



Sino Agro Food, Inc.

(OTCQX: SIAF | OSE: SIAF-ME)

Carve-Out Spin-Off ("COSO") Strategy Overview



Safe Harbor



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Snapshot



Sino Agro Food is an agricultural technology and natural food company that produces, distributes, markets and sells natural, sustainable protein food to the rapidly growing middle class in China.

Summary	
Listed:	(OTCQX: SIAF OSE: SIAF-ME)
Stock Price (5/12/17):	\$3.10
52 Week Range:	\$2.72 - \$5.66
Shares Outstanding (12/31/16):	22,726,859
Market Capitalization (5/12/17):	\$70.45 million
Incorporated:	USA
Operations:	China

Note: all financial information in this presentation is in US Dollars

Strategy Overview



- SIAF is transitioning into a specialized investment company with equity stakes in a portfolio of high growth agriculture companies.
- The Company is focused on particular protein food opportunities in China, such as seafood and cattle, that serve China's growing middle class.
- SIAF is executing a Carve-Out Spin-Off ("COSO") strategy on two of its fastest-growing businesses. Its two candidates for COSO are:
 - i. The aquaculture business
 - ii. The integrated beef cattle operations (SJAP)
- Once spun off, management expects these businesses will be better positioned to attract growth capital at favorable valuations to accelerate their own development.
- The Company is expected to retain a significant equity stake in each of the companies after the spinoffs have occurred.
- Once completed, the COSO strategy will also enable SIAF to direct its resources to its other businesses.

Valuation Objectives



- Management has long believed Sino Agro Food's market price to be significantly undervalued.
- Management believes the sum of the parts to be greater than the whole. Spin-offs often result in a higher aggregate value for the constituent pieces. The certified (asset) value of SIAF's Tri-Way stake is \$124+ million, which is equivalent to \$5+ per SIAF share; this is in addition to the Company's book value at \$26.1 per share on December 31, 2016.
- The spin-offs are targeted to be listed on major stock exchanges. These "pure play" spin-offs are expected to trade at values comparable to their peers, allowing them to be valued at multiples, not fractions, of net asset values.
- To summarize, the COSO strategy provides a springboard for increasing SIAF's market value.

SIAF Business Lines (COSO)



SIAF is an established, successful, diversified group with scalable growth in the protein food industry. Its management team consists of top professionals with extensive experience running different businesses within China's agriculture industry.

SIAF operates the following businesses:

1. Aquaculture: Seafood farming (first COSO candidate; carve-out completed March 2017)
 - 36.6% owned by SIAF
 - 12,000 metric tons of varied fish species and prawns sold in 2016
2. Integrated beef operations run by Qinghai Sanjiang A Power Agriculture Co. Ltd. ("SJAP") (second candidate for COSO strategy)
 - Live cattle sales
 - Fertilizer and animal feed sales: 52,775 metric tons sold in 2016
 - Value added processing sales through Qinghai Zhong He Meat Products ("QZH"), a wholly owned subsidiary which operates an abattoir for slaughter, deboning, and packaging: 10,285 metric tons of meat processed in 2016
 - Total 2016 revenues: \$134.6 million

SIAF Business Lines (other)



SIAF operates the following additional businesses:

3. Cattle Farms (MEIJI): Cattle Farm 1 operations and the development of Cattle Farm 2

- 2016 revenues: \$29.8 million
- 15,977 cattle sold in 2016

4. Hunan Shenghua A Power Agriculture Co. Ltd. (HSA): Manufacture and sell Organic Fertilizer

- 2016 revenues: \$20.6 million
- 55,294 metric tons sold in 2016

5. Jiangmen City Heng Sheng Tai Agriculture Development Co. Ltd. (JHST): Dragon Fruit Plantation

- 2016 revenues: \$13.3 million
- 6.2 million pieces of Fresh HU flowers sold in 2016
- 584 metric tons of dried HU flowers sold in 2016
- 4,551 metric tons of vegetable products sold in 2016

SIAF Business Lines (other)



SIAF operates the following additional businesses:

6. Import / Export of beef and seafood products
 - 2016 revenues: \$72.4 million
 - 5,502 metric tons of beef and seafood traded in 2016






7. Capital Award: Licenses aquaculture production technology (also consulting, engineering, and project dev) inside and potentially outside China; turnkey developer for Tri-Way
 - 2016 revenues: \$71.8 million
 - 100% owned by SIAF



AQUACULTURE

Aquaculture Operations



	AquaFarm1	AquaFarm2	AquaFarm3	AquaFarm4	AquaFarm5
					
Designed Production Capacity	~1 000 MT fish, eels & prawns	~1 000 MT prawns	~800 MT fish & prawns > 2 billion prawn postlarvae	~10 000 MT mixed seafood (projected)	~60 000 MT mixed seafood (projected)
Commissioned	2012	2014	2013	2016	2018e
Location	Jiangmen, Guangdong	Jiangmen, Guangdong	Jiangmen, Guangdong	Zhongshan, Guangdong	Zhongshan, Guangdong
Integration	Grow-out	Grow-out	Hatchery Grow-out	Grow-out	Hatchery Grow-out

Aquaculture Operations



Combination of APRAS technology, high-margin live seafood sales and favorable macro-dynamics makes a highly profitable business model.

