

Orient Landscape (002310: CH)

Beijing Orient Landscape & Environment Co., Ltd.



Orient Landscape was founded in 1992 and is the first listed company in Chinese landscape industry. The Company has transited from an enterprise giving priority to municipal landscape construction to a comprehensive enterprise with water system management, full-region tourism, solid waste and hazardous waste treatment as other core business. At the same time, the Company actively developed other ecological rehabilitation fields like soil rehabilitation and mine rehabilitation, etc. In terms of business model, the Company was mainly operated through PPP(Public-Private-Partnership) mode.

Trends

- PPP orders:61 billion RMB (2017.01-2017.10); 130 billion (2015.01-2017.10).
- Revenue:8.64 billion RMB (2017Q3) (YoY+72.3%)
- Net Profit:0.87 billion RMB (2017Q3)(YoY+67.6%)
- The company predicted that the 2017 net profit will rise 50%-80% compared to last year(2017Q3).
- Phase-2 Employees' Share Holding Plan: Completed in July 2017; RMB15.96/ share; 9.25 million shares; Total transaction amount about 1.5 billion.
- Phase-3 Employees' Share Holding Plan: Passed in August 2017; Total amount about 0.9 billion.
- Large shareholders increase shareholdings in 2017.

Forecast

- The 2017 annual net profit will be RMB 2.33bn with EPS RMB 0.89. we raise target price by 33% to RMB 30.

Risks

- PPP mode risk; Account recovery risk.

CNNC HuaYuan Titanium Dioxide(002145:CH)

CNNC HUAYUAN Titanium Dioxide Co., Ltd



HUAYUAN Titanium Dioxide is the leading Titanium Dioxide powder producer in China which first introduced foreign advanced technology and key equipments. It is mainly engaged in the production, marketing and service of Titanium Dioxide powder. In 2016 annual report, the revenue was RMB 2.05bn (+25.7% YoY), and the net profit was RMB 84mil (+66.7% YoY).

Trends

- In China, the price of titanium dioxide powder increased nearly 1000 per tons due to low level of inventory and raising cost of raw materials. Moreover, the price in oversea market also increased, it leads to increase export demands.
- In 2017 semiannual reports, the revenue was RMB 1.64bn (+75.1% YoY), and the net profit was RMB 235mil (+2122% YoY) due to high price of titanium dioxide powder.
- The company build three more production bases located in Gansu, Jiangsu and Anhui province. Also, the company will start using newest equipment, which lower emission and waste water, to improve company's strength.

Forecast

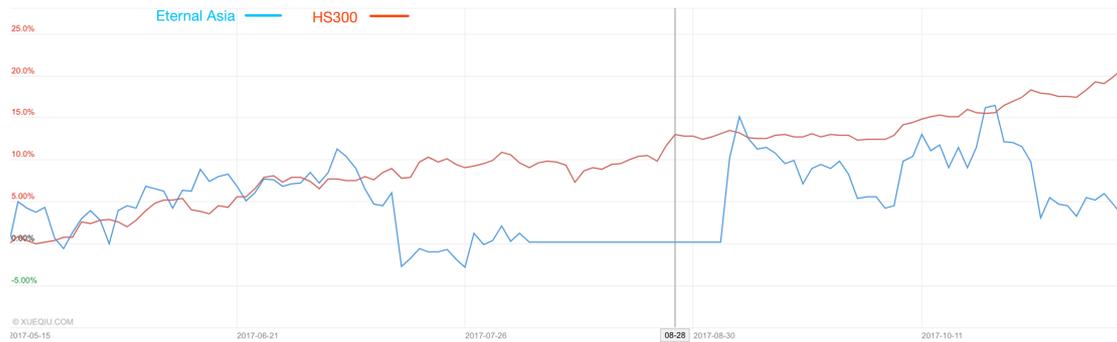
- We forecast that the annual revenue will reach RMB 3.63bn with RMB 484mil for net profit. We maintain BUY rating, and the target price is RMB 7.3 (21x 2017e P/E).

Risk

- Economic slowdown; price lower than expectation.

Eternal Asia (002183:CH)

Eternal Asia Supply Chain Co. , Ltd.



