

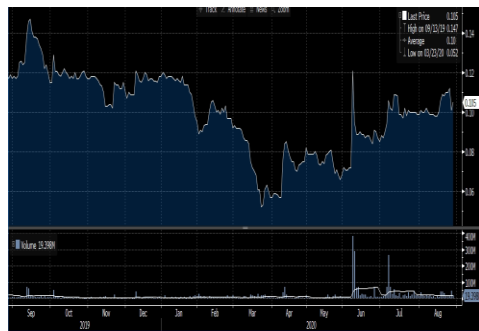
Target Price	HK\$ 0.15
Current Price	HK\$ 0.10
Upside Potential	50%
Rating	BUY

1HFY2020 [ended June] Earnings Update

Market Cap.	HK\$ 716 mn US\$ 93 mn
Shares Outstanding	7,093.4 mn
Free Float (FF %)	68.9%
52 Week Range (HK\$)	0.15 / 0.05
Avg. Daily Value	HK\$ 5.1 mn
HANG SENG Index Level	25,492
Insider Holding %	31.1%

Sales Strong +19%; Net Profit Positive; Rising Capacity

IRC reported strong revenue growth with both robust operating and financial performance for the first half of the year ended June 2020 ahead of our expectations. The company's revenues increased by 19% YoY for the first half of FY2020 to US\$106 mn, in comparison to US\$89 mn for the first half of FY2019 inclusive of the impact of hedging. A ramp up in production to an average of 89% of its capacity in the first half of FY2020, as compared to 78% of its capacity in the first half of FY2019, and an increase in volume of sales by 11.4% to 1.38mn tons in 1HFY2020 from 1.24mn tons in 1HFY2019 contributed to the increase in revenues for the company. The production volume increased by 14.3% to 1.4mn tons in 1HFY2020 attributable to the increased output from the K&S mine. Key highlights of the first half were:



- Revenue up 19% YoY to US\$106.2 mn, Production up 14.3%, Volume up 11.4%, Production capacity utilization at 89% (30 June 2019: 78%)
- Cash cost down 4.7% YoY to US\$48.8/ton (30 June 2019: US\$51.2/ton) due to economies of scale and Russian Rouble depreciation against the US dollar
- EBITDA up 151% YoY to US\$33.2 mn (30 June 2019: US\$13.2 mn) and Maiden Profit of US\$5.9 mn (30 June 2019: loss of US\$25.2 mn) driven by higher production volume, strong iron ore price, and favorable foreign exchange movements
- Decline in weighted average interest rate to approximately 7.6% (30 June 2019: 9.7%) per annum
- Robust Iron Ore pricing up 7.6% YoY due to an increased demand from China and restricted supply from major iron producers
- Net cash generated from operations up 55% to US\$20.3 mn (30 June 2019: US\$13.1 mn), mainly due to the improved performance of the K&S mine

Risk: Above Average

Forecasting and Valuations

(US\$ mn except ratio)	FY2020E	FY2021E
Revenue	214	236
Net Income	12	12
EPS (cents)	0.17	0.17
EBITDA	60	70
PE	7.5	7.5
EV/EBITDA	4.9	4.2
P/B	0.31	0.30

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The improved sales volume was mainly responsible for the EBITDA growth of 152% to US\$33.3 mn in 1HFY2020 as compared to US\$13.2 mn in 1HFY2019. The average capacity utilization for 1HFY2020 was 89% while in July and early part of August 2020 it operated at more than 90% of its capacity.

The company reported an underlying profit of US\$5.7 mn in 1HFY2020 in comparison to a net loss of US\$8.2 mn in 1HFY2019 as the company reported a gain in foreign exchange during the first half of FY2020. Without considering the provision of US\$5 mn [non-cash] in deferred contract payment expenses the company would have reported a net profit of US\$10.7 mn. The company believes that this provision made for this expense will not be payable as far as the legal matter is concerned, but it is being prudent and complying with the accrual accounting requirements. The financial expenses of US\$13.3 mn were slightly higher due to higher loan guarantee fees in the first half of FY2020. The company paid the loan principal and interest amount in full and terminated the ICBC Facility Agreement in the year 2019. With most of the ramp up in production to full capacity and with an expectation of further reduction in cash cost levels, the company is expected to continue posting positive EPS in 1HFY2020 and beyond.

The company reported cash costs of US\$48.8 per ton in 1HFY2020 as compared to US\$51.2 per ton in 1HFY2019, which is lower by 4.7%, helped in part by the depreciation of the Russian Rouble. The K&S mine is not yet operating at full production capacity and the cash cost has not yet reached its optimal level. Once the K&S mine is able to produce at full capacity and achieve the highest economies of scale, optimal levels for cash costs per ton would also be achieved. In addition to this, commencement of operations of the Amur River Bridge could also potentially help further reduce cash costs to the tune of up to US\$5 per ton thereby allowing the company to possibly reach cash costs levels of US\$43 to US\$45 per ton. The company's income is mainly denominated in US Dollars and remains unaffected by the weakness of Rouble, but the operating costs which are mostly denominated in Roubles make an impact on the EBITDA.

