



Sino Agro Food (SIAF)

Strong Buy

Target price: 4.96 USD

Expansive company with historical growth of 82% annually

Since implementing their 5 year growth plan in 2009 SIAF have increased revenues by approximately 82% per year and are expected to have a revenue growth of 65% in 2014.

Operating in a highly attractive market with an expected growth of 24%

Poverty within China is declining and has resulted in an increased demand for high quality food. The majority of household income within China is spent on food and demand for beef is expected to grow by 24% over the coming years.

20-year project with an annual production capacity of 300 000 MT

The Zhongshan Prawn Project will be one of the biggest prawn farms in China with an end production of 300 000 MT per year. In its first two years of operations the project is expected to generate 150 million USD in revenues for SIAF.

Closed 25 million USD convertible note funding

On the 29th of August, 2014 SIAF closed a convertible note funding with Euro China Capital AB. The investment house performed two years of due diligence before investing in SIAF. As a caveat for this investment SIAF has agreed to stop the value destroying dilution of shares.

Upside of 439% at a target price of 4.96 USD

SIAF is currently trading at a forward looking P/E multiple of 1.74 and a forward looking EV/EBITDA of 1.51 for 2014. Compared to its peers with a P/E median of 15.50 and EV/EBITDA median of 7.13 the stock is trading at a high discount.

Key data

Stock price	0.92 USD
52 v high / low	1.11 / 0.36
Shares outstanding	168 918 919
Market Cap (MUSD)	155
Net debt (MUSD)	45
EV (MUSD)	200
Sector	Consumer Products
List / Ticker	OTC BB / SIAF
Report, Q3	2014-11-14

Performance

1 month	6%
3 month	119%
1 year	100%
YTD	70%

Major Owners

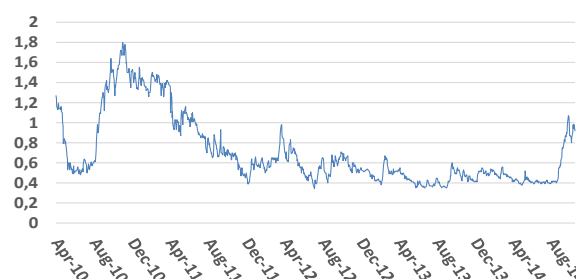
Ownership (%)

Avanza Pension	12.2
Nordnet Pension	9.2
Lee Yip Kun Solomon	7.4

Management

CEO	Solomon Yip Kun Lee
Chairman	Solomon Yip Kun Lee
CFO	Olivia Lai

STOCK PERFORMANCE



Profitability 9



Management 7



Yield Pot. 9



Safe Invest. 5



Multiples

MUSD	2009A	2010A	2011A	2012A	2013A	2014E	2015E	2016E
P/E	9,55	7,64	4,14	1,13	0,88	1,74	1,18	0,79
EV/EBITDA	8,39	6,23	2,17	1,00	1,12	1,51	0,80	0,20
EV/EBIT	8,43	7,28	2,30	1,04	1,16	1,58	0,83	0,21
P/S	3,07	2,01	0,75	0,35	0,25	0,36	0,28	0,22
EV/Sales	3,68	2,35	0,93	0,48	0,42	0,45	0,26	0,07
P/BV	1,56	1,11	0,32	0,23	0,20	0,38	0,29	0,21
Interest Coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EV/FCF	-25,99	-14,21	-46,25	-1616,69	13,20	26,78	3,05	0,56
EPS	0,13	0,14	0,39	0,63	0,58	0,53	0,78	1,16
MV	67	81	39	49	65	155	155	155
EV	80	95	48	66	110	193	145	52

Investment Thesis

Attractive market with a GDP growth of 8%

Sino Agro Food (SIAF) is a food producer operating in the People's Republic of China. Since 2009 SIAF's growth has been at an astonishing annual average rate of 82% and in 2013 the revenue was 261.5 million USD.

The market in which SIAF is operating is highly attractive. The expected GDP growth for China in 2014 is 8%. Furthermore, SIAF's target group of China's emerging middle-class is expanding at an even greater rate with a projected growth to 70% of China's entire population by 2030. Beef consumption is also expected to grow by 24% in the coming years. Due to the increasing demand for safe and high quality food the government has been supporting the agricultural sector through a series of tax-related privileges and subsidies. SIAF holds several patents and licenses giving them a competitive advantage. They have also been awarded the Dragon Head Enterprise status by the Chinese government; a certificate given to businesses that demonstrate corporate social responsibility, high standards of quality and services, and leadership and innovation within their industrial sector.

Closed 25 million USD convertible note funding

On the 29th of August SIAF closed a 25 million USD convertible note funding with the Swedish investment house Euro China Capital AB (ECAB). ECAB performed two years of due diligence before investing and we believe that this investment is a robust quality stamp on SIAF. SIAF has earlier failed to create shareholder value and have issued stocks as payment to suppliers. Within the terms and conditions for this funding SIAF is prohibited from issuing equity as payment and also have agreed not to issue more than 8 million shares as contractual entitlements. The convertible note carries an interest rate of 10.5% over a 5 ½ year term at a conversion price of USD 1. SIAF's failure to create shareholder value might now have come to an end with ECAB's partnership and the hiring of a new CFO. We believe that ECAB, together with the

new CFO Ms Lai, will provide firm guidance over the financial structure and direction of the company. We also expect to see SIAF's CEO Mr Lee shift focus on to the operational level of the company and seek to maximize shareholder value.

