

GMT Research Accounting Screen



Short Name	Fuguiniao-H	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Fuguiniao Co., Ltd. manufactures and sells shoe products. The Company produces casual shoes, formal shoes, leather shoes, and other products. Fuguiniao also produces apparels, textiles, and other products.	
GICS Industry	252,030		
Cntry of Dom	CN		
Most Recent Balance Sheet Period	2015 Y		
Ticker	1819 HK		
Latest Period	Y		
Current Fiscal Year	2015		
Well known auditor:	Kpmg		
Numbe of auditors in past 5yrs:	2 Kpmg. Unnamed.		
Country of incorporation:	Country of incorporation (China) is same as 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 -2.3 in Y/FY15 suggests no profit manipulation.		
Cooking the Books: Montier's C-Score (App 2)	A C-Score of 6/6 suggests profit manipulation; watch out for: Deteriorating Accruals Margin. Rising receivables. Rising inventory. Rising OCA. Falling depreciation. High asset growth.		
Financial Position			
Strength of Financial Position: Piotroski F-Score (App 3)	An F-Score of 4/9 suggests financials are slightly deteriorating owing to: ROA. OPCF less than Profit. Leverage. Gross Margin. Asset Turnover.		
Risk of Default: Altman Z-Score (App 4)	An Altman Z-Score of 10.71 is in the Safe Zone: Financially sound.		
Accounting Shenanigans			
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 2/4 in Y/FY15. Minor Fraud Alert: 1.2% of frauds score just 2 points and 15% of all companies. Triggered Fake Cash Flow in last 5yrs?: FY14 FY13 FY12 FY11	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 26% of Sales are in the 97%ile and unusually high suggesting too much external finance is being raised.	
Debt Reconciliation (App 9)	Global screen	Material unreconcilable change of debt in 1 of the last 5 years.	
Other Financial Items			
Number of Red Flags (Out of a possible 75)		Triggers 19 red flags in the last financial period which is high.	
Cash Balance		Cash & STI of CNY2.1bn is extremely high at 100% of sales, in the 98%ile relative to peers, which is a trait of fake cash flow frauds.	
Restricted Cash		Unusually high Restricted Cash of CNY0.7bn equal to 28% of equity; might suggest creditor unease and use of BANs.	
Receivables		Large Receivables of CNY0.8bn are equal to 36% of Sales which is in the 97%ile relative to peers, have deteriorated by 3ppts relative to Sales over the past year which can be a sign of worsening terms of trade or channel stuffing.	
Doubtful Debts		Delinquency at 0% of total receivables are within normal range.	
Payables		Large Payables of CNY0.2bn are within normal range.	
Inventory		Inventories of CNY0.4bn have been extended by 7ppts relative to Sales over the past year which can be a sign of channel stuffing.	
Profit Manipulation: Gross Working Capital		An increase in working capital at 40% of sales owing to higher Other ST Assets and Other ST Liabilities suggests inflated cash flows and/or profit over the past year.	
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		Auditing expenses of 17.1bp of sales are unusually high in the 90%ile relative to peers, suggesting a problematic set of financials.	
Deferred Tax Assets		Deferred Tax Assets/Sales of 1% are within normal range.	
Deferred Tax Liabilities		Deferred Tax Liabilities/Sales of 0% are within normal range.	
Derivatives		Derivatives equal to 1% of equity within normal range.	
Other Large Curious Assets and/or Liabilities		Large Other ST Liabilities of CNY0.4bn include Unspecified of CNY0.4bn.	
Depn & Amort		Low depreciation at 0.7% of sales suggests that the company might be inflating profit.	
Interest Cover		EBIT Interest Cover of 8.8x is within normal range.	
Leverage		Total Debt/Profit of 3.4x and assets to equity of 1.8x are within normal range.	
Related Party Fraud		Existence of related party balances which raises risk of round tripping.	
Other Tests:		No or new CFO. An overly liquid balance sheet with high levels of debt and cash. Has a very large balance sheet with Assets at 184% of Sales in the 91%ile relative to peers.	

Short-Seller's Report (for Asian companies only)

Summary of accounting risk for Y/FY15

- Profit manipulation	High risk: Montier.
- Financial position	Normal
- General accounting	Problematic accounting with 19 red flags
- Shenanigans	Evidence: Excess Capital.

= Accounting risk: **High**

This spreadsheet expires on 30th June 2018, in 71 days.

