

GMT Research Accounting Screen



Short Name	Anta Sports Prod	Description: ANTA Sports Products Limited designs, develops, manufactures, and markets sportswear, including sports footwear and apparel for professionals and the general public.	Relevant GMT Research Reports (please go to our website and login):	
GICS Ind Name	Textiles, Apparel & Luxury Goods		EXCESS NEW EQUITY: Fraud or poor corporate governance? (12 Jan 2018)	
GICS Industry	252,030		IN BRIEF: HIDING BAD NEWS?: Sudden departures (4 Jan 2018)	
Cntry of Dom	CN			
Most Recent Balance Sheet Period	2017 Y			
Ticker	2020 HK			
Latest Period	Y			
Current Fiscal Year	2017			
Well known auditor:	Kpmg			
Country of incorporation:	Country of incorporation (Cayman Islands) is different from domicile (China).			
Country of financials:	Currency of financials (Yuan Renminbi) is same as country of risk (China).			
Profit Manipulation		Latest financials complete		
Profit Manipulation: Beneish M-Score (See App 1)		Beneish M-Score of -2.34 in Y/FY17 suggests no profit manipulation.		
Cooking the Books: Montier's C-Score (App 2)		A C-Score of 5/6 suggests profit manipulation; watch out for: Deteriorating Accruals Margin. Rising receivables. Rising inventory. Falling depreciation. High asset growth.		
Financial Position				
Strength of Financial Position: Piotroski F-Score (App 3)		An F-Score of 8/9 suggests are very strong and improving.		
Risk of Default: Altman Z-Score (App 4)		An Altman Z-Score of 13.6 is in the Safe Zone: Financially sound.		
Accounting Shenanigans				
Acquisition Accounting (App 5)	Global screen	No evidence of acquisition accounting.		
Window Dressing (App 6)		Possible investment window dressing owing to a high investment churn. Further investigation needed.		
Fake Cash Fraud: Overly profitable (App 7)	Global screen	Scores 3/4 in Y/FY17. Medium Fraud Alert: 23% of frauds score 3 points and 10% of all companies. Further investigation needed. Triggered Fake Cash Flow in last 5yrs?: FY17 FY16 FY15 FY14 FY13		
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 7% of Sales are in the 81%ile and unusually high suggesting too much external finance is being raised.		
Debt Reconciliation (App 9)	Global screen	No material unreconcilable changes in debt in the last 5 years.		
Other Financial Items				
Number of Red Flags (Out of a possible 75)		Triggers 16 red flags in the last financial period which is normal.		
Cash Balance		Cash & STI of CNY9.4bn is extremely high at 50% of sales, in the 94%ile relative to peers, which is a trait of fake cash flow frauds.		
Restricted Cash		Restricted Cash of CNY0.1bn is within normal range.		
Receivables		Receivables of CNY2.1bn are equal to 11% of Sales which is in within normal range.		
Doubtful Debts		Delinquency at 0% of total receivables are within normal range.		
Payables		Large Payables of CNY4.2bn equal to 22% of Sales are in the 94%ile relative to peers, have grown by 2ppts relative to Sales over the past year which can be a sign of hidden debt and manufactured cash flow.		
Inventory		Inventories of CNY2.2bn have been extended by 3ppts relative to Sales over the past year which can be a sign of channel stuffing.		
Profit Manipulation: Gross Working Capital		No evidence of profit/cash flow manipulation through working capital.		
Cash Extraction Fraud: Prepaid Expenses		Prepaid Expenses of CNY0.5bn are large relative to sales (3%) and inventory (23.1%), raising the risk of illegal cash extraction fraud.		
Capitalisation of Expenses		Capitalised expenses relative to pre-tax profits (0.9%) are within normal range.		
Affiliate Investments		There are no investments in associates.		
Auditing Costs		Auditing expenses of 4.4bp of sales within normal range.		
Deferred Tax Assets		Deferred Tax Assets have increased by 0.9ppts relative to sales over the past year which can be a sign of losses at subsidiaries or of Acquisition Accounting.		
Deferred Tax Liabilities		Deferred Tax Liabilities have increased by 2ppts relative to sales over the past year which suggests that profits reported to shareholders are higher than those reported to tax authorities.		
Derivatives		Derivatives equal to 0% of equity within normal range.		
Other Large Curious Assets and/or Liabilities		Within normal range.		
Depn & Amort		Within normal range.		
Interest Cover		EBIT Interest Cover of 256.6x is within normal range.		
Leverage		Total Debt/Profit of 0x and assets to equity of 1.3x are within normal range.		
Related Party Fraud		Existence of related party balances which raises risk of round tripping.		
Other Tests:		No or new CFO.		