HK\$0.15 PT: 50% Upside

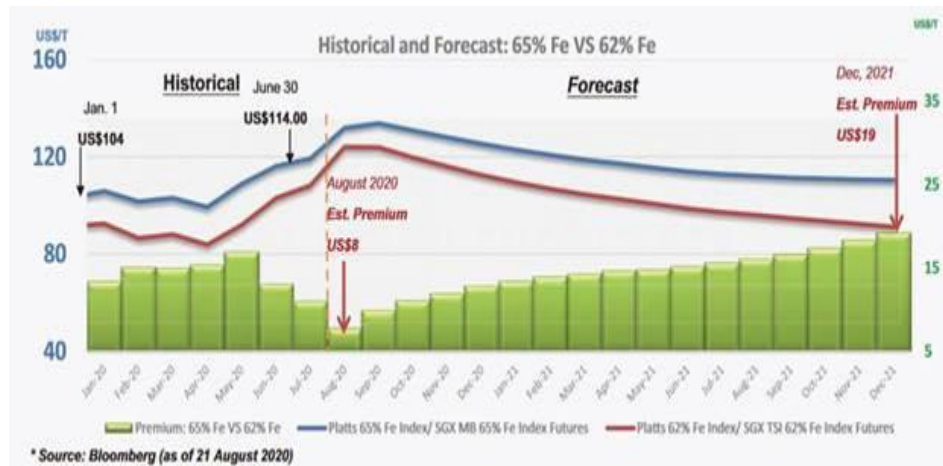
In view of the ramp up in production from the K&S mine to full capacity along with a potential reduction in cash costs of up to US\$5/ton due to the completion of the Amur River Bridge, followed by reduced cash outflows due to refinancing of the ICBC loan by Gazprombank facility, we maintain a one year PT on IRC of HK\$0.15 per share implying an upside of 50% over the current stock price of HK\$0.10. Our price target implies a P/E multiple of 11.3x on our FY2021 EPS estimate of US\$0.17 cents and an EV/ EBITDA multiple of 4.8x on our FY2021 EBITDA estimate of US\$70 mn. At the current levels, the stock is trading at extremely attractive multiples of just 7.5x P/E and 4.2x EV/EBITDA based on our FY2021 EPS and EBITDA estimates, respectively.

Reduction in Interest Costs and Gross Borrowings: Comfortable Cash Position

The interest payment for IRC has decreased by 8% from US\$10.1 mn in the first half of 2019 to US\$9.3 mn in the first half of 2020 due to reduction in the weighted average interest rate to approximately 7.6% following the fall in the LIBOR rate in 2020. The interest of the Gazprombank facility is determined based on LIBOR. The three-month LIBOR fell from an average of 2.33% in 2019 to 0.31% at the end of June 2020. The lower LIBOR rate allows IRC to reduce its finance costs. During the first half of 2020, in accordance with the loan repayment schedule, IRC repaid the principal of the Gazprombank's borrowings totaling US\$10.3 mn. The cash balance of IRC has improved to US\$17 mn in mid-August and the company is in a comfortable cash position and would not be required to borrow as far as the second half of FY2020 is concerned. The company continues to generate healthy cashflows from its operations and has reported an increase of 55% to US\$20 mn during the first half of FY2020 from US\$13 mn in the same period last year due to improvement in performance from the K&S mine.

Robust Iron Ore Pricing to Continue

Iron ore achieved selling price for 65% grade averaged US\$76.8 per ton in 1HFY2020 as compared to US\$71.4 per ton in 1HFY2019 for the company. The average price was higher by 7.6% in comparison to the previous year due to increased demand for iron ore in China and restricted supply from major iron ore producers. The company has decided against any form of hedging in iron ore till the market remains in backwardation. During our conversations with the management they mentioned that the spot price for grade 65% iron ore is expected to remain buoyant as the Chinese government continues to strictly tighten policies for control of pollution levels in the country and due to growing demand for iron ore as a critical element in Chinese infrastructure projects and massive developments on Belt-Road initiative. These policies would continue to benefit IRC in FY2020 and beyond as the inherent demand for 65% grade iron ore remains high. In 2019, the average price premium for the 65% iron ore over the 62% iron ore amounted to US\$11 per ton and the forward curves of iron ore prices suggest that the price premium will increase further in the second half of FY2020.

