

GMT Research Accounting Screen



Short Name	Zto Express -Adr
GICS Ind Name	Air Freight & Logistics
GICS Industry	203_010
Cntry of Dom	CN
Most Recent Balance Sheet	2017 Q1
Ticker	ZTO US
Latest Period	Y
Current Fiscal Year	2016
Bloomberg error:	Blank Company:1634
Country of incorporation:	Country of incorporation (Cayman Islands) is different from the country of domicile (China).
Country of financials:	Currency of financials (Yuan Renminbi) is same as country of risk (China).

For questions or suggestions, please email us:
tools@gmtresearch.com

Relevant GMT Research Reports (please go to our website and login):

ZTO EXPRESS: 1Q17: Downgrades to continue as margins fall (22 May 2017)
 ZTO EXPRESS (ZTO US): SELL: 4Q miss, downgrade risks rise (1 March 2017)
 ZTO EXPRESS (ZTO US): SELL: Damaged Goods (22 Feb 2017)

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

Alerts

This spreadsheet expires on 30th September 2017, in 60 days.

Profit Manipulation: Beneish M-Score (See Appendix 1 for breakdown)

Cooking the Books: Montier's C-Score (App 2)

Strength of Financial Position: Piotroski F-Score (App 3)

Risk of Default: Altman Z-Score (App 4)

Acquisition Accounting (App 5)

Window Dressing (App 6)

Speculative Balance Sheet

Related Party Fraud

Cash Extraction Fraud: Prepaid Expenses

Fake Cash Fraud: Overly profitable (App 7)

Beneish M-Score of -1.64 in Y/FY16 suggests likely profit manipulation, triggered by high sales growth.

A Montier C-Score of 6 out of 6 suggests there is evidence the company is manipulating profit such as: Low OPCF. Rising receivables. Rising inventory. Rising OCA. Falling depreciation.

A Piotroski F-Score of 6 out of 9 suggests financials are moderately strong and improving.

An Altman Z-Score of 14.13 is in the Safe Zone: Financially sound.

Possible earnings manipulation through acquisition accounting owing to material acquisitions, goodwill and rising deferred tax assets.

No evidence of debt window dressing. Unlikely to be window dressing investments.

No evidence of balance sheet speculation.

Existence of related party balances which raises risk of round tripping.

Prepaid expenses of 3.9% of sales raise the risk of illegal cash extraction.

Scores 4/4. Major Fraud Alert. An Operating Margin of 28.3% is in the 100th percentile relative to peers while a Return on Production Assets of 104.7% is in the 94th percentile relative to peers. There is a build-up, and high level, of Non-Production Assets. Dividends are low relative to profits. Different country of Incorporation vrs Domicile. ST Debt is >=75% total, or there is no debt at all. 73% of frauds score 4 points and 2.9% of all companies. Further investigation needed.

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

Profit Manipulation: Gross Working Capital

Other Tests:

Has VIE Structure.

Summary of financials in Y/FY16

Average Ratio Percentile Score (0 is good, 100 is bad)

- Percentile vs Industry Peers (0% is good, 100% is bad)

Number of Red Flags (Out of a possible 68)

- Percentile vs Global Peers (0% is good, 100% is bad)

57%

82%

13

72%

Result: Very poor score. Number of red flags normal.

In Y/FY16, Zto Express -Adr recorded an average percentile score (0 is good, 100 is bad) of 57% across all 68 financial ratios listed below. This places it in a percentile of 82 relative to around 83 GICS industry peers globally, which is a very unusual result. The company triggered a total of 13 red flags out of 68 placing it in a percentile of 72 relative to our sample of 16,000 companies globally, which is a moderate result.

Explanation

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.

Summary of change in financials over 1 year

Number of Red Flags (Out of a possible 55)

- Percentile vs Global Peers (0% is good, 100% is bad)

13

81%

Result: High number of red flags.

Over the financial year prior to Y/FY16, Zto Express -Adr triggered a total of 13 red flags out of 55 placing it in a percentile of 81 relative to our sample of 16,000 companies globally, which is a very unusual result.

Explanation

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 55)

- Percentile vs Global Peers (0% is good, 100% is bad)

4

23%

Result: Insufficient data

Over the 3 financial years prior to Y/FY16, Zto Express -Adr triggered a total of 4 red flags out of 55 placing it in a percentile of 23 relative to our sample of 16,000 companies globally, which is a moderate result.

