

# TARGET

## Intelligence Report

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### **CHINA ENVIRONMENTAL TECHNOLOGY AND BIOENERGY HOLDINGS LTD: IT MAY LOOK GOOD, BUT LOOKS CAN BE DECEIVING**

For the first time since the close of the 2015 Financial Year, ended December 31, Senior Management of China Environmental Technology and Bioenergy Holdings Ltd (中科生物控股有限公司) (Code: 1237, Main Board, The Stock Exchange of Hongkong Ltd) appears to have maintained, by innuendo, that it has turned the proverbial corner.

But has it?

On Thursday, March 31, 2022, Management of China Environmental Technology and Bioenergy Holdings Ltd announced that the Net Profit Attributable to Shareholders with regard to the Financial Year, ended December 31, 2021, was **renminbi (RMB)** 47,092,000.00.

In respect of the 2020 Financial Year, the Company produced a Net Loss Attributable to Shareholders of RMB93,099,000.00.

According to the database of **TOLFIN** (泰達資訊), the Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider, the aggregate losses of this Company, during the five Financial Years, ended December 31, 2020, amounted to RMB405,352,000.00.

China Environmental Technology and Bioenergy Holdings Ltd describes its businesses at Page Eight of the Annual Results Announcement for the Year, ended December 31, 2021, as follows:

*'The principal activities of the Group are (i) the manufacturing and sales of outdoor wooden products; (ii) retail sales of outdoor wooden products; and, (iii) Manufacturing and sales of renewable energy products. During the year, the Group discontinued its operation of retail sales of outdoor wooden products.'*

Below the above-mentioned statement in respect of the businesses of the Company, the following table was presented:

	Financial Year, Ended December 31	
	2021	2020
	<b>All Figures Are Denominated In RMB'000</b>	
Sales of Outdoor Wooden Products	<b>601,968</b>	486,102
Retail Sales of Outdoor Wooden Products	<b>Nil</b>	Nil
Sales of Renewable Energy Products	<b>6,106</b>	6,487
<b>TOTALS</b>	<b>608,074</b>	492,589

At Page 25 of Annual Results Announcement in respect of the Financial Year, ended December 31, 2021, one was informed of the following intelligence:

*‘Manufacturing and sales of wooden products remains to be the Group’s largest business segment, contributing 99.0% of the Group’s revenue. The revenue derived from such business increased 23.8%*

*‘The 23.4% overall revenue for the year following a 11.9% negative growth in the first half of the year is principally attributable to the favorable pricing environment of the Group’s wooden products. Following the stringent lockdown in 2020 and rock-bottom interest rates, several leading economies such as the United States, Australia and the United Kingdom have seen thriving new home demands. On the other hand, the disruption of global supply chain, severe shortage of construction material supplies has created favorable condition of price rise for the Group’s wooden products. During the Year, the Group has also stopped exporting products affected by the additional tariff imposed by the US government in 2019. As a result, the Group’s margin has bounced back to 20.0% for the reporting year from 1.5% in 2020 when the Group was temporarily crippled by additional tariff and dumping duties of the United States. The improved gross profit margin paved way to a positive turnaround to a total reportable segment profit of approximately RMB57 million from manufacturing and sales of wooden products (2020: a loss of RMB84 million).*

*‘The Group discontinued its retail sales of outdoor wooden products during the reporting year, yet the Group maintains its view that this segment is a strategic stepping stone in expanding its presence in the PRC household product market, and will adjust its business direction whenever appropriate.*

*‘The Group’s renewable energy business focuses on the recycling of leftover sawdust from the production of our wooden products into biomass pellet fuel. Revenue from the renewable energy business slightly decreased 5.9% to RMB6.1 million during the reporting year, with a loss of approximately RMB2.2 million (2020: revenue of RMB6.5 million and profit of RMB0.5 million).’*

**The Financials Of China Environmental Technology And Bioenergy Holdings Ltd**

The highlights of the following page have been extracted from the Company's '*Consolidated Statement Of Profit Or Loss*', presented at Page Two of Annual Results Announcement for the Financial Year, ended December 31, 2021:

	For The Financial Year, Ended December 31		Percentage Increase/(Decrease)*
	2021	2020	
	<b>All Figures Are Denominated In RMB'000</b> (except where otherwise stipulated)		
Revenue	<b>608,074</b>	492,589	<b>23.44</b>
Gross Profit	<b>121,684</b>	7,348	<b>1,556.02</b>
Gross Profit Margin*	<b>20.01 percent</b>	1.49 percent	<b>1,242.95</b>
Other Net Gain/(Loss) <sup>1</sup>	<b>8,435</b>	(39,416)	<b>121.40</b>
Profit/(Loss) Before Taxation From Continuing Operations	<b>38,171</b>	(97,814)	<b>139.02</b>
Profit/(Loss) For The Year From Continuing Operations	<b>48,324</b>	(93,695)	<b>151.58</b>
Net Profit Attributable To Shareholders	<b>47,092</b>	(93,099)	<b>150.58</b>
Net Profit Margin*	<b>7.74 percent</b>	N/A	<b>N/A</b>
Earnings Per Share*	<b>0.057</b>	(0.128)	<b>144.53</b>
Net Assets (Shareholders' Funds)	<b>875,392</b>	812,602	<b>7.73</b>

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

<sup>1</sup> **NOTE:** 4(b), ... [CLICK TO ORDER FULL ARTICLE](#)

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