20-year project with a production capacity of 300 000 MT of live prawns per year

The Zhongshan Prawn Project started in the beginning of 2014 and will last for approximately 20 years with a target production volume of 300 000 metric tons of prawns annually. SIAF will provide construction and development, as well as consulting support. The project is being divided into different phases, in which, each phase depends on the success of the previous. The first phase is estimated to generate approximately 149.6 million USD during a two year period. SIAF is also expected to market and distribute the end product, generating additional income for the company. To put the production capacity of the farm into perspective the domestic sales in China today is 1.3 million metric tonnes (MT) and total production is 1.6 million MT. It is estimated that the demand in China will be approximately 2.2-2.4 million MT in 4-5 years. This project is a massive undertaking and, if successful, will make SIAF the distributor for the largest prawn farm in China.

Highly attractive business operating in a highly attractive market

SIAF has an easy to understand business model and is operating in a very attractive market. Continued urbanization and an increasing need for the mechanization of food production have driven up demand for SIAF's products. There are plans to list SIAF on both the OMX Stockholm and the NASDAQ in the near future boosting investor interest in SIAF from both financial institutions and mutual funds. It is our hope that ECAB and the new CFO will make efforts to raise the non-existing debt level. This should provide leverage on shareholder equity and maximize EPS leading to increases in shareholder value. Our analysis indicates SIAF to be greatly undervalued with a huge upside in the stock.

Company Description

Vertically integrated agribusiness with operations in People's Republic of China

Sino Agro Foods (SIAF) is a vertically integrated developer, producer and distributor of organic food and agricultural products that is currently operating within the People's Republic of China. Its primary business is the production of high quality beef and seafood as well as high value produce. Currently the company has focused its efforts to meet the ever increasing demands of China's emerging middle class through the development, production and distribution of high margin agricultural goods.

A high-technology agribusiness

Utilizing expertise and know-how gathered from previous developments of aquaculture fisheries and cattle farms in Australia and Malaysia, SIAF entered the Chinese market in 2006. Applying specific agriculture and aquaculture technologies such as their patented "Power Re-circulating Aquaculture System" technology for indoor fish farming, they have developed modern techniques and technologies to grow, feed and house both fish and cattle. Taking these technologies SIAF is able to implement the designs of, and the management systems for, indoor and outdoor fishery and cattle farms. Also, their experience managing crops, and employing technologies (including hydroponic) to work within climate and growing conditions has helped them optimize the production of organic, green and natural agricultural produce.

Integrated in the entire development process

In all of these developments they have acted as the master engineer, pioneering the construction and building of farms from raw land into fully operational facilities. They also oversee the construction and development of all infrastructure including staff quarters, offices, processing facilities, storage, and all related production facilities. Highly qualified management teams are responsible for developing all business activities into effective and efficient operations.

Two revenue streams – agri and engineering

In just a few years, SIAF has matured into a company dedicated to the agriculture and aquaculture industry in China. Currently SIAF maintains operation of a HU Plantation as well as 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. SIAF has a healthy revenue stream generated from a number of activities that include various business divisions and units such as Fishery, Cattle, Organic Fertilizer, HU Plantation and Marketing and Trading. The company has taken great efforts to vertically integrate their position in the agricultural sector, constantly championing what they call their "Farm to Plate" concept.

Five-year growth plan

In January 2010 SIAF embarked upon a five-year phased growth plan. The target objective of this plan is to accrue net assets of 500 million USD by the end of February, 2015. Acquiring most of these funds from internally generated income and grants, SIAF had generated a net tangible book value of 318 790 976 USD by Dec 31, 2013.

Holds several patents and licenses

Currently SIAF holds several patents and licenses for fertilizer formulas and indoor fish farming techniques. They also hold a "master license" in China for "A Power Technology", a modular on-land fish growing system and technology based on a Re-circulating Aquaculture System ("APRAS"). This technology is used to be able to grow aquatic animals on a commercial scale. Utilizing this technology SIAF is able to produce 1,600MT of prawns annually. SIAF currently utilizes two enzyme technologies, T1 and T2, of which T1 is patented and T2 is a trade secret. They also employ six Concentrated Livestock Feed formulas that are also unpatented by are trade secrets.

Market structure and position

Meat consumption at 50 kg per capita

Currently SIAF is operating on the highly attractive Chinese market with an expected GDP growth of about 8% in 2014. With strong economic performance over the past decade poverty is on the decline and has resulted in the emergence of a rapidly growing middle class. This rapid growth in income levels has resulted in the mass urbanization of Chinese cities as well as substantial demand increases for high quality food products; both trends that are expected to continue for the foreseeable future. The income growth has also led to a fall in the consumption of rice, wheat and other grains while increasing the demand for red meat and poultry to about 50 kg per capita.

24% growth in meat consumption

The strong economic growth in China has resulted in a major improvement in living standards, which has reduced poverty drastically and increased the demand for high quality meat in the country. Beef consumption is expected to rise by 24% the coming decade. The structural change in China will help boost the profitability for agribusinesses when people migrate from the countryside to bigger cities. This puts higher demand on high-tech farming and industrial meat production.

20% growth in the agricultural sector

In China, agribusinesses have high vertically integration giving companies control of the entire chain from production to customer. This eliminates the middle man resulting in higher margins for the business group. The agricultural sector represents 11 % of China's current GDP and is expected to have more than 20% growth in the coming years giving Sino Agro Food the possibility to expand organically and through acquisitions and mergers.

Urban population - 51.3% in 2011

China is the world's largest producer and consumer of meat, which includes pork, poultry and beef. Traditionally China's domestic production was sufficient to meet its consumption needs. However, since 2007 China has gradually changed into a net

importer. A growing trend moving in tandem with the nation's strong economic growth is the pace at which urbanization is taking place. The end 2011 witnessed for the first time the urban population exceeding that of the rural population; accounting for 51.3% of the total population. This rapid growth in urbanisation along with increases in purchasing power for this growing demographic has brought about a drastic change in dietary patterns from traditionally grain heavy diets to ones with heavy meat consumption.

