

GMT Research Accounting Screen



Short Name	China Sports Int	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	China Sports International Limited designs, manufactures, and sells branded sports fashion footwear and apparel products.	
GICS Industry	252,030		
Cntry of Dom	CN		
Most Recent Balance Sheet Period	2017 Q3		
Ticker	CSPORT SP		
Latest Period	Y		
Current Fiscal Year	2008		
Very small auditor:	Foo Kon Tan		Short-Seller's Report (for Asian companies only)
Numbe of auditors in past 5yrs:	1		
Country of incorporation:	Country of incorporation (Bermuda) 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		Summary of accounting risk for Y/FY08
Profit Manipulation: Beneish M-Score (See App 1)	Beneish M-Score of -2.07 in Y/FY08 suggests possible profit manipulation triggered by: High sales growth. High level of accruals.		- Profit manipulation High risk: Beneish.
Cooking the Books: Montier's C-Score (App 2)	A C-Score of 3/6 is average but watch out for: Rising receivables. Rising OCA. High asset growth.		- Financial position Weak: Piotroski.
Financial Position			- General accounting Clean accounting with just 5 red flags
Strength of Financial Position: Piotroski F-Score (App 3)	An F-Score of 3/9 suggests financials are deteriorating owing to: ROA. OPCF less than Profit. Leverage. Current Ratio. Gross Margin. Asset Turnover.		- Shenanigans Evidence: Fake Cash Flow. Excess Capital.
Risk of Default: Altman Z-Score (App 4)	An Altman Z-Score of 14.42 is in the Safe Zone: Financially sound.		= Accounting risk: High
Accounting Shenanigans			This spreadsheet expires on 30th June 2018, in 68 days.
Acquisition Accounting (App 5)	Global screen	No evidence of acquisition accounting.	
Window Dressing (App 6)		No evidence of window dressing.	
Fake Cash Fraud: Overly profitable (App 7)	Global screen	Scores 4/4 in Y/FY08. Major Fraud Alert: 73% of frauds score 4 points and 2.9% of all companies. Further investigation needed. Triggered Fake Cash Flow in last 5yrs?: FY08 FY07	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 11% of Sales are in the 91%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 5 red flags in the last financial period which is low.	
Cash Balance		Cash & STI of CNY0.5bn is extremely high at 26% of sales, in the 82%ile relative to peers, which is a trait of fake cash flow frauds.	
Restricted Cash		Restricted Cash of CNY0bn is within normal range.	
Receivables		Receivables of CNY0.3bn are equal to 13% of Sales which is in within normal range.	
Doubtful Debts		Delinquency at 0% of total receivables are within normal range.	
Payables		Large Payables of CNY0.1bn are within normal range.	
Inventory		Inventories of CNY0bn are equal to 1% of Sales which is within normal range.	
Profit Manipulation: Gross Working Capital		No evidence of profit/cash flow manipulation through working capital.	
Cash Extraction Fraud: Prepaid Expenses		No evidence of illegal cash extraction fraud.	
Capitalisation of Expenses		Capitalised expenses relative to pre-tax profits (0%) are within normal range.	
Affiliate Investments		There are no investments in associates.	
Auditing Costs		No information available	
Deferred Tax Assets		Deferred Tax Assets/Sales of 0% are within normal range.	
Deferred Tax Liabilities		na	
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 287.7x is within normal range.	
Leverage		Total Debt/Profit of 0.2x and assets to equity of 1.3x are within normal range.	
Related Party Fraud		No evidence of related party transactions.	
Other Tests:		Evidence of share price manipulation as 20 day MA Bid/Ask VWAP in excess of 60% for 88% of the time over last 6m. No or new CFO.	

