



BAO SHEN HOLDINGS LIMITED
寶申控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8151

Interim Report
2019

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. Prospective investors should be aware of the potential risks of investing in such companies and should make the 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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
10	UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
11	UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
13	UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
14	UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
15	NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
26	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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, 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

Nanqiao 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 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 six months ended 30 June 2019, the Group’s revenue decrease of approximately 18.7% from RMB44.7 million to RMB36.3 million, comparing with corresponding period for 2018. Gross profit margin decreased from 25.1% for the six months ended 30 June 2018 to approximately 16.8% for the six months ended 30 June 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. 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 six months ended 30 June 2019 that gave the Group an unaudited revenue of approximately RMB1.9 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately RMB36.3 million for the six months ended 30 June 2019 (2018: approximately RMB44.7 million), representing a decrease of approximately 18.7%, such decrease was mainly attributable to the decrease in sale of spray-painting peripheral components and powder-coating peripheral components.

The gross profit of the Group was approximately RMB6.1 million for the six months ended 30 June 2019, representing a decrease of approximately 45.5% as compared to that of the gross profit of the corresponding period in 2018 of approximately RMB11.2 million, such decrease was mainly due to decrease in sale of the spray-painting peripheral components and powder-coating 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 products.

The gross profit margin for the six months ended 30 June 2019 was approximately 16.8%, which was decreased by 8.3% as compared to that of the gross profit margin in the corresponding period in 2018 of approximately 25.1%.

OTHER INCOME AND GAINS

Other income and gains decreased from approximately RMB6.1 million for the six months ended 30 June 2018 to approximately RMB2.6 million for the six months ended 30 June 2019, representing a decrease of approximately 57.6%. Such decrease was mainly due to the decrease in government grants received in relation to the listing of the shares of the Company on GEM compared to that of corresponding period in 2018.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from approximately RMB4.8 million for the six months ended 30 June 2018 to approximately RMB5.4 million for the six months ended 30 June 2019, representing an increase of 11.3%. Such increase was mainly due to the increase in legal and professional fees and staff costs.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE COSTS

The finance costs remain relatively stable at RMB1.5 million and RMB1.5 million for the six months ended 30 June 2018 and 2019, respectively.

INCOME TAX EXPENSES

Income tax expenses had been decreased by approximately 68.3% from approximately RMB2.3 million for the six months ended 30 June 2018 to approximately RMB0.7 million for the six months ended 30 June 2019. Such decrease was due to the decrease in profit before tax in the PRC subsidiary for the six months ended 30 June 2019.

PROFIT/(LOSS) FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, the Group recorded a loss of approximately RMB0.6 million for the six months ended 30 June 2019 as compared to a profit of approximately RMB6.9 million for the six months ended 30 June 2018. The loss for the six months ended 30 June 2019 was mainly attributable to (i) the decrease in gross profit by approximately RMB5.1 million driven by the decrease in sale of the spray-painting peripheral components and powder-coating peripheral components resulting in a higher manufacturing overhead per unit of the Group's products; and (ii) the decrease in government grants received in relation to the listing of the shares of the Company on GEM approximately RMB4.0 million.

PLEDGE OF ASSETS

The Group had pleaded (i) right-of-use assets, (ii) property, plant and equipment, (iii) pledged bank deposits, and (iv) prepaid lease payments in the aggregate amount of approximately RMB22.7 million as at 30 June 2019 (31 December 2018: approximately RMB24.2 million) to secure banking facilities granted to the Group and borrowings of the Group.

CAPITAL COMMITMENT

As at 30 June 2019, the Group had capital commitments amounted to approximately RMB33,000 (31 December 2018: RMB1.5 million) in relation to the purchase of property, plant and equipment in the PRC which had been contracted but not provided for.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: 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 period ended 30 June 2019. The management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 June 2019, the Group has approximately utilised HK\$8.8 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 30 June 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	1,355	2,745
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	8,755	9,645

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICES

As at 30 June 2019, the Group employed a total of 290 employees. Total employees benefit expenses (including directors' emoluments) for the six months ended 30 June 2019 and the six months ended 30 June 2018 were approximately RMB9.2 million and approximately RMB7.9 million, respectively. Remuneration is determined with reference to market terms and formulated on the basis of performance, qualifications and experience of individual employee. In addition to a basic salary, discretionary bonuses were offered to those employees according to the assessment of individual performance.

