



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
2020

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

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*This report, for which the directors (the “**Directors**”) of Bao Shen Holdings Limited (the “**Company**”), together with its subsidiaries, (the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief; 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 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
Nangjiao 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

AUDITORS

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 outbreak of the coronavirus (the “**COVID-19**”) epidemic started from January 2020 brought tremendous pressure and challenges to our operation in the PRC. The management of the Group had taken comprehensive measures to ensure the safety of our work place and our staff during the period, and thus resulted in the least disruption to our productions. Nevertheless, the business environment dramatically worsened during the period under review. US-China trade war and the COVID-19 pandemic severely impacted not only the consumer economics but also the overall business environment in the PRC.

For the three months ended 31 March 2020, revenue of the Group was slightly increase of approximately 5.4% from RMB16.9 million to RMB17.8 million, comparing with corresponding period for 2019. However, the gross profit margin decreased from 14.5% for the three months ended 31 March 2019 to approximately 7.2% for the three months ended 31 March 2020.

Outlook

In view of the challenge posed by outbreak of COVID-19, the revenue and financial performance of the Group were subject to pressure and adversely affected during the first half of 2020. However, the Group will continue to look for ways and remedies to improve the efficiency of the production process, implement cost-saving initiatives to cope with the difficult situation and get prepared so that the Group could capture market rebound.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately RMB17.8 million for the three months ended 31 March 2020 (2019: approximately RMB16.9 million), representing an increase of approximately 5.4%, such increase was mainly attributable to increase in sale to the existing customers of plastic components; and partially offset the decrease in sale to the existing customers of spray-painting peripheral components. The gross profit of the Group was approximately RMB1.3 million for the three months ended 31 March 2020, representing a decrease of approximately 47.5% as compared to that of the corresponding period in 2019 and the gross profit margin for the three months ended 31 March 2020 was approximately 7.2%, representing a decrease of approximately 7.3% compared to that of the corresponding period in 2019 (2019: approximately 14.5%). The drop of gross profit and gross profit margin was mainly attributable to increase in production costs including but not limited to raw material costs, direct staff costs and manufacturing overhead costs of the Group's products. The loss for the period and attributable to owners of the Company for the three months ended 31 March 2020 was approximately RMB1.8 million, representing an increase of 128.8% compared to that of the corresponding period in 2019 (2019: approximately RMB0.8 million).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities (2019: nil).

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

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 2020, together with the unaudited comparative figures for the corresponding period in 2019 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 2020

	Notes	Three months ended 31 March	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3	17,837	16,921
Cost of sales		(16,549)	(14,469)
Gross profit		1,288	2,452
Other income and gains/(losses)		188	(12)
Selling and distribution expenses		(1,038)	(784)
Administrative expenses		(1,784)	(1,700)
Finance costs		(492)	(730)
Loss before tax		(1,838)	(774)
Income tax credit	4	67	–
Loss for the period		(1,771)	(774)
Other comprehensive income/(expense) Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		499	(629)
Other comprehensive income/(expense) for the period		499	(629)
Total comprehensive expense for the period		(1,272)	(1,403)
Loss for the period attributable to owners of the Company		(1,771)	(774)
Losses per share – Basic and diluted	6	(0.42 cents)	(0.18 cents)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	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 2019 and 1 January 2020 (audited)	3,364	52,292	(9,070)	3,449	2,914	30,934	83,883
Loss and total comprehensive expense for the period	-	-	-	499	-	(1,771)	(1,272)
Balance at 31 March 2020 (unaudited)	3,364	52,292	(9,070)	3,948	2,914	29,163	82,611

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

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 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 plastic and steel component manufacturing and processing (including (i) stamping components manufacturing; (ii) spray-painting components processing; (iii) powder-coating components processing and (iv) plastic components manufacturing) 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 2020

2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have been reviewed by the audit committee of the Company.

The unaudited condensed consolidated financial statements have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”), the accounting principles generally accepted in Hong Kong and the relevant Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2019 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”), which are effective for the annual period beginning on 1 January 2020, as disclosed in the annual consolidated financial statements for the year ended 31 December 2019. The adoption of new and revised HKFRSs does not have material impact on the Group’s financial performance and financial position.

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

An analysis of revenue by products is as follows:

	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue from customer and recognised at point in time		
Peripheral components		
– Spray-painting peripheral components	4,372	6,296
– Powder-coating peripheral components	5,829	5,738
Stamping components	4,482	4,300
Plastic components	3,154	587
	17,837	16,921

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 2020 and 2019 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 2020

4. INCOME TAX EXPENSES

	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")		
– Over-provision in prior year	(67)	–
Total income tax credit for the three months recognised in profit or loss	(67)	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the three months ended 31 March 2020 and 2019. 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 2020 and 2019.

PRC subsidiary is subject to PRC EIT at 25% for the three months ended 31 March 2020 and 2019.

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 2020 (2019: nil).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

6. LOSSES PER SHARE

	2020 (unaudited)	2019 (unaudited)
Loss and total comprehensive expenses for the three months ended (RMB'000)	(1,771)	(774)
Weighted average number of ordinary shares for the purpose of calculating basic losses per share (in thousands)	420,000	420,000

For the three months ended 31 March 2020 and 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 2020 and 2019.

Diluted losses per share is equal to basic losses per share as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2020 and 2019.

7. SUBSEQUENT EVENTS

- (i) Since early 2020, the epidemic of Coronavirus Disease (the “**COVID-19 outbreak**”) has spread across the PRC and other countries, and it has affected business and economic activities to some extent. Pending the development of the COVID-19 outbreak subsequent to the date of these financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The directors will keep continuous attention on the situation of the COVID-19 outbreak and react actively to its impact on the financial position and operating results of the Group.
- (ii) On 15 April 2020, Chuzhou Xiezhong Home Appliance Accessories Co., Ltd. (“**Xiezhong**”) (滁州市協眾家電配件有限公司), an indirectly wholly-owned subsidiary of the Company, sold a number of machineries to a third party at a consideration of RMB2,400,000 and the third party at the same time lease back the machineries to Xiezhong.

OTHER INFORMATION

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the three months ended 31 March 2020 (2019: nil).

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

As at 31 March 2020, 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 2020, 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 2020 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 AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had current assets of RMB102.4 million (2019: RMB96.6 million) and current liabilities of RMB60.3 million (2019: RMB54.8 million), representing a current ratio of about 1.6 times (2019: 1.8 times). The Group's total equity and the bank borrowings as at 31 March 2020 amounted to RMB82.6 million (2019: RMB82.3 million) and RMB27.7 million (2019: RMB28.3 million) respectively. All of the bank borrowings of the Group are repayable within one year. The gearing ratio of the Group as at 31 March 2020, calculated as a ratio of the bank borrowings to total equity, was approximately 33.5% (2019: 34.4%).

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 2020. The management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

OTHER INFORMATION

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 2020. Save as those disclosed in this report, there was no plan for material investments or capital assets as at 31 March 2020.

USE OF PROCEEDS

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.

Having 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, to 30 June 2021. 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.

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 2020, the Group has approximately utilised HK\$9.2 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 31 March 2020 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	1,782	2,318
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 2020 to 30 June 2021)	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 2020 to 30 June 2021)	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	9,182	9,218

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 2020 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 2020 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 2020 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 2020 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 2020. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2020 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 May 2020

- * 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.