

BAO SHEN HOLDINGS LIMITED 寶申控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8151

The background of the cover is a complex, abstract composition of geometric shapes and patterns. It features various shades of blue and green, including solid colors, dotted patterns, hexagonal grids, and vertical/horizontal stripes. Diagonal lines and overlapping shapes create a sense of depth and movement. The overall aesthetic is modern and professional.

Third
Quarterly
Report
2020

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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
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.

During the third quarter of 2020, with novel coronavirus (COVID-19) (the “**Pandemic**”) under effective control and economic activities recovered gradually in the PRC, and the consumer sentiment also gradually returned back to normal. The Group turned from operating loss for the second quarter of 2020 to operating profit for the third quarter of 2020.

For the nine months ended 30 September 2020, the Group’s revenue increase of approximately 32.6% from RMB63.1 million to RMB83.7 million, comparing with corresponding period for 2019. Gross profit margin decreased from 17.2% for the nine months ended 30 September 2019 to approximately 11.7% for the nine months ended 30 September 2020.

Outlook

The economic outlook for the rest of 2020 remains uncertain due to the Pandemic and the continues unstable factors in relation to the international political unrest, global and local markets are expected to be volatile. To cope with the uncertain market situation, the Group will continue to enhance sales effort by diversifying the product portfolio and to broaden the income stream, improve the quality of the production and internal controls and strive to implement stringent cost controls. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately RMB83.7 million for the nine months ended 30 September 2020 (2019: approximately RMB63.1 million), representing an increase of approximately 32.6%, such increase was mainly attributable to the increase in sales of plastic components.

The gross profit of the Group was approximately RMB9.8 million for the nine months ended 30 September 2020, representing a decrease of approximately 10.1% as compared to that of the gross profit of the corresponding period in 2019 of approximately RMB10.9 million, such decrease was mainly due 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 gross profit margin for the nine months ended 30 September 2020 was approximately 11.7%, which was decreased by 550 basis points as compared to that of the gross profit margin in the corresponding period in 2019 of approximately 17.2%.

OTHER INCOME AND GAINS

Other income and gains decreased from approximately RMB2.9 million for the nine months ended 30 September 2019 to approximately RMB1.6 million for the nine months ended 30 September 2020, representing a decrease of approximately 44.8%. Such decrease was mainly due to decrease in government grants recognised of approximately RMB1.7 million as compared to that of corresponding period in 2019.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased from approximately RMB2.5 million for the nine months ended 30 September 2019 to approximately RMB3.2 million for the nine months ended 30 September 2020, representing an increase of 28.0%. Such increase was mainly due to the increase in transportation expenses compared to that of corresponding period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

Administrative expenses increased from approximately RMB6.8 million for the nine months ended 30 September 2019 to approximately RMB7.4 million for the nine months ended 30 September 2020, representing an increase of 8.8%. Such increase was mainly due to increase in recognition on the provision of expected credit loss on trade receivables compared to that of corresponding period in 2019.

FINANCE COSTS

The finance costs remain relatively stable at RMB2.0 million for the nine months ended 30 September 2020 and 2019, respectively.

INCOME TAX CREDIT/(EXPENSES)

Income tax credit for the nine months ended 30 September 2020 was approximately RMB160,000 while income tax expenses for the same corresponding period in 2019 was approximately RMB1.4 million. The income tax credit recognised for the nine months ended 30 September 2020 was mainly due to the recognition of deferred tax asset raised from the provision of expected credit loss on trade receivables.

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

As a result of the foregoing, the Group recorded a loss for the period and attributable to owners of the Company for the nine months ended 30 September 2020 of approximately RMB1.0 million while profit for the period and attributable to owners of the Company for the nine months ended 30 September 2019 of approximately RMB1.0 million. The loss for the nine months ended 30 September 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 and the decrease in government grants recognised of approximately RMB1.7 million as compared to the nine months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENT

As from 30 September 2020 to the date of this report, apart from those disclosed elsewhere in this report, the Board is not aware of any other significant events requiring disclosure that have occurred.