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 six months ended 30 June 2019. Save as those disclosed in elsewhere in this report, there was no plan for material investments or capital assets as at 30 June 2019.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding periods 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 and six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	4	19,376	21,524	36,297	44,663
Cost of sales		(15,730)	(15,553)	(30,199)	(33,465)
Gross profit		3,646	5,971	6,098	11,198
Other income and gains	5	2,611	6,105	2,599	6,129
Selling and distribution expenses		(899)	(913)	(1,683)	(1,785)
Administrative expenses		(3,682)	(3,117)	(5,382)	(4,836)
Finance costs	6	(732)	(774)	(1,462)	(1,499)
Profit before tax	7	944	7,272	170	9,207
Income tax expenses	8	(730)	(1,809)	(730)	(2,301)
Profit/(loss) for the period and attributable to owners of the Company		214	5,463	(560)	6,906
Other comprehensive income Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		1,770	1,338	1,141	899
Total comprehensive income for the period and attributable to owners of the Company		1,984	6,801	581	7,805
Earnings/(losses) per share – Basic and diluted (RMB)	10	0.05 cents	1.38 cents	(0.13) cents	1.95 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 and 31 December 2018

	Notes	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		30,718	29,190
Right-of-use assets		9,663	–
Prepaid lease payments		–	9,102
Deferred tax assets		30	30
		40,411	38,322
Current assets			
Inventories		12,796	11,191
Prepaid lease payments		–	218
Trade and other receivables	11	46,419	48,066
Pledged bank deposit		100	913
Cash and bank balances		34,384	33,963
		93,699	94,351
Total assets		134,110	132,673
Current liabilities			
Trade and other payables	12	19,882	24,985
Bank borrowings		27,324	18,650
Lease liabilities		211	–
Finance lease obligation		–	1,588
Current tax liabilities		2,311	3,716
		49,728	48,939
Net current assets		43,971	45,412
Total assets less current liabilities		84,382	83,734

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 and 31 December 2018

	Notes	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		67	–
Deferred tax liabilities		51	51
		118	51
Net assets		84,264	83,683
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		3,364	3,364
Reserves		80,900	80,319
Total equity		84,264	83,683

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 and 2018

	Six months ended	
	30 June 2019 RMB'000 (unaudited)	30 June 2018 RMB'000 (unaudited)
Net cash (used in)/generated from operating activities	(3,877)	3,337
Net cash used in investing activities	(2,935)	(3,606)
Net cash generated from financing activities	6,090	22,884
Net (decrease)/increase in cash and cash equivalents	(772)	22,615
Cash and cash equivalents at the beginning of the period	33,963	15,965
Effect of foreign exchange rate changes	1,143	890
Cash and cash equivalents at the end of the period	34,334	39,470
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	34,334	39,470

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 2018 and 1 January 2019 (audited)	3,364	52,292	(9,070)	1,904	2,158	33,035	83,683
Profit and total comprehensive income for the period	-	-	-	1,141	-	(560)	581
Transfer from retained earnings	-	-	-	-	756	(756)	-
Balance at 30 June 2019 (unaudited)	3,364	52,292	(9,070)	3,045	2,914	31,719	84,264

For the six months ended 30 June 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 (audited)	-	24,519	(9,070)	272	1,271	23,566	40,558
Impact 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
Capitalisation issue	2,520	(2,520)	-	-	-	-	-
Issue of new shares	844	39,644	-	-	-	-	40,488
Transaction costs attributable to issue of new shares	-	(9,016)	-	-	-	-	(9,016)
Profit and total comprehensive income for the period	-	-	-	899	-	6,906	7,805
Transfer from retained earnings	-	-	-	-	887	(887)	-
Balance at 30 June 2018 (unaudited)	3,364	52,627	(9,070)	1,171	2,158	29,500	79,750

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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 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 the (i) stamping components manufacturing; (ii) spray-painting components processing and (iii) 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 condensed 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.

2. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICES

The condensed consolidated financial statements have been prepared on the historical cost basis. Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to *HKFRSs*

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Key changes in accounting policies resulting from application of **HKFRS 16**

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICES (Continued)

As a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. 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:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from customer and recognised at point in time		
Peripheral components		
– Spray-painting peripheral components	15,241	20,603
– Powder-coating peripheral components	9,805	14,417
Stamping components	9,359	9,643
Plastic components	1,892	–
	36,297	44,663

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 six months ended 30 June 2019 and 2018 are attributable to customers established 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.

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest income on bank deposits	24	14
Net losses on disposals of property, plant and equipment	(9)	–
Net sales of moulds and leftover	–	15
Government grants	2,584	6,100
	2,599	6,129

6. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest on bank borrowings	873	1,039
Interest on lease liabilities	100	–
Interest on finance lease	–	178
Finance costs arising on early redemption of note receivables	188	86
Costs of guarantees on bank borrowings	301	196
	1,462	1,499

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. PROFIT BEFORE TAX

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Employee benefits expense (including directors' emoluments):		
Salaries, allowances and other benefits in kind	7,594	6,539
Contributions to defined contribution plan	1,557	1,334
Total employee benefits expenses	9,151	7,873
Auditors' remuneration	9	8
Depreciation of right-of-use assets	260	–
Depreciation of property, plant and equipment	1,674	1,530
Operating lease rentals in respect of rented premises (included in cost of sales and administrative expenses)	164	164
Cost of inventories recognised as an expense	30,052	33,206
Listing expenses (included in administrative expenses)	–	2,235

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")		
Total income tax expenses for the six months recognised in profit or loss	730	2,301

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

8. INCOME TAX EXPENSES (Continued)

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. 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 period ended 30 June 2019 and 2018.