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Ratios		China Sports Int Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
	Country	Y/FY08	Y/FY07	Y/FY05	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY08	-1yr Chg	-3yr Chg	
Balance Sheet: Assets														
Av Cash & Equiv./Sales (%)	GICS Industry	26.0	17.6	0.7	+8.4	+25.3	3.2	10.4	24.0	379	82%	-41%	-45%	Av Cash & Equiv./Sales (%) high. Risen over 1yr. Risen over 3yrs.
Unrestricted Cash/COGS (%)	GICS Industry	37.2	44.4	0.7	-7.2	+36.5	5.1	16.6	40.3	314	77%	+11%	-12%	
ST Investments/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.1	1.6	8.5	172	na	na	na	
Av. Trade & Notes Rec/Sales (%)	GICS Industry	13.4	12.6	6.8	+0.7	+6.6	7.2	12.1	20.0	356	56%	+15%	+40%	Risen over 3yrs.
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	1.4	1.8	5.6	-0.4	-4.2	13.0	19.6	29.8	375	1%	-10%	-34%	
Inventory Days	GICS Industry	6	6	24	-0	-18	62	103	187	314	1%	-11%	-36%	
Finished Goods/Inventory (%)	GICS Industry	43	54	37	-11.0	+6.1	33	60	89	417	31%	-46%	+19%	
Av. Other ST Assets/Sales (%)	GICS Industry	0.5	0.5	0.0	+0.0	+0.5	2.0	3.6	7.4	376	2%	-1%	+6%	
PPE/Sales (%)	GICS Industry	4.6	3.4	4.3	+1.1	+0.2	9.2	22.8	45.7	360	6%	+16%	+1%	PPE/Sales (%) low.
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	0.0	0.0	0.0	+0.0	+0.0	0.2	1.5	10.0	249	na	na	na	
Deferred Tax Assets/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.2	0.9	2.7	277	na	na	na	
Prepaid Expenses/Sales (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.3	1.3	3.4	167	na	na	na	
Prepaid Expenses/Inventory (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	1.2	3.7	10.7	99	na	na	na	
Intangibles/Sales FY (%)	GICS Industry	0.2	0.3	0.0	-0.2	+0.2	0.1	1.0	9.2	316	21%	-30%	+6%	
Av. Other LT Assets/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.4	1.8	5.8	332	na	na	na	
Av. Assets/Sales (%)	GICS Industry	46	36	17	+10.2	+28.9	65.5	95.1	139.4	380	5%	+27%	+31%	Risen over 3yrs.
Balance Sheet: Liabilities and Equity														
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	4.4	4.4	6.3	+0.0	-1.9	5.3	10.0	15.5	379	13%	-1%	-30%	
Trade Payable Days	GICS Industry	20	20	28	+0.2	-7.8	24.5	45.6	81.5	348	14%	-4%	-32%	
ST Debt/Total Debt (%)	Global	100	100	100	+0.0	+0.0	13.0	44.2	88.3	13,723	99%	-2%	+1%	ST Debt/Total Debt (%) high.
Av. Other ST Liabs/Sales (%)	GICS Industry	3.1	3.0	2.4	+0.1	+0.7	3.8	6.8	10.9	380	13%	+2%	+13%	
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	na	na	na	na	na	0.7	3.6	12.1	256	na	na	na	
Av. Other LT Liabs/Sales (%)	GICS Industry	0.0	0.1	0.0	-0.1	+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	0.0	0.0	0.0	+0.0	+0.0	0.3	2.4	11.4	9,628	na	na	na	
Assets/Equity (x)	GICS Industry	1.3	1.2	3.5	+0.1	-2.2	1.4	1.8	2.6	373	12%	+22%	-49%	
Balance Sheet: Other														
Av. GFA/D&A (yrs)	GICS Industry	3.3	19.9	16.9	-16.6	-13.6	8.4	14.3	22.8	371	1%	-50%	-47%	
Restricted Cash/Equity (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.1	0.3	5.9	60	na	na	na	
Cash Conversion Cycle (Days)	GICS Industry	35	32	20	2	15	70.6	110.2	186.0	312	5%	-2%	+21%	
Av. Gross Working Capital/Sales (%)	GICS Industry	22.7	21.8	20.7	+0.9	+2.0	40.4	53.6	72.2	379	3%	-1%	-2%	
Contingent Liab/Equity (%)	GICS Industry	8.6	2.4	0.0	+6.2	+8.6	2.0	13.6	59.2	253	41%	+33%	+29%	Risen over 1yr.
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	0.0	0.0	+0.0	+0.0	-1.4	0.0	1.1	2,405	na	na	na	
Return on Production Assets (%)	GICS Industry	251.0	393.2	162.9	-142.2	+88.1	4.5	14.9	33.7	382	99%	+50%	-49%	Return on Production Assets (%) high. Fallen over 1yr. Risen over 3yrs.
Non-Prod. Assets/COGS FY (%)	GICS Industry	57.1	44.8	12.3	+12.3	+44.8	34.6	67.1	132.2	299	41%	-22%	-30%	Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry	0.2	0.1	0.3	+0.2	-0.0	0.9	4.0	13.7	306	7%	+5%	-6%	
Income Statement														
Sales/Employee (US\$)	GICS Industry	na	na	52,257	na	na	56,779	148,854	359,649	286	na	na	na	
Gross Margin (%)	GICS Industry	20.8	21.9	18.9	-1	+2	15	30	52	322	34%	+15%	-8%	
GM Volatility 5yrs (%)	GICS Industry	na					2.9	6.3	20.0	303	na			
Other Op Y/Op Y (%)	GICS Industry	0.0	4.0	0.0	-4.0	+0.0	1.8	6.4	20.7	119	0%	-35%	-11%	
D&A/Sales T12M (%)	GICS Industry	1.9	0.2	0.4	+1.6	+1.5	1.4	2.8	4.7	376	70%	-46%	-37%	
Operating Margin T12M (%)	GICS Industry	14.0	17.0	15.6	-3.0	-1.6	2.8	7.2	14.9	374	77%	+33%	+12%	Fallen over 1yr.
Non-Op Y/Op Y (%)	GICS Industry	3.4	4.0	0.1	-0.6	+3.3	2.9	10.4	36.5	329	23%	-11%	+9%	
FFF Int Rate less MLR (ppt)	Country	-1.1	2.8	0.4	-3.8	-1.5	-2.9	-0.5	1.1	2,032	39%	-46%	-33%	
Cash Return less Policy Rate (ppt)	Country	-0.8	-0.9	-0.4	+0.1	-0.5	-2.2	-1.5	-0.2	2,145	69%	-1%	-26%	
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	26.1	27.0	27.0	-0.9	-0.9	13.3	19.2	27.2	2,043	76%	-16%	-12%	
CF Tax/IS Tax (%)	GICS Industry	109.8	86.4	96.8	+23.4	+13.0	64.9	98.7	151.1	285	39%	-17%	-9%	
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297	na			
Minority Int/Profit B4 MI (%)	Global	0.0	na	0.0	na	+0.0	-0.1	1.8	12.8	8,362	na	na	na	
Net Income Margin (%)	GICS Industry	9.9	12.8	11.3	-2.9	-1.4	1.3	4.7	11.2	383	25%	+34%	+13%	Fallen over 1yr.
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	0.0	0.0	0.0	+0.0	+0.0	0.9	4.0	16.7	728	na			
EBIT Interest Cover (x)	GICS Industry	287.7	345.1	108.4	-57.4	+179.3	1.7	7.4	41.1	351	5%	+45%	-46%	Fallen over 1yr.

