



BAO SHEN HOLDINGS LIMITED
寶申控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8151

First Quarterly Report 2019

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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; the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this report misleading.*

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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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Cinda International Capital Limited
45/F., COSCO Tower
183 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 719, Shuang Ying Road
Wu Yi Industrial Park
Nangqiao Suburb
Chuzhou City, Anhui, PRC

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung, Solicitors
Room 1603, 16/F
China Building
29 Queen's Road Central, Central
Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street, Central
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, plastic components, processing of spray-painting and powder-coating peripheral components, with headquarters in the Anhui province, the PRC.

The Group is facing challenges from the global economy which was affected by the unstable factors in relation to the international political unrest, in particular the trade war between the People's Republic of China (the "PRC") and the United States of America (the "USA"), and economic instability which result in weak consumer sentiment and a slowdown in the PRC GDP growth. The trade war may not be resolved very soon that the global financial and stock market may continue to be volatiled in the coming months.

For the three months ended 31 March 2019, the Group's revenue decrease of approximately 26.9% from RMB23.1 million to RMB16.9 million, comparing with corresponding period for 2018. Gross profit margin decreased from 22.6% for the three months ended 31 March 2018 to approximately 14.5% for the three months ended 31 March 2019.

Outlook

It is believed that the sustained weakness in the economy of the PRC and the outcome of the trade war between the PRC and the USA will cloud worldwide economic prospects. This doubt will in turn dampen the consumers' confidence and demand in the PRC and affect the operating environment of manufacturing industry. The management will remain cautious about the Group's business outlook.

MANAGEMENT DISCUSSION AND ANALYSIS

To cope with the difficult market situation, the Group will continue to enhance sales effort by diversifying the product portfolio, continuing to expand the customer base to broaden the income stream, improving the quality of the production and internal controls, and striving to implement stringent cost controls. For instance, the Group has widen its product manufacturing on plastic components for the three months ended 31 March 2019 that gave the Group an unaudited revenue of approximately RMB0.6 million. Therefore, the Group will keep an open attitude in exploring for business opportunities that will suit the Group's development and with an aim to diversify the Group's business foundation from time to time.

FINANCIAL REVIEW

The revenue of the Group was approximately RMB16.9 million for the three months ended 31 March 2019 (2018: approximately RMB23.1 million), representing a decrease of approximately 26.9%, such decrease was mainly attributable to decrease in sale to the existing customers. The gross profit of the Group was approximately RMB2.5 million for the three months ended 31 March 2019, representing a decrease of approximately 53.1% as compared to that of the corresponding period in 2018 and the gross profit margin for the three months ended 31 March 2019 was approximately 14.5%, representing a decrease of approximately 8.1% compared to that of the corresponding period in 2018 (2018: approximately 22.6%). The drop of gross profit and gross profit margin was mainly attributable to decrease in sale of the stamping components and peripheral components to the existing customers while the fixed production costs remain stable, resulting in a higher manufacturing overhead per unit of the Group's product. The net loss attributable to owners of the Company for the three months ended 31 March 2019 was approximately RMB0.8 million, representing a decrease of 153.6% from net profit of approximately RMB1.4 million for the three months ended 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (2018: nil).

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2019, together with the unaudited comparative figures for the corresponding period in 2018 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	3	16,921	23,139
Cost of sales		(14,469)	(17,912)
Gross profit		2,452	5,227
Other income and (losses)/gains		(12)	24
Selling and distribution expenses		(784)	(872)
Administrative expenses		(1,700)	(1,719)
Finance costs		(730)	(725)
(Loss)/profit before tax		(774)	1,935
Income tax expenses	4	–	(492)
(Loss)/profit for the period		(774)	1,443
Other comprehensive expense <i>Item that may be reclassified</i> <i>subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(629)	(439)
Other comprehensive expense for the period		(629)	(439)
Total comprehensive (expense)/income for the period		(1,403)	1,004
(Loss)/profit for the period attributable to owners of the Company		(774)	1,443
(Losses)/earnings per share			
– Basic and diluted	6	(0.18 cents)	0.46 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	PRC statutory reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 31 December 2018 and 1 January 2019 (audited)	3,364	52,292	(9,070)	1,904	2,158	33,035	83,683
Loss and total comprehensive expense for the period	-	-	-	(629)	-	(774)	(1,403)
Balance at 31 March 2019 (unaudited)	3,364	52,292	(9,070)	1,275	2,158	32,261	82,280

