

# GMT Research Accounting Screen



Short Name	Flyke Internatio	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Flyke International Holdings Ltd. principally engaged in the design, production and sale of footwear, apparel and accessories. The Company produces athletic, casual wear and sportswear clothing and various accessories.	
GICS Industry	252,030		
Cntry of Dom	CN		
Most Recent Balance Sheet Period	2017 Y		
Ticker	1998 HK		
Latest Period	Y		
Current Fiscal Year	2011		
Well known auditor:	Shinewing Cp		
Numbe of auditors in past 5yrs:	1		
Country of incorporation:	Country of incorporation (Cayman Islands) is different from domicile (China).		
Country of financials:	Currency of financials (Yuan Renminbi) is same as country of risk (China).		
<b>Profit Manipulation</b>		<b>Latest financials complete</b>	
<a href="#">Profit Manipulation: Beneish M-Score (See App 1)</a>		Unable to calculate Beneish M-Score owing to insufficient disclosure.	
<a href="#">Cooking the Books: Montier's C-Score (App 2)</a>		A C-Score of 5/6 suggests profit manipulation; watch out for: Deteriorating Accruals Margin. Rising receivables. Rising inventory. Falling depreciation. High asset growth.	
<b>Financial Position</b>			
<a href="#">Strength of Financial Position: Piotroski F-Score (App 3)</a>		An F-Score of 4/9 suggests financials are slightly deteriorating owing to: Negative OPCF. ROA. OPCF less than Profit. Increase in Shares. Asset Turnover.	
<a href="#">Risk of Default: Altman Z-Score (App 4)</a>		An Altman Z-Score of 14.53 is in the Safe Zone: Financially sound.	
<b>Accounting Shenanigans</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 4/4 in Y/FY11. 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?: FY11 FY10 FY09 FY08 FY07	
<a href="#">Excess Capital Raising (App 8)</a>	<a href="#">Global screen</a>	Net flows over 5yrs at 5% of Sales are normal.	
<a href="#">Debt Reconciliation (App 9)</a>	<a href="#">Global screen</a>	Material unreconcilable change of debt in 1 of the last 5 years.	
<b>Other Financial Items</b>			
<a href="#">Number of Red Flags (Out of a possible 75)</a>		Triggers 13 red flags in the last financial period which is normal.	
<a href="#">Cash Balance</a>		Cash & STI of CNY0.3bn is within normal range.	
<a href="#">Restricted Cash</a>		Restricted Cash of CNY0bn is within normal range.	
<a href="#">Receivables</a>		Large Receivables of CNY0.5bn are equal to 26% of Sales which is in the 91%ile relative to peers, have deteriorated by 6ppts relative to Sales over the past year which can be a sign of worsening terms of trade or channel stuffing.	
<a href="#">Doubtful Debts</a>		Delinquency at 0% of total receivables are within normal range.	
<a href="#">Payables</a>		Large Payables of CNY0.1bn are within normal range.	
<a href="#">Inventory</a>		Inventories of CNY0.1bn are equal to 4% of Sales which is within normal range.	
<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>		There are no investments in associates.	
<a href="#">Auditing Costs</a>		Auditing expenses of 5.4bp of sales within normal range.	
<a href="#">Deferred Tax Assets</a>		Deferred Tax Assets/Sales of 0% are within normal range.	
<a href="#">Deferred Tax Liabilities</a>		na	
<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>		Low depreciation at 0.6% of sales suggests that the company might be inflating profit.	
<a href="#">Interest Cover</a>		EBIT Interest Cover of 30.8x is within normal range.	
<a href="#">Leverage</a>		Total Debt/Profit of 0.4x and assets to equity of 1.3x are within normal range.	
<a href="#">Related Party Fraud</a>		No evidence of related party transactions.	
<a href="#">Other Tests:</a>		No or new CFO.	

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

## Summary of accounting risk for Y/FY11

- Profit manipulation	High risk: Montier.
- Financial position	Normal
- General accounting	Normal
- Shenanigans	Evidence: Fake Cash Flow.

= Accounting risk: **High**

This spreadsheet expires on 30th June 2018, in 46 days.

