

March 23, 2020

ORANCO, INC.

(OTC – ORNC)

6 Month Target : \$2.50

12 Month Target: \$3.50

ORANCO, INC.

Highly Profitable, Low Valuation Stock Set to Reach New Heights

Rob Goldman
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March 23, 2020

ORANCO, INC. (OTC – ORNC - \$0.67)

Industry: Consumer Goods

6 Mo. Target: \$2.50/12 Mo. Target: \$3.50

COMPANY SNAPSHOT

Through its China-based operating subsidiary, Oranco, Inc. is focused on marketing its self-owned brand and wholesale alcoholic beverage business. Oranco has an exclusive relationship to sell the popular Chinese Fenjiu liquor along with the sale of popular imported wines to bars, liquor stores, convenience and supermarkets in a number of provinces in the Chinese marketplace.

KEY STATISTICS

Price as of 3/20/20	\$0.67
52 Week High – Low	\$3.30 - \$0.30
Est. Shares Outstanding	41.9M
Market Capitalization	\$28.1M
Average Volume	1,000
Exchange	OTC

COMPANY INFORMATION

Oranco, Inc.
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 New York NY 1000

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INVESTMENT HIGHLIGHTS

U.S.-domiciled Oranco, Inc. (OTC – ORNC) is a fast-growing, highly profitable alcoholic beverage distributor in China. Oranco sells China-produced premium liquor and imported wine from New Zealand and Spain and represents what we believe is one of the most attractive publicly traded pure plays on the Chinese domestic consumer market.

Oranco boasts an exclusive relationship with China’s Fenjiu Group, which produces the popular Fenjiu liquor brands. Oranco distributes its own brands through bottles to stores and bulk liquor to bars and is one of few companies to use innovative blockchain technology which ensures origins and authenticity of its high-end products.

The nation is undergoing a shift toward the purchase of premium liquor and imported wine. This shift has prompted major sales growth for Oranco.

While the Coronavirus has given some investors pause about companies that do business in China, we believe that ORNC will be a beneficiary of a major share boost once the crisis abates in the coming months. Moreover, our forecasts reflect these and other risks.

Investors would be hard pressed to find a microcap that generates higher profit margins or has a comparable balance sheet. Oranco records net margins of around 40% and the stock trades 4x book value.

Our six-month \$2.50 price target represents a paltry 10x our \$0.25 EPS estimate for next year, on sales of \$25M, while our 12-month target of \$3.50 reflects a peer average 12.1x our preliminary 2022E EPS of \$0.29. We should note that our target price could be too conservative if Oranco is successful in executing planned M&A this year, along with an up-listing of Oranco’s stock.

COMPANY OVERVIEW

With a domicile in the U.S. and an operating subsidiary in China, **Oranco, Inc. (OTC – ORNC)** is a pure play on the consumer goods business in China. Leveraging its unique status and business model, Oranco generates major sales growth and enviable profitability yet trades at a below-market valuation. Today, Oranco is focused on marketing its self-owned brand and wholesale alcoholic beverage business. Oranco has an exclusive relationship to sell the popular Chinese Fenjiu liquor along with the sale of popular imported wines to bars, liquor stores, convenience and supermarkets in a number of provinces in the Chinese marketplace. In addition to expanding its reach organically, Oranco may acquire companies or customers to quickly grow sales of its brand and other products, which will further increase its top-line and bottom-line growth rates.

The View from 30,000 Feet

Oranco is a play on the growth of the premium alcoholic beverage market including key brands of the popular Fenjiu Group, whereby Oranco has an exclusive distribution relationship. Moreover, with an innovative blockchain back-end solution that uses cryptography to validate the authenticity of its high-end products, we believe Oranco represents one of the most attractive publicly traded pure plays on the Chinese domestic consumer market.

Sales are in bottles to stores or bulk liquor to bars in the suburbs and small towns and are associated with innovative and popular marketing and promotional strategies. Separately, Oranco sells and distributes premium wine from New Zealand and Spain.

