

GMT Research Accounting Screen



Short Name	Yue Yuen Ind	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Yue Yuen Industrial (Holdings) Limited, through its subsidiaries, manufactures and markets athletic, athletic-style leisure, casual, and outdoor footwear.	MANIPULATING PROFIT: Pou Sheng (3813 HK): Risks lie to the downside (12 Jan 17)
GICS Industry	252,030		
Cntry of Dom	HK		
Most Recent Balance Sheet Period	2017 Y		
Ticker	551 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 (US Dollar) is different from the country of risk (Hong Kong).		

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

Summary of accounting risk for Y/FY17

- Profit manipulation	No info
- Financial position	No info
- General accounting	Clean accounting with just 6 red flags
- Shenanigans	No evidence

= Accounting risk: **Low**

This spreadsheet expires on 31st Mar 2018, in 82 days.

Profit Manipulation

[Profit Manipulation: Beneish M-Score \(See App 1\)](#)

[Cooking the Books: Montier's C-Score \(App 2\)](#)

Financial Position

[Strength of Financial Position: Piotroski F-Score \(App 3\)](#)

[Risk of Default: Altman Z-Score \(App 4\)](#)

Accounting Shenanigans

[Acquisition Accounting \(App 5\)](#)

[Window Dressing \(App 6\)](#)

[Fake Cash Fraud: Overly profitable \(App 7\)](#)

[Excess Capital Raising \(App 8\)](#)

[Debt Reconciliation \(App 9\)](#)

Other Financial Items

[Number of Red Flags \(Out of a possible 75\)](#)

[Cash Balance](#)

[Restricted Cash](#)

[Receivables](#)

[Doubtful Debts](#)

[Payables](#)

[Inventory](#)

[Profit Manipulation: Gross Working Capital](#)

[Cash Extraction Fraud: Prepaid Expenses](#)

[Capitalisation of Expenses](#)

[Affiliate Investments](#)

[Auditing Costs](#)

[Deferred Tax Assets](#)

[Deferred Tax Liabilities](#)

[Derivatives](#)

[Other Large Curious Assets and/or Liabilities](#)

[Depn & Amort](#)

[Interest Cover](#)

[Leverage](#)

[Related Party Fraud](#)

[Other Tests:](#)

Lastest financials for 31/12/2017 incomplete

Unable to calculate Beneish M-Score owing to insufficient disclosure.

Unable to calculate Montier's C-Score owing to insufficient disclosure.

Unable to calculate Piotroski's F-Score owing to insufficient disclosure.

Unable to calculate Altman Z-Score owing to insufficient disclosure.

No evidence of acquisition accounting.

No evidence of window dressing.

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

Net flows over 5yrs at 1% of Sales are normal.

No material unreconcilable changes in debt in the last 5 years.

Triggers 6 red flags in the last financial period which is low.

Cash & STI of USD1.1bn is within normal range.

Restricted Cash of USD0bn is within normal range.

Receivables of USD1.2bn are equal to 13% of Sales which is in within normal range.

No delinquencies have been reported.

Large Payables of USD1.5bn are within normal range.

Inventories of USD1.6bn have been extended by 3ppts relative to Sales over the past year which can be a sign of channel stuffing.

No evidence of profit/cash flow manipulation through working capital.

Prepaid Expenses of USD0bn, equal to 0.1% of Sales, raise the risk of illegal cash extraction.

Capitalised expenses relative to pre-tax profits (0%) are within normal range.

Investments in Associates of USD0.7bn are high at 16% of equity and 11% of OP, raising concerns over related party transactions, transparency and corporate governance.

Auditing expenses of 2.1bp of sales are unusually low in the 15%ile relative to peers, suggesting a poor audit.

Deferred Tax Assets/Sales of 1% are within normal range.

Deferred Tax Liabilities/Sales of 4% are within normal range.

Derivatives equal to 0% of equity within normal range.

Within normal range.

Within normal range.

EBIT Interest Cover of 12.6x is within normal range.

Total Debt/Profit of 3.7x and assets to equity of 1.8x are within normal range.

No evidence of related party transactions.