# GMT Research Accounting Screen



Ratios		Global/Sector/ Country		Flyke Internatio Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
		Y/FY11	Y/FY10	Y/FY08	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY11	-1yr Chg	-3yr Chg			
Balance Sheet: Assets																
Av Cash & Equiv./Sales (%)	GICS Industry	21.8	17.8	3.6	+4.1	+18.3	3.2	10.4	24.0	379	77%	-32%	-41%	Risen over 1yr. Risen over 3yrs.		
Unrestricted Cash/COGS (%)	GICS Industry	28.6	39.0	9.3	-10.4	+19.3	5.1	16.6	40.3	314	69%	+14%	-4%			
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	25.9	19.4	20.4	+6.4	+5.5	7.2	12.1	20.0	356	91%	+46%	+38%	Av. Trade & Notes Rec/Sales (%) high. Risen over 1yr. Risen over 3yrs.		
Delinquent AR/AR (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.9	5.9	22.7	1,912	na	na	na			
Av. Inventory/Sales (%)	GICS Industry	4.4	3.1	7.1	+1.3	-2.7	13.0	19.6	29.8	375	3%	+17%	-28%			
Inventory Days	GICS Industry	18	13	29	+5	-11	62	103	187	314	3%	+12%	-32%			
Finished Goods/Inventory (%)	GICS Industry	62	81	91	-19.3	-29.6	33	60	89	417	51%	-49%	-50%			
Av. Other ST Assets/Sales (%)	GICS Industry	0.9	2.0	8.5	-1.1	-7.6	2.0	3.6	7.4	376	6%	-35%	-47%			
PPE/Sales (%)	GICS Industry	8.9	10.0	18.2	-1.1	-9.2	9.2	22.8	45.7	360	18%	-20%	-40%	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	0.0	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	1.4	6.8	18.4	169	na	na	na			
Intangibles/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.1	1.0	9.2	316	na	na	na			
Av. Other LT Assets/Sales FY (%)	GICS Industry	0.0	0.0	0.1	+0.0	-0.1	0.4	1.8	5.8	332	na	na	na			
Av. Assets/Sales (%)	GICS Industry	62	52	63	+10.2	-0.9	65.5	95.1	139.4	380	15%	+27%	-16%			
Balance Sheet: Liabilities and Equity																
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	5.4	7.8	7.9	-2.4	-2.5	5.3	10.0	15.5	379	20%	-43%	-36%			
Trade Payable Days	GICS Industry	27	39	40	-12.0	-12.4	24.5	45.6	81.5	348	24%	-43%	-38%			
ST Debt/Total Debt (%)	GICS Industry	100	100	100	+0.0	+0.0	37.0	69.8	100.0	342	100%	-4%	+0%	ST Debt/Total Debt (%) high.		
Av. Other ST Liabs/Sales (%)	GICS Industry	3.6	4.0	7.8	-0.4	-4.2	3.8	6.8	10.9	380	18%	-21%	-42%			
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	na	na	na	na	na	0.7	3.6	12.1	256	na	na	na			
Av. Other LT Liabs/Sales (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.4	1.8	5.1	298	na	na	na			
Preferred Equity/Equity (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.2	5.1	20.7	908	na	na	na			
Minority/Total Equity (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.3	2.4	11.4	9,628	na	na	na			
