

GMT Research Accounting Screen



Short Name	Naibu Global Int	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Naibu Global International Company Plc is a shoe and apparel manufacturer. The Company and its subsidiaries design, manufacture and supply branded sports shoes, and design and supply branded clothing and accessories in the People's Republic of China.	
GICS Industry	252,030		
Cntry of Dom	CN		
Most Recent Balance Sheet Period	2014 S1		
Ticker	NBU LN		
Latest Period	Y		
Current Fiscal Year	2013		
Very small auditor:	Crowe Clark		Short-Seller's Report (for Asian companies only)
Numbe of auditors in past 5yrs:	3	Crowe Clark . Unnamed. Mazars Llp.	
Country of incorporation:	Country of incorporation (Jersey) 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/FY13
Profit Manipulation: Beneish M-Score (See App 1)		Unable to calculate Beneish M-Score owing to insufficient disclosure.	- Profit manipulation No info
Cooking the Books: Montier's C-Score (App 2)		Unable to calculate Montier's C-Score owing to insufficient disclosure.	- Financial position Weak: Piotroski.
Financial Position			- General accounting Clean accounting with just 9 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. Increase in Shares. Gross Margin. Asset Turnover.	- Shenanigans Evidence: Fake Cash Flow.
Risk of Default: Altman Z-Score (App 4)		An Altman Z-Score of 18.76 is in the Safe Zone: Financially sound.	= Accounting risk: Medium
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 Y/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?: FY13 FY12 FY11 FY10 FY09	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 6% of Sales are normal.	
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 9 red flags in the last financial period which is low.	
Cash Balance		Cash & STI of CNY0.5bn is within normal range.	
Restricted Cash		Restricted Cash of CNY0bn is within normal range.	
Receivables		Large Receivables of CNY0.6bn are equal to 30% of Sales which is in the 94%ile relative to peers, can be a sign of channel stuffing.	
Doubtful Debts		No delinquencies have been reported.	
Payables		Large Payables of CNY0.1bn are within normal range.	
Inventory		Inventories of CNY0.1bn are equal to 5% 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		Deferred Tax Liabilities/Sales of 1% 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 1.1% of sales suggests that the company might be inflating profit.	
Interest Cover		The company has no debt.	
Leverage		The company has no debt.	
Related Party Fraud		No evidence of related party transactions.	
Other Tests:		No or new CFO. Gross Margin volatility is unusually low at 2.9% in the 19%ile relative to peers which is sometimes a trait of frauds.	

