

# GMT Research Accounting Screen



Short Name	Pou Sheng Intl	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Specialty Retail	Pou Sheng International (Holdings) Limited retails and wholesales sportswear, including sports footwear, apparel and accessories.	MANIPULATING PROFIT: Pou Sheng: Risks Lie to theDownside (12 Jan 2017)
GICS Industry	255,040		MANIPULATING PROFIT: Pou Sheng (3813 HK): Risks lie to the downside (12 Jan 17)
Cntry of Dom	HK		
Most Recent Balance Sheet Period	2017 Y		
Ticker	3813 HK		
Latest Period	Y		
Current Fiscal Year	2017		
Well known auditor:	Deloitte Touche Tohmatsu		
Country of incorporation:	Country of incorporation (Bermuda) is different from domicile (Hong Kong).		
Country of financials:	Currency of financials (Yuan Renminbi) is different from the country of risk (Hong Kong).		
<b>Profit Manipulation</b>		<b>Lastest financials for 31/12/2017 incomplete</b>	<b>Summary of accounting risk for Y/FY17</b>
<a href="#">Profit Manipulation: Beneish M-Score (See App 1)</a>		Unable to calculate Beneish M-Score owing to insufficient disclosure.	- Profit manipulation No info
<a href="#">Cooking the Books: Montier's C-Score (App 2)</a>		Unable to calculate Montier's C-Score owing to insufficient disclosure.	- Financial position No info
<b>Financial Position</b>			- General accounting Normal
<a href="#">Strength of Financial Position: Piotroski F-Score (App 3)</a>		Unable to calculate Piotroski's F-Score owing to insufficient disclosure.	- Shenanigans No evidence
<a href="#">Risk of Default: Altman Z-Score (App 4)</a>		Unable to calculate Altman Z-Score owing to insufficient disclosure.	<b>= Accounting risk: Medium</b>
<b>Accounting Shenanigans</b>			<b>This spreadsheet expires on 31st Mar 2018, in 82 days.</b>
<a href="#">Acquisition Accounting (App 5)</a>	<a href="#">Global screen</a>	No evidence of acquisition accounting.	
<a href="#">Window Dressing (App 6)</a>		No evidence of window dressing.	
<a href="#">Fake Cash Fraud: Overly profitable (App 7)</a>	<a href="#">Global screen</a>	Scores 0/4 in Y/FY17. 64% of companies score similarly and just 2.4% of frauds. Rest easy. Triggered Fake Cash Flow in last 5yrs?: None	
<a href="#">Excess Capital Raising (App 8)</a>	<a href="#">Global screen</a>	Net flows over 5yrs at -1% of Sales are normal.	
<a href="#">Debt Reconciliation (App 9)</a>	<a href="#">Global screen</a>	No material unreconcilable changes in debt in the last 5 years.	
<b>Other Financial Items</b>			
<a href="#">Number of Red Flags (Out of a possible 75)</a>		Triggers 11 red flags in the last financial period which is normal.	
<a href="#">Cash Balance</a>		Cash & STI of CNY0.5bn is within normal range.	
<a href="#">Restricted Cash</a>		Restricted Cash of CNY0bn is within normal range.	
<a href="#">Receivables</a>		Large Receivables of CNY1.6bn are equal to 8% of Sales which is in the 80%ile relative to peers, can be a sign of channel stuffing.	
<a href="#">Doubtful Debts</a>		Delinquency at 0% of total receivables are within normal range.	
<a href="#">Payables</a>		Large Payables of CNY1.6bn are within normal range.	
<a href="#">Inventory</a>		Large Inventories of CNY5.6bn are equal to 30% of Sales which is in the 88%ile relative to peers, have grown by 3ppts relative to Sales over the past year which can be a sign of channel stuffing.	
<a href="#">Profit Manipulation: Gross Working Capital</a>		No evidence of profit/cash flow manipulation through working capital.	
<a href="#">Cash Extraction Fraud: Prepaid Expenses</a>		No evidence of illegal cash extraction fraud.	
<a href="#">Capitalisation of Expenses</a>		Capitalised expenses relative to pre-tax profits (0%) are within normal range.	
<a href="#">Affiliate Investments</a>		Investments in Associates of CNY0bn are equal to 1% of equity and 0% of OP, within normal range.	
<a href="#">Auditing Costs</a>		Auditing expenses of 2bp of sales are unusually low in the 18%ile relative to peers, suggesting a poor audit.	
<a href="#">Deferred Tax Assets</a>		Deferred Tax Assets/Sales of 0% are within normal range.	
<a href="#">Deferred Tax Liabilities</a>		Deferred Tax Liabilities/Sales of 3% are within normal range.	
<a href="#">Derivatives</a>		Derivatives equal to 0% of equity within normal range.	
<a href="#">Other Large Curious Assets and/or Liabilities</a>		Within normal range.	
<a href="#">Depn &amp; Amort</a>		Within normal range.	
<a href="#">Interest Cover</a>		EBIT Interest Cover of 7.2x is within normal range.	
<a href="#">Leverage</a>		Total Debt/Profit of 6.7x and assets to equity of 1.8x are within normal range.	
<a href="#">Related Party Fraud</a>		No evidence of related party transactions.	
<a href="#">Other Tests:</a>		Evidence of substantial losses at consolidated subsidiaries owing to high effective tax rate and rising deferred tax assets. Evidence of share price manipulation as 20 day MA Bid/Ask VWAP in excess of 60% for 24% of the time over last 6m. No or new CFO.	

