

GMT Research Accounting Screen



Short Name	Eratat Lifestyle	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Eratat Lifestyle Limited designs, manufactures, and distributes lifestyle fashion footwear. The Company also design and distributes lifestyle fashion apparel under its branded name.	
GICS Industry	252,030		
Cntry of Dom	CN		
Most Recent Balance Sheet Period	2013 Q3		
Ticker	ERAT SP		
Latest Period	Q3		
Current Fiscal Year	2013		
Mid sized auditor:	Moore Stephe		
Numbe of auditors in past 5yrs:	1		
Country of incorporation:	Country of incorporation (Singapore) 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 Q3/FY13
Profit Manipulation: Beneish M-Score (See App 1)		Beneish M-Score of -1.99 in Q3/FY13 suggests possible profit manipulation triggered by: Deteriorating gross margin. Falling depreciation. Rising SG&A. 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: Deteriorating Accruals Margin. Rising inventory. High asset growth.	- Financial position Normal
Financial Position			- General accounting Normal
Strength of Financial Position: Piotroski F-Score (App 3)		An F-Score of 5/9 suggests financials are marginally improving.	- Shenanigans Evidence: Fake Cash Flow. Excess Capital.
Risk of Default: Altman Z-Score (App 4)		An Altman Z-Score of 18.4 is in the Safe Zone: Financially sound.	= Accounting risk: High
Accounting Shenanigans			This spreadsheet expires on 30th June 2018, in 71 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 Q3/FY13. 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?: FY12 FY11 FY10 FY09 FY08	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 9% of Sales are in the 87%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 11 red flags in the last financial period which is normal.	
Cash Balance		Cash & STI of CNY0.6bn is extremely high at 47% of sales, in the 93%ile relative to peers, which is a trait of fake cash flow frauds.	
Restricted Cash		Restricted Cash of CNY0bn is within normal range.	
Receivables		Large Receivables of CNY0.5bn are equal to 49% of Sales which is in the 99%ile relative to peers, can be a sign of channel stuffing.	
Doubtful Debts		Delinquency at 0% of total receivables are within normal range.	
Payables		Large Payables of CNY0bn are within normal range.	
Inventory		Inventories of CNY0bn are equal to 3% 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		Prepaid Expenses of CNY0bn are large relative to sales (1.2%) and inventory (36.1%), raising the risk 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		Deferred Tax Liabilities/Sales of 0% are within normal range.	
Derivatives		Derivatives equal to 0% of equity within normal range.	
Other Large Curious Assets and/or Liabilities		Within normal range.	
Depn & Amort		Low depreciation at 0.6% of sales suggests that the company might be inflating profit.	
Interest Cover		EBIT Interest Cover of 7.3x is within normal range.	
Leverage		Total Debt/Profit of 0.7x and assets to equity of 1.2x are within normal range.	
Related Party Fraud		No evidence of related party transactions.	
Other Tests:		No or new CFO.	