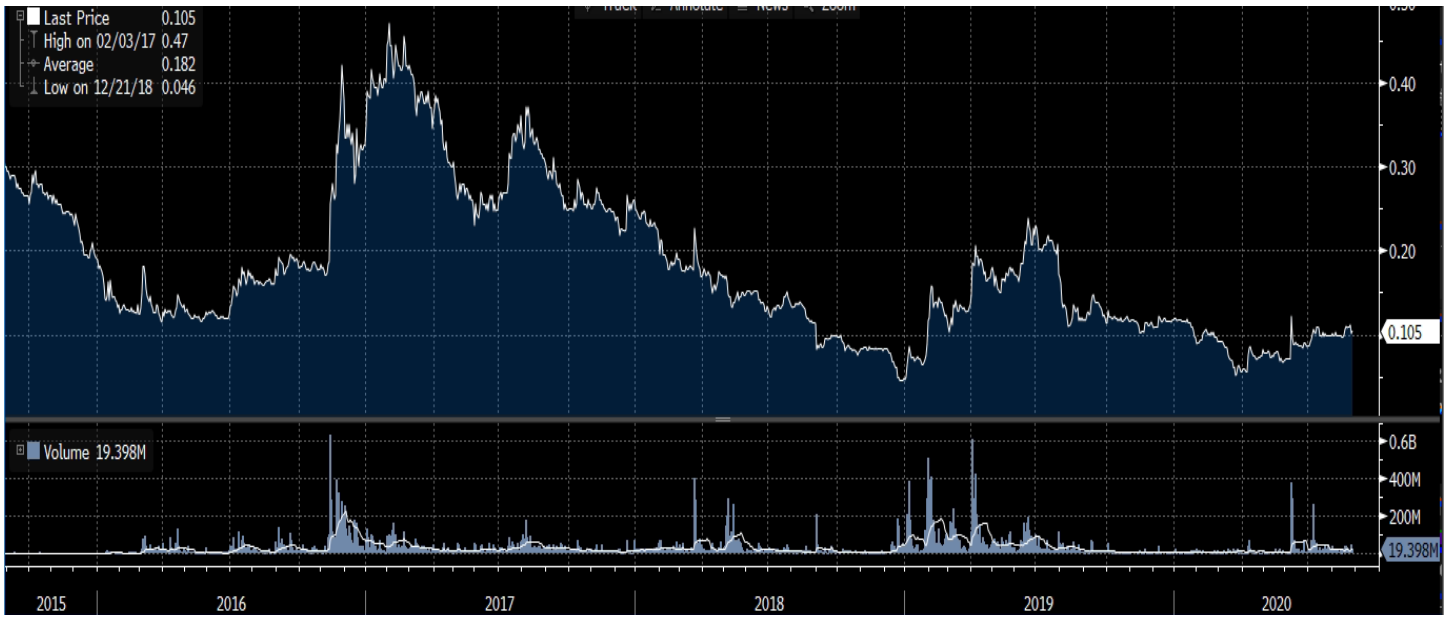


The expected potential reduction in cash costs by upto US\$5/ton due to the construction of the Amur River Bridge would further consolidate the company's competitiveness in the iron ore supply market. Refinancing of the Industrial and Commercial Bank of China [ICBC] loan by Gazprombank would improve the cashflow position of the company by deferring the cash outflow for the purpose of prepayment of the loan as per production from the K&S mine.

Option to Upgrade Capacity

As the company is approaching 100% capacity utilization it is assessing an option to upgrade the phase I production facility to increase the production capacity to about 4.6 mn tons per annum (existing 3.2 mn tons per annum) with a capital expenditure requirement of about US\$50 mn. The total capacity that has been designed for phase I and phase II combined stands at 6.3 mn tons per annum which indicates there is room for expansion even if full utilization is achieved on the 4.6 mn tons capacity. The increase in capacity will allow the revenue growth momentum to continue for the next few years as well.