Multiple reasons for increasing meat demand

This shift can be explained by several market factors. The first is the overall increase in income levels making meat more affordable for consumption on a regular basis. The second is the new diversification of the dietary structure being seen in Chinese households resulting in higher consumption of various meat products. And lastly, the effort by the Chinese government to regulate and stimulate the meat producing industry is likely to ensure sufficient supply and promote further development of the industry.

The largest household expenditure in China is food

Food is the largest household expenditure for all income groups in China and as such the government has taken a number of steps to stimulate food production and have a renewed emphasis on stimulating the rural economy. The government provides direct support in the form of subsidies and tax exemptions for farmers and agricultural firms. Indirect support for the sector comes in the form of modern research and extension services, food safety agencies, and agricultural price information services. These indirect support services are considered to be less production-distorting to the sector.

Management team

Experienced management team

The management team of Sino Agro Food have years of experience in the area of agricultural development. We are highly optimistic about the company's future and confident that the management team have the experience and knowledge needed to develop Sino Agro Food into a highly successful and competitive business. With each individual highly educated and possessing the appropriate experience and skills for the job we find the management team of Sino Agro Food extremely capable of being in control of this company. Also, as an internationally diversified group of individuals we find the management team is in an excellent position to guide the company in the ever globalising and changing market it exists in.

Mr. Lee Yip Kun Solomon, CEO and Chairman

With over 35 years of experience in modern fishery and food industry projects within the Asian region he is considered a pioneer within the region on modern fishery projects and well suited for the position as chairman and CEO. Mr Lee is said to have extensive knowledge of the company with a deep understanding of all aspects of the business, products and markets. Also, he possesses substantial experience in corporate strategy, assessing emerging industry trends and business operations. Mr Lee holds a BA in Accounting and Economics from Monash University, Australia. Mr Lee holds 75 series A preferred stocks and 12,500,000 of common stocks, which gives him 61.5% of the voting power in the company.

Ms. Olivia Lai, CFO

Ms Lai joined SIAF in May, 2014 and has over 20 years of experience occupying senior positions at a number of multi-national corporations as well as public accounting and consultancy firms that include the likes of Cisco Systems, Ernst & Young and PricewaterhouseCoopers. She holds several professional qualifications that include accountant certifications from both the U.S. and Hong Kong. Ms Lai is a certified member of the American Institute of Certified Public Accountants, Chartered Global Accountants, Hong Kong Institute of Certified Public Accountants, and the Taxation Institute of Hong Kong. Academic achievements include a BSc in Accounting with High Distinction and an Executive MBA. We believe that she has the ex-

Owners	Number of shares	Ownership
Avanza Pension	20 571 650	12.2%
Nordnet Pension	15 384 076	9.2%
Lee Yip Kun Solomon	12 500 000	7.4%
Nils Erik Sandberg	4 123 210	2.5%
Daniel Ritchey	1 450 000	0.1%
Other	114 889 983	68%
Total	168 918 919	100.00%

perience needed to take control of the financial situation in the firm and start creating shareholder value.

Mr. Tan Poay Teik, CMO and Executive Director

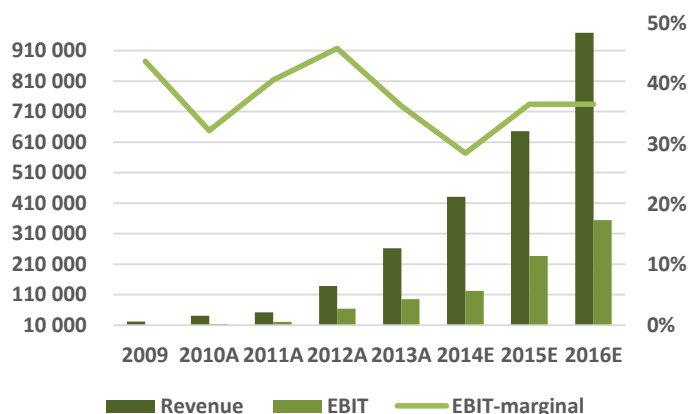
Mr Tan has over 28 years of experience within the food industry. Currently Mr Tan is also the Group Managing Director of the Milux Corporation Bhd. He holds a Master in Business Administration from South Pacific University. His combination of experience and excellent education has given Mr Tan extensive practical experience in accounting, strategic planning, merger and joint venture matters, and financial management. Mr Tan holds 20 series A preferred stocks, which gives him 16% of the voting power in the company.

Mr. Chen Bor Hann, Director and Secretary

Parallel with his commitment at Sino Agro Food he also has been the Director and Business Development Manager of Capital Award Inc. since 2004. Before these current positions Mr Chen spent the better part of a decade with Irama Edaran Sdn., Bhd. in Malaysia where he was head Fishery Supervisor. As a board member of Sino Agro Food Mr Chen is able to provide his extensive knowledge and experience concerning the business, products and markets that Sino Agro Foods is involved in. Also, he is able to provide insight into developing corporate strategy, industry trends assessment for emerging markets and business operations. He holds 5 series A preferred stocks, which gives him 4% of the voting power.

Bull Case

High middle class growth in China and a high demand for high quality meat



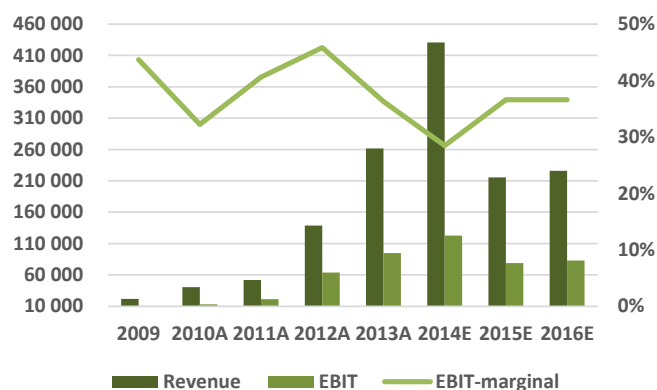
In a bull scenario SIAF manages to keep their high margins and a steady growth. Furthermore, the economic growth in China will be at rapid pace. Since 2009 SIAF have been growing, on average, at about 82% annually. This high growth has been part of SIAF's 5-year growth plan initiated in 2010 in which SIAF used newly issued stocks to acquire majority parts of subsidiaries. The GDP growth in China has been at an annual rate of 8% for the last several years and is expected to stay at this level for the near future.

