

Target Price	HK\$ 0.15
Current Price	HK\$ 0.09
Upside Potential	67%
Rating	BUY

Q3FY2020 [ended September] Trading Update

Market Cap.	HK\$ 638 mn US\$ 81 mn
Shares Outstanding	7,093.4 mn
Free Float (FF %)	68.9%
52 Week Range (HK\$)	0.13 / 0.05
Avg. Daily Value	HK\$ 5.1 mn
HANG SENG Index Level	24,919
Insider Holding %	31.1%

Production Strong +12% YoY 9MFY2020; Rising Capacity

IRC reported strong production growth of 12.1% to 2.06 million tons on a year on year basis for the first nine months ended September 2020 as compared to 2.03 million tons for the same period last year. The company's production increased by 7.7% YoY for the third quarter of FY2020 to 0.67 million tons, in comparison to 0.62 million tons for the third quarter of FY2019. Production averaged 84% of its capacity in the third quarter of FY2020 despite unusually heavy rain, with current capacity back to normalized 90% levels. The sales volume increased by 10.4% to 2.03 million tons in 9MFY2020 and by 8.3% to 0.65 million tons in Q3FY2020 attributable to the increased output from the K&S mine. Key highlights of the third quarter were:



- **Production up 12.1% YoY 9MFY2020, 7.7% YoY 3QFY2020**
- **Sales Volume up 10.4% YoY 9MFY2020, 8.3% YoY 3QFY2020**
- **Average Production capacity utilization at 84% 3Q2020 (3Q 2019: 77%)**
- **Current Production capacity utilization at 90% in October**
- **Robust Iron Ore pricing up 44% YoY due to an increased demand from China and restricted supply from major iron producers**
- **During 3QFY2020, a total of US\$8.8 million was paid to Gazprombank as principal repayment and interest (3QFY2019 total of US\$10.3 million paid)**

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	6.7	6.8
EV/EBITDA	4.7	4.1
P/B	0.29	0.28

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IRC continues to benefit from a strong market price of iron ore, weak Russian Rouble and low market interest rates. The price of 65% Fe Platts benchmark surpassed the US\$140 per ton mark in September while Russian Rouble depreciated to RUB78 at the end of the quarter. LIBOR closed the quarter at 0.23%, 185 basis points lower than the same period last year. These positive parameters, together with the solid K&S's production rate, will contribute hugely to the profitability of IRC.

HK\$0.15 PT: 67% 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 67% over the current stock price of HK\$0.09. 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 million. At the current levels, the stock is trading at extremely attractive multiples of just 6.7x P/E and 4.1x EV/EBITDA based on our FY2021 EPS and EBITDA estimates, respectively.