Aside from the business model and industry, what is most extraordinary is Oranco's strong historical financial performance, which should continue going forward, notwithstanding a hiccup due to the coronavirus crisis. Sales for 2019 ended in June were \$15.2 million with EPS of \$0.14, reflecting a 38% net margin. We expect similar results going forward given the strong first half of fiscal 2020, whereby sales are nearly \$10 million and net income is \$4.1 million, or a 42% margin. Plus, Oranco has a strong balance sheet, with the shares trading roughly 4x book value. And, a likely future shift in debt to equity will only make a strong balance sheet stronger.

Looking Ahead...

China stocks may give investors pause and create volatility and inconsistent trading. However, opportunistic investors are aware that once the crisis abates, domestic consumer goods stocks like Oranco could turn on a dime and become firmly in favor. Considering this microcap boasts a solid balance sheet and very high profit margins, risk is mitigated, in our view. Moreover, we believe that at current levels, Oranco represents a favorable entry point for investors seeking a major price shift in the coming months.

It should be noted that our forecast already reflects a series of geopolitical risks and the typical non-U.S stock valuation discount. Our six-month \$2.50 price target represents 10x our FY21 (June 2021) EPS projection and we believe that it is appropriate given the high rate of EPS growth and level of profitability. Going forward, our 12-month target of \$3.50 reflects a forward P/E of 12.1x our preliminary 2022E EPS of \$0.29, which matches the forward peer average.

INDUSTRY OVERVIEW

Chinese Liquor Market

Given the continuous economic growth generated in China, the subsequent increase in the consumer disposable income has driven increases on consumer consumable goods, namely food and alcoholic beverages. Given the increasing purchasing power and improving living standards in China, the sales volume of Chinese liquor increased from 11,267.0 million liters in 2012 to 13,057.1 million liters in 2016. Moreover, it appears that consumers are increasingly interested in procuring and drinking better quality liquor and management believes that in concert with increasing purchasing power, the consumption of Chinese liquor will shift to higher quality products and greater overall consumption.

According to the China Insights Consultancy ("CIC") report, there are approximately 1,578 Chinese liquor producers in China with annual revenue above RMB 20 million in 2016. These producers are mainly located in the southwest, northeast and central China. It should be noted that following several years of a restructuring of Chinese liquor market caused by an anti-corruption campaign, the structure of Chinese liquor market is in much better shape and with steady growth supported by constant economic growth in China.

Fenjiu Group

Fenjiu Group and its subsidiaries are the sole suppliers of Fenjiu liquor in China with Shanxi Province serving as the main market for Fenjiu liquor. Approximately 55% of revenue was achieved in Shanxi in 2016. It is expected that the sales of Fenjiu liquor will reach a further \$1.5 billion in China by 2022, increasing at a CAGR of 12.8% between 2016 and 2022.

According to the CIC report, at the end of 2016, the total number of Fenjiu liquor distributors reached 987 in China. The Fenjiu liquor distribution market is highly competitive with no single distributor occupying a major share of the market. In fact, it is difficult for new entrants to be awarded distribution authorization from Fenjiu Group, which is a major advantage for Oranco which has an exclusive geographic distribution relationship. Distributors currently range from mom-and-pop stores in Shanxi Province to larger companies with years of experience in the Fenjiu liquor industry, each competing for a share of the market. Fenjiu liquor includes a variety of products, differing in terms of ABV, vintage, recipe, etc. Although there are no dominant varieties in the market, some are preferred by end consumers more than others. However, almost all of these popular varieties have already been taken up by exclusive distributors, such as Oranco.

Chinese Wine Market

According to the International Organization of Vine and Wine, or OIV, the per capita wine consumption in China is much lower than the US average. Compared with the world average consumption, China's per capita wine consumption has been around one-third of the world's average since 2010. However, the relatively low per capita wine consumption in China indicates great growth potential for China's wine market in the future. According to the CIC report, Chinese consumers should, between 2017 and 2022, adopt the habit of drinking wine rather than other alcoholic beverages, wine consumption is considered a healthier option. In addition, the development of O2O platforms selling wine will most certainly facilitate the purchase of wine in China.