With the continuing growth of the middle class from increases in income the demand for high quality food will also continue rise. This is especially true for high value products such as red meat, fish and seafood. At the same time the associated demand for rice, wheat and other grains will decrease.

If SIAF is able to maintain its rapid growth from this emerging middle class while retaining the high margins they achieve from their competitive advantages we cannot foresee a problem for SIAF to have a revenue growth of about 50% on an annual basis from the year 2015 and returning to the 40% gross margin level of 2012.

Bear Case

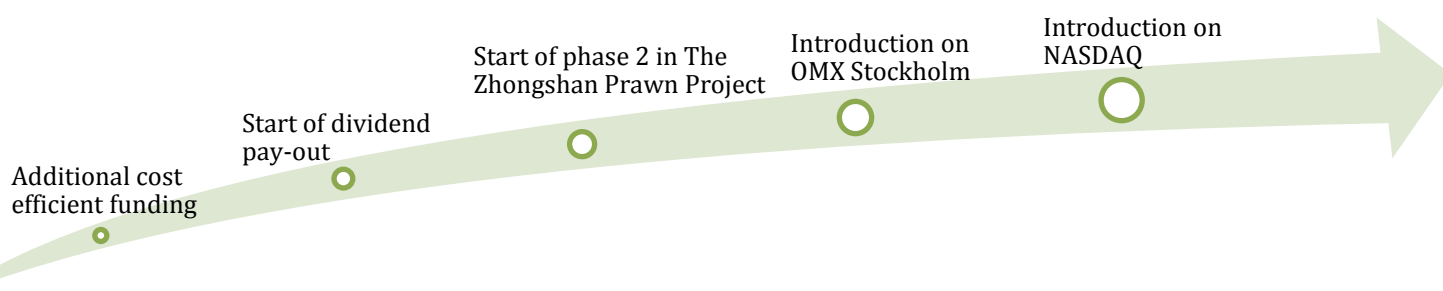
Economic depression and loss of important customers



The future growth of SIAF will be highly dependent on the economic growth in China and the decisions of policymakers. SIAF is also highly dependent on a few, but large customers. Failure of just one would have a big impact on their revenues. Furthermore, SIAF conducts their business in a nation known for its frequent and rapid change in its economy, laws, regulations and policies; all of which will have a great impact on SIAF's results and operations.

In a worst case scenario the policymakers in China would decide to stop supporting agriculture, the economic growth would decline, and one or more of their vital customers would go bankrupt, which stands for over 50% of the revenue.

If the Chinese economy was to decline and SIAF loose a customer their revenue could drop as much as 50%. The resulting growth rate would then be negative in 2015 and negligible the years following owing from higher demand for rice, wheat and other grains.



Financial Projections

Future revenue growth at 30% annually

The revenue growth will be lower in the coming years due to the end of the five-year growth plan in the beginning of 2015. We are expecting a more stable growth from 2015 onwards at about 30% annually. A growth rate of 30% will be hard to keep as the firm gets bigger and the Chinese economy starts to slow down, but we are not expecting this to happen in the coming five years. Currently the Chinese GDP is growing at a rate of 8% annually and the demand for meat products are expected to increase rapidly the coming years. We also expect the margins to be slightly better in the coming years compared to the year 2014 due to more efficient productions.

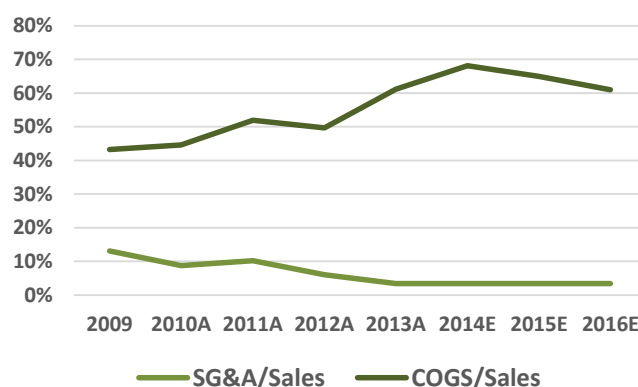
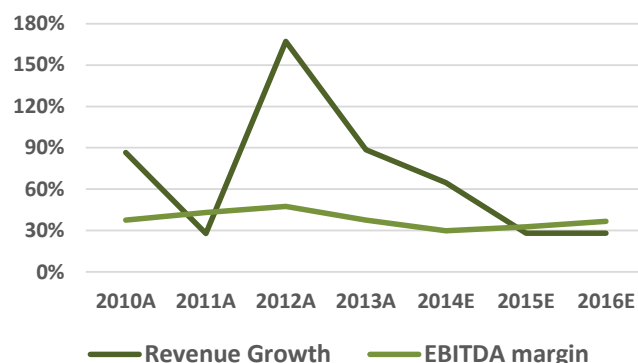
COGS back at 61% of sales and stable SG&A

The COGS have increased the last year. In 2013 COGS/Sales were at 61% and in 2014 the ratio is expected to be at 68%. We believe that SIAF will manage to keep this level during 2015 with a slight improvement while in 2016 they will return to the 2013 level. This is due to synergy effects from subsidiaries and higher operating efficiency. When it comes to SG&A we expect the level to stay stable at the 2013 level of 3.4% of sales.

