

BAO SHEN HOLDINGS LIMITED

寶申控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8151

2018

**THIRD QUARTERLY
REPORT**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospectus investors should be aware of the potential risks of investing in such companies and should make decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Bao Shen Holdings Limited (the “**Company**”), together with its subsidiaries, (the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

CONTENT

3	CORPORATE INFORMATION
4	MANAGEMENT DISCUSSION AND ANALYSIS
9	UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
10	UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
11	NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
16	OTHER INFORMATION

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Fan Baocheng

(Chairman and Chief Executive Officer)

Mr. Zhou Zhen Dong

Independent Non-executive Directors

Mr. Liang Chi

Mr. Ho Ka Chun

Mr. Chan Chun Chi

AUDIT COMMITTEE

Mr. Chan Chun Chi *(Chairman)*

Mr. Liang Chi

Mr. Ho Ka Chun

NOMINATION COMMITTEE

Mr. Liang Chi *(Chairman)*

Mr. Ho Ka Chun

Mr. Chan Chun Chi

REMUNERATION COMMITTEE

Mr. Ho Ka Chun *(Chairman)*

Mr. Liang Chi

Mr. Chan Chun Chi

COMPANY SECRETARY

Mr. Tsoi Ka Shing

COMPLIANCE OFFICER

Mr. Fan Baocheng

AUTHORISED REPRESENTATIVES

Mr. Fan Baocheng

Mr. Tsoi Ka Shing

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AUDITOR

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

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The Landmark

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Hong Kong

STOCK CODE

8151

COMPANY'S WEBSITE

www.baoshen.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a plastic and steel component processor for white goods of home washing machines and home refrigerators, which entails manufacturing of stamping components and processing of spray-painting and powder-coating peripheral components, with headquarters in the Anhui province, the PRC.

The shares (“**Shares**”) of the Company have been listed on GEM by way of Share Offer on 23 April 2018 (the “**Listing Date**”) when 105,000,000 ordinary Shares of the Company (comprising a public offer of 52,500,000 Shares and a placing of 52,500,000 Shares) have been offered for subscription and for sale at an offer price of HK\$0.48 per Share (the “**Listing**”).

Currently, the Group will continue to engage in spray-painting, powder-coating and baking enamel for steel components and spray-painting and UV-coating for plastic components and stamping of stamping components.

Outlook

The Sino-US trade conflict as well as geopolitical and economic climate around the world will remain uncertain and challenge in the immediate future. The Group’s long-term profitability and business growth will be affected by the volatility and uncertainty of macroeconomic conditions, and uncertain economic outlook and political conditions of the PRC. In spite of the uncertainties, the Group and the Directors will closely monitor the market conditions and business performance for the following year and continue to strive and achieve the business objectives as stated in the Prospectus.

The Group will continue to put efforts on research and development to improve product quality, broaden product mix and also continue to diversify the revenue mix through strengthening existing businesses, offering a wider variety of products and broadening customer base.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group believes that those efforts can maintain the Group's position as one of the largest plastic and steel component processor for white goods in Anhui province in the PRC and set a solid foundation for the Group's future development.

FINANCIAL REVIEW

The revenue of the Group was approximately RMB68.6 million for the nine months ended 30 September 2018 (2017: approximately RMB69.1 million), representing a slight decrease of approximately 0.7%, such slight decrease was mainly attributable to the decrease in sales of powder-coating peripheral components.

The gross profit of the Group was approximately RMB18.9 million for the nine months ended 30 September 2018, representing an increase of approximately 27.0% as compared to that of the gross profit of the corresponding period in 2017 of approximately RMB14.9 million, such increase was mainly due to the increase in sale of spray-painting peripheral components and stamping components, both of which offer higher gross profit margin to the Group than that of powder-coating peripheral components.

The gross profit margin for the nine months ended 30 September 2018 was approximately 27.6%, which was increased by 6.0% as compared to that of the gross profit margin in the corresponding period in 2017 (2017: approximately 21.6%).

