

## Agriculture

CONFIDENTIAL

EVOTECHCAPITAL 

# Business Strengths

Most of the output is fresh agricultural products, and sold when collected, with little inventory. A large portion is spot transaction by cash , the payment cycle of other transactions is no more than 30 days.

Most of the income from the sales of agricultural products grown in self-owned farms, enjoys tax exemption policy, the profit margins can be extremely high.

Primary processing and deep processing can bring the revenue vertical profits up to 600%. .

A fair amount of work such as land-plowing, seeding, planting, application of pesticide and fertilizer, watering, harvesting is outsourced.

# Favorable Macro Environment

China macro-economy growth continues – and is expected to maintain high annual growths over the next few years (at least 8% per year). China's economy grew 9.6 percent in the third quarter of 2010. Growth exceeded the 9.5 percent median estimate of economists in a Bloomberg News survey.

By Bloomberg News - Jul 13,  
2011 3:04 PM

China demand is strong - total retail fresh fruit and vegetables market value grew by 171.5% between 2003 and 2010 to reach a total value of RMB299.44bn (US\$45.43bn) according to BusinessWire

By BusinessWire - May 22,  
2011 10:00 PM

Exports to USA of fruits and vegetables from China grew from 2 percent share in 1999 to 7 percent in 2009, according to the "U.S. Trade Situation for Fruit and Vegetable Products" produced by Congressional Report for Congress, December 2010.

By Renée Johnson, Specialist  
in Agricultural Policy -  
December 8, 2010

# Chaoda and Le Gaga

Chaoda	Le Gaga
<ul style="list-style-type: none"><li>• Sells to food service industry, food processors, and retailers worldwide</li><li>• 550,000 mu of farmland</li><li>• The farmland is widely spread out risking adverse weather and forcing them to look for off season products</li><li>• High Capital Expenditure figures due to expensive greenhouses</li><li>• Northern farms are often used at a fraction of capacity during drier years</li><li>• Sells both produce and livestock</li></ul>	<ul style="list-style-type: none"><li>• Sells to larger institutional customers, supermarkets and wholesalers</li><li>• 18,849 mu of farmland</li><li>• The farmland is located in Hebei, Fujian and Guangzhou</li><li>• Uses expensive steel greenhouses</li><li>• Sells the majority of its produce domestically and to Hong Kong</li><li>• Provides mainly fresh produce with a smaller emphasis on processed foods</li></ul>

BOTH CHAODA AND LEGAGA ARE STRONG COMPARABLE COMPANIES IN THE CHINESE AGRICULTURAL SECTOR. THEIR PLANS FOR GROWTH AND PROFITABILITY ARE CAREFULLY WATCHED BY ALL FIRMS LOOKING TO BREAK INTO THE AREA.

# Industry Standings

Name	Yongye International	Yuhe International	Le Gaga Holdings	Chaoda Modern Agriculture	S&P 500
<i>For the year 2010 (in USD mm)</i>					
<b>Symbol</b>	<b>YONG</b>	<b>YUII</b>	<b>GAGA</b>	<b>0682.HK</b>	-
<b>Revenue</b>	214.00	67.48	42.70	1,081.32	
<b>Net Margin</b>	24%	-38%	33%	53%	14%
<b>Net Income</b>	48.4	-34.4	17.24	568.15	
<b>Stock Price</b>	\$4.30	\$1.12	\$5.67	\$0.39	
<b>PE Ratio</b>	5.00	1.10	11.60	2.28	13.8
<b>Market Cap</b>	\$212.00	\$24.06	\$260.00	\$1,331.52	
<b>LT Debt</b>	\$0.38	\$-	\$12.30	\$-	

THE OTHER STRONG FIRMS IN THE SECTOR ABOVE.

INDUSTRY COMPARABLES REPORT

CONFIDENTIAL



# Industry Competitors Overview

The current agriculture industry is growing at a tremendous speed as investments in the sector are driving up valuations

Name	Yongye International	Yuhe International	Le Gaga Holdings	Chaoda Modern Agriculture	S&P 500
<b>For the year 2010 (in USD mm)</b>					
<b>Stock Symbol</b>	YONG	YUII	GAGA	0682.HK	-
<b>Revenue</b>	214.00	67.48	42.70	1,081.32	
<b>Net Margin</b>	24%	-38%	33%	53%	14%
<b>Net Income</b>	48.4	-34.4	17.24	568.15	
<b>Stock Price</b>	\$4.30	\$1.12	\$5.67	\$0.39	
<b>PE Ratio</b>	5.00	1.10	11.60	2.28	13.8
<b>Market Cap</b>	\$212.00	\$24.06	\$260.00	\$1,331.52	
<b>LT Debt</b>	\$0.38	\$-	\$12.30	\$-	

# Competitor Analysis – Chaoda vs. Le Gaga

## Chaoda

- Sells to food service industry, food processors, and retailers worldwide
- 550,000 mu of farmland
- The farmland is widely spread out risking adverse weather and forcing them to look for off season products
- High Capital Expenditure figures due to expensive greenhouses
- Northern farms are often used at a fraction of capacity during drier years
- Sells both produce and livestock

## Le Gaga

- Sells to larger institutional customers, supermarkets and wholesalers
- 18,849 mu of farmland
- The farmland is located in Hebei, Fujian and Guangzhou
- Uses expensive steel greenhouses which require constant use of pesticides, and fungicides.
- Sells the majority of its produce domestically and to Hong Kong
- Provides mainly fresh produce with a smaller emphasis on processed foods