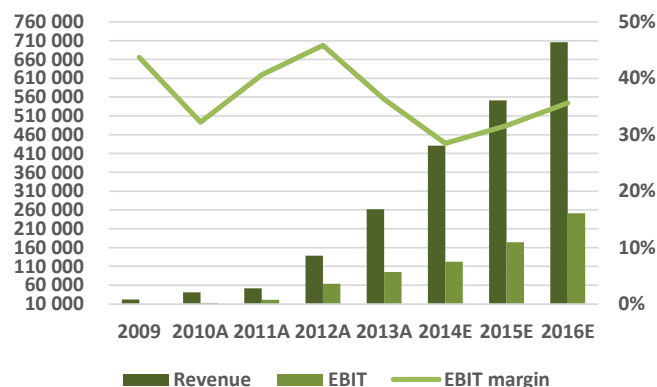
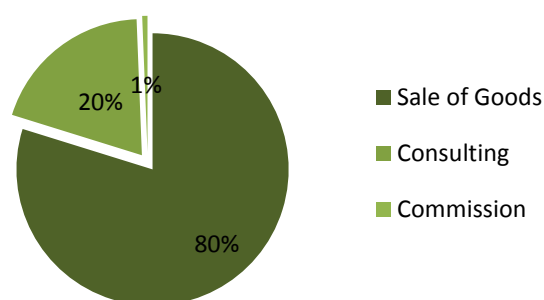
Conservative sales in consulting

Historical numbers indicate slow growth for SIAF's consulting division with revenues for this particular sector increasing by only 1.26% between 2012 and 2013. With this in mind we have concluded that the future for SIAF is in the production and sales of their agricultural products; a sector that is expected to expand over the coming years, generating increasingly larger revenues for the company.

Generating 51 million USD in 2013 the Consulting Division still represents an important source of revenue for SIAF. We anticipate revenues from this business segment to remain stable at 50 million USD for 2014, owing in large part to the Zhongshan Prawn Project undertaken by SIAF in the first half of the year. Revenues for this project are touted to be approximately 150 million USD within its first two years with a larger portion of the income generated expecting to be captured in 2015. If earnings from the project remain stable, SIAF's Consultancy Division can expect to generate revenues of 80 million USD for 2015. This would represent 14.5% of total expected revenues for 2015, an increase from 11.6% for 2014.



Sales Distribution - 2013



Valuation

Upside of 439% at a target price of 4.96 USD

During 2009-2013 SIAF's revenue growth has been at an impressive annual level of 82% on average. Much of the revenue growth is due to their five-year growth plan. Looking at the growth in the first half of 2014 and the quarterly growth for the last four quarters we believe that SIAF's revenue growth during 2014 will be at 65%.

In Q1 and Q2 SIAF had revenues of 91 million US\$ and 97 million USD respectively, adding to a total revenue of 188 million USD for the first half of 2014. Taking the average growth of the last four quarters gives a growth rate of 16%, which we believe is highly achievable for the last two quarters due to China's GDP growth rate of 8% and accounting for the rapidly growing middle class. A growth of 16% for the Q3 and Q4 would lead to revenues of 112.5 million USD and 130 million USD. The total revenue for 2014 would then be 430.5 million USD.

For the coming year following 2014 we believe that after SIAF's five-year growth plan their revenue growth will drop to 28%. This is due to the high expected economic growth in China of 8%, the expanding middle-class. The economic growth and increasing middle-class leads to urbanization and a higher demand for safe and high-quality food such as meat and seafood. This demands a high and efficient production of food, which can only be done through mechanization and the use of high-technology production method putting SIAF at the perfect position on the market.

The COGS for 2014 will be at a higher level compared to 2013. In 2013 the gross margin was at 39% compared to our estimate of 32% for 2014. Other costs will be at a similar level to 2013. This will result in an EBITDA of 128 million USD and a Net Income of 89 million USD for 2014.

When valuing SIAF we will look on the EV/EBITDA and P/E multiple. In 2009 SIAF's P/E multiple was at 9.55 and the EV/EBITDA multiple was at 8.39. The multiples have been on a steady decline since then and we believe that this is likely due to the dilution of shares and lack of focus on shareholder value creation. We strongly believe that the new

CFO and the involvement of Euro China Capital AB in the company will help them refocus on to the creation of shareholder value.

Looking on the peers of SIAF the average P/E for the last year has been 18 and the average EV/EBITDA has been 7. The median of the TTM P/E is 15.50 and the median of the TTM EV/EBITDA is 7.13. We believe that the discount in SIAF is extremely high compared to its peers and that the current estimated P/E and EV/EBITDA for 2014 does not reflect the company's fundamental value. Currently SIAF is trading at 1.74 times the estimated earnings for 2014 and 1.51 times the estimated EBITDA for 2014. If SIAF would be trading at 9 times earnings and 7 times EBITDA it would be a more fair value of the company. We will put more emphasis on the EV/EBITDA multiple since that multiple is more stable between the peers and the previous years. Putting the weight to 40% on P/E and 60% on EV/EBITDA gives us a target price of 4.96 USD.

The target price is set to 4.96 USD, which gives an upside of 439% from the current share price.

Recommendation

Highly attractive business operating on a highly attractive market

SIAF is operating in the People's Republic of China, which is a highly attractive market for agribusinesses. High income growth, urbanization and higher demand for safe and high quality food due to an increasing middle-class gives SIAF a perfect standpoint.

We are confident that SIAF will have no problem reaching a revenue growth of 65% for the financial year 2014. The target price is set to US \$ 4.96 and our recommendation is a strong buy.