GMT Research Accounting Screen



Ratios	Global/Sector/ Country	Fuguinhao-H Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
		Y/FY15	Y/FY14	Y/FY12	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY15	-1yr Chg	-3yr Chg	
		(0-100%) (+/-50%) (+/-50%)												
Balance Sheet: Assets														
Av Cash & Equiv./Sales (%)	GICS Industry	100.3	73.7	25.0	+26.6	+75.4	3.2	10.4	24.0	379	98%	-48%	-49%	Av Cash & Equiv./Sales (%) high. Risen over 1yr. Risen over 3yrs.
Unrestricted Cash/COGS (%)	GICS Industry	21.6	28.6	28.3	-6.9	-6.7	5.1	16.6	40.3	314	59%	+11%	+11%	
ST Investments/Sales FY (%)	GICS Industry	90.2	77.6	29.7	+12.6	+60.4	0.1	1.6	8.5	172	99%	+47%	+49%	ST Investments/Sales FY (%) present. Risen over 1yr. Risen over 3yrs.
Av. Trade & Notes Rec/Sales (%)	GICS Industry	36.0	32.5	20.0	+3.5	+16.0	7.2	12.1	20.0	356	97%	+41%	+48%	Av. Trade & Notes Rec/Sales (%) high. Risen over 1yr. Risen over 3yrs.
Delinquent AR/AR (%)	Global	0.2	0.8	0.0	-0.6	+0.2	0.9	5.9	22.7	1,912	8%	-18%	-13%	
Av. Inventory/Sales (%)	GICS Industry	17.4	10.8	12.3	+6.6	+5.1	13.0	19.6	29.8	375	40%	+43%	+33%	Risen over 1yr. Risen over 3yrs.
Inventory Days	GICS Industry	90	64	62	+25	+27	62	103	187	314	42%	+39%	+33%	Risen over 1yr. Risen over 3yrs.
Finished Goods/Inventory (%)	GICS Industry	27	42	36	-14.5	-8.6	33	60	89	417	15%	-48%	-43%	
Av. Other ST Assets/Sales (%)	GICS Industry	7.0	0.8	7.0	+6.2	+0.0	2.0	3.6	7.4	376	78%	+45%	-4%	Risen over 1yr.
PPE/Sales (%)	GICS Industry	5.0	5.0	14.4	-0.0	-9.4	9.2	22.8	45.7	360	7%	-1%	-41%	PPE/Sales (%) low. Fallen over 3yrs.
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	0.1	0.0	0.0	+0.1	+0.1	0.2	1.5	10.0	249	11%	+10%	-3%	
Deferred Tax Assets/Sales FY (%)	GICS Industry	0.5	0.6	0.4	-0.1	+0.1	0.2	0.9	2.7	277	35%	-29%	-6%	
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	0.0	0.0	na	+0.0	na	0.1	1.0	9.2	316	na	na	na	
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	184	126	80	+58.3	+104.6	65.5	95.1	139.4	380	91%	+47%	+46%	Av. Assets/Sales (%) high. Risen over 1yr. Risen over 3yrs.
Balance Sheet: Liabilities and Equity														
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	9.1	8.2	6.5	+0.9	+2.6	5.3	10.0	15.5	379	45%	+23%	+29%	
Trade Payable Days	GICS Industry	50	49	36	+1.0	+14.4	24.5	45.6	81.5	348	54%	+3%	+28%	
ST Debt/Total Debt (%)	Global	41	100	100	-58.9	-58.9	13.0	44.2	88.3	13,723	47%	-49%	-47%	
Av. Other ST Liabs/Sales (%)	GICS Industry	15.2	7.7	6.6	+7.4	+8.6	3.8	6.8	10.9	380	89%	+47%	+46%	Av. Other ST Liabs/Sales (%) high. Risen over 1yr. Risen over 3yrs.
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	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	1.8	1.4	1.8	+0.4	+0.0	1.4	1.8	2.6	373	50%	+42%	+5%	Risen over 1yr.
Balance Sheet: Other														