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Ratios	Global/Sector/ Country	Eratat Lifestyle Ratios			Ratio Change		Peer Group Comparison Ratios			No of Peers	Percentiles and Red Flags			Red Flag Comment
		Q3/FY13	Q3/FY12	Q3/FY10	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile		Q3/FY13	-1yr Chg	-3yr Chg	
Balance Sheet: Assets														
Av Cash & Equiv./Sales (%)	GICS Industry	46.8	27.3	16.7	+19.4	+30.1	3.2	10.4	24.0	379	93%	-47%	-46%	Av Cash & Equiv./Sales (%) high. Risen over 1yr. Risen over 3yrs.
Unrestricted Cash/COGS (%)	GICS Industry	80.8	55.3	27.5	+25.5	+53.2	5.1	16.6	40.3	314	93%	-18%	-17%	Unrestricted Cash/COGS (%) high.
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	49.4	51.4	21.8	-1.9	+27.6	7.2	12.1	20.0	356	99%	-41%	+49%	Av. Trade & Notes Rec/Sales (%) high. 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	3.3	1.3	1.1	+1.9	+2.2	13.0	19.6	29.8	375	2%	+24%	+16%	
Inventory Days	GICS Industry	12	15	15	-3	-3	62	103	187	314	1%	-23%	-21%	
Finished Goods/Inventory (%)	GICS Industry	76	0	0	+76.4	+76.4	33	60	89	417	66%	+49%	+49%	Risen over 1yr. Risen over 3yrs.
Av. Other ST Assets/Sales (%)	GICS Industry	0.7	5.3	5.7	-4.6	-5.0	2.0	3.6	7.4	376	4%	-47%	-45%	
PPE/Sales (%)	GICS Industry	7.6	8.3	10.2	-0.7	-2.6	9.2	22.8	45.7	360	14%	-15%	-21%	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	1.2	0.3	6.4	+0.9	-5.3	0.3	1.3	3.4	167	45%	+38%	-48%	Risen over 1yr.
Prepaid Expenses/Inventory (%)	GICS Industry	36.1	20.3	612.3	+15.8	-576.2	1.2	3.7	10.7	99	94%	+47%	na	Prepaid Expenses/Inventory (%) high. Risen over 1yr.
Intangibles/Sales FY (%)	GICS Industry	0.2	0.2	0.2	+0.0	+0.0	0.1	1.0	9.2	316	22%	+4%	-8%	
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	107	95	57	+11.7	+49.5	65.5	95.1	139.4	380	60%	+29%	+39%	Risen over 3yrs.
Balance Sheet: Liabilities and Equity														
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	2.5	5.6	3.3	-3.0	-0.8	5.3	10.0	15.5	379	5%	-45%	-16%	
Trade Payable Days	GICS Industry	13	32	18	-19.0	-5.6	24.5	45.6	81.5	348	6%	-46%	-26%	
ST Debt/Total Debt (%)	Global	0	No Debt	No Debt	na	na	13.0	44.2	88.3	13,723	na	na	na	
Av. Other ST Liabs/Sales (%)	GICS Industry	4.4	4.0	4.1	+0.5	+0.3	3.8	6.8	10.9	380	25%	+14%	+3%	
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	0.0	na	na	na	na	0.7	3.6	12.1	256	na	na	na	
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	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	1.2	1.1	1.1	+0.1	+0.0	1.4	1.8	2.6	373	4%	+26%	+9%	
Balance Sheet: Other														
Av. GFA/D&A (yrs)	GICS Industry	na	na	na	na	na	8.4	14.3	22.8	371	na	na	na	
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	179	171	76	8	103	70.6	110.2	186.0	312	78%	+14%	+47%	Risen over 3yrs.
Av. Gross Working Capital/Sales (%)	GICS Industry	59.4	69.0	37.9	-9.6	+21.5	40.4	53.6	72.2	379	60%	-44%	+38%	Risen over 3yrs.
Contingent Liab/Equity (%)	GICS Industry	na	na	na	na	na	2.0	13.6	59.2	253	na	na	na	
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	205.3	125.9	137.9	+79.4	+67.4	4.5	14.9	33.7	382	99%	-49%	-48%	Return on Production Assets (%) high. Risen over 1yr. Risen over 3yrs.
Non-Prod. Assets/COGS FY (%)	GICS Industry	152.8	121.8	31.1	+31.1	+121.8	34.6	67.1	132.2	299	85%	-40%	-45%	Non-Prod. Assets/COGS FY (%) high. Risen over 1yr. Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry	0.7	No Debt	No Debt	na	na	0.9	4.0	13.7	306	15%	na	na	
Income Statement														
Sales/Employee (US\$)	GICS Industry	na	na	na	na	na	56,779	148,854	359,649	286	na	na	na	
Gross Margin (%)	GICS Industry	29.3	32.7	30.3	-3	-1	15	30	52	322	49%	+26%	+5%	
GM Volatility 5yrs (%)	GICS Industry	8.4					2.9	6.3	20.0	303	58%			
Other Op Y/Op Y (%)	GICS Industry	0.3	0.0	0.0	+0.3	+0.3	1.8	6.4	20.7	119	5%	-5%	-7%	
D&A/Sales T12M (%)	GICS Industry	0.6	4.8	0.6	-4.2	-0.0	1.4	2.8	4.7	376	94%	+50%	+6%	D&A/Sales T12M (%) low. Fallen over 1yr.
Operating Margin T12M (%)	GICS Industry	20.3	14.0	18.0	+6.3	+2.3	2.8	7.2	14.9	374	90%	-46%	-26%	Operating Margin T12M (%) high. Risen over 1yr.
Non-Op Y/Op Y (%)	GICS Industry	1.0	1.9	4.5	-1.0	-3.5	2.9	10.4	36.5	329	7%	-13%	-22%	
EFF Int Rate less MLR (ppt)	Country	28.3	na	na	na	na	-2.9	-0.5	1.1	2,032	99%	na	na	EFF Int Rate less MLR (ppt) high.
Cash Return less Policy Rate (ppt)	Country	-1.2	-1.0	-2.4	-0.1	+1.3	-2.2	-1.5	-0.2	2,145	60%	-10%	+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	27.2	26.5	25.5	+0.6	+1.7	13.3	19.2	27.2	2,043	79%	+6%	+11%	
CF Tax/IS Tax (%)	GICS Industry	94.7	108.5	63.4	-13.8	+31.3	64.9	98.7	151.1	285	56%	+17%	-20%	
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297	na			
Minority Int/Profit B4 MI (%)	Global	0.0	0.0	0.0	+0.0	+0.0	-0.1	1.8	12.8	8,362	na	na	na	
Net Income Margin (%)	GICS Industry	14.2	10.4	14.0	+3.8	+0.2	1.3	4.7	11.2	383	12%	-41%	-7%	Net Income Margin (%) high.
Capitalised Int/PTP (%)	Global	na	0.0	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	7.3	#N/A	#N/A	na	na	1.7	7.4	41.1	351	51%	na	na	