Summary of accounting risk for Y/FY17	
- Profit manipulation	High risk: Montier.
- Financial position	Strong: Piotroski.
- General accounting	Normal
- Shenanigans	Evidence: Window dressing. Fake Cash Flow. Excess Capital.
= Accounting risk:	High
This spreadsheet expires on 31st Mar 2018, in 82 days.	

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Ratios		Anta Sports Prod Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
Country		Y/FY17	Y/FY16	Y/FY14	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY17	-1yr Chg	-3yr Chg	
Balance Sheet: Assets														
Av Cash & Equiv./Sales (%)	GICS Industry	50.1	52.6	66.8	-2.5	-16.7	3.2	10.4	24.0	379	94%	+36%	+47%	Av Cash & Equiv./Sales (%) high. Fallen over 1yr. Fallen over 3yrs.
Unrestricted Cash/COGS (%)	GICS Industry	82.4	84.7	100.8	-2.2	-18.3	5.1	16.6	40.3	314	93%	+6%	+20%	Unrestricted Cash/COGS (%) high.
ST Investments/Sales FY (%)	GICS Industry	14.6	8.9	9.4	+5.7	+5.2	0.1	1.6	8.5	172	87%	+43%	+35%	ST Investments/Sales FY (%) present. Risen over 1yr. Risen over 3yrs.
Av. Trade & Notes Rec/Sales (%)	GICS Industry	11.3	10.6	9.7	+0.6	+1.6	7.2	12.1	20.0	356	45%	+13%	+18%	
Delinquent AR/AR (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.9	5.9	22.7	1,912	na	na	na	
Av. Inventory/Sales (%)	GICS Industry	12.9	9.7	9.7	+3.2	+3.2	13.0	19.6	29.8	375	19%	+33%	+23%	Risen over 1yr.
Inventory Days	GICS Industry	75	61	58	+13	+16	62	103	187	314	30%	+29%	+20%	
Finished Goods/Inventory (%)	GICS Industry	85	78	77	+7.8	+8.5	33	60	89	417	75%	+37%	+26%	Risen over 1yr.
Av. Other ST Assets/Sales (%)	GICS Industry	4.7	3.4	4.1	+1.3	+0.6	2.0	3.6	7.4	376	64%	+31%	+9%	Risen over 1yr.
PPE/Sales (%)	GICS Industry	12.0	11.8	13.0	+0.3	-1.0	9.2	22.8	45.7	360	28%	+4%	-10%	
Affiliate Inv/Equity (%)	Global	na	na	na	na	na	0.5	3.0	13.1	7,896	na	na	na	
LT Inv & Rec/Sales (%)	GICS Industry	0.9	0.3	0.1	+0.6	+0.8	0.2	1.5	10.0	249	41%	+25%	+14%	
Deferred Tax Assets/Sales FY (%)	GICS Industry	2.0	1.0	0.9	+0.9	+1.1	0.2	0.9	2.7	277	71%	+39%	+29%	Risen over 1yr.
Prepaid Expenses/Sales (%)	GICS Industry	3.0	3.9	4.6	-0.9	-1.6	0.3	1.3	3.4	167	76%	-42%	-43%	
Prepaid Expenses/Inventory (%)	GICS Industry	23.1	40.4	47.2	-17.3	-24.1	1.2	3.7	10.7	99	92%	-48%	-48%	Prepaid Expenses/Inventory (%) high.
Intangibles/Sales FY (%)	GICS Industry	4.2	2.9	2.9	+1.4	+1.3	0.1	1.0	9.2	316	68%	+38%	+23%	Risen over 1yr.
Av. Other LT Assets/Sales FY (%)	GICS Industry	-0.6	-2.4	-0.9	+1.8	+0.2	0.4	1.8	5.8	332	1%	+35%	+1%	Risen over 1yr.
Av. Assets/Sales (%)	GICS Industry	100	100	120	-0.4	-20.8	65.5	95.1	139.4	380	54%	-12%	-42%	
Balance Sheet: Liabilities and Equity														
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	22.0	20.2	21.5	+1.8	+0.5	5.3	10.0	15.5	379	94%	+34%	+9%	Av. Payables (Trade, Bills, Accr/Sales (%) high. Risen over 1yr.
Trade Payable Days	GICS Industry	46	42	52	+3.8	-5.9	24.5	45.6	81.5	348	50%	+18%	-27%	
ST Debt/Total Debt (%)	Global	100	96	97	+4.1	+2.6	13.0	44.2	88.3	13,723	99%	+18%	+11%	ST Debt/Total Debt (%) high.
Av. Other ST Liabs/Sales (%)	GICS Industry	1.0	0.6	0.5	+0.3	+0.5	3.8	6.8	10.9	380	1%	+9%	+9%	
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	3.1	1.4	7.1	+1.7	-4.0	0.7	3.6	12.1	256	46%	+44%	-49%	Risen over 1yr.
Av. Other LT Liabs/Sales (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.4	1.8	5.1	298	na	na	na	