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Ratios		Global/Sector/ Country	Naibu Global Int Ratios			Ratio Change		Peer Group Comparison Ratios			Percentiles and Red Flags			Red Flag Comment		
			Y/FY13	Y/FY12	Y/FY10	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY13	-1yr Chg	-3yr Chg		
Balance Sheet: Assets												(0-100%)	(+/-50%)	(+/-50%)		
Av Cash & Equiv./Sales (%)		GICS Industry	23.9	22.1	7.7	+1.8	+16.2	3.2	10.4	24.0	379	79%	-20%	-39%	Risen over 3yrs.	
Unrestricted Cash/COGS (%)		GICS Industry	33.6	37.5	15.2	-3.9	+18.4	5.1	16.6	40.3	314	74%	+8%	-3%		
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	29.6	na	19.5	na	+10.0	7.2	12.1	20.0	356	94%	na	+44%	Av. Trade & Notes Rec/Sales (%) high. Risen over 3yrs.	
Delinquent AR/AR (%)		Global	na	na	na	na	na	0.9	5.9	22.7	1,912	na	na	na		
Av. Inventory/Sales (%)		GICS Industry	4.8	3.9	2.7	+0.9	+2.0	13.0	19.6	29.8	375	4%	+11%	+14%		
Inventory Days		GICS Industry	21	22	12	-1	+8	62	103	187	314	4%	-16%	+6%		
Finished Goods/Inventory (%)		GICS Industry	92	75	72	+17.3	+19.8	33	60	89	417	83%	+45%	+42%	Finished Goods/Inventory (%) high. Risen over 1yr. Risen over 3yrs.	
Av. Other ST Assets/Sales (%)		GICS Industry	4.8	18.3	2.5	-13.6	+2.3	2.0	3.6	7.4	376	64%	-50%	+29%		
PPE/Sales (%)		GICS Industry	3.0	0.7	1.3	+2.3	+1.7	9.2	22.8	45.7	360	4%	+24%	+11%	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	5.1	na	0.0	na	+5.1	0.1	1.0	9.2	316	71%	na	+36%	Risen over 3yrs.	
Av. Other LT Assets/Sales FY (%)		GICS Industry	0.8	1.7	0.0	-0.9	+0.8	0.4	1.8	5.8	332	29%	-38%	+13%		
Av. Assets/Sales (%)		GICS Industry	69	62	33	+7.3	+35.6	65.5	95.1	139.4	380	22%	+21%	+35%	Risen over 3yrs.	
Balance Sheet: Liabilities and Equity																
Av. Payables (Trade, Bills, Accr/Sales (%)		GICS Industry	7.1	8.0	5.4	-1.0	+1.7	5.3	10.0	15.5	379	32%	-31%	+22%		
Trade Payable Days		GICS Industry	35	na	28	na	+7.5	24.5	45.6	81.5	348	35%	na	+18%		
ST Debt/Total Debt (%)		Global	No Debt	No Debt	No Debt	na	na	13.0	44.2	88.3	13,723	na	na	na		
Av. Other ST Liabs/Sales (%)		GICS Industry	3.3	8.9	4.1	-5.6	-0.7	3.8	6.8	10.9	380	15%	-47%	-22%		
Av. Deferred Tax Liab/Sales FY (%)		GICS Industry	0.8	na	na	na	na	0.7	3.6	12.1	256	22%	na	na		
Av. Other LT Liabs/Sales (%)		GICS Industry	0.5	0.4	1.6	+0.1	-1.1	0.4	1.8	5.1	298	22%	-12%	-38%		
Preferred Equity/Equity (%)		Global	0.0	0.0	na	+0.0	na	0.2	5.1	20.7	908	na	na	na		
Minority/Total Equity (%)		Global	0.0	0.0	na	+0.0	na	0.3	2.4	11.4	9,628	na	na	na		
Assets/Equity (x)		GICS Industry	1.2	1.2	1.4	-0.0	-0.2	1.4	1.8	2.6	373	5%	-9%	-24%		
Balance Sheet: Other																
Av. GFA/D&A (yrs)		GICS Industry	3.4	4.3	8.8	-0.9	-5.3	8.4	14.3	22.8	371	2%	-29%	-45%		
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	93	#N/A	N/A	56	na	37	70.6	110.2	186.0	312	38%	na	+37%	Risen over 3yrs.
Av. Gross Working Capital/Sales (%)		GICS Industry	48.7	50.9	33.8	-2.1	+14.9	40.4	53.6	72.2	379	39%	-26%	+31%	Risen over 3yrs.	
Contingent Liab/Equity (%)		GICS Industry	0.3	0.6	1.6	-0.3	-1.3	2.0	13.6	59.2	253	5%	-5%	-7%		
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	307.2	430.3	619.9	-123.2	-312.8	4.5	14.9	33.7	382	99%	+50%	+50%	Return on Production Assets (%) high. Fallen over 1yr. Fallen over 3yrs.	
Non-Prod. Assets/COGS FY (%)		GICS Industry	93.0	78.7	14.3	+14.3	+78.7	34.6	67.1	132.2	299	66%	-27%	-40%	Risen over 3yrs.	
Gross Debt/Profit (x)		GICS Industry	No Debt	No Debt	No Debt	na	na	0.9	4.0	13.7	306	na	na	na		
Income Statement												(0-100%)	(+/-50%)	(+/-50%)		
Sales/Employee (US\$)		GICS Industry	157,671	na	na	na	na	56,779	148,854	359,649	286	52%	na	na		
Gross Margin (%)		GICS Industry	27.8	28.0	29.3	-0	-2	15	30	52	322	47%	+9%	+8%		
GM Volatility 5yrs (%)		GICS Industry	2.9					2.9	6.3	20.0	303	19%			GM Volatility 5yrs (%) low.	
Other Op Y/Op Y (%)		GICS Industry	0.5	0.5	0.2	-0.1	+0.3	1.8	6.4	20.7	119	8%	-11%	-7%		
D&A/Sales T12M (%)		GICS Industry	1.1	0.3	0.2	+0.8	+0.9	1.4	2.8	4.7	376	86%	-38%	-28%	D&A/Sales T12M (%) low.	
Operating Margin T12M (%)		GICS Industry	21.7	21.5	22.8	+0.2	-1.1	2.8	7.2	14.9	374	92%	-8%	+7%	Operating Margin T12M (%) high.	
Non-Op Y/Op Y (%)		GICS Industry	0.0	0.0	0.0	+0.0	+0.0	2.9	10.4	36.5	329	na	na	na		
EFF Int Rate less MLR (ppt)		Country	na	na	na	na	na	-2.9	-0.5	1.1	2,032	na	na	na		
Cash Return less Policy Rate (ppt)		Country	-1.5	-1.5	-2.8	+0.0	+1.3	-2.2	-1.5	-0.2	2,145	48%	-4%	+25%		
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	26.2	26.4	na	-0.2	na	13.3	19.2	27.2	2,043	76%	-8%	na		
CF Tax/IS Tax (%)		GICS Industry	95.0	101.6	67.2	-6.6	+27.8	64.9	98.7	151.1	285	55%	+11%	-18%		
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	16.0	15.8	18.2	+0.2	-2.2	1.3	4.7	11.2	383	9%	-6%	+20%	Net Income Margin (%) high.	
Capitalised Int/PTP (%)		Global	0.0	0.0	na	+0.0	na	0.0	0.0	0.0	13,642	na	na	na		
Cap of Intang. Assets/PTP (%)		Global	0.0	0.0	na	+0.0	na	0.9	4.0	16.7	728	na				
EBIT Interest Cover (x)		GICS Industry	452.4	#N/A	N/A	na	na	1.7	7.4	41.1	351	5%	na	na		

