries Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 2.4 thereto.</u>
<u>2.5</u>	<u>Disposition Agreement - Triway selling equity interest in TianQuan Science. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 2.5 thereto.</u>
<u>2.6</u>	<u>Acquisition Agreement - A Power Agro Agriculture Development (Macau) Limited acquired the Pretty Mountains' 45% equity interest in Sanjiang A Power. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 2.6 thereto.</u>
<u>3.1</u>	<u>Articles of Incorporation of Volcanic Gold, Inc. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.1 thereto.</u>
<u>3.2</u>	<u>Amendment to Articles of Incorporation - Name Change: Volcanic Gold, Inc. to A Power Agro Agriculture Development, Inc. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.2 thereto.</u>
<u>3.3</u>	<u>Certificate of Correction. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.3 thereto.</u>
<u>3.4</u>	<u>Amendment to Articles of Incorporation - Name Change: A Power Agro Agriculture Development, Inc. to Sino Agro Food, Inc. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.4 thereto.</u>
<u>3.5</u>	<u>Bylaws of Volcanic Gold, Inc. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.5 thereto.</u>
<u>3.6</u>	<u>Organizational Documents: Capital Award, Inc. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.6 thereto.</u>
<u>3.7</u>	<u>Organizational Documents: Hang Yu Tai Investment Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.7 thereto.</u>
<u>3.8</u>	<u>Organizational Documents: ZhongXingNongMu Co. Ltd. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.8 thereto.</u>

3.9 [Organizational Documents: Macau Eiji Company Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.9 thereto.](#)

3.10 [Organizational Documents: Jiang Men City Heng Sheng Tai Agriculture Development Co. Ltd. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.10 thereto.](#)

3.11 [Organizational Documents: Tri-way Industries Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.11 thereto.](#)

3.12 [Organizational Documents: A Power Agro Agriculture Development \(Macau\) Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 3.12 thereto.](#)

3.13 [Bylaws. Incorporated herein by reference to the Current Report on Form 8-K filed on November 28, 2012 as Exhibit 3.1 thereto.](#)

3.14 [Certificate of Amendment to Articles of Incorporation. Incorporated herein by reference to the Current Report on Form 8-K filed on January 30, 2013 as Exhibit 3.1 thereto.](#)

3.15 [Certificate of Amendment to Articles of Incorporation. Incorporated herein by reference to the Current Report on Form 8-K filed on November 1, 2013 as Exhibit 3.1 thereto.](#)

3.16 [Certificate of Amendment to Articles of Incorporation. Incorporated herein by reference to the Current Report on Form 8-K filed on June 12, 2014 as Exhibit 3.1 thereto.](#)

3.17 [Certificate of Amendment to Articles of Incorporation. Incorporated herein by reference to the Current Report on Form 8-K filed on November 10, 2014 as Exhibit 3.1 thereto.](#)

3.18 [Certificate of Amendment to Articles of Incorporation. Incorporated herein by reference to the Current Report on Form 8-K filed on December 17, 2014 as Exhibit 3.1 thereto.](#)

4.1 [Form of common stock Certificate of Sino Agro Foods, Inc. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 4.1 thereto.](#)

4.2 [Form of Certificate of Series A Preferred. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 4.2 thereto.](#)

4.3 [Form of Certificate of Series B Preferred. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 4.3 thereto.](#)

4.4 [Certificate of Rights and Preferences - Series A Preferred. Incorporated herein by reference to the Registration Statement on Form 10 filed on April 25, 2011 as Exhibit 4.4 thereto.](#)

4.5 [Certificate of Rights and Preferences - Series B Preferred. Incorporated herein by reference to the Registration Statement on Form 10 filed on April 25, 2011 as Exhibit 4.5 thereto.](#)

4.6 [Certificate of Designation of the Series F Non-Convertible Preferred Stock. Incorporated herein by reference to the Current Report on Form 8-K filed on November 16, 2012 as Exhibit 3.1 thereto.](#)

4.7 [Amended and Restated Certificate of Designation of the Series F Non-Convertible Preferred Stock. Incorporated herein by reference to the Current Report on Form 8-K filed on June 12, 2014 as Exhibit 3.1 thereto.](#)

4.8 [Promissory Note dated August 29, 2014. Incorporated herein by reference to the Current Report on Form 8-K filed on September 5, 2014 as Exhibit 4.1 thereto.](#)

4.9 [Certificate of Amendment to Certificate of Designation of the Series B Convertible Preferred Stock. Incorporated herein by reference to the Current Report on Form 8-K filed on December 17, 2014 as Exhibit 3.2 thereto.](#)

10.1 [Patented “Intellectual Property” namely “Zhi Wu Jei Gan Si Liao Chan Ye Hua Chan Pin Ji Qi Zhi Bei Fang Fa” registered under the Patent Number “ZL2005 10063039.9” and Certificate number “329722” of China. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 10.1 thereto.](#)

10.2 [Sino Foreign Joint Venture Agreement: Jiang Men City Heng Sheng Tai Agriculture Development Co. Ltd. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 10.2 thereto.](#)

10.3 [Sino Foreign Joint Venture Agreement: Qinghai Sanjiang A Power Agriculture Co. Ltd. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 10.3 thereto.](#)

10.4 [Deed of Trust - A Power Agro Agriculture Development \(Macau\) Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 10.4 thereto.](#)

10.5 [Deed of Trust - Macau Eiji Company Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 10.5 thereto.](#)

10.6 [Deed of Trust - Hang Yu Tai Investment Limited. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 10.6 thereto.](#)

10.7 [Master License from Infinity Environmental Company, a Belize corporation. Incorporated herein by reference to the Registration Statement on Form 10 filed on November 19, 2010 as Exhibit 10.7 thereto.](#)

10.8 [Capital Award Consulting Service Agreement. Incorporated herein by reference to the Registration Statement on Form 10 filed on January 19, 2011 as Exhibit 10.8 thereto.](#)

10.9 [Tri-Way Joint Venture Agreement. Incorporated herein by reference to the Registration Statement on Form 10 filed on January 19, 2011 as Exhibit 10.9 thereto.](#)

10.10.a [Share Sale Agreement of Zhongxingnongmu Co. Ltd. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 10.10\(a\) thereto.](#)

10.10.b [MOU SIAF and Mr. Sun Sales and Purchase of shares Hang Yu Tai. Incorporated herein by reference to the Registration Statement on Form 10 filed on July 6, 2011 as Exhibit 10.10\(b\) thereto.](#)

10.11 [Joint Venture Agreement for Enping City Bi Tao A Power Prawn Culture Development Co., Ltd. Incorporated herein by reference to the Registration Statement on Form 10 filed on April 25, 2011 as Exhibit 10.11 thereto.](#)

10.12 [AP Technology Consulting Services Agreement between Capital Award and a Company of China Parties. Incorporated herein by reference to the Registration Statement on Form 10 filed on April 25, 2011 as Exhibit 10.12 thereto.](#)

10.13 [Organic Premium Beef Cattle \(Fragrant Beef\) Breeding and Feed Production Technology Cooperation Agreement. Incorporated herein by reference to the Registration Statement on Form 10 filed on April 25, 2011 as Exhibit 10.13 thereto.](#)

10.14 [Organic Premium Beef Cattle \(Fragrant Beef\) Breeding and Feed Production Technology Sale and Transfer Agreement. Incorporated herein by reference to the Registration Statement on Form 10 filed on April 25, 2011 as Exhibit 10.14 thereto.](#)

10.15 [Employment Agreement - Lee. Incorporated herein by reference to the Registration Statement on Form 10 filed on July 6, 2011 as Exhibit 10.15 thereto.](#)

10.16 [Employment Agreement - Tan. Incorporated herein by reference to the Registration Statement on Form 10 filed on July 6, 2011 as Exhibit 10.16 thereto.](#)

10.17 [Employment Agreement - Chen. Incorporated herein by reference to the Registration Statement on Form 10 filed on July 6, 2011 as Exhibit 10.17 thereto.](#)

10.18 [SJVC Enping Cattle and Sheep Farm Joint Venture Agreement. Incorporated herein by reference to the Registration Statement on Form 10 filed on July 6, 2011 as Exhibit 10.18 thereto.](#)

10.19 [Bait Fish Contract between Enping A Power Fishery Development Co. Ltd. and Guangzhou Jinyang Aquaculture Co. Ltd. Incorporated herein by reference to the Current Report on Form 8-K filed on December 19, 2011 as Exhibit 10.1 thereto.](#)

10.20 [Sleepy Cod Contract between Enping A Power Fishery Development Co. Ltd. and Guangzhou Jinyang Aquaculture Co. Ltd. Incorporated herein by reference to the Current Report on Form 8-K filed on December 19, 2011 as Exhibit 10.2 thereto.](#)

10.21 [Agreement between Capital Award, Inc. and Liu Gang, et al. Incorporated herein by reference to the Current Report on Form 8-K filed on February 29, 2012 as Exhibit 10.1 thereto.](#)