Preferred Equity/Equity (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.2	5.1	20.7	908	na	na	na	
Minority/Total Equity (%)	Global	4.6	3.5	2.6	+1.0	+1.9	0.3	2.4	11.4	9,628	62%	+34%	+30%	Risen over 1yr. Risen over 3yrs.
Assets/Equity (x)	GICS Industry	1.3	1.4	1.4	-0.1	-0.1	1.4	1.8	2.6	373	16%	-25%	-13%	
Balance Sheet: Other														
Av. GFA/D&A (yrs)	GICS Industry	11.4	10.1	10.4	+1.3	+1.0	8.4	14.3	22.8	371	35%	+7%	-16%	
Restricted Cash/Equity (%)	GICS Industry	1.0	2.0	2.6	-0.9	-1.6	0.1	0.3	5.9	60	63%	-37%	-35%	
Cash Conversion Cycle (Days)	GICS Industry	69	58	41	12	28	70.6	110.2	186.0	312	19%	+21%	+32%	Risen over 3yrs.
Av. Gross Working Capital/Sales (%)	GICS Industry	53.5	49.2	53.4	+4.3	+0.0	40.4	53.6	72.2	379	49%	+20%	-11%	
Contingent Liab/Equity (%)	GICS Industry	8.5	11.6	3.7	-3.1	+4.7	2.0	13.6	59.2	253	40%	-23%	+22%	
Pension Liabilities/Equity (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.7	2.8	10.0	7,570	na	na	na	
Net Derivatives/Equity (%)	Global	0.0	0.1	0.0	-0.1	+0.0	-1.4	0.0	1.1	2,405	na	na	na	
Return on Production Assets (%)	GICS Industry	106.9	117.6	104.3	-10.7	+2.6	4.5	14.9	33.7	382	97%	+35%	-17%	Return on Production Assets (%) high. Fallen over 1yr.
Non-Prod. Assets/COGS FY (%)	GICS Industry	168.6	131.2	37.4	+37.4	+131.2	34.6	67.1	132.2	299	86%	-42%	-46%	Non-Prod. Assets/COGS FY (%) high. Risen over 1yr. Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry	0.0	0.4	0.8	-0.4	-0.8	0.9	4.0	13.7	306	2%	-16%	-18%	
Income Statement														
											(0-100%)	(+/-50%)	(+/-50%)	
Sales/Employee (US\$)	GICS Industry	131,539	112,905	101,276	+18,634	+30,263	56,779	148,854	359,649	286	46%	-33%	-33%	Risen over 1yr. Risen over 3yrs.
Gross Margin (%)	GICS Industry	49.4	48.4	45.1	+1	+4	15	30	52	322	77%	+0%	-17%	
GM Volatility 5yrs (%)	GICS Industry	3.4					2.9	6.3	20.0	303	26%			
Other Op Y/Op Y (%)	GICS Industry	11.0	8.7	4.8	+2.4	+6.2	1.8	6.4	20.7	119	65%	+18%	+24%	
D&A/Sales T12M (%)	GICS Industry	1.5	1.7	1.8	-0.2	-0.3	1.4	2.8	4.7	376	78%	+26%	+21%	
Operating Margin T12M (%)	GICS Industry	23.9	24.0	22.6	-0.1	+1.3	2.8	7.2	14.9	374	94%	-2%	-18%	Operating Margin T12M (%) high.
Non-Op Y/Op Y (%)	GICS Industry	8.5	5.4	12.5	+3.1	-4.0	2.9	10.4	36.5	329	44%	+15%	-22%	
FFI Int Rate less MLR (ppt)	Country	-1.6	1.2	-3.6	-2.8	+2.0	-2.9	-0.5	1.1	2,032	32%	-44%	+28%	
Cash Return less Policy Rate (ppt)	Country	0.5	0.2	1.4	+0.3	-0.9	-2.2	-1.5	-0.2	2,145	86%	+13%	-34%	Cash Return less Policy Rate (ppt) high. Fallen over 3yrs.
Affil Y/Op Y (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.3	2.2	11.9	6,391	na	na	na	
Eff Tax Rate (%)	Country	26.7	26.2	22.7	+0.6	+4.0	13.3	19.2	27.2	2,043	78%	+5%	+22%	
CF Tax/IS Tax (%)	GICS Industry	88.0	109.5	102.4	-21.5	-14.4	64.9	98.7	151.1	285	62%	+22%	+15%	
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297	na			
Minority Int/Profit B4 MI (%)	Global	2.2	2.4	1.9	-0.2	+0.4	-0.1	1.8	12.8	8,362	53%	-8%	+9%	
Net Income Margin (%)	GICS Industry	18.5	17.9	19.1	+0.6	-0.6	1.3	4.7	11.2	383	6%	-18%	+4%	Net Income Margin (%) high.
Capitalised Int/PTP (%)	Global	na	na	na	na	na	0.0	0.0	0.0	13,642	na	na	na	
Cap of Intang. Assets/PTP (%)	Global	0.9	1.7	0.4	-0.8	+0.5	0.9	4.0	16.7	728	19%			
EBIT Interest Cover (x)	GICS Industry	256.6	49.5	104.5	+207.0	+152.0	1.7	7.4	41.1	351	6%	-47%	-46%	