Other income and gains

Other income and gains increased from approximately RMB1.8 million for the nine months ended 30 September 2017 to approximately RMB6.4 million for the nine months ended 30 September 2018, representing an increase of approximately 246.8%. Such increase was mainly due to the recognition of RMB6.0 million of the government grants for the listing incentive reward from the People's Government of Chuzhou City* (滁州市人民政府).

Administrative expenses

Administrative expenses decreased from approximately RMB13.0 million for the nine months ended 30 September 2017 to approximately RMB6.9 million for the nine months ended 30 September 2018, representing a decrease of 47.3%. Such decrease was mainly due to the decrease of listing expenses incurred during the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The decrease in the finance costs from approximately RMB2.6 million for the nine months ended 30 September 2017 to approximately RMB2.1 million for the nine months ended 30 September 2018, representing a decrease of 18.9%. Such decrease was mainly due to the decrease of expenses for the early redemptions of note receivables as compared to that of the corresponding period.

Income tax (expense)/credit

Income tax expense had been increased by approximately 2,212.9% from income tax credit of approximately RMB0.2 million for the nine months ended 30 September 2017 to income tax expense of approximately RMB3.8 million for the nine months ended 30 September 2018. Such increase was generally in line with our increase in profit before tax for the nine months ended 30 September 2018.

Profit/(loss) for the period and attributable to owners of the Company

As a result of the foregoing, the profit for the period and attributable to owners of the Company increased by approximately RMB11.1 million, or approximately 1,127.0%, from loss of RMB1.0 million for the nine months ended 30 September 2017 to profit of RMB10.1 million for the nine months ended 30 September 2018. The Group remains in a healthy and sound liquidity position during the nine months ended 30 September 2018.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity for the nine months ended 30 September 2018 and capital requirements primarily through capital contributions from shareholders, bank borrowing, cash inflow from operating activities and net proceeds from the Listing on the Listing Date.

As at 30 September 2018, the Group has total cash and bank balances of approximately RMB38.5 million (31 December 2017: approximately RMB16.0 million). The increase was mainly due to the proceeds from the Share Offer.

MANAGEMENT DISCUSSION AND ANALYSIS

The capital of the Group comprises only ordinary shares. As at 30 September 2018, the total equity attributable to owners of the Company amounted to approximately RMB84.1 million (31 December 2017: approximately RMB40.6 million).

The gearing ratio is calculated by dividing debts comprising of bank borrowings and finance lease obligation by total equity as at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 September 2018 was approximately 24.8% (31 December 2017: approximately 77.3%). Our gearing ratio remained stable. During the nine months ended 30 September 2018, the Group did not employ any financial instrument for hedging purpose.

Contingent Liabilities

As at 30 September 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

Interest rate risk

Interest rate risk refers to the risk that the fair value of interest rate risk in relation to fixed rate bank borrowings. The Group is also exposed to cash flow interest rate due to fluctuation of prevailing market interest rate on bank deposits and bank borrowings carried at prevailing market interest rates. The Group however did not engage in any derivatives agreements and did not commit any financial instrument to hedge its interest rate risk during the nine months ended 30 September 2018. The management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Significant investment, material acquisitions or disposal of subsidiaries and affiliated companies

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the nine months ended 30 September 2018. Save as those disclosed in the Prospectus or elsewhere in this report, there was no plan for material investments or capital assets as at 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds

On 23 April 2018, the Shares of the Company were listed on GEM by way of Share Offer. The Group intends to apply the proceeds from the Listing in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As set out in the Prospectus, the business objective of the Group is to expand our market share and strengthen our market position in the steel and plastic component industry for white goods in the PRC.