Quality seafood products:

- Continual SIAF focus on safe, premium quality, higher margin seafood
- Controlled production environment creates safer food products, prevents disease
- Internationally recognized, third party certified, sustainable production practices (based upon Best Aquaculture Practices, or “BAP”)

Strategically positioned in high growth industry:

- China’s GDP growth fuels protein consumption
- Depleting stores of wild fish create opportunity for farmed fish
- Regulatory framework in China prioritizes environmentally friendly and ecologically sound production techniques that focus on food safety
- Growing consumer awareness stimulates demand for fresh seafood free of chemicals, hormones, and antibiotics

COSO Strategy



Objective:

- To carve-out and spin-off the aquaculture assets into a stand-alone entity of sufficient scale and potential to attract IPO interest at valuations rewarding to the Company's shareholders.
- This will enable it to improve profitability and achieve capital appreciation, fueled by demand from the burgeoning middle- to upper-income brackets in China.

Operational Milestones:

- In 2016, SIAF took several steps to modernize the aquaculture facilities into integrated high-yielding stations.
- Renovations and modernization at Aquafarm 1, Aquafarm 2, and Aquafarm 3 are nearly completed.
- Progress building the world's largest integrated RAS aquaculture farm on a standalone basis, consisting of Aquafarms 4 & 5. Aquafarm 4 commenced commercial production in the fourth quarter of 2016.



Current status of COSO strategy:

- In March 2017, SIAF completed the carve-out of aquaculture assets into Tri-Way Industries Ltd., an independent Hong Kong-based corporation.
- The following assets are now held by Tri-Way:
 - Aquafarms 1, 2, 3, 4 and 5
 - Rights to license APRAS technology from Capital Award, a wholly owned subsidiary of SIAF
- Tri-Way's enterprise value appraised at \$340.6 million
- SIAF has retained a 36.6% ownership stake in Tri-way, reporting a certified fair value of \$124.7 million at the time of carve-out as recorded in its FY 2016 annual audit.
- SIAF also recorded a deemed gain on sale of \$56.9 million from the revaluation of SIAF's interest in Tri-Way Industries.

COSO Strategy



Next steps for Tri-way:

1. Secure pre-IPO funding, led by DBS Bank (formally, the Development Bank of Singapore, Ltd.), to increase production at aquaculture facilities. Specifically, the funds will be used to:
 - Increase production at all Aquafarms
 - Complete the build-out of Aquafarm 4 in 2017
 - Commission Aquafarm 5 in 2018
2. IPO on a major Asian stock exchange under a single class share

COSO Strategy



What this means for SIAF:

- SIAF no longer handles the day-to-day seafood operations such as sale of goods, R&D, construction activities etc.
- SIAF will report the value of its investment in Tri-Way as an Equity Investment in Associate derived from its 36.6% holding in Tri-Way.
- This is expected to generate significant accretion under investment assets in 2017 as compared to 2016 as, prior to the carve-out, SIAF consolidated the gross profits from only Fish Farm I.
- With productivity at the aquaculture farms estimated to increase at a rate of more than 200% per year, the overall value provided to SIAF from Tri-Way is expected to significantly exceed current levels.

What this means for SIAF shareholders:

- A portion of SIAF's interest in Tri-Way will also be issued as shares to shareholders of record at the time of spin-off; the date of this is yet to be announced.



CAPITAL AWARD

Capital Award



Capital Award is a wholly owned subsidiary of SIAF, focused on consulting, engineering, and construction of A-Power Recirculating Aquaculture Systems (“APRAS”).

- Capital Award is the turnkey solutions provider for the new operators of Aquafarms 1-5.
- Now that the aquaculture assets have been carved out into Tri-Way Industries, Capital Award will contribute recurring income to SIAF by licensing its APRAS technology for ongoing and future development to Tri-way Industries Ltd. at a combined developer and operator's license fee of \$100,000 per A-Power Module.
- Capital Award will also earn income from turnkey engineering technology fees, and project development, coupled with licensing fees for its APRAS technology, from other aquaculture ventures inside and outside of China.
- Annual revenue from this business segment increased by 22% in 2016 to \$72.2 million

A-Power Recirculating Aquaculture Systems

- Engineered by Capital Award, a 100% subsidiary of SIAF, and licensed to Tri-way Industries Ltd.
- Proprietary land-based A-Power Recirculating Aquaculture Systems (“APRAS”) technology uses less water, less land, less feed, and is more bio-secure than other methods of aquaculture.
- Generates high yield, more reliable production all year under climate control, more consistent than other farming methods (namely net-pen or pond culture).
- Integrated holistic sustainable production system free of antibiotic, other chemicals, or hormone use.
- Modular design (minimum 10,000 metric tons per farm) facilitates scalability and biological risk management.