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Ratios		Global/Sector/ Country	Anta Sports Prod Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY17	Y/FY16	Y/FY14	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY17	-1yr Chg	-3yr Chg	
Cash Flow												(0-100%)	(+/-50%)	(+/-50%)	
CFO/Net Profit (x)	GICS Industry		1.0	1.0	1.0	-0.0	+0.0	0.3	1.1	2.2	1,697	56%	+4%	+6%	
Cash Interest Exp./CFO (%)	GICS Industry		1.0	0.9	0.5	+0.1	+0.4	0.2	4.8	25.8	271	28%	+5%	+8%	
Capex/Sales (%)	GICS Industry		3.3	4.3	2.8	-1.0	+0.4	1.4	3.2	7.2	371	50%	-24%	+9%	
Decrease Investments/Sales (%)	GICS Industry		27.3	17.9	54.6	+9.4	-27.3	0.0	0.5	4.8	141	91%			Decrease Investments/Sales (%) high.
Other Investing Activities/Sales (%)	GICS Industry		6.3	0.0	6.9	+6.2	-0.6	0.1	1.1	4.4	292	85%			Other Investing Activities/Sales (%) high.
Debt Repay/ST Debt -1FY (%)	Global		104	100	1	+4.1	+103.7	20.0	88.4	210.9	10,373	60%	+7%	+35%	Risen over 3yrs.
Free Cash Flow Margin (%)	GICS Industry		15.6	14.0	16.0	+1.6	-0.4	-4.2	2.4	8.7	377	7%	-8%	+5%	
FCF-Divs/Sales (%)	Global		4.0	2.5	3.9	+1.5	+0.1	-7.2	0.9	6.8	10,563	31%	-9%	+3%	
No. of Mat. Capital Inc -5yrs	Global		1					0.0	0.0	1.0	9,451	85%			
Other Fin. Activities/Sales (%)	GICS Industry		6.6	4.9	0.1	+1.7	+6.5	0.0	0.3	1.4	329	94%			Other Fin. Activities/Sales (%) high.
Corporate Governance												(0-100%)	(+/-50%)	(+/-50%)	
Auditing Exp/Sales (bp)	GICS Industry		4.4					2.5	6.3	13.2	179	38%			
RPT Balances/Equity (%)	Global		0.1					0.3	1.9	11.0	1,434	13%			RPT Balances/Equity (%) low.
Number of Acq&Disp -5yrs	Global		2					0.0	3.0	5.0	12,251	46%			
Acq&Disp Con./Sales Av. -5yrs (%)	Global		0.1					0.2	1.4	6.9	12,251	10%			
Executive Comp/Sales (bp)	GICS Industry		6.1					7.4	22.6	73.1	84	16%			
Executive Comp/PTP (bp)	GICS Industry		23.5					67.6	188.6	669.0	84	7%			
CEO Tenure (yrs)	Global		1.3					1.4	4.5	10.8	5,466	17%			CEO Tenure (yrs) low.
CFO Tenure (yrs)	Global		na					1.1	3.3	8.3	716	na			
Av. Executive Tenure (yrs)	Global		na					4.1	7.4	11.9	3,291	na			
Av. Board Tenure (yrs)	Global		na					3.9	6.4	9.9	3,672	na			

