

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

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

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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

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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](http://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 unstable global economy which is 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”), economic instability and the outbreak of COVID-19, which result in weak consumer sentiment and a slowdown in the PRC GDP growth. The trade war and COVID-19 may not be resolved very soon and the global financial and stock market may continue to be volatiled in the coming months.

For the six months ended 30 June 2020, the Group’s revenue increase of approximately 29.6% from RMB36.3 million to RMB47.0 million, comparing with corresponding period for 2019. However, gross profit margin decreased from 16.8% for the six months ended 30 June 2019 to approximately 7.4% for the six months ended 30 June 2020.

### Outlook

It is believed that the sustained weakness in the economy of the PRC, the outcome of the COVID-19 and 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. 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 RMB47.0 million for the six months ended 30 June 2020 (2019: approximately RMB36.3 million), representing an increase of approximately 29.6%, such increase was mainly attributable to the increase in sale of plastic components.

The gross profit of the Group was approximately RMB3.5 million for the six months ended 30 June 2020, representing a decrease of approximately 42.9% as compared to that of the gross profit of the corresponding period in 2019 of approximately RMB6.1 million, such decrease was mainly due to an increase in production cost including but not limited to raw material costs, direct staff costs and manufacturing overhead costs of the Group's products.

The gross profit margin for the six months ended 30 June 2020 was approximately 7.4%, which was decreased by 9.4% as compared to that of the gross profit margin in the corresponding period in 2019 of approximately 16.8%.

## OTHER INCOME AND GAINS

Other income and gains decreased from approximately RMB2.6 million for the six months ended 30 June 2019 to approximately RMB1.1 million for the six months ended 30 June 2020, representing a decrease of approximately 58.7%. Such decrease was mainly due to the decrease in government grants recognised compared to that of corresponding period in 2019.

## ADMINISTRATIVE EXPENSES

Administrative expenses decreased from approximately RMB5.4 million for the six months ended 30 June 2019 to approximately RMB3.7 million for the six months ended 30 June 2020, representing a decrease of 31.2%. Such decrease was mainly due to the decrease of the exchange loss incurred during the period ended 30 June 2020 compared to that of corresponding period in 2019.

## FINANCE COSTS

The finance costs remained relatively stable at RMB1.2 million and RMB1.5 million for the six months ended 30 June 2020 and 2019, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INCOME TAX CREDIT/(EXPENSES)

Income tax credit for the period ended 30 June 2020 was approximately RMB82,000 while income tax expenses for the same corresponding period in 2019 was approximately RMB0.7 million. The income tax credit occurred for the period ended 30 June 2020 was mainly due to the recognition on the provision of expected credit loss on trade receivables.

## LOSS FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, the Group recorded a loss of approximately RMB2.2 million for the six months ended 30 June 2020 as compared to approximately RMB0.6 million for the six months ended 30 June 2019. The loss for the six months ended 30 June 2020 was mainly attributable to an increase in production cost including but not limited to raw material costs, direct staff costs and manufacturing overhead costs of the Group's products.

## PLEDGE OF ASSETS

The Group had pledged (i) right-of-use assets, (ii) property, plant and equipment, and (iii) pledged bank deposits in the aggregate amount of approximately RMB21.2 million as at 30 June 2020 (31 December 2019: approximately RMB22.0 million) to secure banking facilities granted to the Group and borrowings of the Group.

## CAPITAL COMMITMENT

As at 30 June 2020, the Group had capital commitments amounted to approximately RMB99,000 (31 December 2019: RMB3.6 million) in relation to the purchase of property, plant and equipment in the PRC which had been contracted but not provided for.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: nil).

# 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 June 2020. 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 is to expand our market share and strengthen our market position in the steel and plastic component industry for white goods in the PRC.

After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK\$18.4 million. Up to 30 June 2020, the Group has approximately utilised HK\$9.3 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 June 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	1,933	2,167
Increasing production capacity of powder-coating peripheral components by acquisition of one new processing line and the related additional labour cost	4,200	–	4,200
Increasing production capacity of spray-painting components by acquisition of one new processing line and the related additional labour cost	2,700	–	2,700
Repayment of part of the Group's bank loans	6,700	6,700	–
Using for general working capital purposes	700	700	–
<b>Total</b>	<b>18,400</b>	<b>9,333</b>	<b>9,067</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICES