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Ratios		Pou Sheng Intl Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
Country		Y/FY17	Y/FY16	Y/FY14	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY17	-1yr Chg	-3yr Chg	
Balance Sheet: Assets														
Av Cash & Equiv./Sales (%)	GICS Industry	2.6	2.3	2.7	+0.2	-0.1	2.0	6.2	14.4	413	25%	-8%	+1%	
Unrestricted Cash/COGS (%)	GICS Industry	4.0	4.6	3.1	-0.6	+0.8	2.8	9.1	23.0	390	27%	+0%	-7%	
ST Investments/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.1	1.0	6.3	95	na	na	na	
Av. Trade & Notes Rec/Sales (%)	GICS Industry	7.7	7.5	8.4	+0.2	-0.7	0.7	2.4	7.4	403	80%	+22%	-33%	Av. Trade & Notes Rec/Sales (%) high.
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	29.7	27.1	30.2	+2.6	-0.5	9.0	15.1	23.5	417	88%	+36%	-24%	Av. Inventory/Sales (%) high. Risen over 1yr.
Inventory Days	GICS Industry	149	144	160	+5	-11	47	83	146	384	81%	+15%	-42%	Inventory Days high.
Finished Goods/Inventory (%)	GICS Industry	0	100	100	-99.9	-100.0	92	99	100	353	na	na	na	
Av. Other ST Assets/Sales (%)	GICS Industry	5.3	4.2	5.6	+1.1	-0.3	1.1	2.5	5.3	406	79%	+37%	-24%	Risen over 1yr.
PPE/Sales (%)	GICS Industry	5.9	5.8	6.0	+0.1	-0.1	6.2	11.7	21.9	393	18%	+0%	-9%	PPE/Sales (%) low.
Affiliate Inv/Equity (%)	Global	0.6	0.8	1.3	-0.2	-0.7	0.5	3.0	13.1	7,896	23%	-19%	-20%	
LT Inv & Rec/Sales (%)	GICS Industry	0.5	0.1	0.8	+0.4	-0.3	0.1	0.9	4.6	242	38%	+28%	-32%	
Deferred Tax Assets/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	-0.0	0.2	0.8	2.0	314	na	na	na	
Prepaid Expenses/Sales (%)	GICS Industry	0.0	4.1	2.5	-4.1	-2.5	0.5	1.3	2.8	214	na	na	na	
Prepaid Expenses/Inventory (%)	GICS Industry	0.0	15.3	8.1	-15.3	-8.1	1.9	6.1	16.8	146	na	na	na	
Intangibles/Sales FY (%)	GICS Industry	5.5	6.1	6.5	-0.6	-1.0	0.3	1.5	9.3	356	72%	-42%	-38%	
Av. Other LT Assets/Sales FY (%)	GICS Industry	1.1	1.0	0.6	+0.1	+0.5	0.2	1.5	7.0	359	42%	+14%	+15%	
Av. Assets/Sales (%)	GICS Industry	57	57	70	+0.2	-12.9	39.4	59.6	86.2	420	46%	-4%	-42%	
Balance Sheet: Liabilities and Equity														
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	8.6	10.2	8.7	-1.6	-0.0	5.3	9.6	14.8	416	43%	-40%	-4%	
Trade Payable Days	GICS Industry	11	15	24	-3.9	-13.0	19.9	40.1	67.7	380	11%	-30%	-39%	
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	3.6	3.6	2.7	-0.0	+0.9	3.8	6.3	10.2	420	17%	-5%	+20%	
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	3.4	4.4	6.5	-1.0	-3.1	0.3	2.2	8.7	216	61%	-46%	-49%	
Av. Other LT Liabs/Sales (%)	GICS Industry	0.0	0.0	0.5	+0.0	-0.5	0.4	1.9	4.8	373	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	0.8	0.5	1.7	+0.3	-0.9	0.3	2.4	11.4	9,628	32%	+23%	-24%	