CONTINGENT LIABILITIES

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

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the nine months ended 30 September 2020 (2019: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group's current assets were RMB115.1 million (31 December 2019: RMB105.9 million), of which RMB28.1 million (31 December 2019: RMB38.0 million) were cash and bank balances. As at 30 September 2020, the consolidated net asset value of the Group amounted to RMB82.5 million, representing a decrease of approximately 1.7% 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 38.5% (31 December 2019: 32.8%).

As at 30 September 2020, the share capital of the Company was RMB3.4 million (31 December 2019: RMB3.4 million). The Group's consolidated reserves were RMB79.1 million (31 December 2019: RMB80.5 million). As at 30 September 2020, the Group had total current liabilities of RMB76.9 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 RMB1.0 million (31 December 2019: RMB51,000), which represented lease liabilities, other borrowing and deferred tax liabilities.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 2020. 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 2020. 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 2020.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

After deduction of all related listing expenses and commissions, the net proceeds from the listing of the shares of the Company amounted to approximately HK\$18.4 million. Up to 30 September 2020, the Group has approximately utilised HK\$9.5 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 2020 HK\$'000	Unused amount HK\$'000	Expected timeline of full utilisation of the remaining net proceeds
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	2,090	2,010	By 30 June 2021
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	By 30 June 2021
Increasing production capacity of spray-painting components by acquisition of one new processing line and the related additional labour cost	2,700	–	2,700	By 30 June 2021
Repayment of part of the Group's bank loans	6,700	6,700	–	
Using for general working capital purposes	700	700	–	
Total	18,400	9,490	8,910	



MANAGEMENT DISCUSSION AND ANALYSIS

Save for the use of proceeds for the repayment of part of the Group's bank loans and using for general working capital purposes which was in line with the timeline as disclosed in the Prospectus, there was a general delay in the timeline in the use of proceeds. The Directors consider the global business environment will become more challenging. The economic atmosphere and confidence could definitely be adversely affected by the continuous trade war between the United States of America and the PRC, and the Pandemic. It is financially prudent to prolong the timeline for increasing production capacity of stamping components, powder-coating peripheral components and spray-painting components, which would enhance the cash position and liquidity of the Group to respond to the challenging economic environment ahead.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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 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 nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3	36,694	26,785	83,723	63,082
Cost of sales		(30,371)	(22,002)	(73,921)	(52,201)
Gross profit		6,323	4,783	9,802	10,881
Other income and gains	4	489	317	1,563	2,916
Selling and distribution expenses		(1,214)	(856)	(3,153)	(2,539)
Administrative expenses		(3,725)	(1,430)	(7,430)	(6,812)
Finance costs	5	(801)	(577)	(1,980)	(2,039)
Profit/(loss) before tax		1,072	2,237	(1,198)	2,407
Income tax credit/(expenses)	6	78	(703)	160	(1,433)
Profit/(loss) for the period and attributable to owners of the Company		1,150	1,534	(1,038)	974
Other comprehensive (loss)/income items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(734)	862	(298)	2,003
Total comprehensive income/(loss) for the period and attributable to owners of the Company		416	2,396	(1,336)	2,977
Earnings/(losses) per share – Basic and diluted	8	0.27 cents	0.36 cents	(0.25) cents	0.23 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Share capital	Share premium	Other reserve	Translation reserve	PRC statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2019 and 1 January 2020	3,364	52,292	(9,070)	3,449	2,914	30,934	83,883
Loss and total comprehensive loss for the period	-	-	-	(298)	-	(1,038)	(1,336)
Transfer from retained earnings	-	-	-	-	688	(688)	-
Balance at 30 September 2020	3,364	52,292	(9,070)	3,151	3,602	29,208	82,547

For the nine months ended 30 September 2019

	Share capital	Share premium	Other reserve	Translation reserve	PRC statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2018 and 1 January 2019 (audited)	3,364	52,292	(9,070)	1,904	2,158	33,035	83,683
Profit and total comprehensive income for the period	-	-	-	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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 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 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 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 nine months ended 30 September 2020