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Ratios		Global/Sector/ Country	Eratat Lifestyle Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Q3/FY13	Q3/FY12	Q3/FY10	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Q3/FY13 (0-100%)	-1yr Chg (+/-50%)	-3yr Chg (+/-50%)	
Cash Flow															
CFO/Net Profit (x)	GICS Industry		0.9	2.0	-0.1	-1.1	+1.0	0.3	1.1	2.2	1,697	64%	+33%	-25%	Fallen over 1yr.
Cash Interest Exp./CFO (%)	GICS Industry		na	na	na	na	na	0.2	4.8	25.8	271	na	na	na	
Capex/Sales (%)	GICS Industry		0.1	0.0	0.3	+0.1	-0.2	1.4	3.2	7.2	371	1%	+5%	-6%	
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		0.0	0.0	0.0	+0.0	+0.0	0.1	1.1	4.4	292	na			
Debt Repay/ST Debt -1FY (%)	Global		na	na	na	na	na	20.0	88.4	210.9	10,373	na	na	na	
Free Cash Flow Margin (%)	GICS Industry		12.3	21.0	-2.3	-8.7	+14.6	-4.2	2.4	8.7	377	11%	+39%	-39%	Fallen over 1yr.
FCF-Divs/Sales (%)	Global		11.1	19.8	-4.3	-8.7	+15.4	-7.2	0.9	6.8	10,563	13%	+36%	-37%	Fallen over 1yr.
No. of Mat. Capital Inc.-5yrs	Global		1					0.0	0.0	1.0	9,451	85%			
Other Fin. Activities/Sales (%)	GICS Industry		0.0	0.0	0.0	+0.0	+0.0	0.0	0.3	1.4	329	na			
Corporate Governance															
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 Q3/FY13

		Result: Scores within normal range. Number of red flags normal.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	47%	In Q3/FY13, Eratat Lifestyle recorded an average percentile score (0 is good, 100 is bad) of 47% across all 75 financial ratios listed below. This places it in a percentile of 38 relative to around 379 GICS industry peers globally, which is a moderate result. The company triggered a total of 11 red flags out of 75 placing it in a percentile of 43 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)	38%		
Number of Red Flags (Out of a possible 75)	11		
- Percentile vs Global Peers (0% is good, 100% is bad)	43%		

Summary of change in financials over 1 year

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	11	Over the financial year prior to Q3/FY13, Eratat Lifestyle triggered a total of 11 red flags out of 62 placing it in a percentile of 72 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)	72%		

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 Q3/FY13, Eratat Lifestyle 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	FY08	FY09	FY10	FY11	FY12	Q3/FY13	Index Calculation	Comments on latest period
Days Sales in Receivables Index	$+(0.92 \times 0.96)$	1.72	1.34	1.46	1.58	1.39	0.96	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 180 days have fallen by 7 days YoY
Gross Margin Index	$+(0.528 \times 1.12)$	0.98	0.97	1.05	0.87	1.06	1.12	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 29.3% has deteriorated by 3.4ppts YoY
Asset Quality Index	$+(0.404 \times 0.80)$	130,315.63	0.58	0.74	0.59	0.80	0.80	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - ((\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1})]$	Other LT Assets/Total Assets of 0.1% has fallen by 0ppts YoY
Sales Growth Index	$+(0.892 \times 1.02)$	1.58	1.72	1.16	1.16	0.99	1.02	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 2% YoY
Depreciation Index	$+(0.115 \times 0.02)$	2.95	0.51	0.81	0.82	0.18	5.02	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 7.4% has fallen by 29.9ppts YoY
SG&A Index	$-(0.172 \times 0.06)$	1.07	0.74	1.06	1.00	1.09	2.06	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 9.1% have fallen by 9.6ppts YoY
Total Accruals to Total Assets	$+(4.679 \times 0.02)$	0.30	0.24	0.11	0.15	0.00	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	$-(0.327 \times 0.50)$	3.61	2.21	0.80	2.00	0.83	0.50	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 14% have risen by 7.3ppts YoY
Beneish M-Score for Q3/FY13	-4.84 =	52,646.54	-1.00	-1.45	-1.69	-2.25	-1.99	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Beneish M-Score of -1.99 in Q3/FY13 suggests possible profit manipulation