As at 30 June 2020, the Group employed a total of 303 (30 June 2019: 290) employees. Total employees benefit expenses (including directors' emoluments) for the six months ended 30 June 2020 and the six months ended 30 June 2019 were approximately RMB9.8 million and approximately RMB9.2 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 2020. Save as those disclosed in elsewhere in this report, there was no plan for material investments or capital assets as at 30 June 2020.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020, together with the unaudited comparative figures for the corresponding periods 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 and six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	4	29,192	19,376	47,029	36,297
Cost of sales		(27,001)	(15,730)	(43,550)	(30,199)
Gross profit		2,191	3,646	3,479	6,098
Other income and gains	5	886	2,611	1,074	2,599
Selling and distribution expenses		(901)	(899)	(1,939)	(1,683)
Administrative expenses		(1,921)	(3,682)	(3,705)	(5,382)
Finance costs	6	(659)	(732)	(1,179)	(1,462)
(Loss)/profit before tax	7	(404)	944	(2,270)	170
Income tax credit/(expenses)	8	15	(730)	82	(730)
(Loss)/profit for the period and attributable to owners of the Company		(389)	214	(2,188)	(560)
<b>Other comprehensive (expense)/income Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translating foreign operations		(63)	1,770	436	1,141
Total comprehensive (expense)/income for the period and attributable to owners of the Company		(452)	1,984	(1,752)	581
(Losses)/earnings per share – Basic and diluted (RMB)	10	(0.09) cents	0.05 cents	(0.52) cents	(0.13) cents

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 and 31 December 2019

	Notes	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		30,224	30,900
Right-of-use assets		10,738	9,653
Deferred tax assets		276	160
		<b>41,238</b>	40,713
<b>Current assets</b>			
Inventories		17,091	16,511
Trade and other receivables	11	62,649	51,385
Cash and bank balances		28,631	38,032
		<b>108,371</b>	105,928
<b>Total assets</b>		<b>149,609</b>	146,641
<b>Current liabilities</b>			
Trade and other payables	12	36,495	32,471
Amount due to a related party		106	82
Bank borrowings		25,650	27,324
Other borrowing		1,319	–
Lease liabilities		611	164
Current tax liabilities		2,174	2,666
		<b>66,355</b>	62,707
<b>Net current assets</b>		<b>42,016</b>	43,221
<b>Total assets less current liabilities</b>		<b>83,254</b>	83,934

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 and 31 December 2019

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
<b>Non-current liabilities</b>		
Lease liabilities	352	–
Other borrowing	720	–
Deferred tax liabilities	51	51
	<b>1,123</b>	51
<b>Net assets</b>	<b>82,131</b>	83,883
<b>Capital and reserves</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	3,364	3,364
Reserves	78,767	80,519
<b>Total equity</b>	<b>82,131</b>	83,883

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 and 2019

	Six months ended	
	30 June 2020 RMB'000 (unaudited)	30 June 2019 RMB'000 (unaudited)
Net cash used in operating activities	(7,171)	(3,877)
Net cash used in investing activities	(1,090)	(2,935)
Net cash (used in)/generated from financing activities	(1,578)	6,090
Net decrease in cash and cash equivalents	(9,839)	(722)
Cash and cash equivalents at the beginning of the period	38,032	33,963
Effect of foreign exchange rate changes	438	1,143
Cash and cash equivalents at the end of the period	28,631	34,384
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	28,631	34,384

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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	-	-	-	436	-	(2,188)	(1,752)
Transfer from retained earnings	-	-	-	-	688	(688)	-
Balance at 30 June 2020 (unaudited)	3,364	52,292	(9,070)	3,885	3,602	(28,058)	82,131

For the six months ended 30 June 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 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

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 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 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 unaudited interim 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.

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**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**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

This unaudited interim condensed consolidated financial information has been prepared under the historical cost convention. These unaudited interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 3. PRINCIPAL ACCOUNTING POLICES

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective as of 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19 Related Rent Concessions

The adoption of these amendments to HKFRSs has had no significant financial effect on the consolidated financial position and performance of the Group.

The Group has not adopted any other standard, interpretation or amendment that has been issued but has not yet been effective.

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

An analysis of revenue by products is as follows:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Revenue from customer and recognised at point in time</b>		
Peripheral components		
– Spray-painting peripheral components	7,524	9,805
– Powder-coating peripheral components	15,587	15,241
Stamping components	11,285	9,359
Plastic components	12,632	1,892
	<b>47,028</b>	<b>36,297</b>

### 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 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 six months ended 30 June 2020

### 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest income on bank deposits	16	24
Net gains/(losses) on disposals of property, plant and equipment	51	(9)
Net sales of moulds and leftover	405	–
Government grants	602	2,584
	<b>1,074</b>	<b>2,599</b>

### 6. FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest on bank borrowings	874	873
Interest on lease liabilities	87	100
Interest on other borrowing	56	–
Finance costs arising on early redemption of note receivables	162	188
Costs of guarantees on bank borrowings	–	301
	<b>1,179</b>	<b>1,462</b>

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 7. LOSS BEFORE TAX

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Employee benefits expense (including directors' emoluments):</b>		
Salaries, allowances and other benefits in kind	9,317	7,594
Contributions to defined contribution plan	447	1,557
<b>Total employee benefits expenses</b>	<b>9,764</b>	9,151
Auditors' remuneration	8	9
Depreciation of right-of-use assets	167	133
Depreciation of property, plant and equipment	1,841	1,674
Operating lease rentals in respect of rented premises (included in cost of sales and administrative expenses)	–	164
Expenses related to short-term lease (included in cost of sales)	212	–
Cost of inventories recognised as an expense	42,900	30,052