Assets/Equity (x)	GICS Industry	1.8	1.6	1.5	+0.1	+0.3	1.5	2.1	3.3	399	36%	+26%	+25%	
Balance Sheet: Other														
Av. GFA/D&A (yrs)	GICS Industry	4.9	7.9	8.8	-3.1	-3.9	6.6	11.3	19.5	410	8%	-45%	-45%	
Restricted Cash/Equity (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.4	3.4	35.6	33	na	na	na	
Cash Conversion Cycle (Days)	GICS Industry	166	157	167	9	-1	21.8	54.0	115.7	358	89%	+26%	-1%	Cash Conversion Cycle (Days) high.
Av. Gross Working Capital/Sales (%)	GICS Industry	53.5	53.9	59.5	-0.4	-6.0	26.5	37.7	54.5	402	78%	-18%	-42%	
Contingent Liab/Equity (%)	GICS Industry	0.0	23.8	12.7	-23.8	-12.7	13.7	62.8	180.8	321	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	12.6	18.2	5.3	-5.6	+7.4	5.6	15.5	32.6	415	41%	+24%	-36%	Risen over 3yrs.
Non-Prod. Assets/COGS FY (%)	GICS Industry	38.5	37.6	0.9	+0.9	+37.6	15.2	33.2	81.4	375	54%	+5%	-37%	Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry	6.7	2.3	26.7	+4.4	-20.0	0.8	3.8	12.1	303	64%	+37%	-47%	Risen over 1yr.
Income Statement														
											(0-100%)	(+/-50%)	(+/-50%)	
Sales/Employee (US\$)	GICS Industry	91,478	85,490	90,313	+5,988	+1,165	168,169	314,929	622,322	330	4%	-14%	-9%	Sales/Employee (US\$) low.
Gross Margin (%)	GICS Industry	35.0	35.5	29.3	-1	+6	16	34	53	402	51%	+6%	-31%	Risen over 3yrs.
GM Volatility 5yrs (%)	GICS Industry	6.8					1.5	3.1	7.9	377	78%			
Other Op Y/Op Y (%)	GICS Industry	0.0	29.3	0.0	-29.3	+0.0	2.2	9.3	39.7	129	na	na	na	
D&A/Sales T12M (%)	GICS Industry	2.3	1.6	1.6	+0.7	+0.7	0.9	2.1	3.3	420	43%	-45%	-35%	
Operating Margin T12M (%)	GICS Industry	4.1	5.7	1.9	-1.6	+2.2	1.7	4.7	10.1	408	44%	+29%	-33%	Risen over 3yrs.
Non-Op Y/Op Y (%)	GICS Industry	0.3	2.1	15.4	-1.8	-15.0	1.0	5.4	23.8	339	10%	-22%	-38%	
FFE Int Rate less MLR (ppt)	Country	3.6	5.8	3.8	-2.2	-0.2	0.7	2.4	5.2	438	66%	-43%	-11%	
Cash Return less Policy Rate (ppt)	Country	-0.4	2.0	6.3	-2.4	-6.7	-0.3	0.7	2.6	455	14%	-45%	-48%	Cash Return less Policy Rate (ppt) low. Fallen over 1yr. Fallen over 3yrs.
Affil Y/Op Y (%)	Global	0.5	1.3	11.2	-0.8	-10.8	0.3	2.2	11.9	6,391	24%	-22%	-41%	
Eff Tax Rate (%)	Country	36.9	31.5	68.1	+5.3	-31.3	10.6	18.7	29.8	424	87%	+29%	-48%	Eff Tax Rate (%) high.
CF Tax/IS Tax (%)	GICS Industry	na	95.1	120.9	na	na	67.8	97.3	132.6	342	na	na	na	
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297	na			
Minority Int/Profit B4 MI (%)	Global	5.0	1.6	28.3	+3.4	-23.4	-0.1	1.8	12.8	8,362	64%	+32%	-45%	Risen over 1yr.
Net Income Margin (%)	GICS Industry	2.1	3.5	0.2	-1.4	+1.9	0.7	2.9	6.7	421	60%	+29%	-33%	
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	0.0	+0.0	+0.0	0.9	4.0	16.7	728	na			
EBIT Interest Cover (x)	GICS Industry	7.2	14.9	3.8	-7.7	+3.4	2.5	10.1	67.3	369	57%	+32%	-12%	Fallen over 1yr.