10.22 [Agreement between Macau Eiji Company Limited and Mr. Jin Xuesong. Incorporated herein by reference to the Current Report on Form 8-K filed on March 28, 2012 as Exhibit 10.1 thereto.](#)

10.23 [Addendum to Consulting and Services Agreement. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on August 14, 2012 as Exhibit 10.1 thereto.](#)

10.24 [SJVC Agreement between MEIJI and Mr. He Yue Xiong. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on August 14, 2012 as Exhibit 10.2 thereto.](#)

10.25 [Consulting and Services Agreement MEIJI and Mr. He Yue Xiong, et al. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on August 14, 2012 as Exhibit 10.3 thereto.](#)

10.26 [Agreement to Purchase Young Beef between MEIJI and Yang Zi Shao Town Cattle Farm. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on August 14, 2012 as Exhibit 10.4 thereto.](#)

10.27 [WSPS SJVC between the Company and Zhou Jianfeng. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on August 14, 2012 as Exhibit 10.5 thereto.](#)

10.28 [WSPS Consulting and Services Agreement between Capital Award and Zhou Jianfeng, et al. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on August 14, 2012 as Exhibit 10.6 thereto.](#)

10.29 [Memorandum of Understanding between the Company and Wu Xiaofeng. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on August 14, 2012 as Exhibit 10.7 thereto.](#)

10.30 [Jiangmen Hang Meiji Cattle Farm Co. Ltd. Statutory Documents. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on November 15, 2012 as Exhibit 10.8 thereto.](#)

10.31 [Consulting and Service Agreement \(Wholesale 2\) between the Company and Guangzhou YiLi Na Wei Trading Co. Ltd. Incorporated herein by reference to the Quarterly Report on Form 10-Q filed on November 15, 2012 as Exhibit 10.9 thereto.](#)

10.32 [JFD Lease agreement. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 10.32 thereto.](#)

10.33 [JHMC Lease Agreement. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 10.33 thereto.](#)

10.34 [JHST Lease Agreement. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 10.34 thereto.](#)

<u>10.35</u>	Sino Agro Food, Inc. Lease Agreement. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 10.35 thereto.
<u>10.36</u>	Capital Award Consulting Service Agreement related to Fish Farm 2. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 10.36 thereto.
<u>10.37</u>	WXC Consulting Agreement. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 10.37 thereto.
<u>10.38</u>	Consulting and Service Agreement between MEIJI and Wei Da Xing, et al. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 10.38 thereto.
<u>10.39</u>	License Agreement between Capital Award Inc. and Glory Ocean Development Ltd. Incorporated herein by reference to the Current Report on Form 8-K filed on March 5, 2014 as Exhibit 10.1 thereto.
<u>10.40</u>	SJVC Agreement between a group of investors in Zhongshan City, Guangdong Province, PRC and Glory Ocean Development Ltd. Incorporated herein by reference to the Annual Report on Form 10-K filed on April 11, 2014 as Exhibit 10.40 thereto.
<u>14</u>	Code of Ethics. Incorporated herein by reference to the Registration Statement on Form S-1 filed on March 28, 2013 as Exhibit 14 thereto.
<u>21</u>	List of subsidiaries. Incorporated herein by reference to the Registration Statement on Form S-1 filed on September 23, 2013 as Exhibit 21 thereto.
<u>31.1</u>	Certification pursuant to Section 302 of the Sarbanes-Oxley Act*
<u>31.2</u>	Certification pursuant to Section 302 of the Sarbanes-Oxley Act*
<u>32.1</u>	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation 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.

April 17, 2018

By: /s/ LEE YIP KUN SOLOMON
Lee Yip Kun Solomon
Chief Executive Officer
(Principal Executive Officer)

April 17, 2018

By: /s/ DAN RITCHIEY
Dan 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.

April 17, 2018

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

April 17, 2018

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

April 17, 2018

By: /s/ CHEN BOR HANN
Chen Bor Hann
Corporate Secretary

April 17, 2018

By: /s/ YAP KOI MING
Yap Koi Ming
Director

April 17, 2018

By: /s/ NILS ERIK SANDBERG
Nils Erik Sandberg
Director

April 17, 2018

By: /s/ DAN RITCHIEY
Dan Ritchey
Director

April 17, 2018

By: /s/ SOH LIM CHANG
Soh Lim Chang,
Director

SINO AGRO FOOD, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

SINO AGRO FOOD, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Room 1905, 19/F , West Tower, Shun Tak Centre, 168 - 200 Connaught Road, Central, Hong Kong.
Tel : (852) 2581 7500
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the board of directors of Sino Agro Food, Inc.
(Incorporated in the State of Nevada, United States of America)

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Sino Agro Food, Inc. (the “Company”) as of December 31, 2017 and 2016, the related statements of *income and other comprehensive income, stockholders' equity, and cash flows*, for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017 and 2016, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ECOVIS David Yeung Hong Kong

Hong Kong
April 15, 2018

SINO AGRO FOOD, INC.
CONSOLIDATED BALANCE SHEETS

	Note	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	7	\$ 560,043	\$ 2,576,058
Inventories	8	52,628,947	62,592,272
Costs and estimated earnings in excess of billings on uncompleted contracts	21	1,249,187	740,984
Deposits and prepayments	9	70,459,650	79,838,950
Accounts receivable, net of allowance for doubtful accounts	10	82,971,418	122,912,086
Other receivables	11	20,680,478	47,120,800
Total current assets		<u>228,549,723</u>	<u>315,781,150</u>
Plant and equipment			
Plant and equipment, net of accumulated depreciation	12	246,857,797	189,727,227
Construction in progress	13	6,178,308	35,157,213
Land use rights, net of accumulated amortization	14	54,838,031	53,673,690
Total plant and equipment		<u>307,874,136</u>	<u>278,558,130</u>
Other assets			
Goodwill	15	724,940	724,940
Proprietary technologies, net of accumulated amortization	16	9,588,605	10,090,697
Interests in unconsolidated investees	17	193,267,696	139,133,443
Long term investments	18	-	720,773
Temporary deposits paid to entities for investments in Sino joint venture companies	19	34,917,222	15,644,998
Total other assets		<u>238,498,463</u>	<u>166,314,851</u>
Total assets		<u><u>\$ 774,922,322</u></u>	<u><u>\$ 760,654,131</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses		\$ 4,243,496	\$ 8,789,324
Billings in excess of costs and estimated earnings on uncompleted contracts	21	5,740,065	2,630,752
Due to a director		107,074	2,070,390
Other payables	22	40,593,482	5,962,092
Borrowings - Short term bank loans	23	4,667,890	2,883,090
Negotiable promissory notes	24	977,155	1,113,140
Derivative liability	25	2,100	-
Convertible note payable	25	3,894,978	-
Income tax payable		377	1,130
		<u>60,226,617</u>	<u>23,449,918</u>
Non-current liabilities			
Other payables	22	11,089,779	11,192,117
Borrowings - Long term debts and bank loan	23	6,045,302	5,766,182
Convertible note payables	25	-	16,307,861
		<u>17,135,081</u>	<u>33,266,160</u>
Commitments and contingencies		<u>—</u>	<u>—</u>
Stockholders' equity			
Preferred stock: \$0.001 par value (10,000,000 shares authorized, 100 shares issued and outstanding as of December 31, 2017 and 2016, respectively)			
Series A preferred stock: \$0.001 par value (100 shares designated, 100 shares issued and outstanding as of December 31, 2017 and 2016, respectively)	26	-	-
Series B convertible preferred stock: \$0.001 par value (10,000,000 shares designated, 0 shares issued and outstanding as of December 31, 2017 and 2016, respectively)	26	-	-
Series F Non-convertible preferred stock: \$0.001 par value (1,000,000 shares designated, 0 shares issued and outstanding as of December 31, 2017 and 2016, respectively)	26	-	-
Common stock: \$0.001 par value (50,000,000 shares authorized, 29,362,875 and 22,726,859 shares issued and outstanding as of December 31, 2017 and 2016, respectively)	26	29,363	22,727
Additional paid - in capital		169,743,640	155,741,280
Retained earnings		441,488,507	454,592,652
Accumulated other comprehensive income		2,346,174	(4,335,355)
Treasury stock	26	(1,250,000)	(1,250,000)
Total Sino Agro Food, Inc. and subsidiaries stockholders' equity		<u>612,357,684</u>	<u>604,771,304</u>
Non - controlling interest		<u>85,202,940</u>	<u>99,166,749</u>
Total stockholders' equity		<u><u>697,560,624</u></u>	<u><u>703,938,053</u></u>
Total liabilities and stockholders' equity		<u><u>\$ 774,922,322</u></u>	<u><u>\$ 760,654,131</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

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SINO AGRO FOOD, INC.
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