Peers

A Small Player on a Big Market

SIAF has multiple competitors which can be used as a comparison when measuring the fundamental value of the company. Currently SIAF is a small performer when compared to other larger agricultural firms such as Tyson Foods and JBS S.A. However, we believe that these two companies provide the most accurate reference for a fair multiple-value for SIAF. We have also included additional regional food producers to take into account the risks associated with operating in Asia.

The two most comparable companies to use for evaluating SIAF are China Agri-Industries, a leading producer and supplier of processed agricultural products for mainland China, and C P Pokphand, Thailand's largest agribusiness that specialises in livestock and aquaculture. Both of these companies operate on the same market as SIAF and their discount rates include the risk of investing in Asia. There is no motivation for SIAF to trade at multiples above these two companies and we actually recommend multiples that are fair bit below them so as to account for the firm specific risk that is associated with SIAF.

2011

	P/E	EV/EBITDA	P/S	EPS	EBITDA margin	EBT margin	Revenue Growth	Dividend Yield
JBS SA ADR	-	30,02	0,50	-0,03	1,72%	-0,37%	12,24%	-
BRF SA ADR	23,20	6,36	1,20	1,57	14,52%	5,92%	13,34%	1,69%
Tyson Foods Inc	12,90	4,79	0,20	1,97	5,65%	3,33%	13,49%	0,78%
Marine Harvest ASA ADR	8,20	3,26	0,60	3,10	15,63%	8,57%	6,20%	24,50%
Industrias Bachoco SAB	84,70	0,18	0,50	3,24	3,30%	0,43%	12,22%	2,58%
C P Pokphand ADR	-	8,58	-	0,20	9,55%	7,23%	85,73%	2,68%
China Agri-Industries	9,30	5,94	0,30	0,56	5,60%	4,70%	53,95%	5,57%
Median	12,90	5,94	0,50	1,57	0,06	0,05	13%	0,03
<i>Sino Agro Food</i>	<i>4,14</i>	<i>2,17</i>	<i>0,75</i>	<i>0,39</i>	<i>43,03%</i>	<i>40,60%</i>	<i>27,94%</i>	<i>-</i>

2012

	P/E	EV/EBITDA	P/S	EPS	EBITDA margin	EBT margin	Revenue Growth	Dividend Yield
JBS SA ADR	49,80	10,84	0,50	0,25	3,96%	1,83%	22,49%	-
BRF SA ADR	46,30	11,07	1,30	0,94	8,23%	2,87%	10,94%	0,23%
Tyson Foods Inc	11,80	4,59	0,20	1,58	5,35%	2,79%	3,14%	1,39%
Marine Harvest ASA ADR	49,00	4,94	1,30	1,10	11,96%	5,10%	-4,15%	-
Industrias Bachoco SAB	8,30	-0,02	0,50	43,80	9,49%	7,10%	41,84%	1,55%
C P Pokphand ADR	-	6,80	-	0,20	8,79%	6,11%	36,87%	1,71%
China Agri-Industries	15,00	6,95	0,20	0,28	4,05%	1,76%	10,89%	-
Median	30,65	6,80	0,50	0,94	8,23%	2,87%	10,94%	1,47%
<i>Sino Agro Food</i>	<i>1,13</i>	<i>1,00</i>	<i>0,35</i>	<i>0,63</i>	<i>47,56%</i>	<i>45,84%</i>	<i>167,18%</i>	<i>-</i>

2013

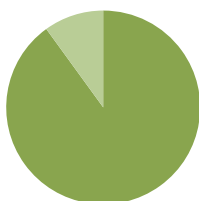
	P/E	EV/EBITDA	P/S	EPS	EBITDA margin	EBT margin	Revenue Growth	Dividend Yield
JBS SA ADR	53,80	11,80	0,50	0,32	4,11%	1,91%	22,73%	0,71%
BRF SA ADR	40,50	7,92	1,40	1,23	10,25%	3,97%	7,03%	1,27%
Tyson Foods Inc	13,20	6,78	0,40	2,12	5,59%	3,66%	3,29%	0,67%
Marine Harvest ASA ADR	11,60	2,67	1,50	6,70	25,34%	18,03%	24,02%	2,17%
Industrias Bachoco SAB	12,90	-0,59	0,70	40,80	11,17%	8,54%	0,87%	3,66%
C P Pokphand ADR	13,00	6,89	0,40	0,18	7,22%	4,61%	9,18%	3,07%
China Agri-Industries	13,50	5,31	0,20	0,29	4,38%	2,31%	3,53%	-
Median	13,20	6,78	0,50	1,23	7,22%	3,97%	7,03%	1,72%
<i>Sino Agro Food</i>	<i>0,88</i>	<i>1,12</i>	<i>0,25</i>	<i>0,58</i>	<i>37,62%</i>	<i>36,28%</i>	<i>88,60%</i>	<i>-</i>

TTM

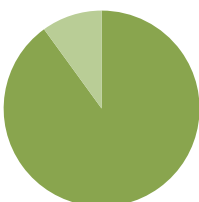
	P/E	EV/EBITDA	P/S	EPS	EBITDA margin	EBT margin	Revenue Growth	Dividend Yield
JBS SA ADR	84,70	11,77	0,50	0,24	3,88%	1,67%	32,09%	-
BRF SA ADR	47,80	9,21	1,70	1,25	10,48%	3,90%	9,03%	-
Tyson Foods Inc	13,60	7,13	0,40	2,75	6%	3,90%	10,89%	-
Marine Harvest ASA ADR	15,20	3,12	1,40	5,99	9%	12,05%	48,75%	-
Industrias Bachoco SAB	22,30	-0,34	1,00	35,49	12%	8,59%	0,59%	-
C P Pokphand ADR	15,50	7,92	0,50	0,18	7%	4,61%	-	-
China Agri-Industries	12,10	5,24	0,20	0,29	4%	2,31%	-	-
Median	15,50	7,13	0,50	1,25	7,22%	3,90%	10,89%	-
<i>Sino Agro Food</i>	<i>1,80</i>	<i>1,20</i>	<i>0,50</i>	<i>0,60</i>	<i>34,12%</i>	<i>32,78%</i>	<i>30,27%</i>	<i>-</i>