5 Year Price Chart



Income Statement (US\$ million)	1H2018	2H2018	1H2019	2H2019	1H2020	2H2020E	1H2021E	2H2021E
Revenue	70.2	81.4	89.2	87.9	106.2	107.3	116.8	118.7
<i>y/y</i>			27.2%	8.1%	19.0%	22.0%	10.0%	11%
Site operating expenses and service costs	-65.2	-75.4	-80.8	-82.9	-84.8	-87.5	-93.4	-91.0
<i>as a % of sales</i>	93.0%	92.7%	90.5%	94.3%	79.9%	81.6%	80.0%	76.7%
General administration expenses	-5.2	-5.2	-5.2	-5.4	-4.3	-6.4	-6.4	-5.5
<i>as a % of sales</i>	7.5%	6.4%	5.9%	6.2%	4.0%	6.0%	5.5%	4.7%
Operating Income	-0.3	0.8	3.3	-0.4	17.1	13.4	16.9	22.1
<i>y/y</i>			991.0%	-153.3%	424.2%	3203%	-1.0%	65.3%
<i>Operating margin (%)</i>	-0.4%	0.9%	3.7%	-0.5%	16.1%	12.5%	14.5%	18.6%
Interest Expense	-10.4	-11.3	-24.2	-16.2	-13.3	-15.5	-14.4	-14.4
Interest income	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1
Equity in (losses)income of affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other recurring (expenses)income	2.9	3.9	-5.0	3.8	2.6	7.6	1.3	1.3
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill impairment	-7.5	7.5	0.0	0.0	0.0	0.0	0.0	0.0
Other non recurring (expenses) income	0.0	82.7	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income (reported)	-15.3	83.6	-26.0	-12.8	6.4	5.6	3.9	9.1
<i>y/y</i>			-69.6%	-115.3%	124.6%	143.9%	-38.8%	61.8%
Pretax Income (adjusted)	-7.8	-10.6	-26.0	-12.8	6.4	5.6	3.9	9.1
<i>y/y</i>			-234.7%	21.4%	124.6%	143.9%	-38.8%	61.8%
- Income Tax Expense	-0.3	0.2	0.7	0.0	-0.4	0.0	-0.3	-0.2
<i>effective tax rate (%)</i>	2.2%	0.2%	-2.7%	0.0%	0.0%	0.0%	8.0%	2.5%
- Minority Interests	-0.018	-0.012	-0.02	0.3	-0.1	0.0	0.0	0.1
Income Before XO Items	-15.7	83.8	-25.3	-12.5	5.9	5.7	3.6	9.0
<i>y/y</i>			-61.4%	-115.0%	123.2%	145.2%	-39.1%	58.6%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)
Net Income (reported)	-15.7	83.8	-25.3	-12.5	5.9	5.7	3.6	9.0
<i>y/y</i>			-61.4%	-115.0%	123.2%	145.2%	-39.1%	58.6%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (adjusted)	-9.2	-54.7	-26.7	-12.5	5.9	5.7	3.6	9.0
<i>y/y</i>			-190.7%	-77.1%	121.9%	145.2%	-39.1%	58.7%
Basic EPS (reported)	-0.0022	0.0118	-0.0036	-0.0018	0.0008	0.0008	0.0005	0.0013
Basic EPS (adjusted)	-0.0013	-0.0077	-0.0038	-0.0018	0.0008	0.0008	0.0005	0.0013
Basic Weighted Avg Shares	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39
Diluted EPS (reported)	-0.0022	0.0118	-0.0036	-0.0018	0.0008	0.0008	0.0005	0.0013
<i>y/y</i>			-61.4%	-115.0%	123.2%	145.2%	-39.1%	58.6%
Diluted EPS (adjusted)	-0.0013	-0.0077	-0.0038	-0.0018	0.0008	0.0008	0.0005	0.0013
<i>y/y</i>			-190.7%	-77.1%	121.9%	145.2%	-39.1%	58.7%
Diluted Weighted Avg Shares	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39