Explanation

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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Ratios		Global/Sector/ Country		Zto Express -Adr Ratios		Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
		Y/FY16	Y/FY15	Y/FY13	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY16	-1yr Chg	-3yr Chg		
Balance Sheet		No Data									(0-100%)	(+/-50%)	(+/-50%)		
Cash/Sales (%)	GICS Industry	70.2	21.5	na	+48.7	na	4.4	8.8	18.7	83	96%	-48%	na	Cash/Sales (%) high. Risen over 1yr.	
Unrestricted Cash/COGS (%)	GICS Industry	177.9	61.3	na	+116.5	na	4.9	10.4	25.3	63	96%	-45%	na	Unrestricted Cash/COGS (%) high. Risen over 1yr.	
ST Investments/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.0	0.6	3.0	33	na	na	na		
Receivables/Sales (%)	GICS Industry	1.3	0.9	na	+0.4	na	11.0	13.9	17.6	83	na	na	na		
Delinquent AR/AR (%)	Global	0.0	0.0	na	+0.0	na	0.9	5.9	22.7	1,912	na	na	na		
Inventory/Sales (%)	GICS Industry	0.3	0.3	#N/A N/A	+0.1	na	0.2	0.7	4.0	60	30%	+24%	na		
Inventory Days	GICS Industry	1	1	0	+0	+1	1	5	27	43	27%	+21%	+13%		
Finished Goods/Inventory (%)	GICS Industry	0	0	na	+0.0	na	24	59	98	36	na	na	na		
Other ST Assets/Sales (%)	GICS Industry	13.2	11.9	na	+1.3	na	1.3	3.1	7.3	82	88%	+33%	na	Other ST Assets/Sales (%) high. Risen over 1yr.	
PPE/Sales (%)	GICS Industry	29.7	22.0	na	+7.7	na	4.7	16.8	41.7	81	67%	+40%	na	Risen over 1yr.	
Affiliate Inv/Equity (%)	Global	2.7	4.8	na	-2.1	na	0.5	3.0	13.1	7,896	47%	-39%	na		
LT Inv & Rec/Sales (%)	GICS Industry	0.0	0.0	na	+0.0	na	0.3	1.9	16.6	62	na	na	na		
Deferred Tax Assets/Sales FY (%)	GICS Industry	1.1	0.8	0.0	+0.3	+1.1	0.1	0.5	2.0	57	65%	+35%	+40%	Risen over 1yr. Risen over 3yrs.	
Prepaid Expenses/Sales (%)	GICS Industry	3.9	3.5	na	+0.4	na	0.4	1.2	2.7	29	91%	+32%	na	Prepaid Expenses/Sales (%) high. Risen over 1yr.	
Prepaid Expenses/Inventory (%)	GICS Industry	1,116.2	1,346.8	na	-230.6	na	13.4	191.3	1,520.2	12	78%	-40%	na		
Intangibles/Sales (%)	GICS Industry	55.8	50.2	na	+5.6	na	0.3	3.5	13.4	79	98%	+42%	na	Intangibles/Sales (%) high. Risen over 1yr.	
Other LT Assets/Sales FY (%)	GICS Industry	4.8	3.2	0.0	+1.6	+4.8	0.2	1.8	5.5	78	78%	+40%	+44%	Risen over 1yr. Risen over 3yrs.	
Assets/Sales (%)	GICS Industry	174	128	na	+45.8	na	40.4	69.6	142.1	83	87%	+46%	na	Assets/Sales (%) high. Risen over 1yr.	
Payables (incl Accr.)/Sales (%)	GICS Industry	8.4	7.9	na	+0.5	na	6.5	9.7	14.7	83	39%	+12%	na		
Trade Payable Days	GICS Industry	27	20	0	+6.4	+26.8	21.5	34.2	61.4	66	33%	+33%	+35%	Risen over 1yr. Risen over 3yrs.	
ST Debt/Total Debt (%)	Global	100	100	No debt	+0.0	na	13.0	44.2	88.3	13,723	99%	-2%	na	ST Debt/Total Debt (%) high.	