Disclosure:

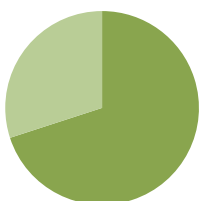
Stefan Svärd – Own stocks in Sino Agro Food
Jonathan Sheppard – Does not own stocks in Sino Agro Food

Yield Potential 9p**Yield Potential 9p:**

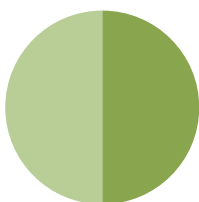
SIAF is currently trading at a P/E and EV/EBITDA multiple far below its peers. There is nothing motivating the present stock price and we believe that the stock should trade at almost US\$ 5 to reflect its fundamental value. Our belief is that SIAF will keep on growing and taking market shares within the agricultural sector in China. Also, we are confident that the new CFO and involvement of Euro China Capital AB will result in more efficient funding for SIAF's future growth. A better financial structure and a higher debt ratio in the company will lead to higher shareholder value through leverage, maximization of EPS and cheaper growth.

Profitability 9p**Profitability 9p:**

SIAF's historical margins and earnings have been impressive and so are the future expected earnings and margins. The company has low COGS, low SG&A and do not have to pay tax. In 2013 SIAF's profit margin was at 28%, the expected profit margin for 2014 is 21%. This is due to higher COGS for 2014 but we believe that SIAF will get back to a level around 30% in the future thanks to synergy effects from subsidiaries and higher operating efficiency. The business is highly profitable and will stay highly profitable as long as the current business environment does not change for the worse.

Management 7p**Management 7p:**

We are impressed by the company on an operational level. The founder, and CEO is highly talented, and the management team have the experience needed in the sector. But, we are not as impressed by the financial situation and the board's failure to create shareholder value. The dilution of shares have destroyed shareholder value and the lack of debt gives no leverage on shareholder equity. We believe that after the five-year growth plan Mr Lee will focus on the operational level and the new CFO, Ms Lai, and Euro China Capital AB will take control over the financial structure in the company to maximize shareholder value.

Safe Investment 5p**Safe Investment 5p:**

Even though SIAF have high margins and is highly profitable there is three major risks in the company to consider. The first risk is what we call the "China risk" in which rapid changes in government policies, frauds etc. will have a great impact on SIAF. The second one is the concentration of a few big customers. If one or more customers would go bankrupt or cancel the contract with SIAF it would impact the revenues significantly. The last major risk is the 100 series A shares which gives three individuals control of 80% of the voting power. Mr Lee currently controls 61.5% of the voting power which gives him absolute power of the company. We see this as highly alarming since he previously has failed to create shareholder value and might have interests not known today that do not align with the interest of the remaining shareholders.