Assets/Equity (x)	GICS Industry	1.3	1.5	2.2	-0.2	-1.0	1.4	1.8	2.6	373	12%	-32%	-44%			
Balance Sheet: Other																
Av. GFA/D&A (yrs)	GICS Industry	18.3	18.1	16.5	+0.2	+1.8	8.4	14.3	22.8	371	68%	-8%	-10%			
Restricted Cash/Equity (%)	GICS Industry	0.0	0.0	14.0	+0.0	-14.0	0.1	0.3	5.9	60	na	na	na			
Cash Conversion Cycle (Days)	GICS Industry	85	45	64	40	21	70.6	110.2	186.0	312	30%	+43%	+27%	Risen over 1yr.		
Av. Gross Working Capital/Sales (%)	GICS Industry	40.4	35.9	56.8	+4.5	-16.4	40.4	53.6	72.2	379	20%	+21%	-44%			
Contingent Liab/Equity (%)	GICS Industry	0.3	1.1	37.5	-0.8	-37.2	2.0	13.6	59.2	253	5%	-10%	-43%			
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	148.2	156.0	92.3	-7.8	+55.9	4.5	14.9	33.7	382	98%	+29%	-48%	Return on Production Assets (%) high. Risen over 3yrs.		
Non-Prod. Assets/COGS FY (%)	GICS Industry	77.0	63.3	13.7	+13.7	+63.3	30.3	57.5	108.3	299	65%	-27%	-39%	Risen over 3yrs.		
Gross Debt/Profit (x)	GICS Industry	0.4	0.6	1.3	-0.2	-0.9	0.9	4.0	13.7	306	11%	-10%	-20%			
Income Statement																
											(0-100%)	(+/-50%)	(+/-50%)			
Sales/Employee (US\$)	GICS Industry	na	na	na	na	na	56,779	148,854	359,649	286	na	na	na			
Gross Margin (%)	GICS Industry	28.9	28.6	30.2	+0	-1	15	30	52	322	48%	+4%	+7%			
GM Volatility 5yrs (%)	GICS Industry	12.1					2.9	6.3	20.0	303	70%					
Other Op Y/Op Y (%)	GICS Industry	0.2	1.6	0.8	-1.4	-0.7	1.8	6.4	20.7	119	3%	-24%	-17%			
D&A/Sales T12M (%)	GICS Industry	0.6	0.7	1.4	-0.1	-0.7	1.4	2.8	4.7	376	93%	+13%	+36%	D&A/Sales T12M (%) low. Fallen over 3yrs.		
Operating Margin T12M (%)	GICS Industry	18.1	17.7	18.4	+0.4	-0.3	2.8	7.2	14.9	374	86%	-12%	-1%	Operating Margin T12M (%) high.		
Non-Op Y/Op Y (%)	GICS Industry	1.2	0.5	0.9	+0.7	+0.3	2.9	10.4	36.5	329	8%	+1%	-4%			
EFF Int Rate less MLR (ppt)	Country	4.7	2.1	-0.1	+2.6	+4.8	-2.9	-0.5	1.1	2,032	95%	+41%	+43%	EFF Int Rate less MLR (ppt) high. Risen over 1yr. Risen over 3yrs.		
Cash Return less Policy Rate (ppt)	Country	-1.1	-1.1	2.6	-0.0	-3.7	-2.2	-1.5	-0.2	2,145	61%	-4%	-47%	Fallen over 3yrs.		
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	20.5	22.0	7.6	-1.4	+13.0	13.3	19.2	27.2	2,043	54%	-21%	+39%	Risen over 3yrs.		
CF Tax/IS Tax (%)	GICS Industry	55.1	72.0	73.3	-16.9	-18.1	64.9	98.7	151.1	285	86%	+20%	+20%	CF Tax/IS Tax (%) low.		
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	13.9	13.4	16.1	+0.5	-2.2	1.3	4.7	11.2	383	13%	-15%	+20%	Net Income Margin (%) high.		
Capitalised Int/PTP (%)	Global	0.0	0.0	0.0	+0.0	+0.0	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	30.8	31.1	15.3	-0.3	+15.5	1.7	7.4	41.1	351	24%	+6%	-33%			