Other ST Liabs/Sales (%)	GICS Industry	19.3	21.9	na	-2.6	na	3.5	7.3	14.4	83	87%	-43%	na	Other ST Liabs/Sales (%) high.	
Deferred Tax Liab/Sales FY (%)	GICS Industry	3.1	3.1	na	+0.0	na	0.4	2.7	10.0	68	54%	+3%	na		
Other LT Liabs/Sales (%)	GICS Industry	0.0	0.0	na	+0.0	na	0.4	1.7	9.2	76	na	na	na		
Preferred Equity/Equity (%)	Global	0.0	25.2	na	-25.2	na	0.2	5.1	20.7	908	na	na	na		
Minority/Total Equity (%)	Global	0.0	0.2	na	-0.1	na	0.3	2.4	11.4	9,628	8%	-15%	na		
Assets/Equity (x)	GICS Industry	1.2	1.3	#N/A N/A	-0.2	na	1.6	2.2	3.5	82	5%	-27%	na		
Average GFA/D&A (yrs)	GICS Industry	6.0	9.3	na	-3.3	na	7.8	13.6	22.3	81	11%	-47%	na		
Restricted Cash/Equity (%)	GICS Industry	3.2	3.4	na	-0.2	na	0.1	0.9	3.7	13	72%	-32%	na		
Gross Working Capital/Sales (%)	GICS Industry	42.4	42.8	na	-0.3	na	26.7	34.3	55.3	82	68%	-18%	na		
Contingent Liab/Equity (%)	GICS Industry	na	11.2	na	na	na	8.4	21.6	64.9	63	na	na	na		
Return on Production Assets (%)	GICS Industry	104.7	157.1	na	-52.4	na	7.0	20.9	50.4	84	94%	+47%	na	Return on Production Assets (%) high. Fallen over 1yr.	
Non-Prod. Assets/COGS FY (%)	GICS Industry	302.5	146.7	155.8	+155.8	+146.7	27.9	42.9	84.3	61	96%	-48%	-45%	Non-Prod. Assets/COGS FY (%) high. Risen over 1yr. Risen over 3yrs.	
Gross Debt/Profit (x)	GICS Industry	0.2	0.3	na	-0.0	na	1.1	5.0	14.3	71	11%	-3%	na		
Income Statement											(0-100%)	(+/-50%)	(+/-50%)		
Sales/Employee (US\$)	GICS Industry	#N/A N/A	37,087	#N/A N/A	na	na	108,646	257,248	479,217	61	na	na	na		
Other Op Y/Op Y (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	3.7	17.6	40.0	20	na	na	na		
D&A/Sales (%)	GICS Industry	3.3	2.6	na	+0.7	na	0.8	2.4	4.6	82	31%	-39%	na		
Operating Margin (%)	GICS Industry	28.3	25.1	#N/A N/A	+3.2	na	1.8	4.4	9.1	83	100%	-43%	na	Operating Margin (%) high.	
Non-Op Y/Op Y (%)	GICS Industry	2.3	15.6	na	-13.3	na	2.3	10.0	37.8	72	20%	-36%	na		
EFF Int Rate less MLR (ppt)	Country	-0.9	1.6	na	-2.5	na	-2.9	-0.5	1.1	2,032	42%	-43%	na		
Cash Return less Policy Rate (ppt)	Country	-0.8	-0.3	na	-0.5	na	-2.2	-1.5	-0.2	2,145	68%	-22%	na		
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	26.0	24.0	#N/A N/A	+2.0	na	13.3	19.2	27.2	2,043	75%	+19%	na		
CF Tax/IS Tax (%)	GICS Industry	na	78.9	na	na	na	72.3	95.2	120.2	66	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	-0.1	0.0	na	-0.1	na	-0.1	1.8	12.8	8,362	18%	-6%	na		
Net Income Margin (%)	GICS Industry	21.0	21.9	#N/A N/A	-0.9	na	0.9	2.6	6.7	83	3%	+31%	na	Net Income Margin (%) high. Fallen over 1yr.	
Capitalised Int/PTP (%)	GICS Industry	na	0.0	na	na	na	na	na	na	7	na	na	na		
EBIT Interest Cover (x)	GICS Industry	213.2	93.3	#N/A N/A	+119.9	na	2.7	6.4	30.5	80	6%	-46%	na		