	Note	2017	2016
Continuing operations			
Revenue			
- Sale of goods		\$ 181,183,609	\$ 270,788,759
- Consulting and service income from development contracts		16,983,330	71,107,794
- Commission income		-	1,049,199
		<u>198,166,939</u>	<u>342,945,752</u>
Cost of goods sold		(164,974,247)	(211,593,774)
Cost of services		(13,566,203)	(47,415,205)
Gross profit		<u>19,626,489</u>	<u>83,936,773</u>
General and administrative expenses		(19,780,290)	(17,196,962)
Net (loss)/income from operations		<u>(153,801)</u>	<u>66,739,811</u>
Other income (expenses)			
Government grant		2,539,989	1,787,636
Other income		100,218	318,023
Change in fair value of derivative liability		209,219	-
Loss on restructuring		(6,225,204)	-
Bad debts written off		(14,394,402)	-
Impairment on interests in unconsolidated investees		(153,046)	-
Non-operating expenses		(10,717,693)	-
Net loss from disposal of variable interest entity - QZH	6	(9,365,643)	-
Share of income from unconsolidated equity investee		12,010,051	-
Interest expense		(3,952,631)	(4,010,699)
Net expenses		<u>(29,949,142)</u>	<u>(1,905,040)</u>
Net (loss)/income before income taxes		<u>(30,102,943)</u>	<u>64,834,771</u>
Provision for income taxes	4	(1,684)	(1,130)
Net (loss)/income from continuing operations		<u>(30,104,627)</u>	<u>64,833,641</u>
Less: Net loss/(income) attributable to non - controlling interest		17,000,482	(20,852,875)
Net (loss)/income from continuing operations attributable to Sino Agro Food, Inc. and subsidiaries		<u>(13,104,145)</u>	<u>43,980,766</u>
Net income from discontinued operations	5	-	14,869,216
Net gain from disposal of subsidiaries, TRW and JFD	5	-	56,947,005
Net income from discontinued operations		-	71,816,221
Less: Net loss/(income) attributable to non - controlling interest		-	(820,973)
Net income from discontinued operations attributable to the Sino Agro Food, Inc. and subsidiaries		-	70,995,248
Other comprehensive income/(loss) - Foreign currency translation income/(loss)		12,781,924	(7,576,607)
Comprehensive (loss)/income		(322,221))
Less: other comprehensive (income)/loss attributable to non - controlling interest		(5,602,048)	1,657,383
Comprehensive (loss)/income attributable to Sino Agro Food, Inc. and subsidiaries		<u>(5,924,269)</u>	<u>109,056,790</u>
Earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders:			
- from continuing and discontinued operations			
Basic	31	\$ (0.53)	\$ 5.46
Diluted	31	<u>\$ (0.53)</u>	<u>\$ 5.00</u>
Earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders:			
- from continuing operations			
Basic	31	\$ (0.53)	\$ 2.09

Diluted	31	\$ (0.53)	\$ 1.93
Weighted average number of shares outstanding:			
Basic	31	24,711,015	21,041,065
Diluted	31	<u>24,711,015</u>	<u>23,194,083</u>

The accompanying notes are an integral part of these consolidated financial statements.

SINO AGRO FOOD, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock		Series A Preferred stock		Series B Convertible		Series F Non Convertible	
	Number of shares	Nominal \$	Number of shares	Nominal \$	Number of shares	Nominal \$	Number of shares	Nominal \$
Balance as of January 1, 2016	20,133,757	20,134	100	-	-	-	-	-
Issue of common stock								
- Employees' and professional compensation	1,331,855	1,332	-	-	-	-	-	-
- As security for finance raised	2,461,247	2,461	-	-	-	-	-	-
Share cancellation	(1,200,000)	(1,200)						
Net income for the year								
- Continuing operations	-	-	-	-	-	-	-	-
- Discontinued operations	-	-	-	-	-	-	-	-
Deemed disposal of subsidiaries	-	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	-	-	-
Balance as of December 31, 2016	<u>22,726,859</u>	<u>22,727</u>	<u>100</u>					
Issue of common stock								
- Employees' and professional compensation	1,667,792	1,668	-	-	-	-	-	-
- As security for finance raised	4,967,714	4,968	-	-	-	-	-	-
Net income for the year								
- Continuing operations	-	-	-	-	-	-	-	-
- Discontinued operations	-	-	-	-	-	-	-	-
Disposal of a variable interest entity - QZH	-	-	-	-	-	-	-	-
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	-	-	-
Balance as of December 31, 2017	<u>29,362,365</u>	<u>29,363</u>	<u>100</u>					

SINO AGRO FOOD, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Treasury stock		Additional paid - in capital	Retained earnings	Accumulated other comprehensive income	Non - controlling interest	Total
	Number of shares	Amount	\$	\$	\$	\$	\$
Balance as of January 1, 2016	(101,010)	(1,250,000)	142,882,173	339,616,638	1,427,638	87,238,538	569,935,121
Issue of common stock							
- Employees' and professional compensation	-	-	7,964,293	-	-	-	7,965,625
- As security for finance raised	-	-	10,713,614	-	-	-	10,716,075
Share cancellation	-	-	(5,818,800)	-	-	-	(5,820,000)
Net income for the year							
-Continuing operations	-	-	-	43,980,766	-	20,852,875	64,833,641
-Discontinued operations	-	-	-	70,995,248	156,231	820,973	71,972,452
Deemed disposal of subsidiaries						(8,088,254)	(8,088,254)
Foreign currency translation difference	-	-	-	-	(5,919,224)	(1,657,383)	(7,576,607)
Balance as of December 31, 2016	(101,010)	(1,250,000)	155,741,280	454,592,652	(4,335,355)	99,166,749	703,938,053
Issue of common stock							
- Employees' compensation	-	-	1,953,484	-	-	-	1,955,152
- As security for finance raised	-	-	12,048,876	-	-	-	12,053,844
Net income for the year							
-Continuing operations	-	-	-	(13,104,145)	-	(17,000,482)	(30,104,627)
Disposal of a variable interest entity-QZH	-	-	-	-	(498,347)	(5,082,410)	(5,580,757)
Capital injection by non-controlling interest	-	-	-	-	-	2,517,035	2,517,035
Foreign currency translation difference	-	-	-	-	7,179,876	5,602,048	12,781,924
Balance as of December 31, 2017	<u>(101,010)</u>	<u>(1,250,000)</u>	<u>169,743,640</u>	<u>441,488,507</u>	<u>2,346,174</u>	<u>85,202,940</u>	<u>697,560,624</u>

The accompanying notes are an integral part of these consolidated financial statements.

SINO AGRO FOOD, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2017	2016
Cash flows from operating activities		
Net (loss) income for the year	\$ (30,104,627)	\$ 64,833,641
- Continuing operations	-	71,816,221
- Discontinued operations	-	-
Adjustments to reconcile net income for the year to net cash from operations:		
Depreciation	8,350,811	4,141,629
Amortization	2,198,080	1,716,228
Gain on deemed disposal of subsidiaries	-	(56,947,005)
Loss on disposal from a variable interest entity	9,365,643	-
Share based compensation costs	1,753,328	4,345,993
Other amortized cost arising from convertible notes and others	106,297	2,589,503
Impairment on long outstanding receivables and prepayments	2,341,746	-
Impairment on interests in unconsolidated investees	153,046	-
Change in fair value of a derivative liability	(209,219)	-
Bad debts written off	14,394,402	-
Gain on disposal	(3,033)	-
Loss on restructuring	6,225,204	-
Share of unconsolidated equity investee	(12,010,051)	-
Changes in operating assets and liabilities:		
Decrease in inventories	5,395,794	256,435
(Increase) decrease in cost and estimated earnings in excess of billings on uncompleted contacts	(508,203)	565,901
Increase in deposits and prepaid expenses	(15,289,681)	(1,055,087)
(Decrease) increase in due to a director	(2,099,301)	(7,485,399)
Increase/(decrease) in accounts payable and accrued expenses	2,594,611	(556,235)
Increase in other payables	19,025,599	7,564,298
Decrease (increase) in accounts receivable	9,142,535	12,762,332
Decrease (increase) in tax payable	(753)	1,130
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	3,109,313	(6,069,954)
Decrease in other receivables	35,877,232	12,659,787
Increase in interests in unconsolidated investees	(38,286,498)	(55,120,003)
Net cash provided by operating activities	21,522,275	56,019,415
Cash flows from investing activities		
Acquisition of plant, property and equipment	(22,809,544)	(3,112,204)
Payment for construction in progress	(10,772,885)	(54,913,543)
Investments in unconsolidated equity investees	-	(1,152,640)
Proceed from disposal of a long term investee	740,521	-
Proceed from disposal of plant, property and equipment	124,536	-
Net cash used in investing activities	(32,717,372)	(59,178,387)
Cash flows from financing activities		
Directors reimbursement for cash originally deposited in due to a director		
-Proceeds from convertible bond payable	4,000,000	-
Capital contribution from non-controlling interest	2,517,035	-
Proceeds from short term debts	5,924,171	2,883,090
Proceeds from long term debts	-	5,766,182
Long term debts repaid	-	(2,171,235)
Short term bank loan repaid	(2,962,085)	(3,849,707)
Net cash provided by financing activities	9,479,121	2,628,330
Effects on exchange rate changes on cash	(300,039)	(4,122,497)
(Decrease)/increase in cash and cash equivalents	(2,016,015)	(4,653,139)
Cash and cash equivalents, beginning of year	2,576,058	7,229,197
Cash and cash equivalents, end of year	\$ 560,043	\$ 2,576,058
Supplementary disclosures of cash flow information:		
Cash paid for interest	\$ 1,395,143	\$ 1,421,196
Cash paid for income taxes	\$ 2,437	\$ -
Non - cash transactions		
Common stock issued as security for finance raised	\$ 12,053,844	10,716,076
Common stock purchased for cancellation	\$ -	\$ (5,820,000)
Common stock issued for services and compensation	\$ 1,955,152	\$ 7,965,625
Transfer construction in progress to property and equipment and non-current held for sale	\$ 36,411,070	\$ 88,237,779
Transfer deposits and prepaid expenses to property and equipment and non-current assets held for sale	\$ 107,040	\$ 1,949,106
Convertible bond adjustments	\$ 105,022	\$ 14,483,399

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%.