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Ratios		Global/Sector/ Country	China Sports Int Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY08	Y/FY07	Y/FY05	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY08	-1yr Chg	-3yr Chg	
Cash Flow												(0-100%)	(+/-50%)	(+/-50%)	
CFO/Net Profit (x)	GICS Industry		0.9	0.3	1.0	+0.6	-0.1	0.3	1.1	2.2	1,697	62%	-19%	+9%	
Cash Interest Exp./CFO (%)	GICS Industry		0.5	1.2	1.3	-0.7	-0.8	0.2	4.8	25.8	271	23%	-8%	-4%	
Capex/Sales (%)	GICS Industry		4.3	2.5	0.4	+1.8	+4.0	1.4	3.2	7.2	371	60%	+33%	+40%	Risen over 1yr. Risen over 3yrs.
Decrease Investments/Sales (%)	GICS Industry		0.0	0.0	0.0	+0.0	+0.0	0.0	0.5	4.8	141	na			
Other Investing Activities/Sales (%)	GICS Industry		0.2	0.4	0.0	-0.2	+0.2	0.1	1.1	4.4	292	21%			
Debt Repay/ST Debt -1FY (%)	Global		100	100	103	-0.0	-3.1	20.0	88.4	210.9	10,373	55%	-2%	-7%	
Free Cash Flow Margin (%)	GICS Industry		4.7	1.5	10.5	+3.2	-5.8	-4.2	2.4	8.7	377	37%	-15%	+31%	Fallen over 3yrs.
FCF-Divs/Sales (%)	Global		3.0	na	-1.9	na	+4.9	-7.2	0.9	6.8	10,563	36%	na	-21%	
No. of Mat. Capital Inc -5yrs	Global		1					0.0	0.0	1.0	9,451	85%			
Other Fin. Activities/Sales (%)	GICS Industry		1.9	0.0	0.0	+1.9	+1.9	0.0	0.3	1.4	329	83%			Other Fin. Activities/Sales (%) high.
Corporate Governance												(0-100%)	(+/-50%)	(+/-50%)	
Auditing Exp/Sales (bp)	GICS Industry		na					2.5	6.3	13.2	179	na			
RPT Balances/Equity (%)	Global		0.0					0.3	1.9	11.0	1,434	na			
Number of Acq&Disp -5yrs	Global		0					0.0	3.0	5.0	12,251	na			
Acq&Disp Con./Sales Av. -5yrs (%)	Global		0.0					0.2	1.4	6.9	12,251	na			
Executive Comp/Sales (bp)	GICS Industry		na					7.4	22.6	73.1	84	na			
Executive Comp/PTP (bp)	GICS Industry		na					67.6	188.6	669.0	84	na			
CEO Tenure (yrs)	Global		na					1.4	4.5	10.8	5,466	na			
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/FY08