For the three months ended 31 March 2018

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	PRC statutory reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 31 December 2017 (audited)	-	24,519	(9,070)	272	1,271	23,566	40,558
Impart from initial application of HKFRS 9	-	-	-	-	-	(85)	(85)
Balance at 1 January 2018 (audited)	-	24,519	(9,070)	272	1,271	23,481	40,473
Profit and total comprehensive income for the period	-	-	-	(439)	-	1,443	1,004
Balance at 31 March 2018 (unaudited)	-	24,519	(9,070)	(167)	1,271	24,924	41,477

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

1. GENERAL

Bao Shen Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 14 December 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 23 April 2018. Its parent and ultimate holding company is Wang Mao Investments Limited (“**Wang Mao**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and wholly owned by Mr. Fan Baocheng (“**Mr. Fan**”).

The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of the Company’s principal place of business in 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 the (i) stamping components manufacturing; (ii) plastic components manufacturing; (iii) spray-painting components processing and (iv) powder-coating components processing in the PRC.

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 consolidated financial statements are presented in RMB, which is different from the functional currency of the Company (i.e. Hong Kong dollars (“**HK\$**”). The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

2. BASIS OF PRESENTATION

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance (Cap. 622).

The unaudited consolidated results for the three months ended 31 March 2019 have not been reviewed or audited by the external auditors of the Company but have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018 (the “**2018 Consolidated Financial Statements**”), except for the amendments and interpretations of HKFRSs (the “**New HKFRSs**”) issued by HKICPA which have become effective in this period as detailed in the notes of the 2018 Consolidated Financial Statements. The adoption of the New HKFRSs has no material impact on the accounting policies in the Group’s condensed consolidated financial statements for the period.

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 (including (i) stamping components manufacturing; (ii) plastic components manufacturing; (iii) spray-painting components processing and (iv) powder-coating components processing) in the PRC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of revenue by products is as follows:

	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue from customer and recognised at point in time		
Peripheral components		
– Spray-painting peripheral components	6,296	11,324
– Powder-coating peripheral components	5,738	7,254
Stamping components	4,300	4,561
Plastic components	587	–
	16,921	23,139

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 during the three months ended 31 March 2019 and 2018 are attributable to customers incorporated in the PRC, the place of domicile of the Group's operating entities. Substantially all the non-current assets of the Group are located in the PRC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

4. INCOME TAX EXPENSES

	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")		
– Current period	–	492
Total income tax for the three months recognised in profit or loss	–	492

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the three months ended 31 March 2019 and 2018. No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group had no assessable profits arising in or derived from Hong Kong for the three month ended 31 March 2019 and 2018.

PRC subsidiary is subject to PRC EIT at 25% for the three months ended 31 March 2019 and 2018.

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

5. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the three months ended 31 March 2019 (2018: nil).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

6. (LOSSES)/EARNINGS PER SHARE

	2019 (unaudited)	2018 (unaudited)
(Loss)/profit and total comprehensive (expenses)/income for the three months ended (RMB'000)	(774)	1,443
Weighted average number of ordinary shares for the purpose of calculating basic (losses)/earnings per share (in thousands)	420,000	315,000

For the three months ended 31 March 2019, the calculation of the basic losses per share attributable to owners of the Company was based on (i) the loss attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the three months ended 31 March 2019.

For the three months ended 31 March 2018, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 315,000,000 shares (comprising 10,000 shares in issue and 314,990,000 shares to be issued under the capitalisation issue), as if these 315,000,000 shares were outstanding throughout the three months ended 31 March 2018.

Diluted (losses)/earnings per share is equal to basic (losses)/earnings per share as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2019 and 2018.

7. EVENT AFTER THE BALANCE SHEET DATE

As from 31 March 2019 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 three months ended 31 March 2019 (2018: nil).

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

As at 31 March 2019, 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 Baocheng (“ Mr. Fan ”) (Note 1)	Interest in a controlled corporation	223,650,000	53.25%
Mr. Zhou Zhen Dong (“ Mr. Zhou ”) (Note 2)	Interest in a controlled corporation	91,350,000	21.75%

Notes:

1. Mr. Fan beneficially owns 100% of the entire issued share capital of Wang Mao Investments Limited (“**Wang Mao**”). 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 Limited (“**Season Empire**”). 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.