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Ratios		Global/Sector/ Country	Pou Sheng Intl Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY17	Y/FY16	Y/FY14	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY17 (0-100%)	-1yr Chg (+/-50%)	-3yr Chg (+/-50%)	
<b>Cash Flow</b>															
CFO/Net Profit (x)	GICS Industry	na	-0.1	18.6	na	na	0.6	1.3	2.5	1,802	na	na	na		
Cash Interest Exp./CFO (%)	GICS Industry	na	-100.7	11.5	na	na	0.2	4.1	21.4	330	na	na	na		
Capex/Sales (%)	GICS Industry	na	2.8	1.3	na	na	1.1	2.4	4.6	415	na	na	na		
Decrease Investments/Sales (%)	GICS Industry	0.0	0.0	0.6	+0.0	-0.6	0.0	0.1	1.5	120	na				
Other Investing Activities/Sales (%)	GICS Industry	0.0	0.1	0.2	-0.1	-0.2	0.1	0.6	2.4	344	na				
Debt Repay/ST Debt -1FY (%)	Global	0	481	179	-481.4	-178.6	20.0	88.4	210.9	10,373	na	na	na		
Free Cash Flow Margin (%)	GICS Industry	na	-3.2	3.0	na	na	-1.8	1.8	6.2	411	na	na	na		
FCF-Divs/Sales (%)	Global	na	-3.8	na	na	na	-7.2	0.9	6.8	10,563	na	na	na		
No. of Mat. Capital Inc -5yrs	Global	1					0.0	0.0	1.0	9,451	85%				
Other Fin. Activities/Sales (%)	GICS Industry	na	0.6	0.3	na	na	0.0	0.1	0.7	327	na				
<b>Corporate Governance</b>															
Auditing Exp/Sales (bp)	GICS Industry	2.0					2.1	5.2	10.0	204	18%				Auditing Exp/Sales (bp) low.
RPT Balances/Equity (%)	Global	0.0					0.3	1.9	11.0	1,434	na				
Number of Acq&Disp -5yrs	Global	2					0.0	3.0	5.0	12,251	46%				
Acq&Disp Con./Sales Av. -5yrs (%)	Global	0.2					0.2	1.4	6.9	12,251	15%				
Executive Comp/Sales (bp)	GICS Industry	na					9.5	28.5	68.8	133	na				
Executive Comp/PTP (bp)	GICS Industry	na					131.1	423.7	1,177.7	133	na				
CEO Tenure (yrs)	Global	1.3					1.4	4.5	10.8	5,466	17%				CEO Tenure (yrs) low.
CFO Tenure (yrs)	Global	na					1.1	3.3	8.3	716	na				
Av. Executive Tenure (yrs)	Global	na					4.1	7.4	11.9	3,291	na				
Av. Board Tenure (yrs)	Global	5.9					3.9	6.4	9.9	3,672	44%				