		Result: Excellent score. Few red flags.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	37%	In Y/FY08, China Sports Int recorded an average percentile score (0 is good, 100 is bad) of 37% across all 75 financial ratios listed below. This places it in a percentile of 3 relative to around 379 GICS industry peers globally, which is a very good result. The company triggered a total of 5 red flags out of 75 placing it in a percentile of 6 relative to our sample of 16,000 companies globally, which is a very good 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)	3%		
Number of Red Flags (Out of a possible 75)	5		
- Percentile vs Global Peers (0% is good, 100% is bad)	6%		

Summary of change in financials over 1 year

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	7	Over the financial year prior to Y/FY08, China Sports Int triggered a total of 7 red flags out of 62 placing it in a percentile of 45 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)	45%		

Summary of change in financials over 3 yrs

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	7	Over the 3 financial years prior to Y/FY08, China Sports Int triggered a total of 7 red flags out of 62 placing it in a percentile of 52 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)	52%		

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Appendices

Appendix 1: Beneish M-Score

	Calculation	FY04	FY05	FY06	FY07	FY08	Y/FY08	Index Calculation	Comments on latest period
Days Sales in Receivables Index	$+(0.92 \times 1.06)$	na	na	1.42	1.32	1.06	1.06	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 49 days have increased by 3 days YoY
Gross Margin Index	$+(0.528 \times 1.05)$	na	0.93	1.07	0.81	1.05	1.05	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 20.8% has deteriorated by 1.1ppts YoY
Asset Quality Index	$+(0.404 \times 0.37)$	na	-0.75	0.00	na	0.37	0.37	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - ((\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1})]$	Other LT Assets/Total Assets of 0.3% has fallen by 0.5ppts YoY
Sales Growth Index	$+(0.892 \times 1.54)$	na	1.39	1.44	1.75	1.54	1.54	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 54% YoY
Depreciation Index	$+(0.115 \times 0.17)$	na	0.92	0.94	2.13	0.17	0.17	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 24.8% has risen by 20.5ppts YoY
SG&A Index	$-(0.172 \times 0.82)$	na	1.02	1.08	0.55	0.82	0.82	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 6.8% have risen by 1.2ppts YoY
Total Accruals to Total Assets	$+(4.679 \times 0.02)$	0.08	0.02	0.15	0.14	0.02	0.02	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are 2%
Leverage Index	$-(0.327 \times 0.78)$	na	0.76	1.30	3.25	0.78	0.78	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 22% have risen by 4.8ppts YoY
Beneish M-Score for Y/FY08	-4.84 =	na	na	-1.48	na	-2.07	-2.07	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Beneish M-Score of -2.07 in Y/FY08 suggests possible profit manipulation