Source: GMT Research, Bloomberg

Summary of financials in Y/FY17

		Result: Scores within normal range. Number of red flags normal.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	51%	In Y/FY17, Anta Sports Prod recorded an average percentile score (0 is good, 100 is bad) of 51% across all 75 financial ratios listed below. This places it in a percentile of 61 relative to around 379 GICS industry peers globally, which is a moderate result. The company triggered a total of 16 red flags out of 75 placing it in a percentile of 72 relative to our sample of 16,000 companies globally, which is a moderate result.	Each of the 50 financial ratios listed below is percentile ranked relative to an appropriate peer group drawn from 16,000 companies globally between 2010 and 2015. In general, low percentile scores are good while high scores are poor. Red flags are mainly triggered when a company's ratio is above the 80th percentile; however, for certain ratios a red flag is triggered when it is below the 20th percentile. Red flags are highlighted below in red.
- Percentile vs Industry Peers (0% is good, 100% is bad)	61%		
Number of Red Flags (Out of a possible 75)	16		
- Percentile vs Global Peers (0% is good, 100% is bad)	72%		

Summary of change in financials over 1 year

		Result: High number of red flags.	Explanation
Number of Red Flags (Out of a possible 62)	14	Over the financial year prior to Y/FY17, Anta Sports Prod triggered a total of 14 red flags out of 62 placing it in a percentile of 85 relative to our sample of 16,000 companies globally, which is a very unusual result.	Red flags are normally triggered by a score between +30 and +50 which suggests an aggressively deteriorating financial ratio. These are highlighted in red below.
- Percentile vs Global Peers (0% is good, 100% is bad)	85%		

Summary of change in financials over 3 yrs

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	8	Over the 3 financial years prior to Y/FY17, Anta Sports Prod triggered a total of 8 red flags out of 62 placing it in a percentile of 60 relative to our sample of 16,000 companies globally, which is a moderate result.	Red flags are normally triggered by a score between +30 and +50 which suggests an aggressively deteriorating financial ratio. These are highlighted in red below.
- Percentile vs Global Peers (0% is good, 100% is bad)	60%		

