

# TARGET

## Intelligence Report

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T U E S D A Y

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### SHENGUAN HOLDINGS (GROUP) LTD: THE COMPANY IS BANKING ON THE MANUFACTURE AND SALES OF EDIBLE COLLAGEN IN CHINA

Ostensibly, the Consolidated Statement of Profit or Loss and Other Comprehensive Income is very suggestive that Shenguan Holdings (Group) Ltd (神冠控股[集團]有限公司) (Code: 829, Main Board, The Stock Exchange of Hongkong Ltd) is on the path of whirlwind profits in the very near future.

That suggestion may or may not come to pass, but in respect of the 2020 Financial Year, ended December 31, 2020, that, certainly, was not very evident.

On studying the financials of the Company, shown at Page 53 of the 2020 Annual Report, on 2020 Revenue of 961,623,000 renminbi, Management logged in a Net Profit Attributable to Shareholders of about 90,754,000 renminbi.

The Net Profit Attributable to Shareholders with regard to the 2020 Financial Year was an increase, Year-On-Year, of about 20.29 percent.

At Page 88 of the 2020 Annual Report, however, under Note Five to the Accounts – ‘*Other Income*’ – the following table was presented:

	The 2020 Financial Year	The 2019 Financial Year	Percentage Increase/(Decrease) *
	All Figures Are Denominated In Renminbi (RMB) '000		
Bank Interest Income	33,252	24,156	37.66
Other Interest Income	1,360	15,567	(91.26)
Sale of Dried Meat Products	467	664	(29.67)
Government Grants	30,564	8,746	249.46
Others	1,816	2,313	(21.49)
TOTAL	67,459	51,446	31.13

\* These are **TARGET**'s calculations.

Below the above-mentioned table, the following statements were made:

*‘During the year ended 31 December 2020, various government grants have been received in respect of improvements made to plant, machinery and equipment and one-off subsidies for stabilisation of employment*

*related to COVID-19 (2019: various government grants have been received in respect of improvements made to plant, machinery and equipment).*

*‘The government grants received relating to assets were recognised as deferred income when conditions of these government grants were fulfilled, and released to other income over the expected useful lives of the relevant assets. There were no unfulfilled conditions or contingencies relating to these grants as at 31 December 2020 (2019: Nil).’*

Reverting to Page 53 of the 2020 Annual Report of Shenguan Holdings (Group) Ltd, it is only too evident that the increase of Government Grants, inter alia, in respect of the generosity of the Government of the People’s Republic of China (PRC), amounting to about 30,564,000 renminbi, assisted in boosting the Net Profit Attributable to Shareholders.

Be that as it may, the following are highlights, extracted from the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	2020	2019	Percentage Increase/Decrease
	All Figures Are Denominated In Renminbi (RMB)’000 (except where otherwise specified)		
Revenue	961,623	997,500	(3.59)
PROFIT FOR THE YEAR	86,769	66,593	30.30
Net Profit Attributable to Shareholders	90,754	75,444	20.29
Earnings Per Share Attributable To Shareholders	2.80 RMB cents	2.30 RMB cents	21.74

Still on the subject of the Financials of Shenguan Holdings (Group) Ltd, as at December 31, 2020, Management appeared to be sitting pretty with cash and cash equivalents, amounting to 717,285,000 renminbi, representing an increase, Year-On-Year, of about 19.73 percent.

At Page 110 of the 2020 Annual Report of the Company, under Note 22 to the Accounts, the following table, under the subheading, ‘**Cash and Cash Equivalents and Pledged Deposits,**’ was presented:

	2020	2019
	All Figures Are Denominated In Renminbi (RMB)’000	
Cash and Bank Balances	<b>218,470</b>	318,203
Time Deposits	<b>958,475</b>	595,860
	<b>1,176,945</b>	<b>914,063</b>
Less: Pledged Time Deposits for		
■ Bank Borrowings	<b>(125,000)</b>	(95,000)
■ Bills Payable	<b>(54,660)</b>	Nil
Less: Non-Current Time Deposits	<b>(280,000)</b>	(220,000)
<b>Cash and Cash Equivalents</b>	<b>717,285</b>	<b>599,063</b>

### **The Principal Activities Of Shenguan Holdings (Group) Ltd**

At Page 36 of the 2020 Annual Report, the Principal Activities of the Company are explained:

*‘The principal activity of the Company is investment holding. Details of the principal activities of the Group’s major subsidiaries are set out in note 1 to the financial statements. The Group is principally engaged in the manufacture and sale of edible collagen\* sausage casing products, pharmaceutical products, food products, skin care and health care products and bioactive collagen products.’*

\* Collagen is defined as being the main structural protein, found in skin and other connective tissues, widely used in purified form for cosmetic surgical treatments.

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