OTHER INFORMATION

(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	Beneficial owner	1	100%
Mr. Zhou	Season Empire	Beneficial owner	1	100%

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

So far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) will have 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.

LONG POSITION IN THE SHARES

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

Note:

- 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 31 March 2019, the Directors are not aware of any other person, other than the Directors and the 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 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.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

For the three months ended 31 March 2019 and up to the date of this report, save as disclosed in this report, the Directors confirm that none of the Directors or Controlling Shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete, directly or indirectly, with the business of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity for the three months ended 31 March 2019 and capital requirements primary through capital contributions from shareholders, bank borrowings, and net proceeds from the listing of the Company's shares on GEM on 23 April 2018 (the "Listing").

As at 31 March 2019, the total borrowings of the Group amounted to approximately RMB29.9 million (2018: approximately RMB20.2 million) which represented bank borrowings and obligations under finance leases. As at 31 March 2019, the gearing ratio of the Group was 36.3% (2018: 24.2%). Gearing ratio is calculated by dividing debts comprising of bank borrowings and finance lease obligation by total equity.

As at 31 March 2019, the Group's net current assets amounted to approximately RMB41.7 million (2018: approximately RMB45.4 million). The Group's current ratio decreased to approximately 1.8 times, as compared to approximately 1.9 times as at 31 December 2018, which was mainly due to the increase in bank borrowings in the three months ended 31 March 2019. As at 31 March 2019, the Group's cash and bank balances excluding the pledged bank deposits was approximately RMB38.3 million (2018: approximately RMB34.0 million). The Board will continue to follow a prudent treasury policy in managing its cash and bank balances and maintain a strong and healthy liquidity to ensure that the Group is well positioned to achieve its business objectives and strategies.

OTHER INFORMATION

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 year ended 31 March 2019. 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 was no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the three months ended 31 March 2019. Save as those disclosed in the Prospectus or elsewhere in this report, there was no plan for material investments or capital assets as at 31 March 2019.

USE OF PROCEEDS

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, save for the period of usage of proceeds for increasing production capacity of power-coating peripheral components and spray-painting components will be extended one year to 30 June 2020. Having currently reviewed the Group's expansion plans on the two components as well as the business and financial performances of the Group on these components, the management of the Group considered it prudent to slow down the pace for increasing their production capacity and to extend the period for the use of the proceeds on them for one year. The Board considered that the extension of time in applying the net proceeds on these two heads is in the interests of the Company and its Shareholders as a whole and will continue to monitor the use of the net proceeds in a cautious manner.

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.

OTHER INFORMATION

After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK\$18.4 million. Up to 31 March 2019, the Group has approximately utilised HK\$8.6 million of the net proceeds from the Listing as follows:

Use of proceeds	As stated in Prospectus <i>HK\$'000</i>	Actual use of proceeds from the date of Listing up to 31 Mar 2019 <i>HK\$'000</i>	Unused Amount <i>HK\$'000</i>
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	1,213	2,887
Increasing production capacity of powder-coating peripheral components by acquisition of one new processing line and the related additional labour cost (the period of usage will be extended from before 30 June 2019 to 30 June 2020)	4,200	–	4,200
Increasing production capacity of spray-painting components by acquisition of one new processing line and the related additional labour cost (the period of usage will be extended from before 30 June 2019 to 30 June 2020)	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	8,613	9,787

OTHER INFORMATION

Any net proceeds that were not applied immediately have been placed in short-term deposits with authorised financial institution or licensed bank under the name of the Group as at the date of this report.

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

During the three months ended 31 March 2019 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.

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 for the three months ended 31 March 2019 and 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 three months ended 31 March 2019 and 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 our 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.

OTHER INFORMATION

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.

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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 31 March 2018. No share option has been granted under the Share Option Scheme since its adoption.

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% during the three months ended 31 March 2019 and 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.

OTHER INFORMATION

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.

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 three months ended 31 March 2019. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2019 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

Chuzhou City, the PRC, 9 May 2019

- * 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.