Source: GMT Research, Bloomberg

## Summary of financials in Y/FY17

		Result: Scores within normal range. Number of red flags normal.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	47%	In Y/FY17, Pou Sheng Intl 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 40 relative to around 413 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)	40%		
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)	6	Over the financial year prior to Y/FY17, Pou Sheng Intl triggered a total of 6 red flags out of 62 placing it in a percentile of 36 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)	36%		

## Summary of change in financials over 3 yrs

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	5	Over the 3 financial years prior to Y/FY17, Pou Sheng Intl triggered a total of 5 red flags out of 62 placing it in a percentile of 33 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)	33%		

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## Appendices

### Appendix 1: Beneish M-Score

	Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Index Calculation	Comments on latest period
Days Sales in Receivables Index	$+(0.92 \times 1.03)$	0.97	0.82	0.89	1.00	1.03	1.03	$(\text{Net Receivables}_t / \text{Sales}_t) / \text{Net Receivables}_{t-1} / \text{Sales}_{t-1}$	Receivables of 28 days have increased by 1 days YoY
Gross Margin Index	$+(0.528 \times 1.01)$	1.03	0.99	0.88	0.94	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 35% has deteriorated by 0.5ppts YoY
Asset Quality Index	$+(0.404 \times 0.86)$	0.90	1.02	0.89	0.82	0.86	0.86	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - (\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1}]$	Other LT Assets/Total Assets of 12% has fallen by 1.9ppts YoY
Sales Growth Index	$+(0.892 \times 1.16)$	0.99	1.12	1.18	1.12	1.16	1.16	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 16% YoY
Depreciation Index	$+(0.115 \times 0.72)$	0.84	1.24	1.05	1.05	0.72	0.72	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 27.1% has risen by 7.5ppts YoY
SG&A Index	$-(0.172 \times 1.02)$	1.03	1.03	0.94	0.92	1.02	1.02	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 30.9% have fallen by 0.6ppts YoY
Total Accruals to Total Assets	na	-0.02	-0.06	-0.05	0.07	na	na	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	na
Leverage Index	$-(0.327 \times 0.87)$	1.18	1.15	1.00	0.82	0.87	0.87	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 43% have risen by 5.4ppts YoY
<b>Beneish M-Score for Y/FY17</b>	<b>-4.84 =</b>	<b>-2.74</b>	<b>-2.84</b>	<b>-2.77</b>	<b>-2.09</b>	<b>na</b>	<b>na</b>	<b>An M-Score of &gt;-2.22 signals that the company is likely to be a manipulator</b>	<b>Unable to calculate Beneish M-Score owing to insufficient disclosure</b>

### Appendix 2: Montier C-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Profit	0	0	1	1	na	na	A growing divergence between Profit and Operating Cash Flow (1 point)	na
Receivables	0	0	0	1	1	1	Receivable Days are increasing (1 point)	Receivables of 28 days have increased by 1 days YoY
Inventory	1	0	0	1	1	1	Inventory Days are increasing (1 point)	Inventory of 30 days has risen by 3 days YoY
Other current assets	1	0	0	1	0	0	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 7.1% have fallen by 0.1ppts YoY
Depreciation	na	na	0	0	na	na	Depreciation relative to PPE jobs usfa bs	na
Asset growth	0	0	0	1	1	1	High asset growth in excess of 10% (1 point)	Asset growth of 14% YoY is in excess of 10%
<b>Montier's C-Score</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>na</b>	<b>na</b>	<b>Score 0-1 is good; 2-4 is average, 5-6 is bad</b>	<b>Unable to calculate Montier's C-Score owing to insufficient disclosure</b>