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Ratios		Global/Sector/ Country	Naibu Global Int Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY13	Y/FY12	Y/FY10	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY13	-1yr Chg	-3yr Chg	
Cash Flow												(0-100%)	(+/-50%)	(+/-50%)	
CFO/Net Profit (x)		GICS Industry	0.7	0.6	0.4	+0.2	+0.3	0.3	1.1	2.2	1,697	70%	-3%	-4%	
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	10.1	2.2	0.1	+8.0	+10.0	1.4	3.2	7.2	371	88%	+46%	+47%	Capex/Sales (%) high. 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	0.0	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	1.1	6.6	8.0	-5.5	-6.9	-4.2	2.4	8.7	377	58%	+32%	+34%	Fallen over 1yr. Fallen over 3yrs.
FCF-Divs/Sales (%)		Global	0.6	na	2.0	na	-1.4	-7.2	0.9	6.8	10,563	52%	na	+12%	
No. of Mat. Capital Inc -5yrs		Global	1					0.0	0.0	1.0	9,451	85%			
Other Fin. Activities/Sales (%)		GICS Industry	0.2	0.1	4.1	+0.1	-3.9	0.0	0.3	1.4	329	39%			
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/FY13

		Result: Scores within normal range. Few red flags.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	45%	In Y/FY13, Naibu Global Int recorded an average percentile score (0 is good, 100 is bad) of 45% across all 75 financial ratios listed below. This places it in a percentile of 26 relative to around 379 GICS industry peers globally, which is a moderate result. The company triggered a total of 9 red flags out of 75 placing it in a percentile of 19 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)	26%		
Number of Red Flags (Out of a possible 75)	9		
- Percentile vs Global Peers (0% is good, 100% is bad)	19%		