After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK\$18.4 million. Up to 30 September 2018, the Group has approximately utilised HK\$7.8 million of the net proceeds from the Listing as follows:

Use of proceeds	As stated in Prospectus HK\$'000	Actual use of proceeds from the date of Listing up to 30 September 2018 HK\$'000	Unused amount HK\$'000
Increasing production capacity of stamping components by acquisition of automatic roll manufacturing lines, stamping machines and the moulds required, and the related additional labour cost	4,100	411	3,689
Increasing production capacity of powder-coating peripheral components by acquisition of one new processing line and the related additional labour cost	4,200	–	4,200
Increasing production capacity of spray-painting components by acquisition of one new processing line and the related additional labour cost	2,700	–	2,700
Repayment of part of the Group's bank loans	6,700	6,700	–
Using for general working capital purposes	700	700	–
Total	18,400	7,811	10,589

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017 as set out below. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company’s prospectus dated 9 April 2018 (the “**Prospectus**”).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	23,975	26,821	68,638	69,130
Cost of sales		(16,234)	(19,872)	(49,699)	(54,223)
Gross profit		7,741	6,949	18,939	14,907
Other income and gains	4	224	1,500	6,353	1,832
Selling and distribution expenses		(710)	(777)	(2,495)	(2,280)
Administrative expenses		(2,024)	(10,111)	(6,860)	(13,013)
Finance costs	5	(612)	(852)	(2,111)	(2,604)
Profit/(loss) before tax		4,619	(3,291)	13,826	(1,158)
Income tax (expense)/credit	6	(1,460)	748	(3,761)	178
Profit/(loss) for the period and attributable to owners of the Company		3,159	(2,543)	10,065	(980)
Other comprehensive income/(expense) Items that may be reclassified subsequently to profit or loss Exchange differences on translating foreign operations		1,182	(332)	2,081	(867)
Total comprehensive income/ (loss) for the period and attributable to owners of the Company		4,341	(2,875)	12,146	(1,847)
Earnings/(loss) per share – Basic and diluted	8	0.84 cents	(0.81) cents	2.67 cents	(0.31) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Share capital	Share premium	Other reserve	Translation reserve	PRC statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2017 and 1 January 2018 (audited)	-	24,519	(9,070)	272	1,271	23,566	40,558
Capitalisation issue	2,520	(2,520)	-	-	-	-	-
Issue of new shares	844	39,685	-	-	-	-	40,529
Transaction costs attributable to issue of new shares	-	(9,136)	-	-	-	-	(9,136)
Profit and total comprehensive income for the period	-	-	-	2,081	-	10,065	12,146
Transfer from retained earnings	-	-	-	-	887	(887)	-
Balance at 30 September 2018 (unaudited)	3,364	52,548	(9,070)	2,353	2,158	32,744	84,097

For the nine months ended 30 September 2017

	Share capital	Share premium	Other reserve	Translation reserve	PRC statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2016 and 1 January 2017 (audited)	-	28,788	(9,070)	1,473	223	20,441	41,855
Loss and total comprehensive expense for the period	-	-	-	(867)	-	(980)	(1,847)
Payments of dividends	-	(4,269)	-	-	-	-	(4,269)
Transfer from retained earnings	-	-	-	-	500	(500)	-
Balance at 30 September 2017 (unaudited)	-	24,519	(9,070)	606	723	18,961	35,739

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 December 2015 as an exempted company with limited liability. Its issued shares have been listed on the GEM since 23 April 2018. The address of the registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The headquarters and principal place of business of the Company in the People's Republic of China (the "PRC") is No.719, Shuang Ying Road, Wu Yi Industrial Park, Nanqiao Suburb, Chuzhou City, Anhui, the PRC. The Company is an investment holding company. The Group is principally engaged in (i) the stamping components manufacturing; (ii) spray-painting components processing and (iii) powder-coating components processing in the PRC.

As at 30 September 2018, the immediate parents of the Company are Wang Mao Investments Limited ("**Wang Mao Investments**") holding 53.25% of the shareholdings in the Company and Season Empire Group Limited ("**Season Empire Group**") holding 21.75% of the shareholdings. Wang Mao Investments is a company incorporated in the British Virgin Islands (the "BVI") and is controlled by Mr. Fan Baocheng ("**Mr. Fan**"). Season Empire Group is a company also incorporated in the BVI and is controlled by Mr. Zhou Zhen Dong ("**Mr. Zhou**").