Eternal Asia Supply Chain Co. , Ltd. is the only one working on the whole supply chain management, having global procurement and distribution system. In 2016, its revenue was RMB 58.3bn (+45.95% YoY), net profit was RMB 519 mil (+5.34% YoY).

Two business services

Productive supply chain management, which helps clients to coordinate from raw materials to production and distribution stages, contributed RMB 16.9bn (+28.12% YoY); Consumption supply chain management, which deeply relies on 380 Platform to provide market, sale, logistic and settlement information, contributed RMB 39.6bn (+55.91% YoY).

Trends

- In 2017 semiannual reports, the company's revenue was RMB 30.2bn (+14.4% YoY), net profit was RMB 330mil (6.6% YoY). The whole 380 Platform system contributed RMB 18.4bn (+20.2% YoY). Nowadays, company established distribution system in over 300 cities in China.
- Due to FMCG (fast moving consumer goods) industry development, the company would maintain high growth rate revenue, and its related business-like supply chain finance system would be benefited as well.

Forecast

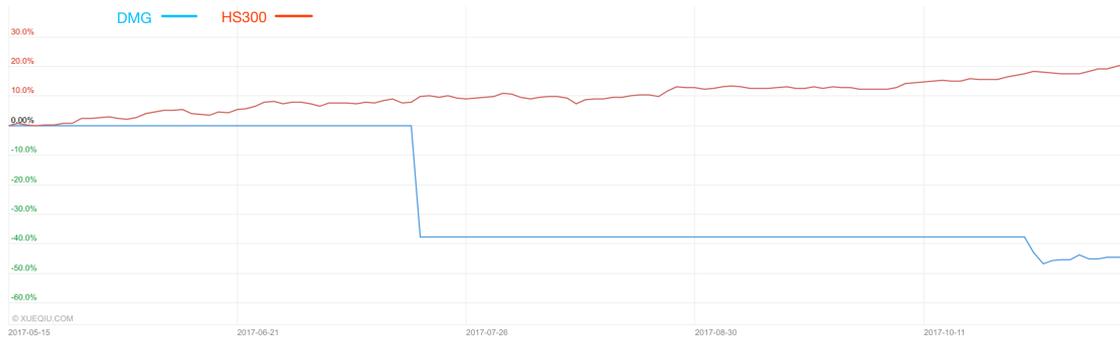
- We forecast that the annual revenue will reach RMB 65.8bn with RMB 592mil for net profit. We maintain BUY rating, and the target price is RMB 8.6 (30.7x 2017e P/E).

Risk

- Economic slowdown; 380 Platform's developments misses expectation.

DMG (002143:CH)

DMG Entertainment and Media Co.,Ltd.



DMG Entertainment and Media Co.,Ltd. is a media and entertainment company established in August 2003. The main business activities of DMG are media production, TV dramas investments, TV programs investments, IPs development etc. From year 2011-2013, 90.21%, 98.60% and 82.71% of the company's revenues consist of these activities. During these 3 years, automobile clients contributed 65%+ of the total revenues. From 2014 to 2016, Film, TV dramas investments, TV programs investments contributed revenues from 12.07% to 37.59%. The company is shifting from a traditional advertising company to a film and TV company.

Trends

- DMG was acquiring top IPs and seek co-operation with Hollywood to build its own media chain industry. It has IPs like Iron Man, Transformers, Valiant Universe, Mini Marilyn, and The Cosmere etc. Those Comics books had decent sales figures, and will be re-make to movies. In China, those IPs sales will have an increase rate of 30%-50% per annual.
- In addition, DMG's subsidiary, DMG (Hong Kong) Group Limited plan to set up Fame Lead Limited Partnership as a Mezzanine Fund, to control Fame Grand Limited Partnership as a buyout fund. DMG will use 'Forbes' brand to expand its luxury goods market. This will contribute a material proportion of company's income in future.

Forecast

- The PE ratio as for 15.53 per share from 2017-2019 will be 28.55, 21.43, 16.35, and we strongly recommend to buy shares of this company.

Risk

- Competitive risk, business integration risk