Income Statement (US\$ million)	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020E	CY 2021E	CY 2022E	CAGR(2020-22)
Revenue	81.9	16.5	109.3	151.5	177.2	213.5	235.5	244.4	7.0%
y/y	-33.1%	-79.9%	563.5%	38.7%	16.9%	20.5%	10.3%	3.8%	
Site operating expenses and service costs as a % of sales	-95.9 117.1%	-24.8 150.6%	-96.2 88.1%	-140.7 92.8%	-163.6 92.4%	-172.3 80.7%	-184.5 78.3%	-184.0 75.3%	
General administration expenses as a % of sales	-10.2 12.4%	-10.4 63.1%	-9.9 9.0%	-10.4 6.9%	-10.7 6.0%	-10.7 5.0%	-11.9 5.1%	-13.4 5.5%	
Operating Income	-24.1	-18.7	3.2	0.5	2.9	30.5	39.1	47.0	24.2%
y/y	-43.0%	-22.5%	-116.9%	-85.5%	519.7%	967.1%	28.1%	20.3%	
Operating margin (%)	-29.5%	-113.7%	2.9%	0.3%	1.6%	14.3%	16.6%	19.2%	16.0%
Interest Expense	-1.9	-1.2	-22.4	-21.7	-40.4	-28.9	-28.9	-28.9	
Interest income	1.5	0.4	0.1	0.0	0.0	0.2	0.2	0.4	
interest rate	3%	1%	0%	3%	3%	3%	3%	3%	
Equity in (losses)/income of affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	-4.4	0.7	2.1	6.8	-1.2	10.2	2.6	0.0	
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	-480.1	0.0	129.6	82.7	0.0	0.0	0.0	0.0	
Pretax Income (reported)	-509.0	-18.8	112.6	68.3	-38.8	12.0	13.0	18.6	
y/y	63.5%	-96.3%	-699.0%	-39.3%	-156.8%	131.0%	8.3%	42.7%	
Pretax Income (adjusted)	-28.9	-18.8	-17.0	-14.4	-38.8	12.0	13.0	18.5	
y/y	-42.7%	-35.2%	-9.5%	-15.1%	168.7%	130.9%	8.3%	42.8%	
- Income Tax Expense	-0.2	-0.3	0.6	-0.1	0.0	0.0	-1.0	-2.2	
effective tax rate (%)	0.0%	-1.7%	-0.5%	0.0%	0.0%	0.1%	8.0%	12.0%	
- Minority Interests	0.3	0.9	0.0	0.0	0.0	0.0	0.0	0.0	
Income Before XO Items	-508.9	-18.2	113.3	68.2	-38.8	12.0	12.0	16.3	
y/y	60.2%	-96.4%	-721.7%	-39.8%	-156.9%	131.0%	-0.3%	36.5%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Income (reported)	-508.9	-18.2	113.3	68.2	-38.8	12.0	12.0	16.3	16.7%
y/y	60.2%	-96.4%	-721.7%	-39.8%	-156.9%	131.0%	-0.3%	36.5%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Income (adjusted)	-28.9	-18.2	-16.4	-14.6	-38.8	12.0	11.9	16.3	16.7%
y/y	-50.4%	-37.1%	-10.0%	-10.8%	165.8%	130.9%	-0.3%	36.6%	
Basic EPS (reported)	-0.0948	-0.0030	0.0160	0.0096	-0.0055	0.0017	0.0017	0.0023	
Basic EPS (adjusted)	-0.0054	-0.0029	-0.0023	-0.0021	-0.0055	0.0017	0.0017	0.0023	
Basic Weighted Avg Shares	5,366.26	6,175.32	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	
Diluted EPS (reported)	-0.0948	-0.0030	0.0160	0.0096	-0.0055	0.0017	0.0017	0.0023	
y/y	44.0%	-96.9%	-641.2%	-39.8%	-156.9%	131.0%	-0.3%	36.5%	
Diluted EPS (adjusted)	-0.0054	-0.0029	-0.0023	-0.0021	-0.0055	0.0017	0.0017	0.0023	
y/y	-55.4%	-45.4%	-21.7%	-10.8%	165.8%	130.9%	-0.3%	36.6%	
Diluted Weighted Avg Shares	5,366.26	6,175.32	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	7,093.39	

Reference Items	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020E	CY 2021E	CY 2022E
EBITDA	-23.5	-10.7	17.8	21.7	31.4	59.9	69.9	77.4
Dividends per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dep & Amor.	0.7	8.0	14.6	21.2	28.5	29.5	30.9	30.4
as a % of sales	0.8%	48.6%	13.4%	14.0%	16.1%	13.8%	13.1%	12.5%
Balance Sheet (US\$ million)	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020E	CY 2021E	CY 2022E
Assets								
+ Cash & Near Cash Items	49.2	31.3	8.7	7.6	5.4	6.0	13.2	50.1
+ Short-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Accounts & Notes Receivable	25.5	23.8	25.4	11.0	14.3	26.3	29.0	30.1
+ Inventories	29.6	20.4	28.6	23.2	25.3	35.1	38.7	40.2
+ Other Current Assets	7.0	0.0	0.3	0.0	5.0	5.0	5.0	5.0
Total Current Assets	111.2	75.5	63.0	41.8	50.1	72.4	86.0	125.5
+ Long-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Gross Fixed Assets	1,293.5	1,433.6	1,439.6	1,535.1	1,540.2	1,548.7	1,584.0	1,593.8
- Accumulated Depreciation	-1,093.8	-1,099.9	-980.5	-1,001.7	-1,030.2	-1,059.6	-1,090.5	-1,120.9
+ Net Fixed Assets	199.7	333.7	459.1	533.4	513.3	489.1	493.5	472.9
+Exploration and Evaluation Assets	18.6	18.9	19.1	19.5	19.9	19.9	19.9	19.9
+ Other Long-Term Assets	91.1	4.8	5.0	15.2	24.2	24.2	24.2	24.2
+ Goodwill & other Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Long-Term Assets	309.5	357.3	483.3	568.1	557.4	533.1	537.6	516.9
Total Assets	420.6	432.8	546.3	610.0	607.4	605.6	623.6	642.4
Liabilities & Shareholders' Equity								
+ Accounts Payable	18.0	21.5	33.6	54.8	72.3	58.5	64.5	67.0
+ Short-Term Borrowings	53.1	65.7	61.0	112.0	20.7	20.7	20.7	20.7
+ Other Short-Term Liabilities	0.4	0.3	4.5	0.3	7.6	7.6	7.6	7.6
Total Current Liabilities	71.4	87.6	99.0	167.0	100.6	86.8	92.8	95.3
+ Long-Term Borrowings	215.2	177.2	162.1	100.9	201.2	201.2	201.2	201.2
+Provision for Close Down and Restoration Costs	6.4	10.1	14.0	10.0	17.5	17.5	17.5	17.5
+Construction Costs Payable	0.0	17.8	16.1	8.9	0.0	0.0	0.0	0.0
+ Other Long-Term Liabilities	6.3	6.5	3.6	3.6	10.1	10.1	10.1	10.1
Total Liabilities	299.5	299.2	294.8	290.5	329.4	315.6	321.6	324.1
+ Total Preferred Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	1,260.7	1,285.2	1,285.2	1,285.2	1,285.2	1,285.2	1,285.2	1,285.2
+ Retained Earnings & Other Equity	-1,141.0	-1,151.5	-1,033.7	-965.4	-1,007.0	-995.0	-983.0	-966.7
Total Shareholders' Equity	119.7	133.7	251.5	319.8	278.2	290.2	302.1	318.5
+ Minority Interest	1.5	-0.1	0.0	-0.3	-0.2	-0.2	-0.2	-0.2
Total Liabilities & Equity	420.6	432.8	546.3	610.0	607.4	605.6	623.6	642.4