PRC subsidiary is subject to PRC EIT at 25% for the six months ended 30 June 2019 and 2018.

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

9. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

10. EARNINGS /(LOSSES) PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Profit/(loss) for the period and attributable to owners of the Company (RMB'000)	214	5,463	(560)	6,906
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	420,000	394,615	420,000	355,028

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

10. EARNINGS/(LOSSES) PER SHARE *(Continued)*

The calculation of basic losses per share for the six months ended 30 June 2019 is based on the loss for the period and attributable to the owners of the Company for the six months ended 30 June 2019 of approximately RMB560,000 and 420,000,000 weighted average number of ordinary shares in issue during the six months ended 30 June 2019.

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit for the period and attributable to the owners of the Company for the six months ended 30 June 2018 of approximately RMB6,906,000 and 355,028,000 weighted average number of ordinary shares in issue during the six months ended 30 June 2018.

The calculation of basic earnings per share for the three months ended 30 June 2019 is based on the profit for the period and attributable to the owners of the Company for the three months ended 30 June 2019 of approximately RMB214,000 and 420,000,000 weighted average number of ordinary shares in issue during the three months ended 30 June 2019.

The calculation of basic earnings per share for the three months ended 30 June 2018 is based on the profit for the period and attributable to the owners of the Company for the three months ended 30 June 2018 of approximately RMB5,463,000 and 394,615,000 weighted average number of ordinary shares in issue during the three months ended 30 June 2018.

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Current assets		
Trade receivables	34,552	41,740
Less: Allowance for expected credit losses	(554)	(122)
	33,998	41,618
Note receivables (Note (i))	799	333
Deposits, prepayments and other receivables	11,622	6,115
	46,419	48,066

Note:

- (i) Note receivables are received from customers under ordinary course of business. All of them are bank acceptance notes with a maturity period within six months.

An aging analysis of trade receivables net of allowance for expected credit losses based on the revenue recognition date, is as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
0 – 90 days	31,618	37,324
91 – 180 days	2,326	4,294
Over 180 days	54	–
	33,998	41,618

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. TRADE AND OTHER RECEIVABLES (Continued)

The above trade receivables are net of any allowance for expected credit losses. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

The movement in the allowance for expected credit losses of trade receivables during each reporting period is as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
At the beginning of the period/year	122	113
Expected credit loss recognised	432	9
At the end of the period/year	554	122

As at 30 June 2019, the directors of the Company had determined an allowance for expected credit losses of trade receivables amounted to approximately RMB554,000 (31 December 2018: RMB122,000). The Group did not hold any collateral over the allowance for expected credit losses for trade receivables.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. TRADE AND OTHER PAYABLES

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Trade payables	12,850	15,380
Other payables and accruals	6,932	8,690
Contract liabilities	–	2
Note payables	100	913
	19,882	24,985

The following is an aged analysis of trade payables based on the invoice date:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
0 – 90 days	8,289	8,774
91 – 180 days	3,262	5,067
181 – 365 days	914	880
Over 365 days	385	659
	12,850	15,380

13. SUBSEQUENT EVENT

As from 30 June 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 six months ended 30 June 2019 (2018: nil).

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

As at 30 June 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 Bao Cheng ("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%

OTHER INFORMATION

Notes:

1. Mr. Fan beneficially owns 100% of the entire issued share capital of Wang Mao Investments Limited ("**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 Limited ("**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 June 2019, 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.

Save as disclosed above, as at 30 June 2019, 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.

OTHER INFORMATION

Directors' Interest in a Competing Business

For the six months ended 30 June 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 six months ended 30 June 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.

As at 30 June 2019, the total borrowings of the Group amounted to approximately RMB27.6 million (31 December 2018: approximately RMB20.2 million) which represented bank borrowings, leases liabilities and finance lease obligation. As at 30 June 2019, the gearing ratio of the Group was 32.8% (31 December 2018: 24.2%). Gearing ratio is calculated by dividing debts comprising of bank borrowings, lease liabilities and finance lease obligation by total equity.

As at 30 June 2019, the Group's net current assets amounted to approximately RMB44.0 million (31 December 2018: approximately RMB45.4 million). The Group's current ratio remains stable to approximately 1.9 times as at 30 June 2019 and 31 December 2018. As at 30 June 2019, the Group's cash and bank balances excluding the pledged bank deposits was approximately RMB34.3 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.

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 six months ended 30 June 2019 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.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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.

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.

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 six months ended 30 June 2019 and up to the date of this report.

Audit Committee and Review of Interim 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 six months ended 30 June 2019. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 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, 13 August 2019

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*