# GMT Research Accounting Screen



Ratios		Global/Sector/ Country	Flyke Internatio Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY11	Y/FY10	Y/FY08	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY11	-1yr Chg	-3yr Chg	
Cash Flow															
CFO/Net Profit (x)	GICS Industry		-0.1	0.5	0.3	-0.6	-0.4	0.3	1.1	2.2	1,697	87%	+23%	+18%	CFO/Net Profit (x) low.
Cash Interest Exp./CFO (%)	GICS Industry		-48.0	8.8	26.6	-56.8	-74.6	0.2	4.8	25.8	271	6%	-41%	-43%	
Capex/Sales (%)	GICS Industry		0.7	2.0	12.7	-1.3	-12.0	1.4	3.2	7.2	371	9%	-27%	-46%	
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	0.2	12.6	-0.2	-12.6	0.1	1.1	4.4	292	na			
Debt Repay/ST Debt -1FY (%)	Global		220	282	84	-62.1	+136.4	20.0	88.4	210.9	10,373	80%	-33%	+37%	Debt Repay/ST Debt -1FY (%) high. Risen over 3yrs.
Free Cash Flow Margin (%)	GICS Industry		-1.9	4.5	-8.2	-6.4	+6.3	-4.2	2.4	8.7	377	73%	+35%	-24%	Fallen over 1yr.
FCF-Divs/Sales (%)	Global		-4.0	-3.3	-9.1	-0.7	+5.1	-7.2	0.9	6.8	10,563	74%	+7%	-21%	FCF-Divs/Sales (%) low.
No. of Mat. Capital Inc -5yrs	Global		0					0.0	0.0	1.0	9,451	na			
Other Fin. Activities/Sales (%)	GICS Industry		2.1	0.5	0.0	+1.6	+2.1	0.0	0.3	1.4	329	83%			Other Fin. Activities/Sales (%) high.
Corporate Governance															
												(0-100%)	(+/-50%)	(+/-50%)	
Auditing Exp/Sales (bp)	GICS Industry		5.4					2.5	6.3	13.2	179	45%			
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/FY11

		Result: Scores within normal range. Number of red flags normal.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	46%	In Y/FY11, Flyke Internatio recorded an average percentile score (0 is good, 100 is bad) of 46% across all 75 financial ratios listed below. This places it in a percentile of 32 relative to around 379 GICS industry peers globally, which is a moderate result. The company triggered a total of 13 red flags out of 75 placing it in a percentile of 51 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)	32%		
Number of Red Flags (Out of a possible 75)	13		
- Percentile vs Global Peers (0% is good, 100% is bad)	51%		

## Summary of change in financials over 1 year

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	5	Over the financial year prior to Y/FY11, Flyke Internatio triggered a total of 5 red flags out of 62 placing it in a percentile of 27 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)	27%		

## Summary of change in financials over 3 yrs

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	10	Over the 3 financial years prior to Y/FY11, Flyke Internatio triggered a total of 10 red flags out of 62 placing it in a percentile of 73 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)	73%		

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## Appendices

### Appendix 1: Beneish M-Score

Criteria	Calculation	FY07	FY08	FY09	FY10	FY11	Y/FY11	Index Calculation	Comments on latest period
Days Sales in Receivables Index	$+(0.92 \times 1.33)$	na	0.83	0.92	1.04	1.33	1.33	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 94 days have increased by 23 days YoY
Gross Margin Index	$+(0.528 \times 0.99)$	1.01	0.98	1.22	0.86	0.99	0.99	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 28.9% has improved by 0.3ppts YoY
Asset Quality Index	na	0.00	-406,940.13	0.00	na	na	na	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - ((\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1})]$	Other LT Assets/Total Assets of 0% has increased by 0ppts YoY
Sales Growth Index	$+(0.892 \times 1.20)$	1.39	2.46	2.05	1.52	1.20	1.20	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 20% YoY
Depreciation Index	$+(0.115 \times 0.92)$	1.39	1.11	1.00	0.91	0.92	0.92	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 6.5% has risen by 0.5ppts YoY
SG&A Index	$-(0.172 \times 1.04)$	1.05	0.69	1.79	0.59	1.04	1.04	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 10.8% have fallen by 0.4ppts YoY
Total Accruals to Total Assets	$+(4.679 \times 0.22)$	-0.05	0.15	0.13	0.10	0.22	0.22	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are 22%
Leverage Index	$-(0.327 \times 1.53)$	1.01	1.19	0.98	1.83	1.53	1.53	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 20% have fallen by 10.7ppts YoY
<b>Beneish M-Score for Y/FY11</b>	<b>-4.84 =</b>	<b>na</b>	<b>-164,404.83</b>	<b>-1.41</b>	<b>na</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