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Appendices

Appendix 1: Beneish M-Score

	Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Index Calculation	Comments on latest period
Days Sales in Receivables Index	$+(0.92 \times 1.06)$	1.11	0.93	0.95	1.16	1.06	1.06	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 41 days have increased by 2 days YoY
Gross Margin Index	$+(0.528 \times 0.98)$	0.91	0.92	0.97	0.96	0.98	0.98	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 49.4% has improved by 1ppts YoY
Asset Quality Index	$+(0.404 \times 0.88)$	0.97	0.85	0.99	1.10	0.88	0.88	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - ((\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1})]$	Other LT Assets/Total Assets of 6.8% has fallen by 1ppts YoY
Sales Growth Index	$+(0.892 \times 1.25)$	0.96	1.23	1.25	1.20	1.25	1.25	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 25% YoY
Depreciation Index	$+(0.115 \times 1.23)$	0.87	0.94	1.01	0.95	1.23	1.23	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 9.7% has fallen by 2.3ppts YoY
SG&A Index	$-(0.172 \times 0.94)$	0.88	0.92	0.96	0.92	0.94	0.94	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 28.1% have risen by 1.6ppts YoY
Total Accruals to Total Assets	$+(4.679 \times 0.00)$	0.02	0.00	0.02	0.00	0.00	0.00	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are 0%
Leverage Index	$-(0.327 \times 1.29)$	1.13	0.91	0.98	0.95	1.29	1.29	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 24% have fallen by 6.7ppts YoY
Beneish M-Score for Y/FY17	-4.84 =	-2.43	-2.40	-2.24	-2.13	-2.34	-2.34	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Beneish M-Score of -2.34 in Y/FY17 suggests no profit manipulation

Appendix 2: Montier C-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Profit	1	0	1	0	1	1	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of 0.4% has fallen from 0.4% YoY
Receivables	1	0	0	1	1	1	Receivable Days are increasing (1 point)	Receivables of 41 days have increased by 2 days YoY
Inventory	1	1	0	1	1	1	Inventory Days are increasing (1 point)	Inventory of 13 days has risen by 3 days YoY
Other current assets	1	0	0	0	0	0	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 0.8% have fallen by 0.2ppts YoY
Depreciation	1	0	1	0	1	1	Depreciation relative to PPE jobs usfa bs	Depreciation of 11.4yrs has risen by 1.3yrs YoY
Asset growth	0	1	0	1	1	1	High asset growth in excess of 10% (1 point)	Asset growth of 34% YoY is in excess of 10%
Montier's C-Score	5	2	2	3	5	5	Score 0-1 is good; 2-4 is average, 5-6 is bad	A C-Score of 5/6 suggests profit manipulation

Appendix 3: Piotroski F-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Net Income Score	1	1	1	1	1	1	Positive Return on Assets in the current year (1 point)	12m Trailing Return on Assets of 18.5%
Operating Cash Flow Score	1	1	1	1	1	1	Positive Operating Cash Flow in the current year (1 point)	12m Trailing CFO Margin of 18.9%
Return on Assets Score	0	1	1	1	1	1	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has risen to 18.5% from 17.9% YoY
Quality of Earnings Score	0	0	0	1	1	1	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 18.9% is above Net Profit Margin of 18.4%
Long-Term Debt to Assets Score	1	0	1	1	1	1	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has fallen to 1% from 7% YoY
Current Ratio Score	1	0	0	0	1	1	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has risen to 3.43x from 2.68x YoY
Shares Outstanding Score	1	1	1	1	0	0	No new shares were issued in the last year (1 point)	Increased number of shares by 7.3%
Gross Margin Score	1	1	1	1	1	1	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 49.4% has improved by 1ppts YoY
Asset Turnover Score	0	1	1	1	1	1	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has risen to 1x from 1x YoY
Piotroski F-Score	6	6	7	8	8	8	Score 0-1 weak and deteriorating; 8-9 strong and improving	An F-Score of 8/9 suggests are very strong and improving

Appendix 4: Altman Z-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Altman Z-Score for a company in emerging markets	Comments
Solvency	7.47	4.32	3.59	3.43	3.91	3.91	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	2.28	2.20	2.18	2.11	1.78	1.78	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	1.09	1.25	1.51	1.57	1.46	1.46	EBIT/Tangible Assets	Measures earnings away from the effects of taxes and leverage
Market confidence	na	na	na	na	na	na	Market Capitalisation/Total Liabilities	Whether a firm's value able to cover liabilities
Efficiency	na	na	na	na	na	na	Sales/Tangible Assets	An asset turnover metric to measure efficiency
Leverage	2.79	2.49	2.51	2.40	3.20	3.20	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Y/FY17	16.88	13.50	13.04	12.75	13.60	13.60	Anything <1.81 for a manufacturer or <1.11 for other companies is problematic	Safe Zone: Financially sound