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.

On March 23, 2017, Qinghai Quanwang Investment Management Company Limited (“**Quanwang**”) acquired 8.3% equity interest in SJAP for total cash consideration of \$459,137. As of December 31, 2017, APWAM owned 41.25% of SJAP, Garwor owned 50.45% and Quanwang owned the remaining 8.3%.

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 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 leaded 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, the Company took up all assets and all liabilities of TRW and JFD except plant and equipment - fish farm. The Company converted the amount due from unconsolidated equity investee into equity interest during the fourth quarter of 2017, which resulted in equity interest in TRW from 23.89% to 36.60%

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. As of December 31, 2017, MEIJI total investment in JHMC was \$4,385,101.

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%. On April 5, 2017, SJAP transfer all of its equity interest to MEIJI. As of December 31, 2017, MEIJI total investment in HSA was \$1,651,774.

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**”). During the year ended December 31, 2016, SAFS changed to a private company. As of December 31, 2017, the Company invested \$77,664 in SAFS.

SJAP formed Qinghai Zhong He Meat Products Co., Limited (“**QZH**”), with SJAP would owning 100% equity interest. SJAP formed Qinghai Zhong He Meat Products Co., Limited (“**QZH**”), with SJAP would owning 100% equity interest. On October 25, 2015, both QZH and new stockholder, Qinghai Quanwang Investment Management Co., Ltd (“**QQI**”) contributed additional capital of \$4,157,682 and \$769,941, respectively. As a result, SJAP decreased its equity interest from 100% to 85% and QQI owned a 14% equity interest. In addition, according to investment agreement between QZH and QQI, (i) QQI only enjoy interest 6% annually on its capital contribution and did not enjoy profit distribution; (ii) investment period was 3 years only, and (iii) SJAP shared 100% (2016: 100%) on profit or loss after deduction 6% interest to QQI and enjoyed 100% (2016: 100%) voting rights of QZH’s board and stockholders meetings. SJAP disposed its 85% equity interest in QZH for RMB2 (equivalent to \$0) for cash and completed on December 30, 2017. As a result, QZH was derecognized as variable interest entity of the company.

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% (2016: 100%) directly	Fishery development and holder of A-Power Technology master license.
Capital Stage Inc. ("CS")	Belize	100% (2016: 100%) indirectly	Dormant
Capital Hero Inc. ("CH")	Belize	100% (2016: 100%) indirectly	Dormant
Sino Agro Food Sweden AB ("SAFS")	Sweden	100% (2016: 100%) directly	Dormant
Macau Eiji Company Limited ("MEIJI")	Macau, P.R.C.	100% (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% (2016: 100%) directly	Investment holding
Jiang Men City Heng Sheng Tai Agriculture Development Co. Ltd ("JHST")	P.R.C.	75% (2016: 75%) indirectly	Hylocereus Undatus Plantation ("HU Plantation").
Jiang Men City Hang Mei Cattle Farm Development Co., Limited ("JHMC")	P.R.C.	75% (2016: 75%) indirectly	Beef cattle cultivation
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	P.R.C.	76% (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 (Note 21)	Place of incorporation	Percentage of interest	Principal activities
Qinghai Sanjiang A Power Agriculture Co., Ltd ("SJAP")	P.R.C.	41.25% (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.	0% (2016: 85.71%) indirectly	Cattle slaughter

* This represents stockholding percentage of total equity.

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, MEIJI, JHST, JHMC, HSA, APWAM, SAFS and its variable interest entity SJAP and QZH. All material inter-company transactions and balances have been eliminated in consolidation. QZH was derecognized as variable interest entity on December 30, 2017.

SIAF, CA, CS, CH, MEIJI, JHST, JHMC, HSA, APWAM, SAFS, and SJAP 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 \$16,748 and \$20,160 for the years ended December 31, 2017 and 2016, respectively.

2.11 ADVERTISING

Advertising costs are included in general and administrative expenses, which totaled \$1,777,383, and \$2,621,537 for the years ended December 31, 2017 and 2016, respectively.

2.12 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in general and administrative expenses, which totaled \$1,332,938, and \$0 for the years ended December 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 \$2,346,174 as of December 31, 2017 and \$(4,335,355) as of December 31, 2016. The balance sheet amounts with the exception of equity as of December 31, 2017 and December 31, 2016 were translated using an exchange rate of RMB 6.53 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 years ended December 31, 2017 and 2016 were RMB 6.75 to \$1.00 and RMB 6.64 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.

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 - 30 years
Mature seeds and herbage cultivation	20 years
Furniture and equipment	2.5 - 10 years
Motor vehicles	4 - 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. On October 18, 2017, the Company withdrew its equity interest in RCU.

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 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 20 years.

The cost of sleepy cuds breeding technology license is capitalized as proprietary technologies when technological feasibility has been established. Cost of granting sleepy cuds 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 relates 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 December 31, 2017 and 2016 amounted to \$327,019 and \$2,277,838, 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:

	2017	2016
Customer A	26.00%	11.57%
Customer B	22.08%	18.94%
Customer C	10.88%	9.58%
Customer D	10.23%	6.35%
Customer E	8.57%	10.93%
Customer F	-%	11.23%
Customer G	-%	7.59%
	77.76%	76.19%

	Corporate Division	Percentage of revenue	Amount
Customer A	Corporate Division	26.00%	\$ 51,512,062
Customer B	Organic Fertilizer and Bread Grass Division	22.08%	\$ 43,765,625
Customer C	Cattle Farm Development and HU Plantation Division	10.88%	\$ 21,568,048
Customer D	Corporate Division	10.23%	\$ 20,275,105

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:

2017	2016
-------------	-------------

Customer A	7.34%	0.75%
Customer B	12.31%	18.11%
Customer C	4.78%	5.80%
Customer D	7.49%	5.87%
Customer E	27.13%	12.83%
Customer F	-%	19.61%
Customer G	-%	5.06%
	<u>59.05%</u>	<u>68.03%</u>

As of December 31, 2017, amounts due from customers A, B and C are \$7,289,827, \$12,234,083 and \$4,752,597, 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)

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

2.32 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 years ended December 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 \$(0.53), and \$5.46, respectively. For the years ended December 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 \$(0.53), and \$5.00, respectively.

For the years ended December 31, 2017 and 2016, basic earnings per share attributable to Sino Agro Food, Inc. and subsidiaries common stockholders for continuing operations amounted to \$(0.53), and \$2.09, respectively. For the years ended December 31, 2017 and 2016, diluted earnings per share attributable to Sino Agro Food, Inc. and its subsidiaries’ common stockholders for continuing operations amounted to \$(0.53) and \$1.93, respectively.

2.33 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.

2.34 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.

2.35 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)

2.36 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.

Financial instruments consist principally of cash, accounts receivable, Deposits and prepayments, accounts payable and accrued expenses, other payables, due to a director and income tax payables. The carrying amounts of such financial instruments in the accompanying condensed consolidated balance sheet approximate their fair values due to their relatively short-term nature. The Company's long-term borrowing, promissory notes and convertible notes payable approximates the fair value of such instrument based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangement at December 31, 2017. It is management's opinion that the Company is not exposed to any significant currency or credit risks arising from these financial instruments.

The Company revalues its derivative liability at every reporting period and recognizes gains or losses in the consolidated statement of income and other comprehensive income that are attributable to the change in the fair value of the derivative liability. The Company has no other assets or liabilities measured at fair value on a recurring basis.