Av. GFA/D&A (yrs)	GICS Industry	17.4	15.9	20.4	+1.4	-3.1	8.4	14.3	22.8	371	65%	+9%	-40%	
Restricted Cash/Equity (%)	GICS Industry	27.8	1.5	0.3	+26.3	+27.5	0.1	0.3	5.9	60	95%	+50%	+47%	Restricted Cash/Equity (%) high. Risen over 1yr. Risen over 3yrs.
Cash Conversion Cycle (Days)	GICS Industry	171	134	103	37	67	70.6	110.2	186.0	312	76%	+42%	+44%	Risen over 1yr. Risen over 3yrs.
Av. Gross Working Capital/Sales (%)	GICS Industry	102.7	62.9	53.3	+39.8	+49.4	40.4	53.6	72.2	379	93%	+48%	+46%	Av. Gross Working Capital/Sales (%) high. Risen over 1yr. Risen over 3yrs.
Contingent Liab/Equity (%)	GICS Industry	0.4	1.2	30.0	-0.8	-29.6	2.0	13.6	59.2	253	6%	-11%	-40%	
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	0.6	0.0	0.0	+0.6	+0.6	-1.4	0.0	1.1	2,405	74%	+21%	+13%	
Return on Production Assets (%)	GICS Industry	136.9	166.1	93.7	-29.3	+43.2	4.5	14.9	33.7	382	98%	+46%	-47%	Return on Production Assets (%) high. Fallen over 1yr. Risen over 3yrs.
Non-Prod. Assets/COGS FY (%)	GICS Industry	318.7	222.7	95.9	+95.9	+222.7	34.6	67.1	132.2	299	95%	-48%	-48%	Non-Prod. Assets/COGS FY (%) high. Risen over 1yr. Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry	3.4	1.3	1.1	+2.2	+2.3	0.9	4.0	13.7	306	46%	+27%	+18%	
Income Statement														
											(0-100%)	(+/-50%)	(+/-50%)	
Sales/Employee (US\$)	GICS Industry	73,477	72,929	na	+548	na	56,779	148,854	359,649	286	29%	-3%	na	
Gross Margin (%)	GICS Industry	39.5	39.5	33.8	-0	+6	15	30	52	322	62%	+8%	-21%	
GM Volatility 5yrs (%)	GICS Industry	7.5					2.9	6.3	20.0	303	53%			
Other Op Y/Op Y (%)	GICS Industry	5.3	1.8	3.8	+3.5	+1.5	1.8	6.4	20.7	119	45%	+24%	+3%	
D&A/Sales T12M (%)	GICS Industry	0.7	0.6	1.0	+0.0	-0.3	1.4	2.8	4.7	376	93%	+1%	+22%	D&A/Sales T12M (%) low.
Operating Margin T12M (%)	GICS Industry	27.2	26.1	23.5	+1.1	+3.6	2.8	7.2	14.9	374	96%	-23%	-34%	Operating Margin T12M (%) high. Risen over 3yrs.
Non-Op Y/Op Y (%)	GICS Industry	7.9	5.1	4.2	+2.7	+3.7	2.9	10.4	36.5	329	42%	+13%	+10%	
EFF Int Rate less MLR (ppt)	Country	2.2	-0.7	1.3	+3.0	+0.9	-2.9	-0.5	1.1	2,032	88%	+42%	+8%	EFF Int Rate less MLR (ppt) high. Risen over 1yr.
Cash Return less Policy Rate (ppt)	Country	0.3	0.0	0.5	+0.3	-0.2	-2.2	-1.5	-0.2	2,145	84%	+9%	-17%	Cash Return less Policy Rate (ppt) high.
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	25.1	25.1	25.1	+0.0	+0.0	13.3	19.2	27.2	2,043	70%	-3%	-4%	
CF Tax/IS Tax (%)	GICS Industry	98.1	110.2	85.0	-12.1	+13.1	64.9	98.7	151.1	285	51%	+17%	-9%	
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297				
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	19.3	19.4	16.7	-0.1	+2.6	1.3	4.7	11.2	383	5%	+1%	-30%	Net Income Margin (%) high.
Capitalised Int/PTP (%)	Global	na	0.0	0.0	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	8.8	25.3	10.8	-16.6	-2.0	1.7	7.4	41.1	351	47%	+39%	+15%	Fallen over 1yr.