Evidence of share price manipulation as 20 day MA Bid/Ask VWAP in excess of 60% for 3% of the time over last 6m. No or new CFO.

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Ratios		Yue Yuen Ind 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	
(0-100%) (+/-50%) (+/-50%)														
Balance Sheet: Assets														
Av Cash & Equiv./Sales (%)	GICS Industry	11.7	12.5	11.9	-0.8	-0.2	3.2	10.4	24.0	379	54%	+21%	+10%	
Unrestricted Cash/COGS (%)	GICS Industry	15.6	16.4	15.5	-0.8	+0.0	5.1	16.6	40.3	314	47%	+6%	+6%	
ST Investments/Sales FY (%)	GICS Industry	0.2	0.2	0.1	+0.0	+0.1	0.1	1.6	8.5	172	23%	+1%	+5%	ST Investments/Sales FY (%) present.
Av. Trade & Notes Rec/Sales (%)	GICS Industry	13.3	13.0	12.5	+0.2	+0.8	7.2	12.1	20.0	356	56%	+3%	+6%	
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	17.6	14.9	16.5	+2.7	+1.1	13.0	19.6	29.8	375	40%	+30%	+5%	Risen over 1yr.
Inventory Days	GICS Industry	77	72	75	+5	+2	62	103	187	314	32%	+11%	-6%	
Finished Goods/Inventory (%)	GICS Industry	0	70	67	-70.1	-66.9	33	60	89	417	na	na	na	
Av. Other ST Assets/Sales (%)	GICS Industry	5.1	5.0	5.6	+0.1	-0.5	2.0	3.6	7.4	376	67%	+3%	-16%	
PPE/Sales (%)	GICS Industry	24.7	25.3	24.5	-0.6	+0.2	9.2	22.8	45.7	360	53%	-12%	+1%	
Affiliate Inv/Equity (%)	Global	15.6	16.9	18.4	-1.2	-2.8	0.5	3.0	13.1	7,896	82%	-34%	-34%	Affiliate Inv/Equity (%) high.
LT Inv & Rec/Sales (%)	GICS Industry	1.8	1.1	0.9	+0.7	+0.9	0.2	1.5	10.0	249	52%	+26%	+16%	
Deferred Tax Assets/Sales FY (%)	GICS Industry	0.5	0.3	0.1	+0.2	+0.4	0.2	0.9	2.7	277	35%	+19%	+7%	
Prepaid Expenses/Sales (%)	GICS Industry	0.1	0.1	0.1	-0.0	-0.0	0.3	1.3	3.4	167	6%	-2%	-8%	
Prepaid Expenses/Inventory (%)	GICS Industry	0.3	0.4	0.4	-0.1	-0.1	1.2	3.7	10.7	99	3%	-6%	-3%	
Intangibles/Sales FY (%)	GICS Industry	4.4	3.9	4.2	+0.5	+0.2	0.1	1.0	9.2	316	68%	+30%	+6%	Risen over 1yr.
Av. Other LT Assets/Sales FY (%)	GICS Industry	2.3	1.4	1.0	+0.9	+1.3	0.4	1.8	5.8	332	56%	+29%	+22%	
Av. Assets/Sales (%)	GICS Industry	87	88	88	-0.6	-1.3	65.5	95.1	139.4	380	42%	-13%	-17%	
Balance Sheet: Liabilities and Equity														
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	15.4	16.2	15.6	-0.8	-0.3	5.3	10.0	15.5	379	79%	-28%	-8%	
Trade Payable Days	GICS Industry	na	na	na	na	na	24.5	45.6	81.5	348	na	na	na	
ST Debt/Total Debt (%)	Global	35	28	24	+7.0	+11.0	13.0	44.2	88.3	13,723	41%	+25%	+27%	
Av. Other ST Liabs/Sales (%)	GICS Industry	0.6	1.1	0.7	-0.5	-0.1	3.8	6.8	10.9	380	1%	-23%	-9%	
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	4.3	4.4	4.9	-0.1	-0.6	0.7	3.6	12.1	256	53%	-29%	-40%	
Av. Other LT Liabs/Sales (%)	GICS Industry	1.9	0.7	0.2	+1.2	+1.7	0.4	1.8	5.1	298	50%	+24%	+33%	Risen over 3yrs.
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	8.4	6.9	8.0	+1.5	+0.4	0.3	2.4	11.4	9,628	74%	+37%	+15%	Risen over 1yr.