Criteria	FY07	FY08	FY09	FY10	FY11	Y/FY11	Point Calculation	Comments
Profit	1	1	0	0	1	1	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of -15.1% has fallen from -6.9% YoY
Receivables	na	0	0	1	1	1	Receivable Days are increasing (1 point)	Receivables of 93 days have increased by 23 days YoY
Inventory	0	0	0	1	1	1	Inventory Days are increasing (1 point)	Inventory of 4 days has risen by 1 days YoY
Other current assets	0	0	0	0	0	0	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 2% have fallen by 0.1ppts YoY
Depreciation	na	0	1	0	1	1	Depreciation relative to PPE jobs usfa bs	Depreciation of 18.3yrs has risen by 0.2yrs YoY
Asset growth	1	1	1	1	1	1	High asset growth in excess of 10% (1 point)	Asset growth of 21% YoY is in excess of 10%
<b>Montier's C-Score</b>	<b>na</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>Score 0-1 is good; 2-4 is average, 5-6 is bad</b>	<b>A C-Score of 5/6 suggests profit manipulation</b>

### Appendix 3: Piotroski F-Score

Criteria	FY07	FY08	FY09	FY10	FY11	Y/FY11	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 22.3%
Operating Cash Flow Score	1	1	1	1	0	0	Positive Operating Cash Flow in the current year (1 point)	12m Trailing CFO Margin of -1.2%
Return on Assets Score	1	1	1	0	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 22.3% from 25.8% YoY
Quality of Earnings Score	1	0	0	0	0	0	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of -1.2% is below Net Profit Margin of 13.9%
Long-Term Debt to Assets Score	0	1	1	1	1	1	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has fallen to 9% from 12% YoY
Current Ratio Score	0	1	1	1	1	1	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has risen to 4.31x from 2.73x 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 1.7%
Gross Margin Score	0	1	0	1	1	1	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 28.9% has improved by 0.3ppts YoY
Asset Turnover Score	1	1	1	0	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 1.61x from 1.93x YoY
<b>Piotroski F-Score</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>Score 0-1 weak and deteriorating; 8-9 strong and improving</b>	<b>An F-Score of 4/9 suggests financials are slightly deteriorating</b>

### Appendix 4: Altman Z-Score

Criteria	FY07	FY08	FY09	FY10	FY11	Y/FY11	Altman Z-Score for a company in emerging markets	Comments
Solvency	21.61	9.84	na	3.50	4.38	4.38	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	0.64	1.02	na	0.93	1.33	1.33	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	1.17	1.65	na	1.76	1.79	1.79	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	0.55	0.85	0.80	2.25	3.78	3.78	Book Value of Equity/Total Liabilities	Leverage
<b>Altman Z-Score for Y/FY11</b>	<b>27.22</b>	<b>16.62</b>	<b>na</b>	<b>11.69</b>	<b>14.53</b>	<b>14.53</b>	<b>Anything &lt;1.81 for a manufacturer or &lt;1.11 for other companies is problematic</b>	<b>Safe Zone: Financially sound</b>

### Appendix 5: Acquisition Accounting

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Criteria	Point Calculation	FY07	FY08	FY09	FY10	FY11	Y/FY11	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	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	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
<b>Acquisition Accounting</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</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

Criteria	FY07	FY08	FY09	FY10	FY11	Y/FY11	Point Calculation	Comments
Has high debt repayment/ST debt?	0	0	0	1	1	1	Debt Repayment relative to the ST Debt one year prior is in excess of 130%	Debt Repayment/ST Debt -1FY of 220% is in the 80%ile relative to global peers
Has high effective interest rate?	0	1	1	1	1	1	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 9.1% is in the 97%ile relative to country peers
Has moderate debt?	1	1	1	1	0	0	If Debt to Sales >15%ile of industry peers	Debt/Sales of 6% is in the 15%ile relative to industry peers
<b>Window Dressing</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</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

Criteria	FY07	FY08	FY09	FY10	FY11	Y/FY11	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
<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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Criteria	Point Calculation	FY07	FY08	FY09	FY10	FY11	Y/FY11	Point Calculation	Comments
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 18% is in the 86%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 148% 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 77% is in the 65%ile
Build-up of non-production assets		1	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	0	1	0	0	1	1	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 19%
A relatively unknown auditor		0	0	0	0	0	0	Relatively obscure auditor	Well known auditor: Shinewing Cp
Incorporation and Domicile	1pt if >1	1	1	1	1	1	1	Different country of incorporation vrs domicile	Country of incorporation (Cayman Islands) is different from domicile (China).
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	Textiles, Apparel & Luxury Goods industry is prone to fraud.
<b>Fake Cash Flow Fraud</b>	<b>Max 4pts</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>A score of 3 or 4 is problematic and requires further investigation</b>	<b>Major Fraud Alert: 73% of frauds score 4 points and 2.9% of all companies</b>