Cash Flow (US\$ million)	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020E	CY 2021E	CY 2022E
+ Profit before tax-Cash Tax Paid	-509.4	-19.1	112.5	-14.6	-38.8	12.0	12.0	16.3
+ Depreciation & Amortization	0.7	8.0	14.6	21.2	28.5	29.5	30.9	30.4
+ Other Non-Cash Adjustments	479.3	-1.6	-105.5	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	15.0	13.4	-0.1	22.3	14.4	-35.7	-0.3	-0.1
Cash From Operating Activities	-14.4	0.7	21.6	16.0	4.2	5.8	42.5	46.7
+ Disposal of Fixed Assets	0.1	1.7	0.0	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-52.6	-14.7	-6.8	-3.4	-5.0	-8.5	-35.3	-9.8
+ Increase in Investments	-4.3	-29.1	-0.3	0.0	-9.0	0.0	0.0	0.0
+ Decrease in Investments	25.1	36.2	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	2.4	4.9	0.1	-5.4	4.7	0.0	0.0	0.0
Cash From Investing Activities	-29.2	-1.0	-7.0	-8.8	-9.4	-8.5	-35.3	-9.8
+ Dividends Paid	-0.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Change in Short-Term Borrowings	0.0	0.0	0.0	0.0	-91.3	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	64.9	30.6	27.4	0.0	96.6	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	-65.8	-60.4	-49.2	-9.5	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	49.4	25.3	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	0.0	-10.2	-14.2	0.0	0.0	0.0	0.0	0.0
+Loan Guarantee Fee Paid	-0.1	-1.1	-1.1	0.0	0.0	0.0	0.0	0.0
Cash from Financing Activities	47.9	-16.8	-37.2	-9.5	5.3	0.0	0.0	0.0
Effect of Exchange Rate Changes	-0.1	-0.8	-0.1	0.0	0.0	0.0	0.0	0.0
Net Changes in Cash	4.2	-17.8	-22.7	-2.4	0.1	-2.7	7.2	36.9
Opening cash				11.0	8.6	8.7	6.0	13.2
Closing cash				8.6	8.7	6.0	13.2	50.1