Assets/Equity (x)	GICS Industry	1.8	1.5	1.5	+0.3	+0.3	1.4	1.8	2.6	373	48%	+39%	+30%	Risen over 1yr. Risen over 3yrs.
Balance Sheet: Other														
Av. GFA/D&A (yrs)	GICS Industry	13.3	15.2	14.7	-1.9	-1.4	8.4	14.3	22.8	371	44%	-37%	-33%	
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	#N/A	#N/A	#N/A	na	na	70.6	110.2	186.0	312	na	na	na	
Av. Gross Working Capital/Sales (%)	GICS Industry	50.1	50.4	50.6	-0.3	-0.5	40.4	53.6	72.2	379	42%	-12%	-14%	
Contingent Liab/Equity (%)	GICS Industry	1.4	8.0	5.8	-6.6	-4.4	2.0	13.6	59.2	253	15%	-32%	-17%	
Pension Liabilities/Equity (%)	Global	1.8	1.2	0.0	+0.6	+1.8	0.7	2.8	10.0	7,570	39%	+27%	+31%	Risen over 3yrs.
Net Derivatives/Equity (%)	Global	0.1	0.1	0.3	-0.1	-0.3	-1.4	0.0	1.1	2,405	61%	-11%	-16%	
Return on Production Assets (%)	GICS Industry	15.7	18.1	9.6	-2.4	+6.1	4.5	14.9	33.7	382	51%	+9%	-30%	Risen over 3yrs.
Non-Prod. Assets/COGS FY (%)	GICS Industry	63.4	63.0	0.5	+0.5	+63.0	34.6	67.1	132.2	299	46%	+17%	-37%	Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry	3.7	1.9	2.8	+1.8	+0.9	0.9	4.0	13.7	306	47%	+25%	+9%	
Income Statement														
		(0-100%) (+/-50%) (+/-50%)												
Sales/Employee (US\$)	GICS Industry	25,267	23,889	19,641	+1,378	+5,626	56,779	148,854	359,649	286	4%	-7%	-15%	Sales/Employee (US\$) low.
Gross Margin (%)	GICS Industry	25.8	25.1	22.1	+1	+4	15	30	52	322	44%	+2%	-15%	
GM Volatility 5yrs (%)	GICS Industry	4.7					2.9	6.3	20.0	303	39%			
Other Op Y/Op Y (%)	GICS Industry	24.5	19.9	47.1	+4.6	-22.6	1.8	6.4	20.7	119	82%	+28%	-44%	Other Op Y/Op Y (%) high.
D&A/Sales T12M (%)	GICS Industry	3.3	3.1	3.0	+0.2	+0.3	1.4	2.8	4.7	376	39%	-18%	-11%	
Operating Margin T12M (%)	GICS Industry	6.3	7.1	3.8	-0.8	+2.4	2.8	7.2	14.9	374	44%	+11%	-28%	
Non-Op Y/Op Y (%)	GICS Industry	8.0	3.9	4.6	+4.1	+3.5	2.9	10.4	36.5	329	43%	+18%	+10%	
FFI Int Rate less MLR (ppt)	Country	1.3	1.6	1.5	-0.3	-0.2	0.7	2.4	5.2	438	27%	-16%	-9%	
Cash Return less Policy Rate (ppt)	Country	-0.8	-0.2	0.7	-0.6	-1.6	-0.3	0.7	2.6	455	11%	-32%	-40%	Cash Return less Policy Rate (ppt) low. Fallen over 1yr. Fallen over 3yrs.
Affil Y/Op Y (%)	Global	11.3	11.2	25.6	+0.2	-14.3	0.3	2.2	11.9	6,391	79%	+6%	-42%	
Eff Tax Rate (%)	Country	13.5	11.7	9.8	+1.9	+3.7	10.6	18.7	29.8	424	27%	+12%	+11%	
CF Tax/IS Tax (%)	GICS Industry	na	106.9	127.1	na	na	64.9	98.7	151.1	285	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	5.5	7.2	3.4	-1.7	+2.1	-0.1	1.8	12.8	8,362	66%	-26%	+22%	
Net Income Margin (%)	GICS Industry	5.7	6.3	4.1	-0.6	+1.6	1.3	4.7	11.2	383	44%	+11%	-22%	
Capitalised Int/PTP (%)	Global	na	na	na	na	na	0.0	0.0	0.0	13,642	na	na	na	
Cap of Intang. Assets/PTP (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.9	4.0	16.7	728	na			
EBIT Interest Cover (x)	GICS Industry	12.6	25.7	16.5	-13.1	-3.9	1.7	7.4	41.1	351	40%	+37%	+20%	Fallen over 1yr.