Interestingly, with the further improvement of the urbanization rate in China, the retail sales market is experiencing a rapid growth in urban regions in China. As a result, there are favorable national and international policies for imported wine. According to bilateral trade agreements signed by the PRC government with New Zealand, Chile and Australia, imported goods from the three countries will benefit from low tariff rates, effective from 2019. According to those agreements, as of 2019, these tariffs have been totally eliminated. This favorable policy should reduce the wine retailing price and hence contribute to a growth in sales. To reflect this change, readers will note that our financial model assumes such growth beginning in late 2020.

THE ORANCO APPROACH

Through its China-based operating subsidiary, Oranco runs a growing alcohol marketing self-owned brand and wholesale business whose mission is to promote premium alcoholic beverages to China's population. At present, Oranco currently is focused on the sale of Chinese Fenjiu liquor and imported wines. OrancoThe application of blockchain technology and targeted marketing strategy are the major factors leading to Oranco's success.

Following successful tests in 2019, Oranco has implemented an innovative blockchain-based anti-counterfeiting laser recognition proprietary technology, which enables the identification and anti-counterfeiting of Oranco's premium alcoholic beverages. Now deployed and implemented in key markets and set for wide-scale utilization, the technology offers unique data tampering protection, and transaction traceability. This cornerstone of Oranco's distribution increases the value of Oranco's collectible product lines, as it ensures that they are not altered or replaced through physical means by creating encrypted digital IDs for each Oranco's collectible liquor product on the blockchain.

In addition, Oranco utilizes creative marketing strategies and innovative product designs that target different age groups. For example, by collaborating with Fenjiu Group, the sole producer of Fenjiu liquor in China, Oranco has been focusing on product design to convey a modern feel to its Fenjiu products while maintaining Fenjiu liquor's historical elegance.

The designer packaging, symbolized by its bright coloring and prominently fat-bellied jars, stands out from those of its competitors. With creative designs and stylized names, Oranco's registered trademarks, such as Dagangjiu (translated as "Big Jar Liquor"), are effective in capturing the attention of Chinese consumers, young and old. In fact, Dagangjiu is one of the Chinese Fenjiu liquor market's most popular brands. The brand's strong recognition reinforces existing customer goodwill in Shanxi province and beyond, providing Oranco with a competitive advantage. Thus, Oranco has succeeded in meeting demand for Chinese Fenjiu liquor and select imported wines in the Chinese marketplace.

For the Fenjiu Liquor Wholesale and marketer business, Oranco serves as a distributor and is authorized to customize and rebrand alcoholic beverages produced by upstream manufacturers. Management secures strategic partnerships with a number of dealers, especially those with direct business access to retail stores and outlets. Oranco sells Fenjiu products with simple and bulk packaging to these dealers. The idea is to achieve larger profit margins through removing high-end designs and packaging, thus ensuring a relatively low price of the Fenjiu liquor products. Through this approach, Oranco can reach a greater number of Chinese customers who are attracted by the cost-effectiveness of Oranco's simple and bulk packaging products. The simple and

bulk packaging products to our targeted dealers who then directly resell these products to local retail stores and outlets.



Wine Products

Established in October 2016, Oranco’s imported wine distribution business has high growth potential as evidenced from the market prices of the imported wines from Spain and New Zealand, the two countries from where most of the 750 ml bottles of wine is imported Accordingly, management’s strategy is to continue pricing imported wine products within the premium range levels to generate higher margins. Though marketing and branding are still integral parts of the wine business in China, wine sales are highly driven by the origin of the wines. Since Spain and New Zealand are considered prime origins for wine productions, these sources should continue to drive this business line. For the imported wine wholesale business, Oranco serves as the exclusive distributor and we are authorized to customize and rebrand alcoholic beverages produced by upstream manufacturers.



Behind the Scenes...

In addition to the products noted above, Oranco also broadly promotes its own branded alcoholic beverages, which is a growth driver and a profit center for Oranco. Promotions include tastings, festivals, and other marketing events and campaigns. Key brands include the Dagangjiu Series of Fenjiu Liquor and New Zealand imported wine such as Waipara Springs and Bascand.