APRAS



Asian outdoor ponds



Nordic outdoor net-pens



SJAP

SJAP Operations



The Company's second target for carve-out and spinoff, Qinghai Sanjiang A Power Agriculture Co. Ltd., is SIAF's flagship beef operation. Known as SJAP, its operations comprise cattle rearing, live cattle sales and value added processing of domestic and imported beef. SJAP also produces proprietary fertilizers and livestock feed on site, and owns 100% of co-located Qinghai Zhong He Meat Products ("QZH"), which operates an abattoir for deboning, slaughter, and packaging.

Strategically positioned in high growth industry:

- As Chinese consumers become wealthier and more discerning of food quality, they are consuming significantly greater amounts of premium beef and value added beef products.
- SJAP is adapting to China's loosening restrictions on imported beef—which competes with most of China's domestic beef lines—by transitioning to production of higher quality beef and value added beef products to tap into an underserved niche in China, and to serve overseas markets as well.

SJAP Operations



Recent operational milestones to prepare SJAP for COSO:

- In 2016 SJAF made significant progress upgrading to premium cattle breeds. This process, which is expected to be completed by 2018, will allow the Company to sell products at a higher margin.
- The value added processing portion of SJAP's business has increased sales in recent quarters due to past investments in the deboning and slaughterhouse facilities. The Company continues to position SJAP as one of the main abattoirs and trade centers of Xining City, to prepare it for spin-off so that it may achieve a higher valuation at IPO.
- The Company is also focused on growing its other business lines, such as livestock feed and fertilizer sales, to meet growing demand.

COSO Strategy



Objective:

- To carve-out and spin-off SJAP's assets into a stand-alone entity of sufficient scale and potential to attract IPO interest at valuations rewarding to the Company's shareholders.
- This will enable SJAP to improve profitability and achieve capital appreciation, fueled by demand from the burgeoning middle- to upper-income brackets in China.

COSO Strategy



Current Status:

- SIAP is working in conjunction with China's government to advance SJAP's COSO strategy:
 - i. To promote economic development in the region, the Xining Government has committed to centralize all of Xining's abattoir operations at the SJAP facility, having the Hungyuen district become Xining's main cattle and meat trade center. SJAP is expected to secure extra land adjacent to its existing sites to accommodate two abattoir operations. It will also move its existing operations, including the cattle farm, the fertilizer factory and the concentrated feed manufacturing factory, to another location provided it by the Xining Government so that the land it currently occupies is made available for the expansion.
 - ii. The Government's investment in SJAP is being done in conjunction with SJAP helping organize a cooperative of regional farmers in an attempt to assist in lifting them out of poverty by allowing them to secure a viable source of income.

COSO Strategy



Next Steps:

- SJAP will complete the related legal and prospectus work required for the carve-out.
- SJAP aims to secure pre-IPO funding to accelerate growth in the business
- SJAP aims to IPO on the main board of the China Stock Exchange. The Government is committed to working with SJAP to secure the listing.
- If SJAP does list on the main board, B-shares will be made available to foreign-holders enabling them to trade shares globally.



SUMMARY

SIAF Summary



- Sino Agro Food, Inc. is an established, successful, diversified group, with demonstrated scalable growth in the protein food industry.
- The Company is well-positioned to leverage favorable macro trends as China's middle classes grow and the demand for protein rises.
- SIAF's management team consists of top professionals with extensive experience both in the China market, and in running various businesses at various different stages of the agriculture supply chain.
- Management has invested in both the Cattle and Aquaculture businesses, preparing them for the COSO strategy. Upgrades include:
 - Transitioning beef to premium grade cattle and investing in the abattoir at SJAP
 - Modernizing and renovating the aquafarms to improve efficiencies and increase production capacity at Tri-way

COSO Strategy Summary



The COSO strategy is designed to:

- Unlock existing value in the higher-growth aquaculture and cattle businesses to trade as pure plays at values commensurate with their peers
- Enable the spin-offs to receive pre-IPO and IPO funding, thereby accelerating their growth, with SIAF maintaining a stake in each company
- Create a stronger and more flexible SIAF parent company, “offloading” capex to the capital markets
- Allow management to direct resources into other business lines that eventually become candidates for spin-off in the future.

Any questions?

- Please get in touch at info@sinoagrofood.com