GMT Research Accounting Screen



Ratios		Global/Sector/ Country	Yue Yuen Ind 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%)	
Cash Flow															
CFO/Net Profit (x)	GICS Industry	na	1.0	1.8	na	na	0.3	1.1	2.2	1,697	na	na	na		
Cash Interest Exp./CFO (%)	GICS Industry	na	4.2	3.0	na	na	0.2	4.8	25.8	271	na	na	na		
Capex/Sales (%)	GICS Industry	na	4.8	3.9	na	na	1.4	3.2	7.2	371	na	na	na		
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	0.4	0.3	-0.4	-0.3	0.1	1.1	4.4	292	na				
Debt Repay/ST Debt -1FY (%)	Global	0	656	363	-655.7	-362.8	20.0	88.4	210.9	10,373	na	na	na		
Free Cash Flow Margin (%)	GICS Industry	na	1.6	3.7	na	na	-4.2	2.4	8.7	377	na	na	na		
FCF-Divs/Sales (%)	Global	na	-1.4	0.8	na	na	-7.2	0.9	6.8	10,563	na	na	na		
No. of Mat. Capital Inc -5yrs	Global	0					0.0	0.0	1.0	9,451	na				
Other Fin. Activities/Sales (%)	GICS Industry	na	0.3	0.2	na	na	0.0	0.3	1.4	329	na				
Corporate Governance															
Auditing Exp/Sales (bp)	GICS Industry	2.1					2.5	6.3	13.2	179	15%				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	3					0.0	3.0	5.0	12,251	55%				
Acq&Disp Con./Sales Av. -5yrs (%)	Global	0.1					0.2	1.4	6.9	12,251	9%				
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/FY17

Average Ratio Percentile Score (0 is good, 100 is bad)	43%	Result: Excellent score. Few red flags.	Explanation
- Percentile vs Industry Peers (0% is good, 100% is bad)	20%	In Y/FY17, Yue Yuen Ind recorded an average percentile score (0 is good, 100 is bad) of 43% across all 75 financial ratios listed below. This places it in a percentile of 20 relative to around 379 GICS industry peers globally, which is a very good result. The company triggered a total of 6 red flags out of 75 placing it in a percentile of 11 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.
Number of Red Flags (Out of a possible 75)	6		
- Percentile vs Global Peers (0% is good, 100% is bad)	11%		

Summary of change in financials over 1 year

Number of Red Flags (Out of a possible 62)	6	Result: Number of red flags normal.	Explanation
- Percentile vs Global Peers (0% is good, 100% is bad)	36%	Over the financial year prior to Y/FY17, Yue Yuen Ind 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.

Summary of change in financials over 3 yrs

Number of Red Flags (Out of a possible 62)	6	Result: Number of red flags normal.	Explanation
- Percentile vs Global Peers (0% is good, 100% is bad)	43%	Over the 3 financial years prior to Y/FY17, Yue Yuen Ind triggered a total of 6 red flags out of 62 placing it in a percentile of 43 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.