In general, Oranco's customers are downstream distributors, of which seven accounted for essentially 100% of sales in 2019 and with figures that were evenly distributed. Importantly, Oranco has a strategic partnership with Fenjiu Group whereby Fenjiu Group has agreed to supply Oranco with \$4,379,850 worth of Fenjiu liquor during a three-year period from June 30, 2017 to June 29, 2020.

It is anticipated that this agreement will be renewed, albeit under different terms, given Oranco's success. Separately, Oranco has obtained two patents for liquor-making devices that can change proofs of various liquors, both of which were registered in 2015 and will expire in 2025. To date, Oranco has registered 10 trademarks and had submitted 11 additional trademark applications.

EXECUTIVE MANAGEMENT TEAM

Peng Yang, President, Secretary, Director

Mr. Yang has international business and management experience from his positions working with Huaxin, a company engaged in wine trading and Reliant Investment (Group) Limited, an investment company. He has served as the general manager assistant and overseas affairs manager of Huaxin since 2015 and as limited director of Reliant Investment (Group) Limited since 2016. Mr. Yang is a leading member of our sophisticated and long-serving management team who has experience in alcohol marketing and has led us through multiple business breakthroughs. Mr. Yang holds a Bachelor of Engineering degree, with honors, from the University of Auckland in New Zealand in 2016.

Sze Lok (Patrick Wong), Chief Financial Officer

Before joining the Group, Mr. Wong served as the CFO of Amax International Holdings Limited since October 2012. From January 2007 to July 2012, Mr. Wong served as the Senior Manager of Crowe CPA Group. From January 2006 to December 2006, Mr. Wong served as the Head of Internal Audit Department of Intac International Company. Mr. Wong is a fellow of Institute of Chartered Accountants in England & Wales and is a Certified Information Systems Auditor of Information Systems Audit and Control Association. He received his Bachelor of Accountancy with honors from Hong Kong Polytechnic University. He received his Master of Management from Macquarie Graduate School of Management.

FINANCIALS

The P&L

Table I. Oranco, Inc.
 Projected Sales Breakdown
 (\$ USD, 000)

Category	<u>FY19A</u>	<u>FY20E</u>	<u>FY21E</u>	<u>FY22P*</u>
Fenjiu	\$14,073	\$17,000	\$22,500	\$26,500
Imported Wine	\$1,116	\$1,155	\$2,500	\$2,800
TOTAL SALES	\$15,189	\$18,155	\$25,000	\$29,300

* Denotes Preliminary

Sources: Oranco, Inc. and Goldman Small Cap Research

As illustrated in Table III (found at the end of the report) Oranco boasts an impressive business model which is why Oranco has consistently generated enviable financial results. For the year ending June 2019 (the FY19 year), Oranco recorded \$15.2 million in revenue with over 70% gross margin. With limited and relatively static

expenses each quarter, Oranco ended the year with \$8.6 million in EBITDA, a margin of 56.8%, which is clearly at the very high end of typical beverage distribution companies---in any market. With an effective tax rate below the 30% mark, it is no wonder that Oranco recorded \$5.8 million in net income, a roughly 38% net margin, resulting in EPS of \$0.14.

For the first six months of fiscal 2020 (ended 12/31/19), Oranco has generated approximately \$9.6 million in sales and net income of about \$4.15 million, a 43% net margin. While Oranco seeks to expand its imported wine business, sales are overwhelmingly driven by the highly sought after Fenjiu products. It should be noted that despite the usual seasonality in Q3, we have elected to take a very conservative approach and project a quarterly reduction in sales on a sequential basis, with increases returning in Q4. This is due to the impact of the coronavirus. For the full year, we project total sales of \$19.3 million and net of \$8.3 million, or \$0.19 in EPS.

In fiscal 2021, which begins July 2020, we forecast greater year-over-year top-line growth with sales reaching \$25 million, a 29.5% rise. EPS is slated to reach \$0.25, a 30% increase over the current fiscal year. At present our preliminary FY23E estimates are \$29.3M in sales with EPS of \$0.29, which could be revised going forward, as we get better clarity on the current coronavirus health situation. Clearly, our overall financial projections demonstrate that we believe business will begin to return to more normalized business sometime in the second half of calendar year 2020.