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Ratios		Global/Sector/ Country	Zto Express -Adr Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY16	Y/FY15	Y/FY13	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY16	-1yr Chg	-3yr Chg	
												(0-100%)	(+/-50%)	(+/-50%)	
Cash Flow															
CFO/Net Profit (x)	GICS Industry		1.2	1.4	na	-0.2	na	0.9	1.6	2.8	367	66%	+11%	na	
Cash Interest Exp./CFO (%)	GICS Industry		na	0.9	na	na	na	0.9	6.8	22.5	63	na	na	na	
Capex/Sales (%)	GICS Industry		na	17.5	na	na	na	0.8	2.7	5.9	82	na	na	na	
Decrease Investments/Sales (%)	GICS Industry		0.0	0.0	na	+0.0	na	0.0	0.2	1.2	33	na	na	na	
Debt Repay/ST Debt -1FY (%)	Global		na	0	na	na	na	20.0	88.4	210.9	10,373	na	na	na	
Free Cash Flow Margin (%)	GICS Industry		na	13.2	na	na	na	-1.5	1.9	5.4	81	na	na	na	
FCF-Divs/Sales (%)	Global		na	11.3	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					0.0	0.3	1.0	77	na			
												(0-100%)	(+/-50%)	(+/-50%)	
Corporate Governance															
Auditing Exp/Sales (bp)	GICS Industry		na					2.1	5.1	10.2	42	na			
RPT Balances/Equity (%)	Global		0.7					0.3	1.9	11.0	1,434	32%			RPT Balances/Equity (%) low.
Number of Acq&Disp -5yrs	Global		2					0.0	3.0	5.0	12,251	46%			
Acq&Disp Con./Sales Av. -5yrs (%)	Global		5.8					0.2	1.4	6.9	12,251	77%			
Executive Comp/Sales (bp)	GICS Industry		na					4.6	12.9	49.0	22	na			
Executive Comp/PTP (bp)	GICS Industry		na					70.8	261.7	1,018.7	22	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			
Average Board Tenure (yrs)	Global		na					3.9	6.4	9.9	3,672	na			