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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	$+(0.92 \times 1.02)$	1.09	0.96	0.96	1.09	1.02	1.02	$(\text{Net Receivables}_t / \text{Sales}_t) / \text{Net Receivables}_{t-1} / \text{Sales}_{t-1}$	Receivables of 48 days have increased by 1 days YoY
Gross Margin Index	$+(0.528 \times 0.98)$	1.05	0.98	0.95	0.93	0.98	0.98	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 25.8% has improved by 0.6ppts YoY
Asset Quality Index	$+(0.404 \times 0.97)$	0.97	1.00	0.96	0.99	0.97	0.97	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - (\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1}]$	Other LT Assets/Total Assets of 18.8% has fallen by 0.5ppts YoY
Sales Growth Index	$+(0.892 \times 1.08)$	1.04	1.06	1.05	1.01	1.08	1.08	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 8% YoY
Depreciation Index	$+(0.115 \times 0.93)$	na	1.07	1.01	1.00	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 11.5% has risen by 0.8ppts YoY
SG&A Index	$-(0.172 \times 0.93)$	1.02	0.93	1.00	1.04	0.93	0.93	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 21.1% have risen by 1.6ppts YoY
Total Accruals to Total Assets	na	-0.03	-0.04	-0.06	0.00	na	na	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	na
Leverage Index	$-(0.327 \times 0.76)$	1.10	0.96	1.00	1.02	0.76	0.76	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 42% have risen by 10.3ppts YoY
Beneish M-Score for Y/FY17	-4.84 =	na	-2.62	-2.79	-2.46	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

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Profit	na	0	0	1	na	na	A growing divergence between Profit and Operating Cash Flow (1 point)	na
Receivables	1	0	0	1	1	1	Receivable Days are increasing (1 point)	Receivables of 48 days have increased by 1 days YoY
Inventory	0	1	0	0	1	1	Inventory Days are increasing (1 point)	Inventory of 18 days has risen by 3 days YoY
Other current assets	0	1	0	1	1	1	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 5.2% have risen by 0.1ppts YoY
Depreciation	na	1	1	1	na	na	Depreciation relative to PPE jobs usfa bs	na
Asset growth	0	0	0	0	0	0	High asset growth in excess of 10% (1 point)	Asset growth of 9% is below 10%
Montier's C-Score	na	3	1	4	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

	FY13	FY14	FY15	FY16	FY17	Y/FY17	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 6.8%
Operating Cash Flow Score	1	1	1	1	na	na	Positive Operating Cash Flow in the current year (1 point)	na
Return on Assets Score	0	0	1	1	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 6.8% from 7.1% YoY
Quality of Earnings Score	1	1	1	1	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 24% from 13% YoY
Current Ratio Score	1	1	0	1	0	0	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has fallen to 2x from 2.33x YoY
Shares Outstanding Score	1	1	1	1	1	1	No new shares were issued in the last year (1 point)	Number of shares remains unchanged
Gross Margin Score	0	1	1	1	1	1	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 25.8% has improved by 0.6ppts YoY
Asset Turnover Score	1	1	1	0	1	1	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has risen to 1.15x from 1.14x YoY
Piotroski F-Score	7	8	8	7	na	na	Score 0-1 weak and deteriorating; 8-9 strong and improving	Unable to calculate Piotroski's F-Score owing to insufficient disclosure.

Appendix 4: Altman Z-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Altman Z-Score for a manufacturing company	Comments
Solvency	0.40	0.40	0.30	0.37	0.33	0.33	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	0.71	0.71	0.73	0.74	na	na	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	0.20	0.15	0.19	0.27	0.24	0.24	EBIT/Tangible Assets	Measures earnings away from the effects of taxes and leverage
Market confidence	1.46	1.49	1.40	1.43	1.08	1.08	Market Capitalisation/Total Liabilities	Whether a firm's value able to cover liabilities
Efficiency	1.15	1.18	1.22	1.17	1.16	1.16	Sales/Tangible Assets	An asset turnover metric to measure efficiency
Leverage	na	na	na	na	na	na	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Y/FY17	3.92	3.93	3.86	3.99	na	na	Anything <1.81 for a manufacturer or <1.11 for other companies is problematic	Unable to calculate Altman Z-Score owing to insufficient disclosure