It should be noted that our projections for both this year and the next fiscal year reflect organic growth only and no contribution from potential acquisitions. Currently, Oranco's sales are fairly concentrated and generally evenly split among seven customers, which is typical for this industry. Going forward, we expect this figure will become more diverse.

The Balance Sheet

With \$10 million in shareholder's equity, this \$15 million in sales firm is in unusual company. We are particularly impressed by the fact that Oranco has a nearly 2:1 ratio of cash and cash equivalents to its total liabilities. As profit is generated each quarter, this figure is sure to only increase markedly. Separately, there is only one non-current debt, which is an \$11.7 million debt to a director. It is our understanding that this may be converted to equity in the future which would substantially improve an already strong balance sheet. Even with this debt on the books Oranco's stock trades just over 4x book value---a very positive and risk-reducing characteristic for a microcap.

RISK FACTORS

We categorize Oranco's risks in three categories: Geopolitical, Business, Capital Markets.

Geopolitical Risks

Since early in the year, the top story globally has been the spread and potential impact in which the Coronavirus will have on China, and those who have traveled there, In the big picture, key questions remain: How will this health crisis affect China's citizens, and its domestic economy as well as the global economy at large. We do not have the answers to these questions and pundits are engaging merely in conjecture at this point. Considering that large swaths of the nation is currently and for the near future will be impacted, we have taken what we believe is a prudent approach to our forecasts by applying a meaningful haircut to forecasting under conventional circumstances. We should note that since Oranco's sales are entirely domestic, when the crisis abates, those firms that derive the bulk of their sales from selling consumer goods to the local economy are likely to receive a major bump in interest and price. Finally, investors in emerging markets such as China are aware that even for stocks traded in the U.S., an arbitrary discount is assigned these stocks' valuations. Given the high profitability on an historical basis and in our forecasts, we believe that our target price already has this risk factored in. Furthermore, as a U.S.-domiciled entity, key corporate risks may be reduced.

Business Risks

Clearly, Oranco has meaningful advantages in its target markets and is leveraging its brand name recognition through blockchain applications. Still, Oranco seeks to broaden its reach through new markets and potential acquisitions, including current customers/distributors. Operating in China carries its own set of business, legal, and tax challenges which we have already factored into our target. Other competitive risks include lower pricing, more effective sales/marketing, potency, flavor, etc. These risks could come from larger competitors, existing firms or new entrants. At present there are nearly 1,000 multi-layered distributors that often serve as Fenjiu brand co-builders. Still, these risks are typical future concerns and are also consistent with firms of Oranco's size and standing.

Capital Markets

Volatility and liquidity are typical concerns for microcap stocks that trade on the stock market. Further volatility and inconsistent trading on a short-term basis could reflect investor concern over the coronavirus. We believe that such events will present unusual entry points for opportunistic investors. Separately, it is possible that the shares outstanding of this stock could increase due to potential capital needs, as Oranco may not have sufficient cash on hand to build multiple sales channels simultaneously. However, since the proceeds of any future funding would be used in large part to advance M&As or major business development, we believe that any dilutive effect from such a funding could be offset by related increases in market value. Moreover, with plans to up-list the shares, a meaningful increase in trading activity and volume could follow.

VALUATION

As evidenced in the core, publicly traded peer group table below, at current prices and even by assessing the prospective future valuation for Oranco, these shares are substantially undervalued. It should be noted that the comparables we assembled include large companies that serve as global leaders in the industry as well as other microcaps that have more of a regional focus and are closer to Oranco's size. We note that these smaller firms generate the bulk of their respective businesses and revenue in the U.S.

Based on current prices, the group's average price/revenue multiple on 2020 and 2021 forecasts are 4.0x and 3.9x, respectively. This compares with the paltry 2.7x and 2.1x metrics assigned Oranco. On a Price/EBITDA, or operating income, the average multiples for 2020 and 2021 are 12.5x and 12.1x. For Oranco, these multiples are 4.8x and 3.5x. Again, Oranco's valuation pales in comparison, despite much higher expectations for revenue and EBITDA growth. While some of the disparity can be attributed to the China market focus, in our view, the discount or spread, is far too great, considering the historical and expected future performance.