2.37 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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. 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. The new standard further requires new disclosures about contracts with customers, including the significant judgments the company has made when applying the guidance. We will adopt the new standard effective January 1, 2018, using the modified retrospective transition method. We finalized our analysis and the adoption of this guidance will not have a material impact on our consolidated financial statements.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.37 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2016, the 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 will adopt the new standard effective January 1, 2019. We have selected a lease accounting system and we are in the process of implementing such system as well as evaluating the use of the optional practical expedients. While we continue to evaluate the effect of adopting this guidance on our consolidated financial statements and related disclosures, we expect our operating leases, as disclosed in Note 9 - Commitments and Contingencies, will be subject to the new standard. We will recognize right-of-use assets and operating lease liabilities on our consolidated balance sheets upon adoption, which will increase our total assets and liabilities.

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 when the transfer occurs, rather than when the asset has been sold to an outside party. We will adopt the new standard effective January 1, 2018, using the modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the effective date. A cumulative-effect adjustment will capture the write-off of income tax consequences deferred from past intra-entity transfers involving assets other than inventory, new deferred tax assets, and other liabilities for amounts not currently recognized under U.S. GAAP. Based on transactions up to December 31, 2017, we do not expect the adoption of this guidance 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. We will adopt the new standard effective January 1, 2018, using the retrospective transition approach for all periods presented. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

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. We will adopt the new standard effective January 1, 2018, on a prospective basis and 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.

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 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. On December 30, 2017 QZH was disposed to third party and derecognized as variable interest entity on the same date.

	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
Revenue	\$ 16,983,330	\$ 4,638,095	\$ 84,356,986	\$ 20,401,361	\$ 71,787,167	\$ -	\$ 198,166,939
Net income (loss)	\$ 3,224,985	\$ (1,440,925)	\$ (18,090,904)	\$ 2,623,332	\$ 579,367	\$ -	\$ (13,104,145)
Total assets	<u>\$ 79,997,651</u>	<u>\$ 47,881,252</u>	<u>\$ 336,073,537</u>	<u>\$ 33,207,995</u>	<u>\$ 277,761,887</u>	<u>\$ -</u>	<u>\$ 774,922,322</u>

	2016						
	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
Revenue	<u>\$ 72,156,993</u>	<u>\$ 13,318,582</u>	<u>\$ 155,203,534</u>	<u>\$ 29,837,560</u>	<u>\$ 72,429,083</u>	<u>\$ 61,402,763</u>	<u>\$ 404,348,515</u>
Net income (loss)	<u>\$ 22,429,776</u>	<u>\$ 3,507,783</u>	<u>\$ 18,416,950</u>	<u>\$ 2,905,449</u>	<u>\$ (3,279,192)</u>	<u>\$ 70,995,248</u>	<u>\$ 114,976,014</u>
Total assets	<u>\$ 87,688,839</u>	<u>\$ 47,051,841</u>	<u>\$ 325,639,821</u>	<u>\$ 52,267,765</u>	<u>\$ 248,005,865</u>	<u>\$ -</u>	<u>\$ 760,654,131</u>

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Note

- (1) Operated by Capital Award, Inc. ("CA").
- (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"). On December 30, 2017 QZH was disposed to third party and derecognized as variable interest entity on the same date.
- (4) Operated by Jiang Men City Hang Mei Cattle Farm Development Co. Limited ("JHMC") and Macau Eiji Company Limited ("MEIJI").
- (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:-

	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)
Name of entity						
Sale of goods						
Capital Award, Inc. ("CA")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST")	-	4,638,095	-	-	-	4,638,095
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	- -	- -	7,167,845	- -	- -	7,167,845
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	- -	- -	27,911,680	- -	- -	27,911,680
Qinghai Zhong He Meat Products Co., Limited ("QZH")	- -	- -	49,277,461	- -	- -	49,277,461
Macau Eiji Company Limited ("MEIJI")	- -	- -	- -	20,401,361	- -	20,401,361
Sino Agro Food, Inc. ("SIAF")	- -	- -	- -	- 71,787,167	- -	71,787,167
Consulting and service income for development contracts						
Capital Award, Inc. ("CA")	16,983,330	- -	- -	- -	- -	16,983,330
Sino Agro Food, Inc. ("SIAF")	- -	- -	- -	- -	- -	- -
Commission and management fee						
Capital Award, Inc. ("CA")	- -	- -	- -	- -	- -	- -
	\$ 16,983,330	\$ 4,638,095	\$ 84,356,986	\$ 20,401,361	\$ 71,787,167	\$ 198,166,939

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Further analysis of revenue:-

	2016							
	Continuing operations				Discontinued operations			
	Organic				Fishery			
	Fishery Development Division (1)	HU Plantation Division (2)	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")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,402,763	\$ 61,402,763
Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST")	-	13,318,582	-	-	-	-	-	13,318,582
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	-	-	20,618,734	-	-	-	-	20,618,734
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	-	-	45,462,110	-	-	-	-	45,462,110
Qinghai Zhong He Meat Products Co., Limited ("QZH")	-	-	89,122,690	-	-	-	-	89,122,690
Macau Eiji Company Limited ("MEIJI")	-	-	-	29,837,560	-	-	-	29,837,560
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	72,429,083	-	-	72,429,083
Consulting and service income for development contracts Capital Award, Inc. ("CA")	71,107,794	-	-	-	-	-	-	71,107,794
Sino Agro Food, Inc. ("SIAF")	-	-	-	-	-	-	-	-
Commission and management fee Capital Award, Inc. ("CA")	1,049,199	-	-	-	-	-	-	1,049,199
	\$ 72,156,993	\$ 13,318,582	\$ 155,203,534	\$ 29,837,560	\$ 72,429,083	\$ 61,402,763	\$ 404,348,515	

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

	2017						
	Continuing operations					Discontinued Operations	
	Organic		Fertilizer and Bread Grass	Cattle Farm Development	Corporate and others	Fishery Development	Total
	Fishery Development	HU Plantation					
	Division (1)	Division (2)	Division (3)	Division (4)	(5)	Division (1)	
Name of entity							
Sale of goods							
Capital Award, Inc. ("CA")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST")	- 3,254,567		- -	- -	- -	- -	3,254,567
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	- -		4,991,411	- -	- -	- -	4,991,411
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	- -		18,961,620	- -	- -	- -	18,961,620
Qinghai Zhong He Meat Products Co., Limited ("QZH")	- -		57,314,727	- -	- -	- -	57,314,727
Macau Eiji Company Limited ("MEIJI")	- -		- -	16,629,579	- -	- -	16,629,579
Sino Agro Food, Inc. ("SIAF")	- -	\$ 3,254,567	\$ 81,267,758	\$ 16,629,579	\$ 63,822,343	\$ 63,822,343	\$ 164,974,247

COST OF SERVICES

	2017						
	Continuing Operation					Discontinued operation	
	Organic		Fertilizer and Bread Grass	Cattle Farm Development	Corporate and others	Fishery Development	Total
	Fishery Development	HU Plantation					
	Division (1)	Division (2)	Division (3)	Division (4)	(5)	Division (1)	
Name of entity							
Consulting and service income for development contracts							
Capital Award, Inc. ("CA")	\$ 13,566,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,566,203
Sino Agro Food, Inc. ("SIAF")	- -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,566,203

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

	2016						Total
	Continuing operations					Discontinued operations	
	Organic						
	Fishery Development Division (1)	HU Plantation Division (2)	Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Fishery Development Division (1)	
Name of entity							
Sale of goods							
Capital Award, Inc. ("CA")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,742,523	\$ 45,742,523
Jiang Men City Heng Sheng Tai Agriculture Development Co., Limited ("JHST")	-	6,274,906	-	-	-	-	6,274,906
Hunan Shenghua A Power Agriculture Co., Limited ("HSA")	- -	-	12,459,371	-	-	-	12,459,371
Qinghai Sanjiang A Power Agriculture Co., Limited ("SJAP")	- -	-	30,553,572	-	-	-	30,553,572
Qinghai Zhong He Meat Products Co., Limited ("QZH")	- -	-	70,283,492	-	-	-	70,283,492
Macau Eiji Company Limited ("MEIJ")	- -	-	-	28,299,710	-	-	28,299,710
Sino Agro Food, Inc. ("SIAF")	- -	\$ 6,274,906	\$ 113,296,435	\$ 28,299,710	\$ 63,722,723	\$ 45,742,523	\$ 257,336,297

COST OF SERVICES

	2016						Total
	Continuing operation					Discontinued operation	
	Organic						
	Fishery Development Division (1)	HU Plantation Division (2)	Fertilizer and Bread Grass Division (3)	Cattle Farm Development Division (4)	Corporate and others (5)	Fishery Development Division (1)	
Name of entity							
Consulting and service income for development contracts							
Capital Award, Inc. ("CA")	\$ 47,415,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,415,205
Sino Agro Food, Inc. ("SIAF")	- -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,415,205

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.

As of December 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, and SJAP since they are exempt from EIT for the years ended December 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 period ended September 30, 2016 (date of de-recognition JFD as subsidiary) and as it is within the fishery sectors.

No EIT has been provided in the financial statements of QZH since they are exempt from EIT for the period ended December 30, 2017 (date of de-recognition QZH as subsidiary) and as it is within the cattle sectors.