Appendix 5: Acquisition Accounting

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	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Material acquisition?	1 point	0	0	0	0	0	0	An acquisition in excess of 5% of sales.	No recent acquisitions
Rise in intangible assets -1yr?	1 point	0	0	0	1	1	1	Either a rise in Intangible Assets over 1 year	Intangibles Assets have risen by 1ppts of sales to 4% of sales
Material intangibles on balance sheet?	1 point	1	1	1	1	1	1	Or Intangibles are >=50%ile relative to peers	Intangible Assets/Sales of 4% are in the 68%ile
Rise in deferred tax assets -1yr?	1 point	0	0	0	1	1	1	Either a rise in Deferred Tax Asset over 1 year	DTAs have risen by 0.9% of sales to 2% of sales
Large deferred tax assets	1 point	0	0	0	0	0	0	Or a large Deferred Tax Asset in the 80%ile relative to industry peers	DTA/Sales of 2% is in the 71%ile relative to industry peers
Acquisition Accounting		1	1	1	2	2	2	A score of 3 suggests possibility of acquisition accounting to inflate profits	No evidence of acquisition accounting.

GMT Research Accounting Screen



Appendix 6: Debt Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Has high debt repayment/ST debt?	0	0	0	0	0	0	Debt Repayment relative to the ST Debt one year prior is in excess of 130%	Debt Repayment/ST Debt -1FY of 0% is in the 1%ile relative to global peers
Has high effective interest rate?	0	0	1	1	1	1	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 2.8% is in the 81%ile relative to country peers
Has moderate debt?	1	1	1	1	0	0	If Debt to Sales >15%ile of industry peers	Debt/Sales of 1% is in the 3%ile relative to industry peers
Window Dressing	1	1	2	2	1	1	A score of 3 suggests strong likelihood of window dressing	Unlikely to be debt window dressing

Appendix 6a: Investment Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
High level of investment repayment/sales?	1	1	1	1	1	1	If Invest Repay/Sales in excess of the 80%ile relative to industry peers	Inv. Repayment/Sales of 27% is in the 91%ile relative to industry peers
High inv. repay./investments -1FY?	1	1	1	1	1	1	If Invest Repay in excess of 100% of previous year's Investments	Investment Repayment/Investment -1FY of 296%
Window Dressing Investments	2	2	2	2	2	2	A score of 2 suggests a strong possibility of window dressing	Possible investment window dressing

Appendix 7: Fake Cash Flow

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	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	
High operating margin	Critical criteria: 1 point	1	1	1	1	1	1	Operating Margin >80%ile relative to industry peers	A 12m Trailing Operating Margin of 24% is in the 94%ile
High return on production assets		1	1	1	1	1	1	Op Profit/(PPE + Inv) in the >80%ile relative to industry peers	A 12m Return on Production Assets of 107% is in the 97%ile
High level of non-production assets	1 point	1	1	0	0	1	1	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 169% is in the 86%ile
Build-up of non-production assets		1	1	1	1	1	1	Increase in Non Prod Assets rel to Sales or COGS >80%ile peers	Non Production Assets/COGS (or Sales) changed by 8% over 1 year
Low dividends and buybacks	1 point	0	0	0	0	0	0	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 63%
A relatively unknown auditor		0	0	0	0	0	0	Relatively obscure auditor	Well known auditor: Kpmg
Incorporation and Domicile	1pt if >1	1	1	1	1	1	1	Different country of incorporation vrs domicile	Country of incorporation (Cayman Islands) is different from domicile (China).
Debt structure		1	1	1	1	1	1	If Short Term Debt >75% Total Debt, or no debt at all	Short term debt is 100% of total debt
Sector		1	1	1	1	1	1	Operates in sector prone to fraud	Textiles, Apparel & Luxury Goods industry is prone to fraud.
Fake Cash Flow Fraud	Max 4pts	3	3	3	3	3	3	A score of 3 or 4 is problematic and requires further investigation	Medium Fraud Alert: 23% of frauds score 3 points and 10% of all companies