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 8. INCOME TAX CREDIT/(EXPENSES)

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Current tax</b>		
<b>PRC Enterprise Income Tax ("EIT")</b>		
– Current period	–	(730)
– Over provision in prior year	(34)	–
<b>Deferred tax</b>	<b>116</b>	–
Total income tax credit/(expenses) for the six months recognised in profit or loss	<b>82</b>	(730)

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for the periods ended 30 June 2020 and 2019.

PRC subsidiary is subject to PRC EIT at 25% for the six months ended 30 June 2020 and 2019.

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 2020 (2019: nil).

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 10. (LOSSES)/EARNINGS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
(Loss)/profit for the period and attributable to owners of the Company (RMB'000)	(389)	214	(2,188)	(560)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	420,000	420,000	420,000	420,000

For the three months ended and six months ended 30 June 2020 and 2019, the calculation of the basic (losses)/earnings per share attributable to owners of the Company was based on (i) the (loss)/profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during all periods.

The diluted (losses)/earnings per share is equal to the basic (losses)/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 2020

## 11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
<b>Current assets</b>		
Trade receivables	48,010	44,451
Less: Allowance for expected credit losses ("ECL")	(1,106)	(642)
	46,904	43,809
Note receivables (Note)	1,475	266
Deposits, prepayments and other receivables	14,270	7,310
	62,649	51,385

Note: 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.

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 11. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	<b>As at 30 June 2020 RMB'000 (unaudited)</b>	As at 31 December 2019 RMB'000 (audited)
0 – 90 days	<b>31,959</b>	41,536
91 – 180 days	<b>12,425</b>	2,534
Over 180 days	<b>3,626</b>	381
	<b>48,010</b>	44,451

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period was ranging from 60 days to 180 days upon the issue of invoices to its customers for the year ended 30 June 2020 and 31 December 2019. No interest is charged on overdue receivables.

As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB2,831,000 (2019: approximately RMB2,505,000) which are past due as at the reporting date.

### **Impairment assessment on trade receivables subject to ECL model**

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The debtors are grouped under a provision matrix based on shared credit risk characteristics. For the year ended 30 June 2020, additional provision of approximately RMB464,000 (2019: additional provision of approximately RMB520,000) was made against the gross amounts of trade receivables.

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 12. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade payables	26,422	22,302
Other payables and accruals	10,073	10,163
Contract liabilities	–	6
	<b>36,495</b>	<b>32,471</b>

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

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
0 – 90 days	8,793	11,871
91 – 180 days	8,158	6,768
181 – 365 days	6,580	2,787
Over 365 days	2,891	876
	<b>26,422</b>	<b>22,302</b>

## 13. SUBSEQUENT EVENT

As from 30 June 2020 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 2020 (2019: nil).

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

As at 30 June 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%

## 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 2020, 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 (" <b>Ms. Cao</b> ") (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 2020, 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 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 30 June 2020, the Group's current assets were RMB108.4 million (31 December 2019: RMB105.9 million), of which RMB28.6 million (31 December 2019: RMB38.0 million) were cash and bank balances. As at 30 June 2020, the consolidated net asset value of the Group amounted to RMB82.1 million, representing a decrease of approximately 2.1% as compared to RMB83.9 million at 31 December 2019.

The gearing ratio (dividing debts comprising of bank borrowings, other borrowing and lease liabilities by total equity) of the Group was approximately 34.9% (31 December 2019: 32.8%).

As at 30 June 2020, the share capital of the Company was RMB3.4 million (31 December 2019: RMB3.4 million). The Group's consolidated reserves were RMB78.8 million (31 December 2019: RMB80.5 million). As at 30 June 2020, the Group had total current liabilities of RMB66.4 million (31 December 2019: RMB62.7 million), mainly comprising trade and other payables and bank borrowings. The total non-current liabilities of the Group amounted to RMB1.1 million (31 December 2019: RMB51,000), which represented lease liabilities, other borrowing and deferred tax liabilities.

## OTHER INFORMATION

### CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include bank borrowings, other borrowing and lease liabilities and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management of the Company, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts. The Group's monetary assets, liabilities and transactions are mainly denominated in RMB. The Group was not engaged in any hedging by financial instruments in relation to exchange rate risk. The Group is closely monitoring the risk and will apply appropriate hedging instruments when it is needed.

### 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 2020 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 six months ended 30 June 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 six months ended 30 June 2020 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 six months ended 30 June 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.

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.

## OTHER INFORMATION

### 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 2020 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.

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 2020. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 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, 10 August 2020

*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.