2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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) plastic components manufacturing; (iii) spray-painting components processing; and (iv) powder-coating components processing) in the PRC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of revenue by products is as follows:

	Nine months ended 30 September	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue from customer and recognised at point in time		
Peripheral components		
– Spray-painting peripheral components	12,362	20,443
– Powder-coating peripheral components	26,319	21,655
Stamping components	22,129	15,002
Plastic components	22,913	5,982
	83,723	63,082

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 2020 and 2019 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

4. OTHER INCOME AND GAINS

	Nine months ended 30 September	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest income on bank deposits	23	34
Net gains on disposal of property, plant and equipment	51	–
Net sales of moulds and leftover	661	338
Government grants	828	2,544
	1,563	2,916

5. FINANCE COSTS

	Nine months ended 30 September	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest on bank borrowings	1,276	1,297
Interest on lease liabilities	476	114
Finance costs arising on early redemption of note receivables	228	327
Costs of guarantees on bank borrowings	–	301
	1,980	2,039

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

6. INCOME TAX CREDIT/(EXPENSES)

	Nine months ended 30 September	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")		
– Current period	(320)	(1,433)
Deferred tax	480	–
Total income tax credit/(expenses) for the nine months recognised in profit and loss	160	(1,433)

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 2020 and 2019.

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

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

7. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the nine months ended 30 September 2020 (2019: nil).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

8. (LOSSES)/EARNINGS PER SHARE

	Nine months ended 30 September	
	2020 (unaudited)	2019 (unaudited)
(Loss)/profit for the period and attributable to owners of the Company (RMB'000)	(1,038)	974
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	420,000,000	420,000,000

For the nine months ended 30 September 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 the periods.

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

9. SUBSEQUENT EVENT

On 29 October 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 operating subsidiary of the Company, disposed certain machineries to a third party at a consideration of RMB6,500,000 and that third party leased back the machineries to Xiezhong at the same time. For details, please refer to the announcements of the Company dated 29 October 2020 and 2 November 2020.

OTHER INFORMATION

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the nine months ended 30 September 2020 (2019: nil).

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

As at 30 September 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 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 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.

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 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.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

For the nine months ended 30 September 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.

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 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.

OTHER INFORMATION

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

During the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 Xiezhong, an indirectly wholly-owned operating subsidiary of the Company, since 2010, the Board believes that it is in the best interest of the Group to have Mr. Fan taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

The Directors will continue to review and consider splitting the roles of chairman and chief executive of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

OTHER INFORMATION

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Cinda International Capital Limited as its compliance adviser, which has provided advice and guidance to the Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal control. Except for the compliance adviser also acted as the sponsor for the Listing and the compliance adviser agreement entered into between the Company and the compliance adviser dated 27 June 2017, neither the compliance adviser nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% during the nine months ended 30 September 2020 and up to the date of this report.

TERMINATION OF AN EXEMPTED CONTINUING CONNECTED TRANSACTION

On 1 January 2020, an indirect wholly-owned operating subsidiary of the Company, Xiezhong, has entered into a 12 months lease agreement as tenant of an annual rent of RMB424,800 (the “**Lease Agreement**”) with Chuzhou Genxing Powder-Coating Co., Ltd.* (滁州市互興噴塑有限公司) (formerly known as Chuzhou Genxing Clothing Co., Ltd.* (滁州市互興服裝有限公司) (“**Chuzhou Genxing**”) as landlord in relation to the lease of two factory buildings (the “**Properties**”) situated at Chuzhou City, Anhui Province, the PRC. On 30 September 2020, the Lease Agreement with Chuzhou Genxing was terminated as the land where the Properties located was resumed by the Nanqiao district of the People's Government of Chuzhou City.

The production of powder-coating peripheral components in Properties of the Group was then switched to the production factory of the Group situated at No. 719 Shuangying Road* (雙迎大道719號), Chuzhou City, Anhui Province, the PRC. The termination of the Lease Agreement had no material impact on our Group's operation.

OTHER INFORMATION

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.

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 2020. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 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 November 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.