Appendix 8: Excess Capital Raising

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(CNYm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Sales	+7,281	+8,923	+11,126	+13,346	+16,692	+57,368
- OPCF	+1,128	+1,677	+1,853	+2,445	+3,151	+10,254
- Capex	(171)	(259)	(460)	(571)	(573)	(2,033)
- Dividends (incl MI at subs)	(878)	(1,090)	(1,356)	(1,572)	(1,976)	(6,872)
- Buybacks	+0	+0	+0	+0	+0	+0
- (Acquisitions)/disposals	(15)	+0	(26)	+0	+0	(42)
= Net internal cash generation	+63	+328	+10	+303	+602	+1,308
Externally generated cash flows						
- Debt issuance, net	(533)	+854	(22)	(396)	(831)	(928)
- Equity issuance	+4	+6	+42	+15	+3,435	+3,502
= Net external financing	(529)	+861	+19	(381)	+2,604	+2,574
Net surplus/(deficit)	(466)	+1,189	+30	(78)	+3,206	+3,881
Net flows/Sales (%)	(6)	+13	+0	(1)	+19	7
Relative to Global Sector (%ile):						81%
Av. cash balance/sales (%)	77	67	60	53	50	
Relative to Global Sector (%ile)	97%	96%	95%	94%	94%	
Core cash required (10% of Sales):					979	
Surplus cash at year end (cash balance less core cash):					8,425	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					3,881	
Possible fake cash/excess cash balance (%):					46	
Unable to reconcile FCF equal to CNY3.9bn over 5yrs which equates to 46% of surplus cash balance at YE; this is a trait of frauds.						

Appendix 9: Debt Reconciliation (based on latest annual data)

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(CNYm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Balance sheet (BS) debt YE	1,035	527	1,385	1,369	978	148
Change in debt: BS	(508)	+858	(16)	(391)	(830)	(887)
Change in debt: Cash flow (CF)	(533)	854	(22)	(396)	(831)	(928)
Unrec chg BS and CF debt	+25	+3	+6	+6	+1	+41
Unrec chg/total debt (%)	+5	+0	+0	+1	+1	28
Possible reason:	ok	ok	ok	ok	ok	
No material unreconcilable changes in debt in the last 5 years.						
Reasons:						
- Assets paid with debt (such as operating leases) is a non-cash item. Capex should be restated.						
- Proceeds raised from convertible bonds (CBs) are sometimes regarded as equity, not debt.						
- Large acquisitions can lead to difficulties in reconciling debt.						
- If no reason is found, further work is needed.						

Appendix 10: Ownership Type (latest Bloomberg data)

	(%)	Active Versus Passive	
Holding Company	71	Free Float (%)	38
Investment Advisor	21	No. Instit. Owners	385
Unclassified	5	Institutional (%)	81
Sovereign Wealth Fund	1	- Passive Instit. (ETFs) (%)	7
Corporation	0	- Active Instit. (%)	74
Other	1		

Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	0.03	
Chg Insider Hldgs -6m (%)	0.00	Changes in insider holdings can be due to options, etc. as opposed to actively buying or selling shares
Number of Insider Shares Purchased (m)	+0.0	
Number of Insider Shares Sold (m)	+0.0	
Average Purchase Price of Insider Shares	0.00	Current share price is HKD39.45
Average Sell Price of Insider Shares	0.00	
Shares Outstanding (m)	2,685	
Insider Shares Traded -6m/Total Shares (%)	0.00	

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(CNYm)	Comment
Comprehensive Income	2,625	
Less:		
Net Income/Net Profit (Losses)	3,088	
Other comprehensive income comprised of:		
Foreign Currency Trans. Adj.	(463)	Other comprehensive income is -15% of income which is within normal range. Able to fully reconcile other comprehensive income.
na	na	
na	na	
na	na	
na	na	
na	na	
na	na	
Amount unable to reconcile:	0	