Belize

CA, CS and CH are international business companies incorporated in Belize, and are exempt from corporate tax in Belize.

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 years ended December 31, 2017 and 2016.

Sweden

Sweden Corporate income tax has been provided at 22% on reported profit for the year ended December 31, 2017 and 2016 in the consolidated financial statements of SAFS.

No deferred tax assets and liabilities are of December 31, 2017 and 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:

	2017	2016
SIAF	\$ -	\$ -
SAFS	1,684	1,130
CA, CH and CS	-	-
MEIJI and APWAM	-	-
JHST, JHMC, SJAP, QZH and HSA	-	-
	<hr/> <u>\$ 1,684</u>	<hr/> <u>\$ 1,130</u>

The Company did not recognize any interest or penalties related to unrecognized tax benefits in the years ended December 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 \$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 leaded 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, the Company 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.

(a) Net income from discontinued operations

	2017	2016
Revenue		
-Sale of goods	\$ -	\$ 61,402,763
Cost of sales	- -	(45,742,523)
Gross profit	- -	15,660,240
General and administrative expenses	- -	(791,347)
Net income from operations	- -	14,868,893
Interest income/(expenses)	- -	323
Income before tax from discontinued operations	- -	14,869,216
Net gain from deemed disposal of subsidiaries, TRW and JFD	- -	56,947,005
Net income before taxes	- -	71,816,221
Provision for income taxes	- -	-
Net income from discontinued operations	- -	71,816,221
Less: Net income attributable to the non-controlling interest	- -	(820,973)
Net income from discontinued operations attributable to Sino Agro Food, Inc. and subsidiaries	\$ - -	\$ 70,995,248

(b) Net gain from deemed disposal of subsidiaries due to loss of control over TRW and JFD

Fair value of interest retained in subsidiaries, TRW and JFD	\$ 81,367,997
Less Amounts recognized prior to disposal	
Net assets of Tri-Way Industries Limited group	\$ 32,353,015
Less: Non-controlling interest at disposal	(8,088,254) 24,264,761
	57,103,236

Cumulative exchange loss in respect of net assets of subsidiaries reclassified from other comprehensive income	(156,231)
--	-----------

Net gain from deemed disposal of subsidiaries, TRW and JFD	\$ 56,947,005
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(c) Consideration received from deemed disposal of subsidiaries due to loss of control over TRW and JFD

\$ - -

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. NET INCOME FROM DISCONTINUED OPERATIONS (CONTINUED)

(d) Consolidated assets and liabilities of subsidiaries, TRW and JFD as of October 5, 2016

ASSETS	
Current assets	
Amount due from SIAF	\$ 23,971,907
Total current assets	<u>23,971,907</u>
Non-current assets held for sale	
- Plant and equipment	8,381,108
Total non-current assets held for sale	<u>8,381,108</u>
Total assets	<u>\$ 32,353,015</u>
Net assets of subsidiaries, TRW and JFD as of October 5, 2016 disposed of	<u>\$ 32,353,015</u>

As of October 1, 2016, the Company took up all assets and liabilities of TRW and JFD except plant and equipment - fish farm and the net amount is \$23,971,907.

(e) Net cash outflow on deemed disposal of subsidiaries, TRW and JFD

	2016
Cash and cash equivalents disposed of	\$ -
Net cash outflow on deemed disposal of subsidiaries TRW and JFD	<u>\$ -</u>

(f) Detailed cash flow from discontinued operations

	2017	2016
Cash flows from operating activities		
Net income for the year	\$ -	\$ 71,816,221
Adjustments to reconcile net loss to net cash from operations:		
Gain on deemed disposal of subsidiaries	- (56,947,005)	
Changes in operating assets and liabilities	<u>-</u>	<u>(8,140,484)</u>
Net cash provided by operating activities	<u>-</u>	<u>6,728,732</u>
Cash flows from investing activities		
Payment for construction in progress	- (11,388,334)	
Acquisition of property, plant and equipment	<u>-</u>	<u>(324)</u>
Net cash used in investing activities	<u>-</u>	<u>(11,388,658)</u>
Decrease in cash and cash equivalents	- (4,659,926)	
Cash and cash equivalents, beginning of period/ year	- 4,659,926	
Cash and cash equivalents, end of period/ year	<u>\$ -</u>	<u>\$ -</u>
Supplementary of disclosures of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash transactions		
-Disposal proceeds receivable of sale of subsidiaries, TRW and JFD	<u>-</u>	<u>-</u>

6. NET LOSS FROM DISPOSAL OF A VARIABLE INTEREST ENTITY

As of December 31, 2016, the SJAP's total investment in QZH was \$4,645,489. During the period ended December 30, 2017, QZH incurred a loss of \$30,682,576. SJAP disposed its entire 85% equity interest in QZH for RMB2 (equivalent to \$0) for cash and completed on December 30, 2017. As a result, QZH was derecognized as VIE of the company.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. NET LOSS FROM DISPOSAL OF A VARIABLE INTEREST ENTITY (CONTINUED)

(a) Net loss from disposal of a variable interest entity, QZH

Cash and cash equivalents	\$ 17,060
Inventories	4,567,530
Prepayments	2,692,571
Accounts receivables	16,403,731
Other receivables	1,855,971
Plant and equipment	3,888,987
Intangible assets	2,870
	<u>29,428,720</u>
Less: Accounts payable	(7,140,439)
Other payables	(5,811,425)
Short term borrowings	(1,530,456)
Non-controlling interests	(5,082,410)
Accumulated exchange difference	(498,347)
Net assets and liabilities disposed as of December 30, 2017	<u>\$ 9,365,643</u>
Satisfied by:	
Cash consideration	<u>\$ -</u>

(b) Net cash outflow from disposal of a variable interest entity, QZH

	2017
Cash and cash equivalents disposed of	\$ (17,060)
Net cash outflow disposal of a variable interest entity, QZH	<u>\$ (17,060)</u>

7. CASH AND CASH EQUIVALENTS

	2017	2016
Cash and bank balances	<u>\$ 560,043</u>	<u>\$ 2,576,058</u>

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. INVENTORIES

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

	2017	2016
Sleepy cods, prawns, eels and marble goby	\$ -	\$ 481,509
Beef and mutton	- -	13,217,456
Bread grass	976,514	2,115,815
Beef cattle	5,903,442	6,814,132
Organic fertilizer	16,832,390	15,901,153
Forage for cattle and consumable	7,397,910	6,536,517
Raw materials for bread grass and organic fertilizer	19,113,274	15,829,424
Immature seeds	2,405,417	1,696,266
	<hr/> \$ 52,628,947	<hr/> \$ 62,592,272

9. DEPOSITS AND PREPAYMENTS

	2017	2016
Deposits for		
- purchases of equipment	\$ 2,815,774	\$ 5,555,471
- acquisition of land use rights	3,244,567	3,373,110
- inventories purchases	24,282,950	13,729,304
- aquaculture contracts	-	2,261,538
- consulting service providers and others	-	8,150,000
- construction in progress	11,365,748	13,719,339
- issue of shares as collateral	25,427,293	26,493,841
Prepayments - debts discounts and others	-	-
Shares issued for employee compensation and overseas professional and bond interest	702,625	3,982,812
Others	2,620,693	2,573,535
	<hr/> \$ 70,459,650	<hr/> \$ 79,838,950

Impairment were \$1,378,957 and \$0 for the years ended December 31, 2017 and 2016, respectively. The impairment was included in non-operating expenses.

10. 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 of December 31, 2017 and 2016, respectively.

Aging analysis of accounts receivable is as follows:

	2017	2016
0 - 30 days	\$ 7,973,308	\$ 28,550,628
31 - 90 days	18,240,251	29,905,888
91 - 120 days	5,725,069	39,219,847
over 120 days and less than 1 year	21,551,845	25,235,723
over 1 year	29,480,945	-
	<hr/> \$ 82,971,418	<hr/> \$ 122,912,086

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER RECEIVABLES

	2017	2016
Advanced to employees	\$ 219,186	\$ 260,007
Advanced to suppliers	3,768,585	9,428,841
Advanced to customers	11,982,331	19,469,256
Advanced to developers	399,449	13,400,128
Others	4,310,927	4,562,568
	<hr/> <u>\$ 20,680,478</u>	<hr/> <u>\$ 47,120,800</u>

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

Impairment were \$962,789 and \$0 for the years ended December 31, 2017 and 2016, respectively. The impairment was included in non-operating expenses.