### Appendix 3: Piotroski F-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Net Income Score	0	1	1	1	1	1	Positive Return on Assets in the current year (1 point)	12m Trailing Return on Assets of 3.7%
Operating Cash Flow Score	1	1	1	0	na	na	Positive Operating Cash Flow in the current year (1 point)	na
Return on Assets Score	1	1	1	1	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 3.7% from 6.4% YoY
Quality of Earnings Score	1	1	1	0	na	na	Operating Cash Flow are greater than ROA (1 point)	na
Long-Term Debt to Assets Score	1	1	1	0	0	0	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has risen to 23% from 14% YoY
Current Ratio Score	1	1	1	0	0	0	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has fallen to 1.83x from 2.03x YoY
Shares Outstanding Score	0	1	1	1	1	1	No new shares were issued in the last year (1 point)	Increased number of shares by 0.1%
Gross Margin Score	0	1	1	1	0	0	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 35% has deteriorated by 0.5ppts YoY
Asset Turnover Score	0	1	1	1	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 1.75x from 1.76x YoY
<b>Piotroski F-Score</b>	<b>5</b>	<b>9</b>	<b>9</b>	<b>5</b>	<b>na</b>	<b>na</b>	<b>Score 0-1 weak and deteriorating; 8-9 strong and improving</b>	<b>Unable to calculate Piotroski's F-Score owing to insufficient disclosure.</b>

### Appendix 4: Altman Z-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Altman Z-Score for a non-manufacturing company	Comments
Solvency	3.48	3.60	3.26	2.85	2.54	2.54	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	0.18	0.18	0.35	0.48	na	na	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	0.07	0.23	0.56	0.70	0.50	0.50	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	1.67	2.03	2.16	1.65	1.35	1.35	Book Value of Equity/Total Liabilities	Leverage
<b>Altman Z-Score for Y/FY17</b>	<b>5.41</b>	<b>6.03</b>	<b>6.34</b>	<b>5.67</b>	<b>na</b>	<b>na</b>	<b>Anything &lt;1.81 for a manufacturer or &lt;1.11 for other companies is problematic</b>	<b>Unable to calculate Altman Z-Score owing to insufficient disclosure</b>

### Appendix 5: Acquisition Accounting

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	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Material acquisition?	1 point	0	0	0	0	0	0	An acquisition in excess of 5% of sales.	No recent acquisitions
Rise in intangible assets -1yr?	1 point	0	0	0	0	0	0	Either a rise in Intangible Assets over 1 year	na
Material intangibles on balance sheet?	1 point	1	1	1	1	1	1	Or Intangibles are >=50%ile relative to peers	Intangible Assets/Sales of 5% are in the 72%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	1 point	0	0	0	na	na	na	Or a large Deferred Tax Asset in the 80%ile relative to industry peers	na
<b>Acquisition Accounting</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>A score of 3 suggests possibility of acquisition accounting to inflate profits</b>	<b>No evidence of acquisition accounting.</b>

# GMT Research Accounting Screen



## Appendix 6: Debt Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Has high debt repayment/ST debt?	0	1	1	1	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	1	1	0	0	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 5.3% is in the 69%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 14% is in the 48%ile relative to industry peers
<b>Window Dressing</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>A score of 3 suggests strong likelihood of window dressing</b>	<b>Unlikely to be debt window dressing</b>

## Appendix 6a: Investment Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	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	1	0	0	0	0	If Invest Repay in excess of 100% of previous year's Investments	Investment Repayment/Investment -1FY of 0%
<b>Window Dressing Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>A score of 2 suggests a strong possibility of window dressing</b>	<b>Unlikely to be window dressing investments</b>

## Appendix 7: Fake Cash Flow

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	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	
High operating margin	Critical criteria: 1 point	0	0	0	0	0	0	Operating Margin >80%ile relative to industry peers	A 12m Trailing Operating Margin of 4% is in the 44%ile
High return on production assets		0	0	0	0	0	0	Op Profit/(PPE + Inv) in the >80%ile relative to industry peers	A 12m Return on Production Assets of 13% is in the 41%ile
High level of non-production assets	1 point	0	0	0	0	0	0	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 39% is in the 54%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 -5% 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 0%
A relatively unknown auditor		0	0	0	0	0	0	Relatively obscure auditor	Well known auditor: Deloitte Touche Tohmatsu
Incorporation and Domicile	1pt if >1	1	1	1	1	1	1	Different country of incorporation vrs domicile	Country of incorporation (Bermuda) is different from domicile (Hong Kong).
Debt structure		1	1	1	1	1	1	If Short Term Debt >75% Total Debt, or no debt at all	Short term debt is 100% of total debt
Sector		1	1	1	1	1	1	Operates in sector prone to fraud	Specialty Retail industry is prone to fraud.
<b>Fake Cash Flow Fraud</b>	<b>Max 4pts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>A score of 3 or 4 is problematic and requires further investigation</b>	<b>64% of companies score similarly and just 2.4% of frauds</b>