GMT Research Accounting Screen



Ratios		Global/Sector/ Country	Fuguiniao-H Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY15	Y/FY14	Y/FY12	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY15	-1yr Chg	-3yr Chg	
Cash Flow															
CFO/Net Profit (x)	GICS Industry	0.5	1.7	1.2	-1.2	-0.7	0.3	1.1	2.2	1,697	77%	+33%	+26%	Fallen over 1yr.	
Cash Interest Exp./CFO (%)	GICS Industry	14.8	3.2	10.7	+11.7	+4.2	0.2	4.8	25.8	271	69%	+30%	+21%	Fallen over 1yr.	
Capex/Sales (%)	GICS Industry	0.2	0.2	2.0	+0.0	-1.8	1.4	3.2	7.2	371	2%	+1%	-26%		
Decrease Investments/Sales (%)	GICS Industry	75.6	63.8	1.3	+11.8	+74.3	0.0	0.5	4.8	141	96%			Decrease Investments/Sales (%) high.	
Other Investing Activities/Sales (%)	GICS Industry	54.3	41.5	0.8	+12.8	+53.5	0.1	1.1	4.4	292	99%			Other Investing Activities/Sales (%) high.	
Debt Repay/ST Debt -1FY (%)	Global	121	146	130	-25.3	-8.6	20.0	88.4	210.9	10,373	66%	-24%	-13%		
Free Cash Flow Margin (%)	GICS Industry	9.2	32.1	18.5	-22.9	-9.3	-4.2	2.4	8.7	377	19%	+48%	+39%	Fallen over 1yr. Fallen over 3yrs.	
FCF-Divs/Sales (%)	Global	0.8	22.7	15.1	-21.9	-14.3	-7.2	0.9	6.8	10,563	51%	+44%	+40%	Fallen over 1yr. Fallen over 3yrs.	
No. of Mat. Capital Inc -5yrs	Global	0					0.0	0.0	1.0	9,451	na				
Other Fin. Activities/Sales (%)	GICS Industry	0.1	0.0	0.4	+0.1	-0.3	0.0	0.3	1.4	329	26%				
Corporate Governance															
Auditing Exp/Sales (bp)	GICS Industry	17.1					2.5	6.3	13.2	179	90%			Auditing Exp/Sales (bp) high.	
RPT Balances/Equity (%)	Global	7.8					0.3	1.9	11.0	1,434	74%			RPT Balances/Equity (%) high.	
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/FY15

		Result: Very poor score. High number of red flags.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	60%	In Y/FY15, Fuguiniao-H recorded an average percentile score (0 is good, 100 is bad) of 60% across all 75 financial ratios listed below. This places it in a percentile of 92 relative to around 379 GICS industry peers globally, which is a very unusual 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)	92%		
Number of Red Flags (Out of a possible 75)	19		
- Percentile vs Global Peers (0% is good, 100% is bad)	81%		

Summary of change in financials over 1 year

		Result: High number of red flags.	Explanation
Number of Red Flags (Out of a possible 62)	20	Over the financial year prior to Y/FY15, Fuguiniao-H triggered a total of 20 red flags out of 62 placing it in a percentile of 96 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)	96%		

Summary of change in financials over 3 yrs

		Result: High number of red flags.	Explanation
Number of Red Flags (Out of a possible 62)	16	Over the 3 financial years prior to Y/FY15, Fuguiniao-H triggered a total of 16 red flags out of 62 placing it in a percentile of 93 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)	93%		

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Appendices

Appendix 1: Beneish M-Score

	Calculation	FY11	FY12	FY13	FY14	FY15	Y/FY15	Index Calculation	Comments on latest period
Days Sales in Receivables Index	$+(0.92 \times 1.11)$	na	1.06	1.31	1.24	1.11	1.11	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 131 days have increased by 13 days YoY
Gross Margin Index	$+(0.528 \times 1.00)$	0.85	0.92	0.87	0.98	1.00	1.00	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 39.5% has deteriorated by 0ppts YoY
Asset Quality Index	$+(0.404 \times 0.68)$	1.47	4.95	0.43	1.72	0.68	0.68	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - ((\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1})]$	Other LT Assets/Total Assets of 0.3% has fallen by 0.1ppts YoY
Sales Growth Index	$+(0.892 \times 0.87)$	1.54	1.17	1.19	1.01	0.87	0.87	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have fallen -13% YoY
Depreciation Index	$+(0.115 \times 0.93)$	0.99	0.86	0.38	1.24	0.93	0.93	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 12.9% has risen by 0.8ppts YoY
SG&A Index	$-(0.172 \times 1.01)$	0.99	0.87	0.82	0.97	1.01	1.01	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 13.7% have fallen by 0.2ppts YoY
Total Accruals to Total Assets	$+(4.679 \times 0.05)$	0.01	-0.05	0.15	-0.10	0.05	0.05	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are 5%
Leverage Index	$-(0.327 \times 0.65)$	1.05	1.37	1.54	0.99	0.65	0.65	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 45% have risen by 15.6ppts YoY
Beneish M-Score for Y/FY15	-4.84 =	na	-1.06	-1.85	-2.38	-2.30	-2.30	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Beneish M-Score of -2.3 in Y/FY15 suggests no profit manipulation