Even on a go-forward basis, the argument can be made that Oranco's shares are just plain cheap on a price/operating income metric, which we believe is the best measure to assess Oranco's valuation. Utilizing our just our six-month target of \$2.50, which is essentially a double from current prices, we arrive at 2020 and 2021 price/operating income multiples of 9.8x and 7.2x. These compare with the peer group averages noted above of 12.5x and 12.1x.

Clearly, even at \$2.50 the discount between the peer group's aforementioned multiples and Oranco is great. The contrast between the Oranco price target and the associated 10x multiple on our \$0.25 FY21E EPS estimate is even more stark. The average P/E for the leaders CTZ and BF-B for 2021 is over 12x---over three times the P/E afforded Oranco, despite their low earnings growth rates. Absent the current coronavirus health scare, we would likely arrive at a higher target price as the stock can support a higher valuation multiple. Thus, it is evident that even with our current target price, considerable upside exists and we could raise our target higher later in the year to reflect a narrowing of the valuation spread between Oranco and the peer group.

Table II. Oranco Publicly-Traded Peer Group

Company Name	Symbol	Price (3/4/20)	Mkt Cap (mil)	FY20E Revs (mil)	FY21E Revs (mil)	20E - 21E Revs Growth	2020E Price/Revs	2021E Price/Revs	2020E Price/Op Inc	2021E Price/Op Inc
Brown Forman	BF-B	\$64.56	\$28,869	\$3,500	\$3,680	5.1%	8.2	7.8	16.0	15.6
Constellation Brands	STZ	\$179.82	\$34,457	\$8,260	\$7,920	-4.1%	4.2	4.4	14.4	14.7
Crimson Wine Group	CWGL	\$7.06	\$166	\$65	\$70	7.7%	2.6	2.4	N/A	N/A
Willamette Vineyards	WVVI	\$5.99	\$30	\$26	\$29	11.5%	1.1	1.0	7.1	6.1
Average			\$15,880	\$2,963	\$2,925	5%	4.0	3.9	12.5	12.1
Oranco	ORNC	\$1.26	\$52.9	\$19	\$25	29.0%	2.7	2.1	4.8	3.5
Oranco	ORNC	\$2.50	\$107.5	\$19	\$25	29.0%	5.6	4.3	9.8	7.2

Sources: www.Yahoo!Finance.com, Company websites, Goldman Small Cap Research

CONCLUSION

U.S.-domiciled Oranco, Inc. (OTC – ORNC) is a fast-growing, highly profitable alcoholic beverage distributor in China. Oranco sells China-produced premium liquor and imported wine from New Zealand and Spain and represents what we believe is one of the most attractive publicly traded pure plays on the Chinese domestic consumer market. Oranco boasts an exclusive relationship with China’s Fenjiu Group, which produces the popular Fenjiu liquor brands. Oranco distributes its own brands through bottles to stores and bulk liquor to bars and is one of few companies to use innovative blockchain technology which ensures origins and authenticity of its high-end products.

The nation is undergoing a shift toward the purchase of premium liquor and imported wine. This shift has prompted major sales growth for Oranco. While the Coronavirus has given some investors pause about companies that do business in China, we believe that ORNC will be a beneficiary of a major share boost once the crisis abates in the coming months. Moreover, our forecasts reflect these and other risks.

Investors would be hard pressed to find a microcap with higher margins or a comparable balance sheet to Oranco. After all, Oranco records 40% net margins and trades at a 4x book value. Our six-month \$2.50 price target represents 10x our FY21 (June 2021) EPS projection and we believe that it is appropriate given the high rate of EPS growth and level of profitability. Going forward, our 12-month target of \$3.50 reflects a forward P/E of 12.1x our preliminary 2022E EPS of \$0.29, which matches the forward peer average. We should note that our target price could be too conservative if Oranco is successful in executing planned M&A this year, along with an uplisting of Oranco’s stock.