Appendix 2: Montier C-Score

	FY08	FY09	FY10	FY11	FY12	Q3/FY13	Point Calculation	Comments
Profit	1	1	0	1	0	1	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of -1.9% has fallen from 10.5% YoY
Receivables	1	1	1	1	1	0	Receivable Days are increasing (1 point)	Receivables of 178 days have fallen by 7 days YoY
Inventory	0	0	1	0	0	1	Inventory Days are increasing (1 point)	Inventory of 3 days has risen by 2 days YoY
Other current assets	0	0	1	0	0	0	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 0.7% have fallen by 4.6ppts YoY
Depreciation	1	0	0	0	0	na	Depreciation relative to PPE jobs usfa bs	na
Asset growth	1	1	1	1	1	1	High asset growth in excess of 10% (1 point)	Asset growth of 25% YoY is in excess of 10%
Montier's C-Score	4	3	4	3	2	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

	FY08	FY09	FY10	FY11	FY12	Q3/FY13	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 13.4%
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 12.4%
Return on Assets Score	1	0	0	1	0	1	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has risen to 13.4% from 11% YoY
Quality of Earnings Score	0	0	0	0	1	0	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 14.2% is below Net Profit Margin of 13.8%
Long-Term Debt to Assets Score	1	1	0	0	0	0	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has risen to 8% from 0% YoY
Current Ratio Score	1	1	0	1	0	1	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has risen to 15.64x from 12.79x YoY
Shares Outstanding Score	1	0	1	0	1	1	No new shares were issued in the last year (1 point)	Number of shares remains unchanged
Gross Margin Score	1	1	0	1	0	0	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 29.3% has deteriorated by 3.4ppts YoY
Asset Turnover Score	1	0	0	0	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 0.93x from 1.05x YoY
Piotroski F-Score	8	5	3	5	4	5	Score 0-1 weak and deteriorating; 8-9 strong and improving	An F-Score of 5/9 suggests financials are marginally improving

Appendix 4: Altman Z-Score

	FY08	FY09	FY10	FY11	FY12	Q3/FY13	Altman Z-Score for a company in emerging markets	Comments
Solvency	27.64	9.83	4.75	5.53	5.58	5.76	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	1.45	1.45	1.66	1.99	2.11	2.02	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	2.68	1.80	1.45	1.52	1.24	1.15	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	3.87	9.82	7.67	16.38	13.40	6.22	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Q3/FY13	38.89	26.15	18.78	28.67	25.59	18.40	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	FY08	FY09	FY10	FY11	FY12	Q3/FY13	Point Calculation	Comments
Material acquisition?	1 point	1	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	1	0	0	0	0	0	Either a rise in Intangible Assets over 1 year	na
Material intangibles on balance sheet?		0	0	0	0	0	0	Or Intangibles are >=50%ile relative to peers	Intangible Assets/Sales of 0% are in the 22%ile
Rise in deferred tax assets -1yr?		0	0	0	0	0	0	Either a rise in Deferred Tax Asset over 1 year	na
Large deferred tax assets	1 point	na	na	na	na	na	na	Or a large Deferred Tax Asset in the 80%ile relative to industry peers	na
Acquisition Accounting		2	0	0	0	0	0	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

	FY08	FY09	FY10	FY11	FY12	Q3/FY13	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%	na
Has high effective interest rate?	1	0	0	0	0	1	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 34.3% is in the 99%ile relative to country peers
Has moderate debt?	0	0	0	0	0	1	If Debt to Sales >15%ile of industry peers	Debt/Sales of 10% is in the 24%ile relative to industry peers
Window Dressing	1	0	0	0	0	2	A score of 3 suggests strong likelihood of window dressing	Unlikely to be debt window dressing