Appendix 2: Montier C-Score

	FY11	FY12	FY13	FY14	FY15	Y/FY15	Point Calculation	Comments
Profit	0	0	1	0	1	1	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of -10% has fallen from 12.9% YoY
Receivables	na	1	1	1	1	1	Receivable Days are increasing (1 point)	Receivables of 129 days have increased by 12 days YoY
Inventory	0	1	0	1	1	1	Inventory Days are increasing (1 point)	Inventory of 17 days has risen by 7 days YoY
Other current assets	0	0	0	1	1	1	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 27.6% have risen by 23.9ppts YoY
Depreciation	na	0	0	1	1	1	Depreciation relative to PPE jobs usfa bs	Depreciation of 17.4yrs has risen by 1.4yrs YoY
Asset growth	1	0	1	1	1	1	High asset growth in excess of 10% (1 point)	Asset growth of 41% YoY is in excess of 10%
Montier's C-Score	na	2	3	5	6	6	Score 0-1 is good; 2-4 is average, 5-6 is bad	A C-Score of 6/6 suggests profit manipulation

Appendix 3: Piotroski F-Score

	FY11	FY12	FY13	FY14	FY15	Y/FY15	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 10.4%
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 9.3%
Return on Assets Score	1	1	0	0	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 10.4% from 15.4% YoY
Quality of Earnings Score	0	1	0	1	0	0	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 9.3% is below Net Profit Margin of 19.3%
Long-Term Debt to Assets Score	0	1	1	0	0	0	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has risen to 31% from 18% YoY
Current Ratio Score	1	1	1	0	1	1	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has risen to 3.61x from 3.25x YoY
Shares Outstanding Score	na	na	na	1	1	1	No new shares were issued in the last year (1 point)	Number of shares remains unchanged
Gross Margin Score	1	1	1	1	0	0	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 39.5% has deteriorated by 0ppts YoY
Asset Turnover Score	1	1	0	0	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 0.54x from 0.79x YoY
Piotroski F-Score	6	8	5	5	4	4	Score 0-1 weak and deteriorating; 8-9 strong and improving	An F-Score of 4/9 suggests financials are slightly deteriorating

Appendix 4: Altman Z-Score

	FY11	FY12	FY13	FY14	FY15	Y/FY15	Altman Z-Score for a company in emerging markets	Comments
Solvency	na	na	4.33	4.36	4.63	4.63	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	na	na	0.60	0.78	0.71	0.71	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	na	na	1.42	1.31	0.85	0.85	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	0.65	1.28	2.54	2.50	1.27	1.27	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Y/FY15	na	na	12.13	12.20	10.71	10.71	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	FY11	FY12	FY13	FY14	FY15	Y/FY15	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	na	na	0	0	0	Either a rise in Intangible Assets over 1 year	na
Material intangibles on balance sheet?		na	na	na	na	na	na	Or Intangibles are >=50%ile relative to peers	na
Rise in deferred tax assets -1yr?	1 point	0	1	0	1	0	0	Either a rise in Deferred Tax Asset over 1 year	na
Large deferred tax assets		0	0	0	0	0	0	Or a large Deferred Tax Asset in the 80%ile relative to industry peers	DTA/Sales of 0.5% is in the 35%ile relative to industry peers
Acquisition Accounting		0	1	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

	FY11	FY12	FY13	FY14	FY15	Y/FY15	Point Calculation	Comments
Has high debt repayment/ST debt?	1	1	1	1	0	0	Debt Repayment relative to the ST Debt one year prior is in excess of 130%	Debt Repayment/ST Debt -1FY of 121% is in the 66%ile relative to global peers
Has high effective interest rate?	1	1	1	1	1	1	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 6.6% is in the 94%ile relative to country peers
Has moderate debt?	1	1	1	1	1	1	If Debt to Sales >15%ile of industry peers	Debt/Sales of 66% is in the 90%ile relative to industry peers
Window Dressing	3	3	3	3	2	2	A score of 3 suggests strong likelihood of window dressing	Unlikely to be debt window dressing