Table III ORANCO, INC.

Pro Forma Projected Statements of Income
(\$ USD, 000)

	<u>FY19A</u>	<u>1Q20A</u>	<u>2Q20A</u>	<u>3Q20E</u>	<u>4Q20E</u>	<u>FY20E</u>	<u>FY21E</u>	<u>FY22P*</u>
TOTAL REVENUE	\$15,189	\$3,591	\$5,964	\$4,500	\$5,200	\$19,255	\$25,000	\$29,300
Cost of Sales	\$4,526	\$1,037	\$1,752	\$1,350	\$1,525	\$5,664	\$7,300	\$8,500
Gross Profit	\$10,663	\$2,554	\$4,212	\$3,150	\$3,675	\$13,591	\$17,700	\$20,800
<i>Gross Margin</i>	70.2%	71.1%	70.6%	70.0%	70.7%	70.6%	70.8%	71.0%
Selling & Distribution Exp	\$572	\$123	\$193	\$140	\$175	\$631	\$850	\$1,000
Administrative Expenses	\$1,459	\$477	\$382	\$390	\$405	\$1,654	\$1,900	\$2,300
Total Operating Expenses	\$2,031	\$600	\$575	\$530	\$580	\$2,285	\$2,750	\$3,300
EBITDA	\$8,632	\$1,954	\$3,637	\$2,620	\$3,095	\$11,306	\$14,950	\$17,500
<i>EBITDA Margin</i>	56.8%	54.4%	61.0%	58.2%	59.5%	58.7%	59.8%	59.7%
Other Income	(\$19)	(\$6)	(\$7)	(\$10)	(\$10)	(\$33)	(\$100)	(\$100)
Interest and Other Charges	\$11	\$2	\$17	\$10	\$15	\$44	\$100	\$100
Pre-Tax Income	\$8,640	\$1,958	\$3,627	\$2,620	\$3,090	\$11,295	\$14,950	\$17,500
Income Taxes	\$2,816	\$551	\$882	\$725	\$850	\$3,008	\$4,100	\$4,600
<i>Tax Rate</i>	32.6%	28.1%	24.3%	27.7%	27.5%	26.6%	27.4%	26.3%
Net Income	\$5,824	\$1,407	\$2,745	\$1,895	\$2,240	\$8,287	\$10,850	\$12,900
Attributable to Equity Holders								
Former Non-Controlling Interests								
Earnings Per Share	\$0.14	\$0.03	\$0.07	\$0.05	\$0.05	\$0.19	\$0.25	\$0.29
Current Shares Outstanding	41,593	46,866	41,949	42,000	42,100	43,229	44,000	45,000

*Denotes Preliminary

Sources: Oranco, Inc. and Goldman Small Cap Research

Table IV. Oranco, Inc.

Balance Sheet: 12/31/19

(\$ USD, 000)

Current Assets

Cash & Equivalents	\$7,460
Trade Receivables	\$10,108
Inventories	\$2,058
Deposits Prepayments. Other	\$5,097
Pre-paid Land Lease	\$157
Total Current Assets	\$24,880

Non-Current Assets

Investment	\$144
Property, Plant, Equip	\$431
Prepaid Land Lease	\$1,298
Total Non Current Assets	\$1,873

TOTAL ASSETS **\$26,753**

Current Liabilities

Trade Payables	\$63
Receipts in Advance, Accruals	\$818
Amount Due Director	\$2,554
Current Tax Liabilities	\$884
Bank Borrowings	\$36
Total Current Liabilities	\$4,356

Non-Current Liabilities

Amount Due Director	\$11,747
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TOTAL LIABILITIES **\$16,103**

SHAREHOLDER'S EQUITY

No. Authorized Shares	50,000,000
No. Issued and Outstanding	41,948,748
Share Capital	\$397
Retained Earnings	\$10,253

TOTAL EQUITY **\$10,650**

TOTAL LIABILITIES & EQUITY **\$26,753**

Sources: Oranco, Inc. and Goldman Small Cap Research

Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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