12. PLANT AND EQUIPMENT

	2017	2016
Plant and machinery	\$ 5,501,975	\$ 6,022,686
Structure and leasehold improvements	209,378,338	163,414,025
Mature seeds and herbage cultivation	49,685,830	28,781,286
Furniture and equipment	699,494	827,356
Motor vehicles	614,792	926,511
	<hr/> <u>265,880,429</u>	<hr/> <u>199,971,864</u>
Less: Accumulated depreciation	(19,022,632)	(10,244,637)
Net carrying amount	<hr/> <u>\$ 246,857,797</u>	<hr/> <u>\$ 189,727,227</u>

Depreciation expenses were \$8,350,811 and \$4,141,629 for the years ended December 31, 2017, and 2016, respectively

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. CONSTRUCTION IN PROGRESS

	2017	2016
Construction in progress		
- Office, warehouse and organic fertilizer plant in HSA	\$ -	\$ 4,474,428
- Oven room, road for production of dried flowers	- -	3,603,863
- Organic fertilizer and bread grass production plant and office building	- -	622,036
- Rangeland for beef cattle and office building	6,178,308	8,674,515
- Fish pond and breeding factory	- -	17,782,371
	<u>\$ 6,178,308</u>	<u>\$ 35,157,213</u>

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. LAND USE RIGHTS

	2017	2016
Cost	\$ 65,573,223	\$ 62,341,829
Less: Accumulated amortization	(10,735,192)	(8,668,139)
Net carrying amount	<u><u>\$ 54,838,031</u></u>	<u><u>\$ 53,673,690</u></u>
Amount		
Balance @1.1.2015	\$ 65,961,071	
Exchange difference	(3,619,242)	
Balance @12.31.2016	<u><u>\$ 62,341,829</u></u>	
Exchange difference	3,231,394	
Balance @12.31.2017	<u><u>\$ 65,573,223</u></u>	

Land use rights are amortized on the straight-line basis over their respective lease periods. The lease period of agriculture land is 10 to 60 years. Amortization of land use rights were \$1,616,471 and \$1,151,323 for the years ended December 31, 2017 and 2016, respectively. No impairment of land use right has been identified for the years ended December 31, 2017 and 2016.

15. 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.

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

16. 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.

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.

	2017	2016
Cost	\$ 11,211,100	\$ 11,108,131
Less: Accumulated amortization	(1,622,495)	(1,017,434)
Net carrying amount	<u><u>\$ 9,588,605</u></u>	<u><u>\$ 10,090,697</u></u>

Amortization of proprietary technologies was \$581,609 and \$564,905 for the years ended December 31, 2017 and 2016 respectively. No impairments of proprietary technologies have been identified for the years ended December 31, 2017 and 2016.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. INTERESTS IN UNCONSOLIDATED EQUITY INTERESTS

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 leaded 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. The Company converted certain amounts in the amount due from unconsolidated equity investee into equity interest during the fourth quarter of 2017, which resulted in equity interest in TRW from 23.89% to 36.60%

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 RMB1,000,000. Impairment were \$153,046 and \$0 for the years ended December 31, 2017 and 2016, respectively.

	2017	2016
Investments at cost	\$	\$
- TRW	134,694,930	83,869,286
- HTIT	-	144,154
Amount due from a consolidated equity investee - TRW	58,572,766	55,120,003
	<hr/> <u>\$ 193,267,696</u>	<hr/> <u>\$ 139,133,443</u>

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. LONG TERM INVESTMENT

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

On October 18, 2017, the company disposed its investment in Huangyuan County Rural Credit Union for RMB5,000,000 (approximately \$740,521).

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

Intended unincorporated Investee	Projects Engaged	2017	2016
A	Trade center	* \$ 12,000,000	\$ 4,086,941
B	Fish and prawn Farm 2 GaoQiqiang Aquaculture	* 17,403,959	6,000,000
C	Cattle farm 2	* 5,513,263	5,558,057
		<u><u>\$ 34,917,222</u></u>	<u><u>\$ 15,644,998</u></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 December 31, 2017, the percentages of equity stakes of A (trade and seafood centers), B (fish farm 2 GaoQiqiang Aquaculture Farm) and C (cattle farm 2) are 31%, 23% and 35% respectively. During the year ended December 31, 2017, the Company further increased its investments in trade and seafood center and fish and prawn farm 2.

* 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.

20. 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 December 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

20. 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 December 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 a 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. Before December 30, 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 a result, the Company has consolidated QZH as a VIE.

The reasons for the QZH qualified as a VIE are as follows:

- Originally, SJAP was sole stockholder of QZH, owned 100% equity interest in QZH and controlled directorship of QZH.
- On October 25, 2015, both QZH and new stockholder, Qinghai Quanwang Investment Management Co., Ltd ("QQI") contributed additional capital of \$4,157,682 and \$769,941, respectively. As a result, SJAP decreased its equity interest from 100% to 86% and QQI owned 14% equity interest. 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% on profit or loss after deduction 6% interest to QQI and enjoyed 100% voting rights of QZH's board and stockholders meetings.
- Consequently, the Company still 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 controlled QZH's chief financial officer appointment. As a result, the financial statements of QZH were included in the consolidated financial statements of the Company.

As of December 30, 2017, QZH was derecognized as a VIE.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. CONSTRUCTION CONTRACT

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

	2017	2016
Costs	\$ 8,208,912	\$ 7,288,360
Estimated earnings	6,740,289	5,846,890
Less: Billings	(13,700,014)	(12,394,266)
Costs and estimated earnings in excess of billings on uncompleted contracts	<u><u>\$ 1,249,187</u></u>	<u><u>\$ 740,984</u></u>

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

	2017	2016
Billings	\$ 41,543,554	\$ 24,115,354
Less: Costs	(23,980,880)	(13,907,143)
Estimated earnings	(11,822,609)	(7,577,459)
Billing in excess of costs and estimated earnings on uncompleted contracts	<u><u>\$ 5,740,065</u></u>	<u><u>\$ 2,630,752</u></u>

(iii) Overall

	2017	2016
Billings	\$ 55,243,568	\$ 36,509,620
Less: Costs	(32,189,792)	(21,195,503)
Estimated earnings	(18,562,898)	(13,424,349)
Billing in excess of costs and estimated earnings on uncompleted contracts	<u><u>\$ 4,490,878</u></u>	<u><u>\$ 1,889,768</u></u>

22. OTHER PAYABLES

	2017	2016
Due to third parties	\$ 11,133,656	\$ 451,195
Due to debts loan	-	4,797,332
Straight note payable (note 25(i))	29,367,999	-
Promissory notes issued to third parties	11,089,779	11,192,117
Due to local government	91,827	713,565
	<u><u>\$ 51,683,261</u></u>	<u><u>\$ 17,154,209</u></u>
Less: Amount classified as non-current liabilities		
Promissory notes issued to third parties	(11,089,779)	(11,192,117)
Amount classified as current liabilities	<u><u>\$ 40,593,482</u></u>	<u><u>\$ 5,962,092</u></u>

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

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. 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.

Name of lender	Interest rate	Term	2017	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	-	2,883,090
China Development Bank Beijing City, the P.R.C.	5.2835%	November 29, 2017 - November 28, 2018	3,060,913	-
China Development Bank Beijing City, the P.R.C.	5.2835%	December 14, 2017 - December 13, 2018	1,530,455	-
Add: current portion of a long term bank loan			76,522	-
Short term bank loans			<u>4,667,890</u>	<u>2,883,090</u>
China Development Bank Beijing City, the P.R.C.	5.39%	December 16, 2016 - December 15, 2026	6,121,824	5,766,182
Less: current portion of long term bank loan			(76,522)	-
Long term bank loans			<u>\$ 6,054,302</u>	<u>\$ 5,766,182</u>

On May 28, 2017, the Company repaid Da Tong National Development Rural Bank Limited the 11-month short term loans of RMB20 million (approximately \$2.9million), obtained in July 2016.

On November 30, 2017 and December 14, 2017, the Company obtained two 1-year short term loans of RMB20 million (approximately \$3.06million) and RMB10 million (approximately \$1.53million) respectively from China Development Bank for the period from November 29, 2017 to November 28, 2018 and December 14, 2017 to December 13, 2018 respectively, bearing fixed interest at 5.2835% per annum. Both loans were guaranteed by Xining City SME Guarantee Corporation.

On December 16, 2016, the Company obtained a 10-year long term loan of RMB40million (approximately \$6.05million) from China Development Bank for the period from December 16, 2016 to December 15, 2026, bearing an annual interest rate at 110% of the benchmark rate of PBOC on the date of the loan agreement and will be adjusted in line with any adjustment of the benchmark rate which is 5.39% (2016: 5.39%). The loan was guaranteed by Mr. Zhao Yilin and Ms. Song Haixian, Mr. Zhao Yilin's wife. The loan was also secured by land use right with net carrying amount of \$429,982 as of December 31, 2017 (2016: 416,973) and a batch of plant, machinery and equipment with net carrying amount of \$5,954,915 (2016: 6,328,697). According to the loan agreement, RMB500,000 (approximately \$76,522) was scheduled to be repaid by December 15, 2018.

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.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. 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.

	2017	2016
Negotiable promissory notes	\$ 977,155	\$ 1,113,140
Principal amount:	\$722,167 (2016: \$1,035,479)	
Interest payable:	\$254,988 (2016: \$298,639)	
Interest rate:	2.5% (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:	(2016: 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

25. CONVERTIBLE NOTE PAYABLES

(i) 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 1") 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.