## Appendix 8: Excess Capital Raising

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(CNYm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Sales	+10,926	+12,204	+14,455	+16,236	+18,833	+72,655
- OPCF	+107	+533	+879	(61)	#N/A N/A	+1,458
- Capex	(108)	(140)	(274)	(425)	+0	(947)
- Dividends (incl MI at subs)	(3)	(13)	(31)	(119)	+0	(165)
- Buybacks	+0	(7)	(68)	(65)	#N/A N/A	(141)
- (Acquisitions)/disposals	+0	(29)	+0	(87)	+0	(116)
<b>= Net internal cash generation</b>	<b>(4)</b>	<b>+345</b>	<b>+506</b>	<b>(758)</b>	<b>+0</b>	<b>+89</b>
<b>Externally generated cash flows</b>						
- Debt issuance, net	(517)	(316)	(870)	+1,005	#N/A N/A	(698)
- Equity issuance	+0	+0	+0	+13	#N/A N/A	+14
<b>= Net external financing</b>	<b>(517)</b>	<b>(316)</b>	<b>(869)</b>	<b>+1,018</b>	<b>+0</b>	<b>(684)</b>
<b>Net surplus/(deficit)</b>	<b>(521)</b>	<b>+28</b>	<b>(364)</b>	<b>+261</b>	<b>+0</b>	<b>(595)</b>
Net flows/Sales (%)	(5)	+0	(3)	+2	+0	-1
Relative to Global Sector (%ile):						16%
Av. cash balance/sales (%)	5	3	2	2	3	
Relative to Global Sector (%ile)	44%	25%	19%	23%	25%	
Core cash required (6% of Sales):					30	
Surplus cash at year end (cash balance less core cash):					457	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					None	
Possible fake cash/excess cash balance (%):					None	
<b>Normal amounts of cash flow generated.</b>						

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

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(CNYm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Balance sheet (BS) debt YE	2,268	1,620	1,220	456	1,376	2,656
Change in debt: BS	(648)	(400)	(764)	+920	+1,280	+389
Change in debt: Cash flow (CF)	(517)	(316)	(870)	1,005	#N/A N/A	(698)
<b>Unrec chg BS and CF debt</b>	<b>(131)</b>	<b>(83)</b>	<b>+105</b>	<b>(85)</b>	<b>na</b>	<b>+1,086</b>
Unrec chg/total debt (%)	(8)	(7)	+23	(6)	+0	41
Possible reason:	ok	ok	ok	ok	ok	
<b>No material unreconcilable changes in debt in the last 5 years.</b>						
<b>Reasons:</b>						
- 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	
Other	88	Free Float (%)	38
Investment Advisor	10	No. Instit. Owners	55
Sovereign Wealth Fund	2	Institutional (%)	70
Individual	1	- <b>Passive Instit. (ETFs) (%)</b>	<b>4</b>
Pension Fund (ERISA)	0	- <b>Active Instit. (%)</b>	<b>67</b>
Other	0		

## Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	0.47	
Chg Insider Hldgs -6m (%)	1.22	Changes in insider holdings can be due to options, etc. as opposed to actively buying or selling
Number of Insider Shares Purchased (m)	+0.0	shares
Number of Insider Shares Sold (m)	+0.0	
Average Purchase Price of Insider Shares	0.00	Current share price is HKD2
Average Sell Price of Insider Shares	0.00	
Shares Outstanding (m)	5,341	
Insider Shares Traded -6m/Total Shares (%)	0.00	

## Appendix 12: Comprehensive Income (latest Bloomberg data)

	(CNYm)	Comment
Comprehensive Income	399	
<b>Less:</b>		
Net Income/Net Profit (Losses)	394	
<b>Other comprehensive income comprised of:</b>		
Other Comprehensive Income	6	Other comprehensive income is 1% of income which is within normal range. Able to fully reconcile other comprehensive income.
Foreign Currency Trans. Adj.	(1)	
na	na	
na	na	
na	na	
na	na	
na	na	
Amount unable to reconcile:	(0)	