Appendix 6a: Investment Window Dressing

	FY08	FY09	FY10	FY11	FY12	Q3/FY13	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	FY08	FY09	FY10	FY11	FY12	Q3/FY13	Point Calculation	
High operating margin	Critical criteria: 1 point	1	1	0	1	1	1	Operating Margin >80%ile relative to industry peers	A 12m Trailing Operating Margin of 20% is in the 90%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 205% is in the 99%ile
High level of non-production assets	1 point	0	1	1	1	1	1	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 153% is in the 85%ile
Build-up of non-production assets		0	0	0	1	1	1	Increase in Non Prod Assets rel to Sales or COGS >80%ile peers	Non Production Assets/COGS (or Sales) changed by 22% over 1 year
Low dividends and buybacks	1 point	1	1	1	1	1	1	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 8%
A relatively unknown auditor		0	0	0	0	0	0	Relatively obscure auditor	Mid sized auditor: Moore Stephe
Incorporation and Domicile	1pt if >1	1	1	1	1	1	1	Different country of incorporation vrs domicile	Country of incorporation (Singapore) is different from domicile (China).
Debt structure		1	1	1	1	1	0	If Short Term Debt >75% Total Debt, or no debt at all	Short term debt is 0% 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	4	4	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)	FY08	FY09	FY10	FY11	FY12	FY08-12
Sales	+453	+777	+899	+1,042	+1,032	+4,203
- OPCF	+9	+8	+31	+16	+147	+210
- Capex	(14)	(11)	(1)	(0)	+0	(26)
- Dividends (incl MI at subs)	(3)	(6)	(6)	(14)	(12)	(42)
- Buybacks	+0	+0	+0	+0	+0	+0
- (Acquisitions)/disposals	(24)	+0	+0	+0	+0	(24)
= Net internal cash generation	(32)	(9)	+23	+1	+135	+118
Externally generated cash flows						
- Debt issuance, net	(50)	+0	+0	+0	+0	(50)
- Equity issuance	+71	+170	+0	+62	+0	+303
= Net external financing	+22	+170	+0	+62	+0	+253
Net surplus/(deficit)	(11)	+161	+23	+63	+135	+372
Net flows/Sales (%)	(2)	+21	+3	+6	+13	9
Relative to Global Sector (%ile):						87%
Av. cash balance/sales (%)	1	10	18	19	28	
Relative to Global Sector (%ile)	6%	49%	71%	72%	84%	
Core cash required (10% of Sales):					37	
Surplus cash at year end (cash balance less core cash):					320	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					372	
Possible fake cash/excess cash balance (%):					116	
Unable to reconcile FCF equal to CNY0.4bn over 5yrs which equates to 116% of surplus cash balance at YE; this is a trait of frauds.						

Appendix 9: Debt Reconciliation

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(CNYm)	FY08	FY09	FY10	FY11	FY12	FY08-12
Balance sheet (BS) debt YE	2	0	0	0	0	
Change in debt: BS	(45)	(2)	+0	+0	+0	(47)
Change in debt: Cash flow (CF)	(50)	0	0	0	0	(50)
Unrec chg BS and CF debt	+4	(2)	+0	+0	+0	+2
Unrec chg/total debt (%)	+221	+0	+0	+0	+0	0
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	
#N/A Field Not Applicable	0	Free Float (%)	100
0	0	No. Instit. Owners	#N/A N/A
0	0	Institutional (%)	#N/A N/A
0	0	- Passive Instit. (ETFs) (%)	0
0	0	- Active Instit. (%)	#VALUE!
Other	100		

Appendix 11: Insiders (latest Bloomberg data)

	Comment
Insider Shares O/S (%)	#N/A Field Not Applicable
Chg Insider Hldgs -6m (%)	#N/A Field Not Appl Changes in insider holdings can be due to options, etc. as opposed to actively buying or selling
Number of Insider Shares Purchased (m)	na shares
Number of Insider Shares Sold (m)	na
Average Purchase Price of Insider Shares	#N/A Field Not Appl Current share price is SGD#N/A Real Time
Average Sell Price of Insider Shares	#N/A Field Not Applicable
Shares Outstanding (m)	475
Insider Shares Traded -6m/Total Shares (%)	#VALUE!

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(CNYm)	Comment
Comprehensive Income	39	
Less:		
Net Income/Net Profit (Losses)	39	
<i>Other comprehensive income comprised of:</i>		
na	na	Other comprehensive income is zero. Able to fully reconcile other comprehensive income.
na	na	
na	na	
na	na	
na	na	
na	na	
na	na	
Amount unable to reconcile:	(0)	