The Company and the note holder entered into a restructuring agreement regarding the settlement of the Note 1. Both parties have agreed to restructure the indebtedness represented by Note 1 as follows: (a) SIAF issues 5,196,333 shares of its common stock and transfer 400,000 shares of TRW to the note holder; and (b) SIAF executes a new promissory note in the principal amount of \$15,589,000 to the note holder to be paid in installments over a period of time. However, both parties remain open to negotiate an all-cash settlement of the Note 1.

As a result, the amount outstanding under Note 1 was reclassified as other payables – straight note payable of \$29,367,999 (see Note 22) and a loss on restructuring of \$6,225,204 which representing the non-amortized part of the discount upon the issuing of the convertible bond incurred during the year.

(ii) 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. The note holder had the option to convert all or any part of the outstanding note into the common stock of the Company (the "Primary Optional Conversion") or TRW (the "Secondary Optional Conversion") at any time for a period of eight months from the note's maturity date. The conversion price for Primary Optional Conversion is lesser of \$1.5 per share or at 65% of the market share price of the Company. While the conversion price for Secondary Optional Conversion is \$3.41 per share subject to equitable adjustment for stock split, stock dividend or right offerings.

Under the agreement, the Company shall pay the note holder 120,000 common shares of SIAF or 32,000 common shares of TRW as an origination fee. The note bears a flat interest payment which shall be settled by 200,000 common shares of SIAF or 55,000 common shares of TRW. As of December 31, 2017, no settlement for both origination fee and interest payment.

	2017	2016
(i) 10.50% convertible note due February 28, 2020	\$ -	\$ 16,307,861
(ii) Convertible note due February 28, 2018	3,894,978	-
	<hr/>	<hr/>
Less: classified as current liabilities	3,894,978	16,307,861
Non-current Liabilities	(3,894,978)	-
	<hr/>	<hr/>
	-	16,307,861

The fair value of the conversion option was approximately \$211,320, the Company discounted the note and created a derivative liability, which will be evaluated each quarter and adjusted for any change in value. For the year ended December 31, 2017, the Company recognized the amortization of the discount of approximately \$106,297.

The Company estimated the fair value of the derivative liabilities using the Binomial Option Pricing Model and the following key assumptions during 2017

	2017
Expected dividends	-
Expected term (years)	0.34
Volatility	52.09% - 54.32%
Risk-free rate	1.65% - 1.9%

The following table sets forth, by level within the fair value hierarchy, the Company's financial liabilities that were accounted for at fair value as of December 31, 2017 and 2016

	Level 1	Level 2	Level 3	Total
LIABILITIES:	\$	\$	\$	\$
Derivative liabilities as of December 31, 2017	-	-	2,100	2,100
Derivative liabilities as of December 31, 2016	-	-	-	-

The following table represents the change in the fair value of the derivative liabilities during the year ended December 31, 2017

	\$
Fair value of derivative liabilities as of December 31, 2016	-
Fair value on the date of issuance	211,319
Change in fair value of derivative liabilities	(209,219)
Fair value of derivative liabilities as of December 31, 2017	<u><u>2,100</u></u>

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

26. SHAREHOLDERS' EQUITY

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

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

26. 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, 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 27,000,000 to 50,000,000 and the amendment was filed on August 24, 2017 with an effective date of August 25, 2017.

During the year ended December 31, 2017, the Company (i) issued 1,167,502 shares of employees and directors at fair value of \$1.00 to \$3.45 per share for \$1,452,984 for employee compensation; (ii) issued 500,800 shares of common stock valued to professionals at fair value of \$1 per share for \$500,800 for service compensation; (iii) issued 4,074,979 shares of common stock ranging from \$1.40 to \$5.15 amounting to \$12,054,045 as collateral to secure trade and loan facilities, and the shares issued by the Company were valued at the trading price of the stock on the date the shares were issued; and (iv) 892,735 shares of common stock issued for \$0 as top up securities for debts loans.

The Company has 29,362,875 and 22,726,859 shares of common stock issued and outstanding as of December 31, 2017 and 2016, respectively.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. OBLIGATION UNDER OPERATING LEASES

The Company leases (i) 2,178 square feet of agriculture space used for offices for a monthly rent of \$804 in Enping City, Guangdong Province, P.R.C., its lease expiring on March 31, 2019; and (ii) 5,081 square feet of office space in Guangzhou City, Guangdong Province, P.R.C. for a monthly rent of \$11,989, its lease expiring on July 8, 2018.

Lease expenses were \$159,195 and \$174,429 for the years ended December 31, 2017 and 2016, respectively.

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

Within 1 year	\$ 82,076
2 to 5 years	2,565
Over 5 years	-
	\$ 84,641

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

28. 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.

On June 30, 2017, the Company issued employees total of 117,000 shares of common stock valued at fair value of \$3.45 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 \$3.45 per share. On December 31, 2017, the Company issued employees total of 500,800 shares of common stock valued at fair value of \$1 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 \$3.45 per share. On December 31, 2017, the Company issued employees total of 1,050,502 shares of common stock valued at fair value of \$1 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 \$1 per share.

The Company calculated stock based compensation of \$5,937,765 and recognized \$4,184,638 for the year ended December 31, 2017 and 2016, respectively. As of December 31, 2017, the deferred compensation balance for staff was \$2,101,825 and the deferred compensation balance of \$1,551,302 were to be amortized over 6 months and 1 year, respectively beginning on January 1, 2018.

29. CONTINGENCIES

As of December 31, 2017 and 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.

On September 19, 2015, the Company entered into a trade facility agreement with two independent third parties. Pursuant to the agreement, the Company provides collateral in the form of Company's common shares to a PRC based lender (the "Lender") and the Lender agrees to provide a revolving trade facility loan up to \$20,000,000 to a PRC based borrower. The arrangement was commenced on February 15, 2016 and will be expired on February 15, 2019.

As of December 31, 2017, the Company has issued aggregate 4,809,979 common shares as collateral.

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances as disclosed elsewhere in these consolidated financial statements, during the years ended December 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 \$107,074 and \$2,070,390 as of December 31, 2017 and 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 \$58,572,766 and \$55,120,003 as of December 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 \$49,065,385 and \$15,771,795 as of December 31, 2017 and December 31, 2016, respectively. The amounts are unsecured, interest free and have no fixed terms of repayment.
	The Company has revenue of consulting income of \$16,983,330 and \$17,277,816 from Tri-Way Industries Limited for the year ended December 31, 2017 and 2016, respectively.

SINO AGRO FOOD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31. 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:

	2017	2016
BASIC		
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	\$ (13,104,145)	\$ 114,976,014
Net income used in computing basic earnings per share - continuing operations	<u>\$ (13,104,145)</u>	<u>\$ 43,980,766</u>
Basic earnings per share - continuing and discontinued operations	<u>\$ (0.53)</u>	<u>\$ 5.46</u>
Basic earnings per share - continuing operations	<u>\$ (0.53)</u>	<u>\$ 2.09</u>
Basic weighted average shares outstanding	<u>24,711,015</u>	<u>21,041,065</u>
	2017	2016
DILUTED		
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	\$ (13,104,145)	\$ 114,976,014
Convertible note interest	-	893,537
Net income used in computing diluted earnings per share	<u>\$ (13,104,145)</u>	<u>\$ 115,869,551</u>
Diluted earnings per share - continuing and discontinued operations	<u>\$ (0.53)</u>	<u>\$ 5.00</u>
	2017	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	\$ (13,104,145)	\$ 43,980,766
Convertible note interest	-	893,537
Net income used in computing diluted earnings per share	<u>\$ (13,104,145)</u>	<u>\$ 44,874,303</u>
Diluted earnings per share - continuing operations	<u>\$ (0.53)</u>	<u>\$ 1.93</u>
Basic weighted average shares outstanding	24,711,015	21,041,065
Add: weight average of common stock convertible from Convertible note payables	-	2,153,018
Diluted weighted average shares outstanding	<u>24,711,015</u>	<u>23,194,083</u>

For the years ended December 31, 2016, full dilution effect of convertible note of \$21,314,877 was taken into account for calculation of the diluted earnings per share because convertible note holder can exercise the right to convert to common stock by giving 1 month notice after October 1, 2015 under terms of convertible note agreement.

**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 Annual Report on Form 10-K for the year ended December 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: April 17, 2018

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, DAN RITCHEY, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 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: April 17, 2018

By: /s/ DAN RITCHEY
Name: Dan 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 Annual Report of Sino Agro Food, Inc. (the "Registrant") on Form 10-K for the period ended December 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, Dan 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: April 17, 2018

By: /s/ LEE YIP KUN SOLOMON
Name: Lee Yip Kun Solomon
Title: Chief Executive Officer and
(Principal Executive Officer)

Date: April 17, 2018

By: /s/ DAN RITCHHEY
Name: Dan Ritchey
Title: Chief Financial Officer and
(Principal Financial Officer)
