

BAO SHEN HOLDINGS LIMITED

寶申控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8151

Third
Quarterly
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.

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 disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

*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; and (2) there are no other matters the omission of which would make any statement in this report misleading.*



CONTENT

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

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

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 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 nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	3	26,785	23,975	63,082	68,638
Cost of sales		(22,002)	(16,234)	(52,201)	(49,699)
Gross profit		4,783	7,741	10,881	18,939
Other income and gains	4	317	224	2,916	6,353
Selling and distribution expenses		(856)	(710)	(2,539)	(2,495)
Administrative expenses		(1,430)	(2,024)	(6,812)	(6,860)
Finance costs	5	(577)	(612)	(2,039)	(2,111)
Profit before tax	6	2,237	4,619	2,407	13,826
Income tax expenses	7	(703)	(1,460)	(1,433)	(3,761)
Profit for the period and attributable to owners of the Company		1,534	3,159	974	10,065
Other comprehensive income Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		862	1,182	2,003	2,081
Total comprehensive income for the period and attributable to owners of the Company		2,396	4,341	2,977	12,146
Earnings per share					
– Basic and diluted	9	0.57 cents	0.84 cents	0.23 cents	2.67 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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
Profit and total comprehensive income for the period	-	-	-	2,003	-	974	2,977
Transfer from retained earnings	-	-	-	-	756	(756)	-
Balance at 30 September 2019 (unaudited)	3,364	52,292	(9,070)	3,907	2,914	33,253	86,660

For the nine months ended 30 September 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	-	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	39,685	-	-	-	-	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	32,659	84,012

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 Investments**”), 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) 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 unaudited 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 PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the applicable disclosure requirements of the GEM Listing Rules. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements, except for the adoption of the new and revised HKFRSs which are relevant to the Group’s operations and are effective for the Group’s financial year beginning on 1 January 2019.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

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.

An analysis of revenue by products is as follows:

	Nine months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from customer and recognised at point in time		
Peripheral components		
– Spray-painting peripheral components	20,443	31,873
– Powder-coating peripheral components	21,655	22,316
Stamping components	15,002	14,449
Plastic components	5,982	–
	63,082	68,638

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 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.

4. OTHER INCOME AND GAINS

	Nine months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income on bank deposits	34	38
Net sales of moulds and leftover	338	115
Government grants	2,544	6,200
	2,916	6,353

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

5. FINANCE COSTS

	Nine months ended 30 September	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest on bank borrowings	1,297	1,442
Interest on lease liabilities	114	–
Interest on finance lease	–	297
Finance costs arising on early redemption of note receivables	327	117
Costs of guarantees on bank borrowings	301	255
	2,039	2,111

6. INCOME TAX EXPENSES

	Nine months ended 30 September	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")		
– Current period	1,433	3,761

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 unaudited condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for the period ended 30 September 2019 and 2018.

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

7. DIVIDENDS

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

8. EARNINGS PER SHARE

	Nine months ended 30 September	
	2019 (unaudited)	2018 (unaudited)
Profit for the period and attributable to owners of the Company (RMB'000)	974	10,065
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	420,000,000	376,923,077

The calculation of basic earnings per share for the nine months ended 30 September 2019 is based on the profit for the period and attributable to the owners of the Company for the nine months ended 30 September 2019 of approximately RMB974,000 and 420,000,000 weighted average number of ordinary shares in issue during the nine months ended 30 September 2019.

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.

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

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 of gross domestic product growth in the PRC. The trade war may not be resolved very soon that the global financial and stock market may continue to be volatised in the coming months.

For the nine months ended 30 September 2019, the Group’s revenue decrease of approximately 8.1% from RMB68.6 million to RMB63.1 million, comparing with corresponding period for 2018. Gross profit margin decreased from 27.6% for the nine months ended 30 September 2018 to approximately 17.2% for the nine months ended 30 September 2019.

Outlook

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 consumption demand in the PRC and affect the operating environment of manufacturing industry.