Source: GMT Research, Bloomberg

Appendix

Appendix 1: Beneish M-Score		Calculation	Result	Index Calculation	Comments
Days Sales in Receivables Index		$+(0.92*1.48)$	1.36	$(\text{Net Receivables}_t / \text{Sales}_t) / \text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 5 days have increased by 1.6 days YoY
Gross Margin Index		$+(0.528*0.98)$	0.51	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 35% has improved by 0.9% YoY
Asset Quality Index		$+(0.404*0.52)$	0.21	$[1 - (\text{Current Assets}_t + \text{PP\&E}_t + \text{Securities}_t) / \text{Total Assets}_t] / [1 - ((\text{Current Assets}_{t-1} + \text{PP\&E}_{t-1} + \text{Securities}_{t-1}) / \text{Total Assets}_{t-1})]$	Other LT Assets/Total Assets of 26.3% has fallen by 24.7% YoY
Sales Growth Index		$+(0.892*1.61)$	1.43	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 61% YoY
Depreciation Index		$+(0.115*1.12)$	0.13	$(\text{Depreciation}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depreciation}_{t-1})) / (\text{Depreciation}_t / (\text{PP\&E}_t + \text{Depreciation}_t))$	12m Trailing Depreciation/Sales of 7.4% has fallen by 0.9% YoY
SG&A Index		$-(0.172*0.74)$	-0.13	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 7.2% have fallen by 2.5% YoY
Total Accruals to Total Assets		$-(4.679*0.03)$	-0.12	$(\text{Income from Continuing Operations}_t - \text{Cash Flows from Operations}_t) / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are -3% YoY
Leverage Index		$-(0.327*0.60)$	-0.20	$[(\text{Current Liabilities}_t + \text{Total Long Term Debt}_t) / \text{Total Assets}_t] / [(\text{Current Liabilities}_{t-1} + \text{Total Long Term Debt}_{t-1}) / \text{Total Assets}_{t-1}]$	LT Debt + Current Liabilities / Total Assets of 15% have fallen by 10% YoY
Beneish M-Score for Y/FY16		-4.84 =	-1.64	Beneish M-Score of -1.64 in Y/FY16 suggests likely profit manipulation, triggered by high sales growth. See Appendix 2 for more details. An M-Score of >-2.22 signals that the company is likely to be a manipulator	
Appendix 2: Montier C-Score		Points	Point Calculation	Comments	
Profit		1	A growing divergence between profit and CFO (1 point).	12m Trailing Accruals Margin of 4.9% has fallen from 8.8% YoY	
Receivables		1	Receivable days are increasing (1 point).	Receivables of 5 days have increased by 1.6 days YoY	
Inventory		1	Inventory days are increasing (1 point).	Inventory of 0.3 days has risen by 0.1 days YoY	
Other current assets		1	Other current assets to sales are increasing (1 point).	Other Current Assets/Sales of 13% have risen by 1.3% YoY	
Depreciation		1	Depreciation relative to PPE is decreasing (1 point).	Depreciation/Sales of 6% has fallen by 3.3% YoY	
Asset growth		1	High asset growth in excess of 10% (1 point).	Asset growth of 121% YoY is in excess of 10%	
Montier's C-Score for Y/FY16		6	A Montier C-Score of 6 out of 6 suggests there is evidence the company is manipulating profit.		A score of 5 or 6 suggests a lot of problems with financials
Appendix 3: Piotroski F-Score		Point	Point Calculation	Comments	
Net Income Score		1	Positive return on assets in the current year (1 point).	12m Trailing Return on Assets of 11.26%	
Operating Cash Flow Score		1	Positive operating cash flow in the current year (1 point).	12m Trailing Operating Cash Flow Margin of 25.9%	
Return on Assets Score		0	Higher return on assets (ROA) in the current period compared to the ROA in the previous year (1 point).	12m Trailing ROA has fallen to 11.26% from 13.87% YoY	
Quality of Earnings Score		1	Cash flow from operations are greater than ROA (1 point).	12m Trailing CFO Margin of 25.9% is above Net Profit Margin of 19.6%	
Long-Term Debt to Assets Score		1	Lower ratio of long term debt to in the current period compared value in the previous year (1 point).	LT Debt/Total Assets has fallen to 2% from 3% YoY	
Current Ratio Score		1	Higher current ratio this year compared to the previous year (1 point).	Current Ratio has risen to 3.74x from 1.3x YoY	
Shares Outstanding Score		0	No new shares were issued in the last year (1 point).	Increased number of shares by 20%	
Gross Margin Score		1	A higher gross margin compared to the previous year (1 point).	12m Trailing Gross Margin of 35% has improved by 0.9% YoY	
Asset Turnover Score		0	A higher asset turnover ratio compared to the previous year (1 point).	Asset turnover has fallen to 0.58x from 0.78x YoY	
Piotroski F-Score for Y/FY16		6	A Piotroski F-Score of 6 out of 9 suggests financials are moderately strong.		A score of 0-2 suggests financials are weak and deteriorating