Ratio Analysis	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020E	CY 2021E	CY 2022E
Growth Ratios %								
Revenue	-33.1%	-79.9%	563.5%	38.7%	16.9%	20.5%	10.3%	3.8%
EBITDA	-34.5%	-54.3%	-266.0%	21.8%	44.7%	91.1%	16.7%	10.7%
Operating Income	-43.0%	-22.5%	-116.9%	-85.5%	519.7%	967.1%	28.1%	20.3%
Net income reported	60.2%	-96.4%	-721.7%	-39.8%	-156.9%	-131.0%	-0.3%	36.5%
Net income adjusted	-50.4%	-37.1%	-10.0%	-10.8%	165.8%	-130.9%	-0.3%	36.6%
Diluted EPS reported	44.0%	-96.9%	-641.2%	-39.8%	-156.9%	-131.0%	-0.3%	36.5%
Diluted EPS adjusted	-55%	-45%	-22%	-11%	166%	-131%	0%	37%
Dividend per share	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts Receivables	-2.0%	-6.5%	6.7%	-56.6%	29.7%	84.0%	10.3%	3.8%
Inventory	-39.9%	-31.1%	40.5%	-19.0%	9.2%	38.7%	10.3%	3.8%
Fixed Assets	-56.9%	67.1%	37.6%	16.2%	-3.8%	-4.7%	0.9%	-4.2%
Total Assets	-51.9%	2.9%	26.2%	11.7%	-0.4%	-0.3%	3.0%	3.0%
Working Capital	-30.3%	-48.7%	-27.2%	-228.2%	69.1%	-101.0%	85.5%	18.7%
Accounts Payable	21.8%	19.1%	56.5%	63.1%	32.0%	-19.1%	10.3%	3.8%
Short Term Debt	-16.5%	23.9%	-7.3%	83.7%	-81.5%	0.0%	0.0%	0.0%
Long Term Debt	5.0%	-17.7%	-8.6%	-37.7%	99.4%	0.0%	0.0%	0.0%
Total Equity	-79.3%	11.7%	88.1%	27.2%	-13.0%	4.3%	4.1%	5.4%
Cash From Operations	-60.0%	-105.2%	2789.6%	-26.0%	-74.0%	39.6%	633.1%	9.7%
Capital Expenditure	-47.9%	-72.0%	-54.0%	-50.3%	49.6%	69.2%	313.7%	-72.3%
Free Cash Flow	-51.1%	-79.1%	-205.7%	-14.8%	-107.1%	207.6%	-364.0%	410.9%
Per Share Data (US\$)	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019E	CY 2020E	CY 2021E	CY 2022E
Basic EPS (adjusted)	-0.0054	-0.0029	-0.0023	-0.0021	-0.0055	0.0017	0.0017	0.0023
Diluted EPS (adjusted)	-0.0054	-0.0029	-0.0023	-0.0021	-0.0055	0.0017	0.0017	0.0023
Dividend per share (DPS)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Book Value per share (BVPS)	0.0223	0.0216	0.0355	0.0451	0.0392	0.0409	0.0426	0.0449
Margins (%)								
Operating Margin	-29.5%	-113.7%	2.9%	0.3%	1.6%	14.3%	16.6%	19.2%
EBITDA Margin	-28.6%	-65.1%	16.3%	14.3%	17.7%	28.1%	29.7%	31.7%
Pre-Tax Margin (adjusted)	-35.3%	-114.0%	-15.5%	-9.5%	-21.9%	5.6%	5.5%	7.6%
Net Income Margin (adjusted)	-35.3%	-110.4%	-15.0%	-9.6%	-21.9%	5.6%	5.1%	6.7%
Return Ratios								
Dupont ROE (%)	-24.2%	-13.6%	-6.5%	-4.6%	-13.9%	4.1%	4.0%	5.1%
Margin (%)	-35.3%	-110.4%	-15.0%	-9.6%	-21.9%	5.6%	5.1%	6.7%
Turnover (x)	0.2	0.0	0.2	0.2	0.3	0.4	0.4	0.4
Leverage (x)	3.5	3.2	2.2	1.9	2.2	2.1	2.1	2.0
Return on Assets	-6.9%	-4.2%	-3.0%	-2.4%	-6.4%	2.0%	1.9%	2.5%
Return on Capital Employed	-6.9%	-5.4%	0.7%	0.1%	0.6%	5.9%	7.4%	8.6%
Return on Invested Capital	-7.5%	-4.8%	-3.4%	-2.7%	-7.8%	2.3%	2.3%	3.0%
FCF Calculation								
Op. cash (US\$)	-14.4	0.7	21.6	16.0	4.2	5.8	42.5	46.7
capex	-52.6	-14.7	-6.8	-3.4	-5.0	-8.5	-35.3	-9.8
FCF (US\$ million)	-67.0	-14.0	14.8	12.6	-0.9	-2.7	7.2	36.9
FCF margin (%)	-81.8%	-84.9%	13.5%	8.3%	-0.5%	-1.3%	3.1%	15.1%
FCF per share	-0.0125	-0.0023	0.0021	0.0018	-0.0001	-0.0004	0.0010	0.0052
Price/FCF per share	-1.02	-5.62	6.11	7.18	-101.63	-33.04	12.52	2.45
FCF Yield	-98.0%	-17.8%	16.4%	13.9%	-1.0%	-3.0%	8.0%	40.8%
Net Cash calculation								
Cash + short term investments	49.2	31.3	8.7	7.6	5.4	6.0	13.2	50.1
Less: long term debt + ST debt	-268.3	-243.0	-223.0	-212.9	-221.9	-221.9	-221.9	-221.9
Net Cash	-219.1	-211.6	-214.4	-205.2	-216.5	-215.9	-208.7	-171.8