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a corporate reorganisation (the "**Reorganisation**") in connection with the listing of the Company's shares of GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 20 May 2016. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" in the Prospectus. The Company was under the common control of Mr. Fan and Mr. Zhou prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the "**functional currency**"). The functional currency of the Group's operating subsidiaries is RMB. The Historical Financial Information is presented in RMB, which is different from the functional currency of the Company (i.e. Hong Kong dollars ("**HK\$**")) and all values are rounded to the nearest thousand ("**RMB'000**") unless otherwise stated. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group. The Group's unaudited condensed consolidated statement of profit or loss and other comprehensive income and the unaudited condensed consolidated statement of changes in equity of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

3. REVENUE AND SEGMENT INFORMATION

HKFRS 8 Operating Segments requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group's has determined that it only has one operating segment which is a plastic and steel components processor in the PRC.

An analysis of revenue by products is as follows:

	Nine months ended 30 September	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Peripheral components		
– Spray-painting peripheral components	31,873	29,208
– Powder-coating peripheral components	22,316	27,269
Stamping components	14,449	12,653
	<hr/>	<hr/>
	68,638	69,130

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations in the PRC. All external revenue of the Group for the nine months ended 30 September 2018 and 2017 are attributable to customers incorporated in the PRC, the place of domicile of the Group's operating entities. Substantially all the assets of the Group are located in the PRC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

4. OTHER INCOME AND GAINS

	Nine months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest income on bank deposits	38	14
Net loss on disposals of property, plant and equipment	–	(26)
Net sales of moulds and leftover	115	24
Government grants	6,200	1,820
	<hr/>	<hr/>
	6,353	1,832

5. FINANCE COSTS

	Nine months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest on bank borrowings	1,442	1,534
Interest on finance lease	297	393
Finance costs arising on early redemption of note receivables	117	363
Costs of guarantees on bank borrowings	255	314
	<hr/>	<hr/>
	2,111	2,604

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

6. INCOME TAX (EXPENSE)/CREDIT

	Nine months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")		
– Current year	(3,761)	178

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the nine months ended 30 September 2018 and 2017. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for the periods ended 30 September 2018 and 2017.

PRC subsidiary is subject to PRC EIT at 25% of the assessable profits for the periods ended 30 September 2018 and 2017.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (2017: RMB4,269,000).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

8. EARNINGS/(LOSS) PER SHARE

	Nine months ended 30 September	
	2018 (unaudited)	2017 (unaudited)
Profit/(loss) for the period and attributable to owners of the Company (RMB'000)	10,065	(980)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	376,923,077	315,000,000

The calculation of basic earnings per share for the nine months ended 30 September 2018 is based on the profit attributable to the owners of the Company for the nine months ended 30 September 2018 of approximately RMB10,065,000 and 376,923,077 weighted average number of ordinary shares in issue during the nine months ended 30 September 2018.

For the nine months ended 30 September 2017, the calculation of basic earnings per share is based on the loss attributable to the owners of the Company for the nine months ended 30 September 2017 on the assumption that 315,000,000 ordinary shares had been issued, comprising 10,000 ordinary shares in issue and 314,990,000 ordinary shares to be issued pursuant to the Capitalisation Issue as if the shares had been outstanding throughout the entire period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during all periods.

9. EVENT AFTER THE BALANCE SHEET DATE

As from 30 September 2018 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.

OTHER INFORMATION

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (2017: RMB4,269,000).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which were notified to the Company and the Hong Kong Stock Exchange Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Mr. Fan (Note 1)	Interest in a controlled corporation	223,650,000	53.25%
Mr. Zhou (Note 2)	Interest in a controlled corporation	91,350,000	21.75%

OTHER INFORMATION

Notes:

1. Mr. Fan beneficially owns 100% of the entire issued share capital of Wang Mao Investments. Therefore, Mr. Fan is deemed, or taken to be, interested in all the Shares held by Wang Mao Investments for the purposes of the SFO. Mr. Fan is a director of Wang Mao Investments.
2. Mr. Zhou beneficially owns 100% of the entire issued share capital of Season Empire Group. Therefore, Mr. Zhou is deemed, or taken to be, interested in all the Shares held by Season Empire Group for the purposes of the SFO. Mr. Zhou is a director of Season Empire Group.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held/ interested in	Percentage of interest in the associated corporation
Mr. Fan	Wang Mao Investments	Beneficial owner	1	100%
Mr. Zhou	Season Empire Group	Beneficial owner	1	100%