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Appendix 4: Altman Z-Score		Result	Altman Z-Score for a company in emerging markets		Comments
Solvency		3.53	Working Capital (Current Assets less Current Liabilities)/Tangible Assets		Ability to meet short term obligations
Cumulative profitability		0.64	Retained Earnings/Tangible Assets		Determines cumulative historic profitability
Profitability		1.04	EBIT/Tangible Assets		Measures earnings away from the effects of taxes and leverage
Market confidence		na	Market Capitalisation/Total Liabilities		Whether a firm's value able to cover liabilities
Efficiency		na	Sales/Tangible Assets		An asset turnover metric to measure efficiency
Leverage		5.68	Book Value of Equity/Total Liabilities		Leverage
Altman Z-Score for Y/FY16		14.13	Safe Zone: Financially sound		Anything <1.81 for a manufacturer or <1.11 for other companies is problematic
Appendix 5: Acquisition Accounting		Point	Point Calculation		Comments
Material acquisition in last 3 yrs?		1	1 point	An acquisition in excess of 5% of sales.	Largest recent acquisition was 10% of sales
Rise in intangible assets -1yr?		1	1 point	Either a rise in intangible assets over 1 year.	Intangibles Assets/Sales have risen to 55.8% of sales from 50.2% of sales
Rise in intangible assets -3yrs?		0		Or a rise in intangible assets over 3 years.	na
Material intangibles on balance sheet?		1	1 point	Or intangibles are >=50th highest percentile relative to peers.	Intangible Assets/Sales of 56% are in the percentile of 98
Rise in deferred tax assets -1yr?		1		Either a rise in deferred tax asset over 1 year.	DTAs have risen to 1.1% of sales from 0.8% of sales
Rise in deferred tax assets -3yrs?		1	1 point	Or a rise in deferred tax assets over 3 years.	DTAs have risen to 1.1% of sales from 0% of sales
Large deferred tax assets		0		Or a large deferred tax asset in the 80th percentile relative to industry peers.	DTA/Sales of 1.1% is in the percentile of 65 relative to industry peers
Acquisition Accounting		3	Possible earnings manipulation through acquisition accounting owing to material acquisitions, goodwill and rising deferred tax assets.		A score of 3 suggests possibility of acquisition accounting to inflate profits
Appendix 6: Debt Window Dressing		Point	Point Calculation		Comments
Has high debt churn?		0	Debt repayment relative to the short term debt one year prior is in excess of 130% (>69th percentile of global peers).		na
Has high effective interest rate?		0	The effective interest rate is in excess of the 80th percentile relative to country peers.		Effective Int Rate of 3.5% is in the %tile of 42 relative to country peers
Has moderate debt?		1	If debt to sales >15% percentile of industry peers.		Debt/Sales of 5% is in the percentile of 24 relative to industry peers
Window Dressing		1	Unlikely to be debt window dressing.		A score of 3 suggests strong likelihood of window dressing
Appendix 6a: Window Dressing Investments		Point	Point Calculation		Comments
High level of investment repayment/sales?		0	If investment repayments/sales are in excess of the 80th percentile relative to industry peers		na
High inv. repay./investments -1FY?		0	If investment repayments are in excess of 130% of previous year's outstanding investments		na
Window Dressing Investments		0	Unlikely to be window dressing investments.		
Appendix 7: Fake Cash flow		Point	Point Calculation		Comments
High operating margin		1	1 Point	An operating margin in excess of the 80th percentile relative to peers (1 point)	A 12m Trailing Operating Margin of 28% is in the percentile of 100
High return on production assets		1		Returns on production assets in excess of the 80th percentile relative to peers (1 point)	A 12m Return on Production Assets of 105% is in the percentile of 94
High level of non-production assets		1	1 Point	Existence of non-production assets in excess of 80th percentile relative to peers (1point)	Non Production Assets/COGS (or Sales) of 302% is in the percentile of 96
Build up of non-production assets		1		Build-up of non-production assets in excess of 80th percentile relative to peers over one or three years (1 point)	Non Production Assets/COGS (or Sales) increased by 147% over 1 year
Low dividends relative to profits		1	1 Point	Dividends less than 25% of net profit (1 point)	A dividend payout ratio of 0%
Auditor credibility		0	1 Point if >1	A relatively unknown auditor (1 point)	Bloomberg error: Blank Company:1634
Incorporation and domicile		1		If the country of domicile is different from the country of incorporation (1 point)	Country of incorporation (Cayman Islands) is different from the country of domicile (China).
Reliance on short term debt, or no debt		1		If short term debt is >=75% of total debt, or there is no debt at all (1 point)	Short term debt is 100% of total debt
Sector prone to fraud		0	If operates in an industry prone to fraud (1 point)		Air Freight & Logistics industry is not prone to fraud.
Fake Cash Flow Fraud		4	This company has all the hallmarks of a fake cash flow fraud		
Appendix 8: Ownership Type		(%)	Active Versus Passive		
Investment Advisor		38	Free Float (%)	#N/A N/A	
Private Equity		37	No. Instit. Owners	148	
Sovereign Wealth Fund		13	Institutional (%)	21	
Hedge Fund Manager		11	- Passive Instit. (ETFs) (%)	1	
Pension Fund (ERISA)		1	- Active Instit. (%)	20	
Other		1			
Appendix 9: Insiders			Comment		
Insider Shares O/S (%)		0.00	Changes in insider holdings can be due to options, etc. as opposed to actively buying or selling shares		
Chg Insider Hldgs -6m (%)		0.00			
Number of Insider Shares Purchased (m)		+0.0	Current share price is USD14.98		
Number of Insider Shares Sold (m)		+0.0			
Average Purchase Price of Insider Shares		0.00			
Average Sell Price of Insider Shares		0.00			
Shares Outstanding (m)		721			
Insider Shares Traded -6m/Total Shares (%)		0.00			