## Appendix 8: Excess Capital Raising

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(CNYm)	FY07	FY08	FY09	FY10	FY11	FY07-11
Sales	+168	+414	+849	+1,290	+1,543	+4,264
- OPCF	+39	+19	+72	+84	(19)	+195
- Capex	(16)	(50)	(30)	(26)	(11)	(133)
- Dividends (incl MI at subs)	(17)	(4)	(70)	(100)	(32)	(222)
- Buybacks	+0	+0	+0	+0	(8)	(8)
- (Acquisitions)/disposals	+0	+0	+0	+0	+0	+0
= Net internal cash generation	+6	(35)	(28)	(42)	(69)	(168)
- Debt issuance, net	+18	+5	+68	(12)	(8)	+71
- Equity issuance	+0	+3	+0	+320	#N/A N/A	+322
= Net external financing	+18	+8	+68	+307	(8)	+393
<b>Net surplus/(deficit)</b>	<b>+24</b>	<b>(28)</b>	<b>+40</b>	<b>+265</b>	<b>(77)</b>	<b>+225</b>
Net flows/Sales (%)	+15	(7)	+5	+21	(5)	5
Relative to Global Sector (%ile):						73%
Av. cash balance/sales (%)	2	4	7	18	22	
Relative to Global Sector (%ile)	11%	21%	38%	69%	77%	
Core cash required (10% of Sales):					33	
Surplus cash at year end (cash balance less core cash):					281	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					225	
Possible fake cash/excess cash balance (%):					80	
Normal amounts of cash flow generated.						

## Appendix 9: Debt Reconciliation

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(CNYm)	FY07	FY08	FY09	FY10	FY11	FY07-11
Balance sheet (BS) debt YE	92	88	124	104	96	
Change in debt: BS	+33	(3)	+35	(20)	(8)	+37
Change in debt: Cash flow (CF)	18	5	68	(12)	(8)	+71
<b>Unrec chg BS and CF debt</b>	<b>+15</b>	<b>(8)</b>	<b>(33)</b>	<b>(7)</b>	<b>+0</b>	<b>(34)</b>
Unrec chg/total debt (%)	+16	(10)	(26)	(7)	+0	(35)
Possible reason:	None.	ok	ok	ok	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.						

## Appendix 10: Ownership Type (latest Bloomberg data)

	(%)	Active Versus Passive	
#N/A Field Not Applicable	0	Free Float (%)	100
0	0	No. Instit. Owners	#N/A N/A
0	0	Institutional (%)	#N/A N/A
0	0	- Passive Instit. (ETFs) (%)	0
0	0	- Active Instit. (%)	#VALUE!
Other	100		

## Appendix 11: Insiders (latest Bloomberg data)

	Comment
Insider Shares O/S (%)	#N/A Field Not Applicable
Chg Insider Hldgs -6m (%)	#N/A Field Not Appl Changes in insider holdings can be due to options, etc. as opposed to actively buying or selling
Number of Insider Shares Purchased (m)	na shares
Number of Insider Shares Sold (m)	na
Average Purchase Price of Insider Shares	#N/A Field Not Appl Current share price is HKD0.38
Average Sell Price of Insider Shares	#N/A Field Not Applicable
Shares Outstanding (m)	814
Insider Shares Traded -6m/Total Shares (%)	#VALUE!

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

	(CNYm)	Comment
Comprehensive Income	213	
Less:		
Net Income/Net Profit (Losses)	214	
Other comprehensive income comprised of:		
Foreign Currency Trans. Adj.	(1)	Other comprehensive income is -1% of income which is within normal range. Able to fully reconcile other comprehensive income.
na	na	
na	na	
na	na	
na	na	
na	na	
na	na	
Amount unable to reconcile:	0	