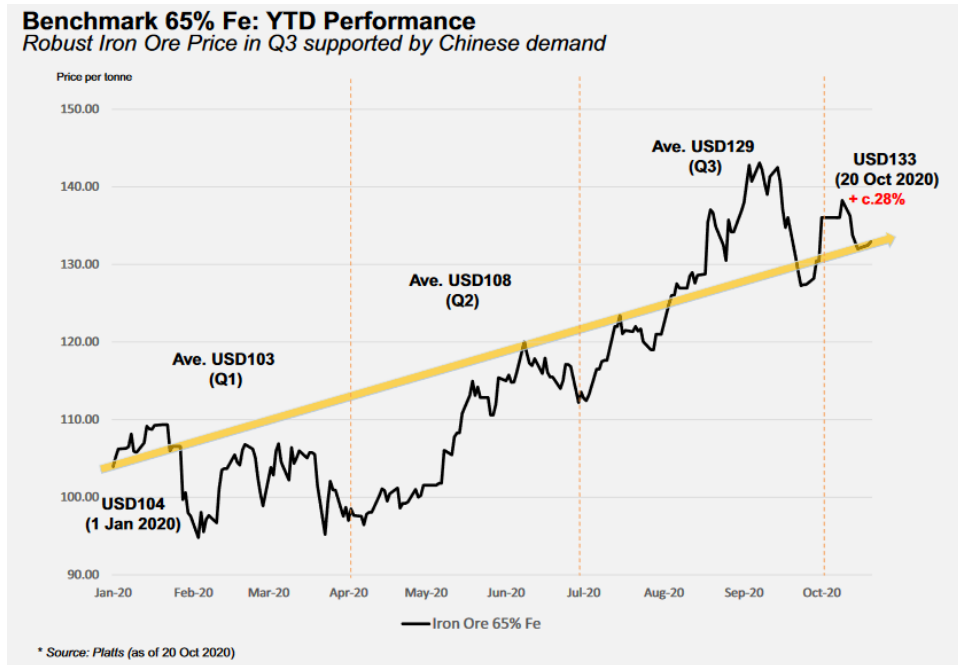
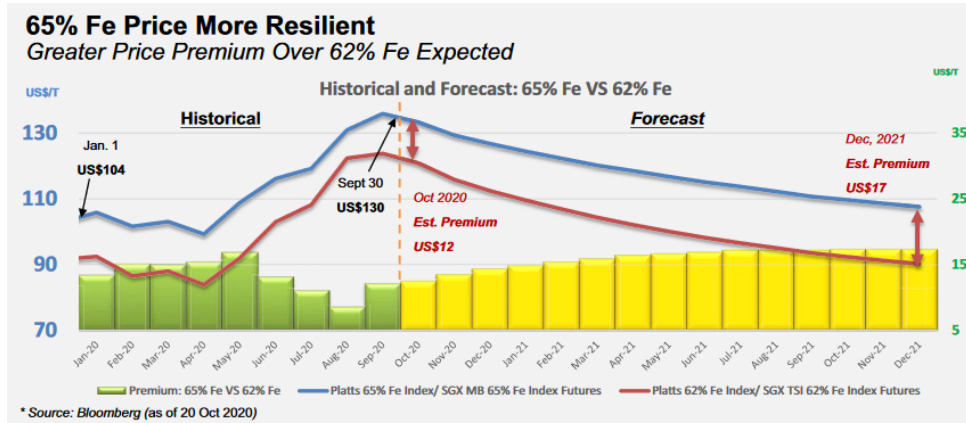
Third Quarter Production Update

During the quarter, K&S increased its production volume by 7.7% over the same period last year to produce 0.67 million tons of 65% Fe iron ore concentrate. The year-to-date production was 12.1% higher than the third quarter of FY2019. This satisfactory operating result was achieved despite production disruptions caused by torrential rain. In August and September of 2020, the amount of rainfall in the region was more than twice of the normal level. The unusual weather condition was severe enough for the local government to declare a state of emergency. Towards the end of September, the rainstorms have subsided allowing K&S to resume normal operation. The mine is currently operating at a production rate of 90%.

Robust Iron Ore Pricing to Continue

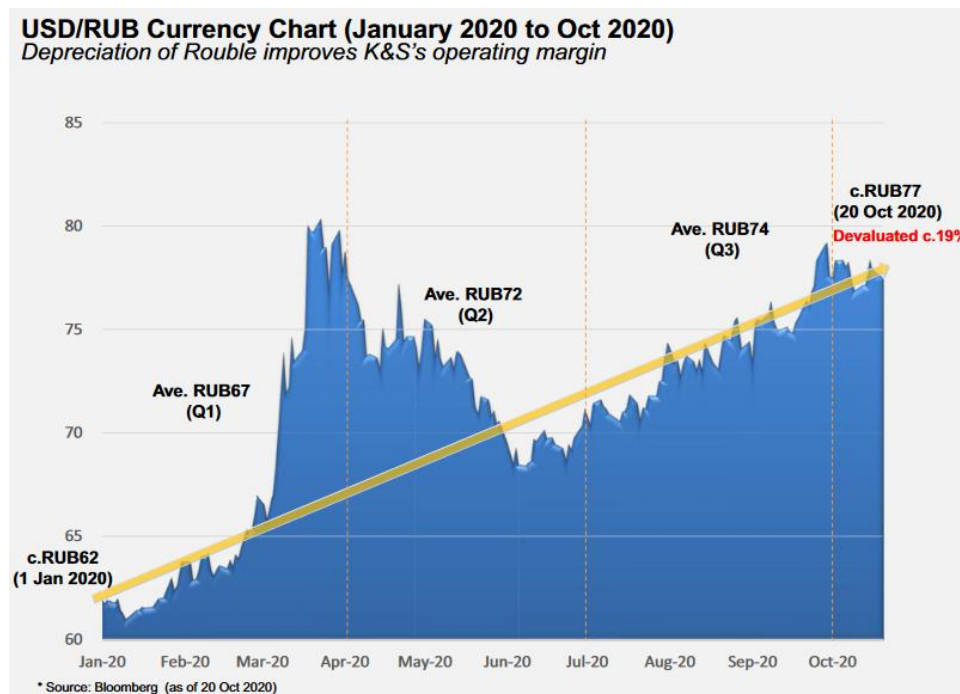
Iron ore was one of the best performing commodities in the third quarter of FY2020 and prices continued the upward trend from the second quarter. The Platts 65% Fe index broke through the US\$140 per ton mark in September, the highest level since 2013, and closed the quarter at a healthy level of US\$136 per ton. The price was higher by 44% in comparison to the previous year due to increased demand for iron ore in China and restricted supply from major iron ore producers. As China continues to increase its infrastructure spending to stimulate its economy, the demand for iron ore remains solid. China's iron ore imports grew for two consecutive quarters to reach 321 million tons in the third quarter of 2020, a rise of 12% and 13% respectively over the previous quarter and the same time last year. At the same time, the iron ore inventories at the Chinese ports dropped by 3% relative to the same time last year. According to a report issued by the S&P Global, investors expect China to launch more incentive plans to help the Chinese steel industry after the closing of "Fourteenth Five-Year Plan" meeting in October and this is expected to provide support for iron ore prices. From the supply side, the normalisation of Brazilian exports of iron ore could take longer, as Brazil is still struggling with the outbreak of COVID-19. These policies would continue to benefit IRC in FY2020 and beyond as the inherent demand for 65% grade iron ore remains high. In October 2020, the price premium for the 65% iron ore over the 62% iron ore amounted to US\$12 per ton and the forward