Appendix 6a: Investment Window Dressing

	FY11	FY12	FY13	FY14	FY15	Y/FY15	Point Calculation	Comments
High level of investment repayment/sales?	0	0	1	1	1	1	If Invest Repay/Sales in excess of the 80%ile relative to industry peers	Inv. Repayment/Sales of 76% is in the 96%ile relative to industry peers
High inv. repay./investments -1FY?	0	0	1	1	0	0	If Invest Repay in excess of 100% of previous year's Investments	Investment Repayment/Investment -1FY of 97%
Window Dressing Investments	0	0	2	2	0	0	A score of 2 suggests a strong possibility of window dressing	Unlikely to be window dressing investments

Appendix 7: Fake Cash Flow

	Point Calculation	FY11	FY12	FY13	FY14	FY15	Y/FY15	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 27% is in the 96%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 137% is in the 98%ile
High level of non-production assets	1 point	0	0	1	1	1	1	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 319% is in the 95%ile
Build-up of non-production assets		1	0	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 124% over 1 year
Low dividends and buybacks	1 point	0	1	0	0	0	0	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 44%
A relatively unknown auditor		1	1	0	0	0	0	Relatively obscure auditor	Well known auditor: Kpmg
Incorporation and Domicile		0	0	0	0	0	0	Different country of incorporation vrs domicile	Country of incorporation (China) is same as domicile (China).
Debt structure	1pt if >1	1	1	1	1	0	0	If Short Term Debt >75% Total Debt, or no debt at all	Short term debt is 41% 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	2	2	A score of 3 or 4 is problematic and requires further investigation	Minor Fraud Alert: 1.2% of frauds score just 2 points and 15% of all companies

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Appendix 8: Excess Capital Raising

(CNYm)	FY11	FY12	FY13	FY14	FY15	FY11-15
Sales	+1,652	+1,932	+2,294	+2,323	+2,032	+10,233
- OPCF	+244	+395	+16	+750	+190	+1,595
- Capex	(17)	(38)	+213	(4)	+4	+158
- Dividends (incl MI at subs)	(111)	(65)	(191)	(218)	(170)	(755)
- Buybacks	+0	+0	+0	+0	+0	+0
- (Acquisitions)/disposals	+0	+5	+0	+0	+0	+5
= Net internal cash generation	+116	+297	+38	+528	+24	+1,003
Externally generated cash flows						
- Debt issuance, net	+159	(422)	+59	(16)	+942	+722
- Equity issuance	+20	+41	+895	+11	+0	+967
= Net external financing	+180	(380)	+954	(6)	+942	+1,690
Net surplus/(deficit)	+296	(83)	+992	+522	+966	+2,693
Net flows/Sales (%)	+18	(4)	+43	+22	+48	26
Relative to Global Sector (%ile):						97%
Av. cash balance/sales (%)	19	25	42	74	100	
Relative to Global Sector (%ile)	71%	81%	92%	97%	98%	
Core cash required (10% of Sales):					218	
Surplus cash at year end (cash balance less core cash):					1,880	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					2,693	
Possible fake cash/excess cash balance (%):					143	
Unable to reconcile FCF equal to CNY2.7bn over 5yrs which equates to 143% of surplus cash balance at YE; this is a trait of frauds.						

Appendix 9: Debt Reconciliation

(CNYm)	FY11	FY12	FY13	FY14	FY15	FY11-15
Balance sheet (BS) debt YE	794	359	418	565	1,348	
Change in debt: BS	+187	(435)	+59	+147	+783	+741
Change in debt: Cash flow (CF)	159	(422)	59	(16)	942	+722
Unrec chg BS and CF debt	+27	(13)	(0)	+164	(159)	+18
Unrec chg/total debt (%)	+3	(4)	(0)	+29	(12)	1
Possible reason:	ok	ok	ok	None.	ok	
Material unreconcilable change of debt in 1 of 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.						

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Appendix 10: Ownership Type (latest Bloomberg data)

	(%)	Active Versus Passive	
Investment Advisor	63	Free Float (%)	28
Holding Company	27	No. Instit. Owners	19
Corporation	7	Institutional (%)	65
Individual	2	- Passive Instit. (ETFs) (%)	0
Government	0	- Active Instit. (%)	65
Other	0		

Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	1.65	
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 HKD3.88
Average Sell Price of Insider Shares	0.00	
Shares Outstanding (m)	1,337	
Insider Shares Traded -6m/Total Shares (%)	0.00	

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(CNYm)	Comment
Comprehensive Income	394	
Less:		
Net Income/Net Profit (Losses)	392	
Other comprehensive income comprised of:		
Foreign Currency Trans. Adj.	2	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	