Save as disclosed above, as at the date of this report, none of the Directors or Chief Executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHERS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2018, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) had interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

LONG POSITION IN THE SHARES

Name	Capacity/ Nature of interest	Number of Shares held/ interested in	Percentage of interest in the Company
Wang Mao Investments	Beneficial interest	223,650,000	53.25%
Ms. Cao Lele ("Ms. Cao") (Note 1)	Interest of spouse	223,650,000	53.25%
Season Empire Group	Beneficial interest	91,350,000	21.75%

Note:

1. Ms. Cao is the spouse of Mr. Fan. Ms. Cao is deemed or taken to be interested in all Shares in which Mr. Fan has, or is deemed to have, an interest for the purpose of the SFO.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2018, the Company had not been notified by any party (not being a Director and chief executive of the Company) who had, or was deemed to have, interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by the shareholders of the Company and it was effective on 31 March 2018. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. No share option has been granted under the Share Option Scheme since its adoption from 31 March 2018 to the date of this report.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed “Directors’ and chief executive’s interests and short positions in Shares, underlying Shares and debentures of the Company” and “Share Option Scheme” in this report, at no time during the nine months ended 30 September 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

COMPETING INTERESTS

For the period from the Listing Date to up to the date of this report, none of the Directors or Controlling Shareholders of the Company and any of their respective close associates (as defined in the GEM Listing Rules) has any interest in a business that competes or may compete, either directly or indirectly, with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

From the Listing Date and up to the date of this report, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

OTHER INFORMATION

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the Shares of the Company (the “**Code of Conduct**”). The Company has made specific enquiry of all Directors and all Directors have confirmed that, they have fully complied with the required standard of dealings set out in the Code of Conduct and there was no event of any non-compliance from the Listing Date to up to the date of this report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, to the best knowledge of the Directors, during the period from the Listing Date to up to the date of this report, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules. CG Code provision A.2.1 stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Fan is the chairman of the Board and the chief executive officer of the Company. In view of Mr. Fan being one of the founders of the Group and has been operating and managing Chuzhou Xiezhong Home Appliance Accessories Co., Ltd* (滁州市協眾家電配件有限公司), the operating subsidiary of the Company, since 2010, the Board believes that it is in the best interest of the Group to have Mr. Fan taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

The Directors will continue to review and consider splitting the roles of chairman and chief executive of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

OTHER INFORMATION

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Cinda International Capital Limited as its compliance adviser, which has provided advice and guidance to the Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal control. Except for the compliance adviser also acted as the sponsor for the Listing and the compliance adviser agreement entered into between the Company and the compliance adviser dated 27 June 2017, neither the compliance adviser nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% from the Listing Date to up to the date of this report.

AUDIT COMMITTEE AND REVIEW OF QUARTERLY RESULTS

An audit committee has been established by the Board on 31 March 2018 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely, Mr. Chan Chun Chi, Mr. Liang Chi and Mr. Ho Ka Chun, all being independent non-executive Directors. Mr. Chan Chun Chi currently serves as the chairman of the audit committee.

The audit committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

OTHER INFORMATION

The audit committee of the Board and the management of the Company have reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2018. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2018 complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable requirements, that adequate disclosures have been made.

By order of the Board
Bao Shen Holdings Limited
Fan Baocheng
Chairman and Executive Director

Hong Kong, 12 November 2018

As at the date of this report, our executive directors are Mr. Fan Baocheng and Mr. Zhou Zhen Dong, and our independent non-executive directors are Mr. Liang Chi, Mr. Ho Ka Chun and Mr. Chan Chun Chi.

* *The English translation of Chinese name or words in this report, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese name or words.*