Valuation ratio's	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020E	CY 2021E	CY 2022E
P/B	1.10	1.97	0.93	0.28	0.32	0.31	0.30	0.28
P/E	-4.55	-14.46	-14.36	-6.19	-2.33	7.55	7.57	5.54
P/S	1.61	15.96	2.15	0.60	0.51	0.42	0.38	0.37
EV/sales	7.71	38.34	5.78	4.17	3.56	2.96	2.68	2.58
EV/EBITDA	-15.01	-44.28	25.25	13.63	9.42	4.93	4.22	3.81
EV/EBIT	-26.15	-33.71	198.96	1369.43	220.99	20.71	16.16	13.43
EV/FCF	-9.42	-45.13	42.70	50.13	-709.96	-230.82	87.44	17.12
Dividend Yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Div payout on FCF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Working Capital Ratios	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019E	CY 2020E	CY 2021E	CY 2022E
Receivable days (DSO)	115	546	82	44	26	45	45	45
Inventory days (DIO)	175	554	82	62	50	60	60	60
Payables days (DPO)	73	438	92	106	131	100	100	100
Current ratio	1.6	0.9	0.6	0.3	0.5	0.8	0.9	1.3
Quick ratio	1.1	0.6	0.3	0.1	0.2	0.4	0.5	0.9
Working capital	44	22	16	-21	-35	0	1	1
Cash conversion cycle	217	662	72	0	-55	5	5	5

Leverage Ratios

Debt / equity	224%	182%	89%	67%	80%	76%	73%	70%
Net cash (debt) / equity	-183%	-158%	-85%	-64%	-78%	-74%	-69%	-54%
Net cash (debt) / mkt cap	-167%	-81%	-91%	-227%	-240%	-239%	-231%	-190%
Net cash (debt) / capital	-56%	-56%	-45%	-39%	-43%	-42%	-40%	-32%

Coverage Ratios

Interest coverage [EBIT]	-58.3	-24.1	0.1	0.0	0.1	1.1	1.4	1.7
Interest coverage [Opt. CF]	-34.8	1.0	1.0	0.7	0.1	0.2	1.5	1.6

Earnings Quality Ratios

Net operating assets/liab [NOA]	340	345	466	525	494	506	511	490
Average NOA	572	343	406	495	510	500	508	500
B/S accrual ratio	-0.81	0.01	0.30	0.12	-0.06	0.02	0.01	-0.04
CF accrual ratio	-0.01	-0.03	-0.07	-0.04	-0.01	0.03	-0.06	-0.06

Enterprise Value Calculation	CY 2015	CY 2016	CY 2017	Current
Market Cap.	132	263	235	90
+ Minority Interest	1	0	0	0
+Total Debt (ST & LT Debt)	268	243	223	213
- Cash & Equivalents	49	31	9	8
Enterprise Value	352	474	449	295

DCF model	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
(in US\$ million)																
EBIT	-28	-14	-42	-24	-19	3	0	3	30	39	47	49	52	53	53	54
% growth	0%	-50%	195%	-43%	-22%	-117%	-85%	520%	967%	28%	20%	5%	4%	2%	2%	1%
Taxes @	-0.3%	-1.4%	-1.9%	0.0%	-1.7%	-0.5%	0.0%	0.0%	0.1%	8.0%	12.0%	14.0%	18.0%	18.0%	18.0%	18.0%
EBIAT	-29	-15	-43	-24	-19	3	0	3	30	36	41	42	42	43	44	44
% growth	0%	-49%	197%	-44%	-21%	-117%	-86%	520%	967%	18%	15%	3%	0%	2%	2%	1%
+ D&A	20	21	7	1	8	15	21	29	29	31	30	31	31	31	30	31
- Capital expenditures	-143	-114	-101	-53	-15	-7	-3	-5	-9	-35	-10	-10	-10	-9	-9	-9
- Change in net WC	4	-10	5	15	13	0	22	14	-36	0	0	0	0	0	0	0
Free Cash Flow to Firm	-147	-117	-133	-61	-12	11	41	41	16	31	62	64	64	65	65	66
FCY y/y growth		-20%	13%	-54%	-80%	-189%	270%	0%	-61%	98%	98%	3%	0%	2%	1%	2%

Value per Share

Terminal Growth	Cost of capital				
	9.4%	10.4%	11.4%	12.4%	13.4%
2.5%	0.54	0.43	0.35	0.29	0.23
2.8%	0.56	0.45	0.36	0.30	0.24
3.0%	0.58	0.46	0.37	0.30	0.24
3.3%	0.60	0.48	0.38	0.31	0.25
3.5%	0.62	0.49	0.39	0.32	0.26

WACC		11.4%
PV of Free Cash Flow		275
PV of Terminal Value		277
Add: Net Cash		-214
Less: Non-Controlling Interest		-1
Total Equity Value		336
Shares outstanding		7,093.39
DCF value		0.37

USD to HKD 7.84

All Values are in mn US\$ except stock price which is in HK\$

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