curves of iron ore prices suggest that the price premium will increase further in FY2021 to an expected US\$17 per ton.



Favorable Foreign Exchange Movement

The Russian Rouble continued to depreciate in the third quarter which, was mainly due to a multitude of geopolitical threats, the falling oil price, and the surging COVID-19 infection cases in Russia. The Russian Rouble weakened from an average of RUB72 per US Dollar in the second quarter of FY2020 to RUB74 per US Dollar in the third quarter of FY2020. The currency closed the quarter at a low mark of RUB78 per US Dollar. Since the beginning of 2020, Rouble has depreciated approximately 20% and is further expected to remain weak or even depreciate further, according to Bloomberg.



The weakness in Russian Rouble has a positive impact on the Group's operating margins, as the operating costs of the Group are mainly denominated in Russian Rouble and revenue are mainly denominated in US Dollar. The Group may consider entering into further foreign exchange hedging contracts if deemed appropriate. It should be noted that the hedging is not speculative in nature and is for risk management purposes.

Reduction in Interest Costs: Comfortable Cash Position

During the third quarter of 2020, US\$8.8 million was paid to Gazprombank as principal repayment and interest in accordance with the repayment schedule. The interest of the Gazprombank facility is determined based on LIBOR, which has experienced a steep decline in 2020 after the central-bank policymakers around the world signalled that action would be taken as needed to stabilise the financial markets in the face of the growing threat of COVID-19. The three-month LIBOR decreased from an average of 2.33% in 2019 to 0.23% at the end of third quarter of FY2020. The lower LIBOR allows IRC to reduce its financial costs.

At the end of September 2020, the unaudited cash and deposit balances of the IRC Group amounted to US\$14.3 million. The total debt outstanding amounted to US\$209 million, all of which represents the loans from Gazprombank.

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 million tons per annum (existing 3.2 million tons per annum) with a capital expenditure requirement of about US\$50 million. The total capacity that has been designed for phase I and phase II combined stands at 6.3 million tons per annum which indicates there is room for expansion even if full utilization is achieved on the 4.6 million 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	81.3	89.2	88.0	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	-75.5	-80.8	-82.8	-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	-5.1	-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	-0.2	0.6	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	-15.6	83.8	-25.2	-13.5	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)	-15.6	83.8	-25.2	-13.5	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	-13.5	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\$)								
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	-0.92	-5.06	5.50	6.46	-91.47	-29.74	11.27	2.21
FCF Yield	-108.9%	-19.8%	18.2%	15.5%	-1.1%	-3.4%	8.9%	45.3%
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	0.25	0.29	0.28	0.27	0.26
P/E	-4.55	-14.46	-14.36	-5.58	-2.10	6.79	6.81	4.99
P/S	1.61	15.96	2.15	0.54	0.46	0.38	0.35	0.33
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	13.21	9.13	4.78	4.09	3.70
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%	-252%	-266%	-265%	-257%	-211%
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	81
+ 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	286

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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