Appendix 2: Montier C-Score

	FY04	FY05	FY06	FY07	FY08	Y/FY08	Point Calculation	Comments
Profit	na	0	1	1	0	0	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of -0.9% has improved from -8.8% YoY
Receivables	na	na	1	1	1	1	Receivable Days are increasing (1 point)	Receivables of 48 days have increased by 3 days YoY
Inventory	na	0	0	1	0	0	Inventory Days are increasing (1 point)	Inventory of 1 days has fallen by 0 days YoY
Other current assets	na	0	1	1	1	1	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 0.5% have risen by 0ppts YoY
Depreciation	na	na	1	1	0	0	Depreciation relative to PPE jobs usfa bs	Depreciation of 3.3yrs has fallen by 16.6yrs YoY
Asset growth	na	1	1	1	1	1	High asset growth in excess of 10% (1 point)	Asset growth of 33% YoY is in excess of 10%
Montier's C-Score	na	na	5	6	3	3	Score 0-1 is good; 2-4 is average, 5-6 is bad	A C-Score of 3/6 is average

Appendix 3: Piotroski F-Score

	FY04	FY05	FY06	FY07	FY08	Y/FY08	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 22.1%
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 9%
Return on Assets Score	na	1	1	0	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 22.1% from 36% YoY
Quality of Earnings Score	0	0	0	0	0	0	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 9% is below Net Profit Margin of 10.1%
Long-Term Debt to Assets Score	na	0	1	1	0	0	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has risen to 5% from 1% YoY
Current Ratio Score	na	0	1	1	0	0	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has fallen to 4.09x from 5.36x YoY
Shares Outstanding Score	na	1	1	0	1	1	No new shares were issued in the last year (1 point)	Number of shares remains unchanged
Gross Margin Score	0	1	0	1	0	0	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 20.8% has deteriorated by 1.1ppts YoY
Asset Turnover Score	na	1	1	0	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 2.18x from 2.8x YoY
Piotroski F-Score	na	6	7	5	3	3	Score 0-1 weak and deteriorating; 8-9 strong and improving	An F-Score of 3/9 suggests financials are deteriorating

Appendix 4: Altman Z-Score

	FY04	FY05	FY06	FY07	FY08	Y/FY08	Altman Z-Score for a company in emerging markets	Comments
Solvency	61.12	38.21	1.95	4.87	4.42	4.42	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	1.09	0.63	0.98	0.86	1.17	1.17	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	4.67	5.40	5.37	1.89	1.80	1.80	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	0.88	0.42	0.86	5.08	3.79	3.79	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Y/FY08	71.00	47.91	12.42	15.96	14.42	14.42	Anything <1.81 for a manufacturer or <1.11 for other companies is problematic	Safe Zone: Financially sound

Appendix 5: Acquisition Accounting

	Point Calculation	FY04	FY05	FY06	FY07	FY08	Y/FY08	Point Calculation	Comments
Material acquisition?	1 point	0	0	0	0	0	0	An acquisition in excess of 5% of sales.	No recent material acquisitions (>5% sales)
Rise in intangible assets -1yr?	1 point	na	0	0	1	0	0	Either a rise in Intangible Assets over 1 year	na
Material intangibles on balance sheet?		na	na	na	0	0	0	Or Intangibles are >=50%ile relative to peers	Intangible Assets/Sales of 0% are in the 21%ile
Rise in deferred tax assets -1yr?	1 point	0	0	0	0	0	0	Either a rise in Deferred Tax Asset over 1 year	na
Large deferred tax assets		na	na	na	na	na	na	Or a large Deferred Tax Asset in the 80%ile relative to industry peers	na
Acquisition Accounting		0	0	0	1	0	0	A score of 3 suggests possibility of acquisition accounting to inflate profits	No evidence of acquisition accounting.

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Appendix 6: Debt Window Dressing

	FY04	FY05	FY06	FY07	FY08	Y/FY08	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 100% is in the 55%ile relative to global peers
Has high effective interest rate?	0	1	1	1	1	1	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 3.3% is in the 85%ile relative to country peers
Has moderate debt?	0	0	0	0	0	0	If Debt to Sales >15%ile of industry peers	Debt/Sales of 3% is in the 7%ile relative to industry peers
Window Dressing	0	1	1	1	1	1	A score of 3 suggests strong likelihood of window dressing	Unlikely to be debt window dressing

Appendix 6a: Investment Window Dressing

	FY04	FY05	FY06	FY07	FY08	Y/FY08	Point Calculation	Comments
High level of investment repayment/sales?	0	0	0	0	0	0	If Invest Repay/Sales in excess of the 80%ile relative to industry peers	na
High inv. repay./investments -1FY?	0	0	0	0	0	0	If Invest Repay in excess of 100% of previous year's Investments	na
Window Dressing Investments	0	0	0	0	0	0	A score of 2 suggests a strong possibility of window dressing	Unlikely to be window dressing investments