Summary of change in financials over 1 year

		Result: Few red flags.	Explanation
Number of Red Flags (Out of a possible 62)	4	Over the financial year prior to Y/FY13, Naibu Global Int triggered a total of 4 red flags out of 62 placing it in a percentile of 18 relative to our sample of 16,000 companies globally, which is a very good 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)	18%		

Summary of change in financials over 3 yrs

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	11	Over the 3 financial years prior to Y/FY13, Naibu Global Int triggered a total of 11 red flags out of 62 placing it in a percentile of 78 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)	78%		

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Appendices

Appendix 1: Beneish M-Score

	Calculation	FY09	FY10	FY11	FY12	FY13	Y/FY13	Index Calculation	Comments on latest period
Days Sales in Receivables Index	na	na	1.24	na	na	na	na	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	na
Gross Margin Index	$+(0.528 \times 1.01)$	0.96	0.99	1.04	1.01	1.01	1.01	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 27.8% has deteriorated by 0.2ppts YoY
Asset Quality Index	$+(0.404 \times 2.66)$	na	na	na	na	2.66	2.66	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - ((\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1})]$	Other LT Assets/Total Assets of 7.6% has increased by 4.7ppts YoY
Sales Growth Index	$+(0.892 \times 1.15)$	1.47	1.42	1.20	1.12	1.15	1.15	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 15% YoY
Depreciation Index	$+(0.115 \times 2.06)$	1.35	0.59	0.85	0.49	2.06	2.06	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 16.7% has fallen by 17.6ppts YoY
SG&A Index	$-(0.172 \times 1.07)$	1.38	0.93	1.27	0.78	1.07	1.07	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 6.2% have fallen by 0.4ppts YoY
Total Accruals to Total Assets	$+(4.679 \times 0.06)$	na	na	0.14	0.10	0.06	0.06	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are 6%
Leverage Index	$-(0.327 \times 1.16)$	1.27	1.68	0.84	1.64	1.16	1.16	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 14% have fallen by 2.3ppts YoY
Beneish M-Score for Y/FY13	-4.84 =	na	na	na	na	na	na	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Unable to calculate Beneish M-Score owing to insufficient disclosure

Appendix 2: Montier C-Score

	FY09	FY10	FY11	FY12	FY13	Y/FY13	Point Calculation	Comments
Profit	0	1	0	0	0	0	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of -4.7% has improved from -7% YoY
Receivables	na	1	na	na	na	na	Receivable Days are increasing (1 point)	na
Inventory	0	0	1	0	1	1	Inventory Days are increasing (1 point)	Inventory of 5 days has risen by 1 days YoY
Other current assets	1	0	1	1	0	0	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 4.8% have fallen by 13.6ppts YoY
Depreciation	na	0	na	na	na	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 27% YoY is in excess of 10%
Montier's C-Score	na	3	na	na	na	na	Score 0-1 is good; 2-4 is average, 5-6 is bad	Unable to calculate Montier's C-Score owing to insufficient disclosure

Appendix 3: Piotroski F-Score

	FY09	FY10	FY11	FY12	FY13	Y/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 23.1%
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 11.3%
Return on Assets Score	na	na	na	0	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 23.1% from 25.6% YoY
Quality of Earnings Score	na	na	0	0	0	0	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 11.3% is below Net Profit Margin of 16%
Long-Term Debt to Assets Score	0	0	0	0	0	0	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has risen to 0% from 0% YoY
Current Ratio Score	1	1	0	1	1	1	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has risen to 6.09x from 5.9x YoY
Shares Outstanding Score	na	na	na	na	0	0	No new shares were issued in the last year (1 point)	Increased number of shares by 6.8%
Gross Margin Score	1	1	0	0	0	0	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 27.8% has deteriorated by 0.2ppts 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 1.45x from 1.62x YoY
Piotroski F-Score	na	na	na	3	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