MANAGEMENT DISCUSSION AND ANALYSIS

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, continue to expand the customer base to broaden the income stream, improve the quality of the production and internal controls and strive to implement stringent cost controls. For instance, the Group has widened its product manufacturing on plastic components for the nine months ended 30 September 2019 that gave the Group an unaudited revenue of approximately RMB6.0 million. The Group will keep an open attitude in exploring the new 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 RMB63.1 million for the nine months ended 30 September 2019 (2018: approximately RMB68.6 million), representing a decrease of approximately 8.1%, such decrease was mainly attributable to the decrease in sales of spray-painting peripheral components.

The gross profit of the Group was approximately RMB10.9 million for the nine months ended 30 September 2019, representing a decrease of approximately 42.5% as compared to that of the gross profit of the corresponding period in 2018 of approximately RMB18.9 million, such decrease was mainly due to decrease in sales of the spray-painting 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 nine months ended 30 September 2019 was approximately 17.2%, which was decreased by 1,040 basis points as compared to that of the gross profit margin in the corresponding period in 2018 of approximately 27.6%.

Other income and gains

Other income and gains decreased from approximately RMB6.4 million for the nine months ended 30 September 2018 to approximately RMB2.9 million for the nine months ended 30 September 2019, representing a decrease of approximately 54.1%. Such decrease was mainly due to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The administrative expenses remain relatively stable at RMB6.8 million and RMB6.9 million for the nine months ended 30 September 2018 and 2019, respectively.

Finance costs

The finance costs remain relatively stable at RMB2.0 million and RMB2.1 million for the nine months ended 30 September 2018 and 2019, respectively.

Income tax expenses

Income tax expenses had been decreased by approximately 61.9% from approximately RMB3.8 million for the nine months ended 30 September 2018 to approximately RMB1.4 million for the nine months ended 30 September 2019. Such decrease was due to decrease in assessable profit of the PRC subsidiary for the nine months ended 30 September 2019.

Profit for the period and attributable to owners of the Company

As a result of the foregoing, profit for the period and attributable to owners of the Company decreased by approximately 90.3%, from profit of RMB10.1 million for the nine months ended 30 September 2018 to approximately RMB1.0 million for the nine months ended 30 September 2019. The Group remains in a healthy and sound liquidity position during the nine months ended 30 September 2019.

Subsequent event

As from 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at 30 September 2019, the Group did not have any significant contingent liabilities (31 December 2018: nil).

Dividends

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

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity for the nine months ended 30 September 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 30 September 2019, the total borrowings of the Group amounted to approximately RMB27.5 million (31 December 2018: approximately RMB20.2 million) which represented bank borrowings and leases liabilities. As at 30 September 2019, the gearing ratio of the Group was 31.8% (31 December 2018: 24.2%). Gearing ratio is calculated by dividing debts comprising of bank borrowings and lease liabilities by total equity.

As at 30 September 2019, the Group's net current assets amounted to approximately RMB46.0 million (31 December 2018: approximately RMB45.4 million). The Group's current ratio remains stable to approximately 1.8 times as at 30 September 2019 (31 December 2018: approximately 1.9 times). As at 30 September 2019, the Group's cash and bank balances excluding the pledged bank deposits was approximately RMB32.2 million (31 December 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 September 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 nine months ended 30 September 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 30 September 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 to 30 June 2020. 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 September 2019, the Group has utilised approximately HK\$8.9 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 2019 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	1,502	2,598
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	8,902	9,498

OTHER INFORMATION

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

As at 30 September 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 Stock Exchange of Hong Kong 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 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.

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 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.

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

As at 30 September 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.

OTHER INFORMATION

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 September 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.

DIRECTORS’ INTEREST IN A COMPETING BUSINESS

For the nine months ended 30 September 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.

OTHER INFORMATION

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 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.

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

During the nine months ended 30 September 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 nine months ended 30 September 2019 and up to the date of this report.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, to the best knowledge of the Directors, during the nine months ended 30 September 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.

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.

OTHER INFORMATION

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 nine months ended 30 September 2019 and up to the date of this report.

AUDIT COMMITTEE AND REVIEW OF THE THIRD 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 2019. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 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, 12 November 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.

This report, for which the Directors collectively and individually accepts full responsibility, includes particulars given in compliance with 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 herein or this report misleading.

This report will be available on the GEM's website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.baoshen.com.hk.

* *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*