Appendix 7: Fake Cash Flow

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	Point Calculation	FY04	FY05	FY06	FY07	FY08	Y/FY08	Point Calculation	
High operating margin	Critical criteria: 1 point	0	1	0	1	0	0	Operating Margin >80%ile relative to industry peers	A 12m Trailing Operating Margin of 14% is in the 77%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 251% is in the 99%ile
High level of non-production assets	1 point	0	0	0	1	1	1	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 57% is in the 41%ile
Build-up of non-production assets		0	0	0	0	0	0	Increase in Non Prod Assets rel to Sales or COGS >80%ile peers	Non Production Assets/COGS (or Sales) changed by -13% over 1 year
Low dividends and buybacks	1 point	0	0	0	1	1	1	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 17%
A relatively unknown auditor		1	1	1	1	1	1	Relatively obscure auditor	Very small auditor: Foo Kon Tan
Incorporation and Domicile		1	1	1	1	1	1	Different country of incorporation vrs domicile	Country of incorporation (Bermuda) is different from domicile (China).
Debt structure	1pt if >1	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	2	2	2	4	4	4	A score of 3 or 4 is problematic and requires further investigation	Major Fraud Alert: 73% of frauds score 4 points and 2.9% of all companies

Appendix 8: Excess Capital Raising

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(CNYm)	FY04	FY05	FY06	FY07	FY08	FY04-08
Sales	+344	+479	+690	+1,207	+1,860	+4,579
- OPCF	+30	+52	+54	+49	+168	+354
- Capex	+0	(2)	(1)	(30)	(81)	(114)
- Dividends (incl MI at subs)	(33)	(60)	(53)	+0	(31)	(177)
- Buybacks	+0	+0	+0	+0	+0	+0
- (Acquisitions)/disposals	+0	+0	+0	+0	+0	+0
= Net internal cash generation	(3)	(9)	+0	+19	+56	+63
Externally generated cash flows						
- Debt issuance, net	+2	+8	(7)	+0	+38	+42
- Equity issuance	+0	+0	+10	+398	+0	+409
= Net external financing	+2	+8	+4	+399	+38	+451
Net surplus/(deficit)	(1)	(1)	+4	+417	+95	+514
Net flows/Sales (%)	(0)	(0)	+1	+35	+5	11
Relative to Global Sector (%ile):						91%
Av. cash balance/sales (%)	1	1	1	18	26	
Relative to Global Sector (%ile)	8%	6%	5%	69%	82%	
Core cash required (10% of Sales):					57	
Surplus cash at year end (cash balance less core cash):					491	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					514	
Possible fake cash/excess cash balance (%):					105	
Unable to reconcile FCF equal to CNY0.5bn over 5yrs which equates to 105% of surplus cash balance at YE; this is a trait of frauds.						

Appendix 9: Debt Reconciliation

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(CNYm)	FY04	FY05	FY06	FY07	FY08	FY04-08
Balance sheet (BS) debt YE	7	15	8	9	47	
Change in debt: BS	na	+8	(7)	+0	+38	+40
Change in debt: Cash flow (CF)	2	8	(7)	0	38	+42
Unrec chg BS and CF debt	na	(0)	+0	+0	+0	(2)
Unrec chg/total debt (%)	+0	(0)	+0	+0	+0	(4)
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	
Individual	57	Free Float (%)	57
Corporation	43	No. Instit. Owners	1
Investment Advisor	0	Institutional (%)	0
0	0	- Passive Instit. (ETFs) (%)	0
0	0	- Active Instit. (%)	0
Other	0		

Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	24.50	
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 SGD#N/A N/A
Average Sell Price of Insider Shares	0.00	
Shares Outstanding (m)	737	
Insider Shares Traded -6m/Total Shares (%)	0.00	

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(CNYm)	Comment
Comprehensive Income	#N/A N/A	
Less:		
Net Income/Net Profit (Losses)	185	
Other comprehensive income comprised of:		
na	na	
na	na	
na	na	
na	na	
na	na	
na	na	
na	na	
na	na	
Amount unable to reconcile:	na	