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	1	1	Either a rise in Intangible Assets over 1 year	Intangibles Assets have risen by 1ppts of sales to 4% of sales
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 4% are in the 68%ile
Rise in deferred tax assets -1yr?	1 point	0	0	0	0	1	1	Either a rise in Deferred Tax Asset over 1 year	DTAs have risen by 0.2% of sales to 0.5% of sales
Large deferred tax assets	1 point	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		1	1	1	1	2	2	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

	FY13	FY14	FY15	FY16	FY17	Y/FY17	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%	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	Effective Int Rate of 3% is in the 35%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 22% is in the 49%ile relative to industry peers
Window Dressing	2	2	2	2	1	1	A score of 3 suggests strong likelihood of window dressing	Unlikely to be debt window dressing

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	0	0	0	0	0	If Invest Repay in excess of 100% of previous year's Investments	Investment Repayment/Investment -1FY of 0%
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	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 6% 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 16% is in the 51%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 63% is in the 46%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 -4% over 1 year
Low dividends and buybacks	1 point	0	0	0	0	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		0	0	0	0	0	0	If Short Term Debt >75% Total Debt, or no debt at all	Short term debt is 35% 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	0	0	0	0	0	0	A score of 3 or 4 is problematic and requires further investigation	64% of companies score similarly and just 2.4% of frauds

Appendix 8: Excess Capital Raising

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(USDm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Sales	+7,582	+8,013	+8,435	+8,481	+9,121	+41,633
- OPCF	+648	+610	+827	+548	#N/A N/A	+2,634
- Capex	(147)	(292)	(382)	(353)	+0	(1,174)
- Dividends (incl MI at subs)	(272)	(244)	(269)	(269)	+0	(1,053)
- Buybacks	+0	(10)	(13)	(23)	#N/A N/A	(46)
- (Acquisitions)/disposals	+44	(8)	+20	(4)	+0	+51
= Net internal cash generation	+272	+57	+184	(102)	+0	+411
Externally generated cash flows						
- Debt issuance, net	(184)	+30	(143)	+165	#N/A N/A	(132)
- Equity issuance	+0	+0	+0	+2	#N/A N/A	+2
= Net external financing	(184)	+30	(143)	+167	+0	(130)
Net surplus/(deficit)	+89	+87	+41	+66	+0	+282
Net flows/Sales (%)	+1	+1	+0	+1	+0	1
Relative to Global Sector (%ile):						34%
Av. cash balance/sales (%)	12	12	12	12	12	
Relative to Global Sector (%ile)	53%	54%	55%	56%	54%	
Core cash required (10% of Sales):					111	
Surplus cash at year end (cash balance less core cash):					960	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					282	
Possible fake cash/excess cash balance (%):					29	
Normal amounts of cash flow generated.						

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

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(USDm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Balance sheet (BS) debt YE	1,099	940	949	818	1,002	1,980
Change in debt: BS	(159)	+10	(131)	+183	+978	+881
Change in debt: Cash flow (CF)	(184)	30	(143)	165	#N/A N/A	(132)
Unrec chg BS and CF debt	+24	(20)	+12	+18	na	+1,013
Unrec chg/total debt (%)	+3	(2)	+1	+2	+0	51
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	
Corporation	54	Free Float (%)	46
Investment Advisor	26	No. Instit. Owners	368
Unclassified	11	Institutional (%)	40
Bank	6	- Passive Instit. (ETFs) (%)	5
Other	1	- Active Instit. (%)	34
Other	2		

Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	0.02	
Chg Insider Hldgs -6m (%)	5.40	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 HKD31.25
Average Sell Price of Insider Shares	0.00	
Shares Outstanding (m)	1,649	
Insider Shares Traded -6m/Total Shares (%)	0.00	

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(USDm)	Comment
Comprehensive Income	573	
Less:		
Net Income/Net Profit (Losses)	519	
Other comprehensive income comprised of:		
Foreign Currency Trans. Adj.	55	Other comprehensive income is 10% of income which is within normal range. Able to reconcile all but -4% of other comprehensive income which is within the normal range.
Other Comprehensive Income	18	
Unrealized Gain (Loss) On Securities	12	
Pension Related Adjustments	(10)	
na	na	
na	na	
na	na	
Amount unable to reconcile:	(21)	