	FY09	FY10	FY11	FY12	FY13	Y/FY13	Altman Z-Score for a company in emerging markets	Comments
Solvency	22.07	11.92	na	na	5.01	5.01	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	1.47	1.72	na	na	2.37	2.37	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	4.27	3.71	na	na	2.02	2.02	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	1.41	2.65	2.78	5.13	6.12	6.12	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Y/FY13	32.46	23.25	na	na	18.76	18.76	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	FY09	FY10	FY11	FY12	FY13	Y/FY13	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	0	0	na	na	na	na	Either a rise in Intangible Assets over 1 year	na
Material intangibles on balance sheet?		na	na	na	na	1	1	Or Intangibles are >=50%ile relative to peers	Intangible Assets/Sales of 5% are in the 71%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	0	1	1	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

	FY09	FY10	FY11	FY12	FY13	Y/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?	0	0	0	0	0	0	Effective Interest Rate is in excess of the 80%ile relative to country peers	na
Has moderate debt?	0	0	0	0	0	0	If Debt to Sales >15%ile of industry peers	na
Window Dressing	0	0	0	0	0	0	A score of 3 suggests strong likelihood of window dressing	Unlikely to be debt window dressing

Appendix 6a: Investment Window Dressing

	FY09	FY10	FY11	FY12	FY13	Y/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	FY09	FY10	FY11	FY12	FY13	Y/FY13	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 22% is in the 92%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 307% is in the 99%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 93% is in the 66%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 2% 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 3%
A relatively unknown auditor		1	1	1	1	1	1	Relatively obscure auditor	Very small auditor: Crowe Clark
Incorporation and Domicile		1	1	1	1	1	1	Different country of incorporation vrs domicile	Country of incorporation (Jersey) 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	No 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	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)	FY09	FY10	FY11	FY12	FY13	FY09-13
Sales	+875	+1,245	+1,492	+1,677	+1,928	+7,216
- OPCF	+140	+101	+153	+147	+217	+758
- Capex	(8)	(1)	(0)	(36)	(195)	(241)
- Dividends (incl MI at subs)	(87)	(75)	+0	+0	(10)	(172)
- Buybacks	#N/A N/A	#N/A N/A	+0	+0	+0	+0
- (Acquisitions)/disposals	+0	+0	+0	+0	+0	+0
= Net internal cash generation	+44	+25	+153	+111	+12	+345
Externally generated cash flows						
- Debt issuance, net	#N/A N/A	#N/A N/A	+0	+0	+0	+0
- Equity issuance	#N/A N/A	#N/A N/A	+0	+54	+0	+54
= Net external financing	+0	+0	+0	+54	+0	+54
Net surplus/(deficit)	+44	+25	+153	+165	+12	+399
Net flows/Sales (%)	+5	+2	+10	+10	+1	6
Relative to Global Sector (%ile):						75%
Av. cash balance/sales (%)	7	8	14	22	24	
Relative to Global Sector (%ile)	36%	39%	61%	77%	79%	
Core cash required (10% of Sales):						49
Surplus cash at year end (cash balance less core cash):						420
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):						399
Possible fake cash/excess cash balance (%):						95
Normal amounts of cash flow generated.						

Appendix 9: Debt Reconciliation

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(CNYm)	FY09	FY10	FY11	FY12	FY13	FY09-13
Balance sheet (BS) debt YE	0	0	0	0	0	
Change in debt: BS	+0	+0	+0	+0	+0	+0
Change in debt: Cash flow (CF)	#N/A N/A	#N/A N/A	0	0	0	+0
Unrec chg BS and CF debt	na	na	+0	+0	+0	+0
Unrec chg/total debt (%)	+0	+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 (%)	50
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 GBp#N/A Real Time
Average Sell Price of Insider Shares	#N/A Field Not Applicable
Shares Outstanding (m)	59
Insider Shares Traded -6m/Total Shares (%)	#VALUE!

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(CNYm)	Comment
Comprehensive Income	309	
Less:		
Net Income/Net Profit (Losses)	308	
Other comprehensive income comprised of:		
Foreign Currency Trans. Adj.	1	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	