SWOT and Risk Profile

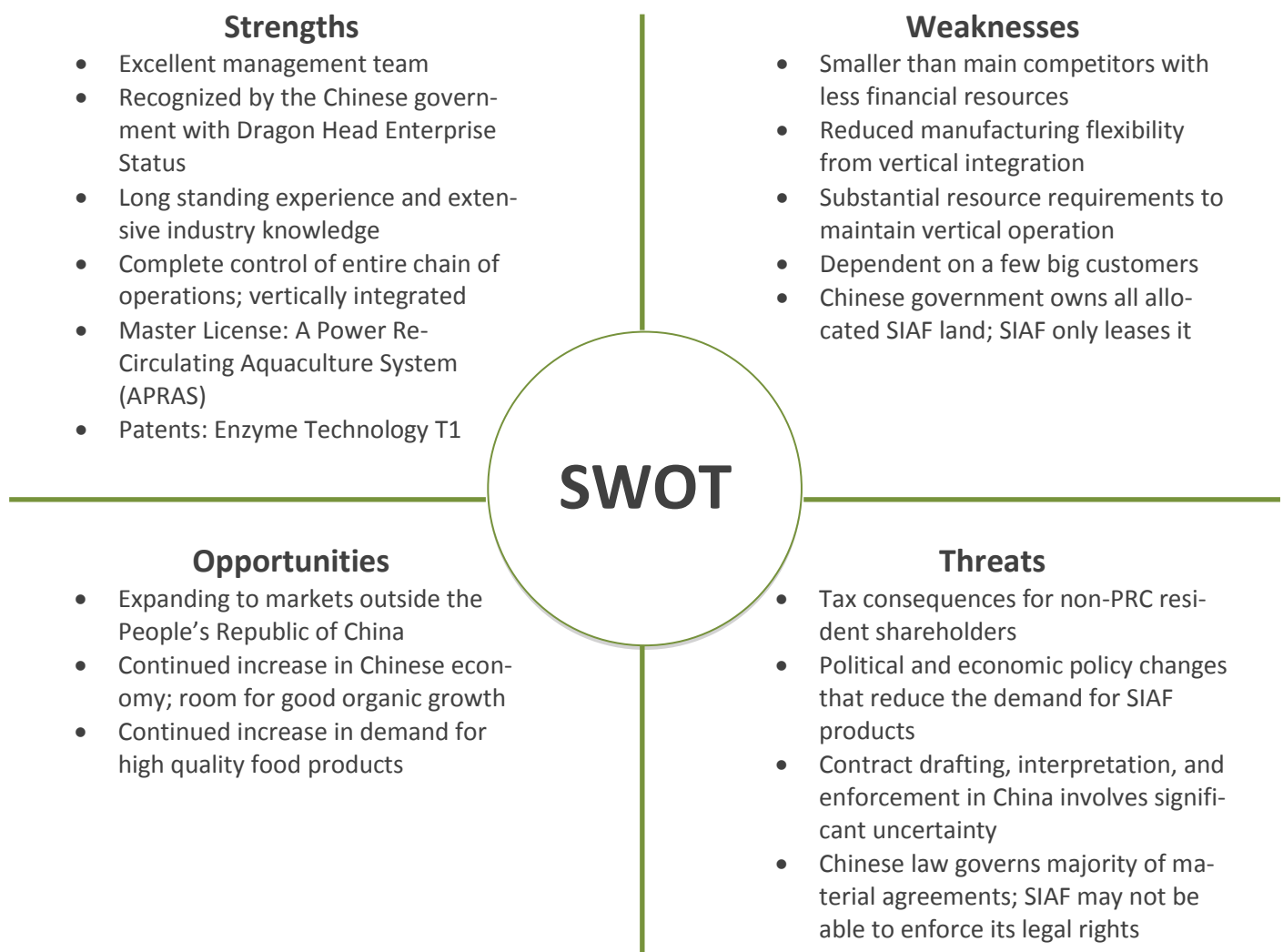
A few risk considerations

As with any firm SIAF is entirely beholden to its customers for its success and survival. As mentioned before, SIAF supplies to only four major customers. With each customer representing 25% of their actual customer base, the loss of just one would be major blow to the company and its operations.

Effectively managing SIAF's rapid growth is crucial to the future of the company. Also, SIAF's growth relies on the Chinese Governments favourable policies toward agriculture. Changes in the latter or failure in the former could have adverse effects on SIAF's performance.

Structurally, SIAF is a holding company whose subsidiaries are given certain degree of independence. Failure to properly integrate these subsidiaries may adversely affect SIAF's financial condition.

Operating within China is within itself an inherent risk for SIAF. The company is subject to a number of stringent regulations and has a continual risk to adverse changes in the political and economic policies of the government.



Appendix

Company performance

MUSD	2009A	2010A	2011A	2012A	2013A	2014E	2015E	2016E
Revenue Growth	38%	87%	28%	167%	89%	65%	28%	28%
Gross Margin	57%	55%	48%	50%	39%	32%	35%	39%
EBITDA-margin	44%	38%	43%	48%	38%	30%	33%	37%
EBIT-margin	44%	32%	41%	45,8%	36,3%	28,4%	31,6%	35,6%
Net Margin	31%	21%	50%	42%	28%	21%	24%	28%
ROA	8%	8%	10%	24%	20%	19%	22%	24%
ROE	11%	10%	21%	29%	25%	23%	26%	28%
ROCE	11%	12%	15%	28%	28%	28%	31%	33%
ROIC	12%	13%	15%	29%	28%	23%	27%	32%
Solidity	75%	82%	83%	82%	80%	82%	85%	87%
Asset Turnover	0,26	0,38	0,34	0,57	0,71	0,92	0,90	0,86

Multiples

MUSD	2009A	2010A	2011A	2012A	2013A	2014E	2015E	2016E
P/E	9,55	7,64	4,14	1,13	0,88	1,74	1,18	0,79
EV/EBITDA	8,39	6,23	2,17	1,00	1,12	1,51	0,80	0,20
EV/EBIT	8,43	7,28	2,30	1,04	1,16	1,58	0,83	0,21
P/S	3,07	2,01	0,75	0,35	0,25	0,36	0,28	0,22
EV/Sales	3,68	2,35	0,93	0,48	0,42	0,45	0,26	0,07
P/BV	1,56	1,11	0,32	0,23	0,20	0,38	0,29	0,21
Interest Coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EV/FCF	-25,99	-14,21	-46,25	-1616,69	13,20	26,78	3,05	0,56
EPS	0,13	0,14	0,39	0,63	0,58	0,53	0,78	1,16
MV	67	81	39	49	65	155	155	155
EV	80	95	48	66	110	193	145	52

Income Statement

MUSD	2009A	2010A	2011A	2012A	2013A	2014E	2015E	2016E
Revenue	22	41	52	139	261	431	551	706
Operating Cost	-13	-28	-31	-75	-167	-308	-377	-454
EBITDA	10	15	22	66	98	128	181	259
Depreciation	0	-2	-1	-2	-3,5	-5,8	-6,5	-7,4
EBIT	9	13	21	64	95	123	174	251
Interest Expense	-0,5	-0,4	0,0	-0,3	-0,4	0,0	0,0	0,0
EBT	9	13	21	63	94	123	174	251
Tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Income	7	9	16	58	74	89	132	197

Balance Sheet

MUSD	2009A	2010A	2011A	2012A	2013A	2014E	2015E	2016E
Equity	63	87	125	198	291	380	512	709
Total Assets	84	108	152	243	368	469	609	816
Net Debt	13	14	9	17	45	38	-10	-103
Cash and Cash equivalents	2	4	1	8	1	9	56	149
Capital Employed	79	105	138	226	341	430	562	758
Working Capital	20	41	58	111	154	224	332	501
Solidity	75%	82%	83%	82%	80%	82%	85%	87%

Cash Flow

MUSD	2010A	2011A	2012A	2013A	2014E	2015E	2016E
CF from operating excl. change in WC	15	22	66	98	95	138	204
Change in working capital	-2	-19	-21	-14	-62	-60	-77
CF from operating activities	13	3	44	84	33	78	127
CF from investing activities	-11	-2	-44	-93	-25	-30	-34
Free Cash Flow	3	1	0	-9	7	48	93
CF from financing activities	-3	-1	7	1	0	0	0
Net CF	-1	0	7	-8	7	48	93

Analyst Group



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