



BAO SHEN HOLDINGS LIMITED
寶申控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8151

2021
First Quarterly Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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

Nanjiao Suburb

Chuzhou City, Anhui, PRC

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.

Even though the global economy is affected by the multiple pandemic waves of the 2019 coronavirus (“**COVID-19**”) in the three months ended 31 March 2021, the Group recorded a significant sales growth against the corresponding period in 2020 due to the PRC domestic market gradually recovering from the adverse impact of COVID-19. During the period ended 31 March 2021, the Group’s revenue increased by 92.7% to approximately RMB34.3 million (2020: RMB17.8 million), gross profit increased by 246.2% to approximately RMB4.5 million (2020: RMB1.3 million) and gross profit margin increased to approximately 13.1% (2020: 7.2%). However, the Group still recorded a loss position of approximately RMB1.6 million for the period ended 31 March 2021. The loss for the period ended 31 March 2021 was decreased by RMB0.2 million or 11.1% compared to that of the corresponding period in 2020.

Outlook

The Group has the following major targets for 2021. With the Group’s strategic planning, and the unrelenting efforts of the staff, the Group is making great efforts to expand into business markets that are in line with the Group’s plans, and are striving to realise an income growth of 10%, as compared to 2020.

In addition, the Group has specific goals for 2021 as follows: (i) increase the market promotion efforts, and strive to expand one to two ancillary services for white goods manufacturers for plastic components manufacturing projects in 2021; and strive to select profitable projects from the existing stamping and plastic components manufacturing projects; (ii) strive to improve the quality and service awareness of all staff, enhance the management skills, professional skills and quality control of every department, and the service awareness of the sales department, to improve the competitiveness and reputation of the Company; and (iii) implement more cost control measures for the financial department and all management departments, and provide reasonable suggestions to achieve cost reduction and efficiency without affecting product and service quality. Last but not least, the Group will keep an open mind and explore new business opportunities that are in line with the Group’s development, with a view to diversify the Group’s business base from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately RMB34.3 million for the three months ended 31 March 2021 (2020: RMB17.8 million), representing an increase of approximately 92.7%, such increase was mainly attributable to increase in sale to the existing customers of wasting machine's plastic components; and partially offset the decrease in sale to the existing customers of wasting machine's spray-painting peripheral components. The gross profit of the Group was approximately RMB4.5 million for the three months ended 31 March 2021, representing an increase of approximately 246.2% as compared to that of the corresponding period in 2020 and the gross profit margin for the three months ended 31 March 2021 was approximately 13.1%, representing an increase of approximately 5.9 percentage point compared to that of the corresponding period in 2020 (2020: 7.2%). The increase of gross profit and gross profit margin was mainly attributable to increase in total revenue by approximately 92.7% compared to that of 2020 resulting a better utilisation of the production facility, in turn, contributed to a lower manufacturing overhead per unit of the Group's products.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities (2020: nil).

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

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 2021, together with the unaudited comparative figures for the corresponding period in 2020 as set out below.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

| | Notes | Three months ended 31 March | |
|--|-------|--------------------------------|--------------------------------|
| | | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Revenue | 3 | 34,295 | 17,837 |
| Cost of sales | | (29,819) | (16,549) |
| Gross profit | | 4,476 | 1,288 |
| Other income and gains | | 113 | 188 |
| Selling and distribution expenses | | (1,692) | (1,038) |
| Administrative expenses | | (3,765) | (1,784) |
| Finance costs | | (766) | (492) |
| Loss before tax | | (1,634) | (1,838) |
| Income tax credit | 4 | – | 67 |
| Loss for the period | | (1,634) | (1,771) |
| Other comprehensive income <i>Item that may be reclassified</i> <i>subsequently to profit or loss</i> | | | |
| Exchange differences on translating foreign operations | | 44 | 499 |
| Other comprehensive income for the period | | 44 | 499 |
| Total comprehensive expense for the period | | (1,590) | (1,272) |
| Loss for the period attributable to owners of the Company | | (1,634) | (1,771) |
| Losses per share | | | |
| – Basic and diluted | 6 | (0.39 cents) | (0.42 cents) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

| | 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 2020 and 1 January 2021 (audited) | 3,364 | 52,292 | (9,070) | 2,416 | 3,602 | 29,184 | 81,788 |
| Loss and total comprehensive expense for the period | - | - | - | 44 | - | (1,634) | (1,590) |
| Balance at 31 March 2021 (unaudited) | 3,364 | 52,292 | (9,070) | 2,460 | 3,602 | 27,550 | 80,198 |

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 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

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 Windward 3, Regatta Office Park, PO Box 1350, 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 2021

2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2021 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 (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 2020 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 2021, as disclosed in the annual consolidated financial statements for the year ended 31 December 2020. The adoption of these effective new and revised HKFRSs does not have material impact on the Group’s financial performance and financial position for the period ended and as at 31 March 2021.

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 2021

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
|--|--------------------------------|--------------------------------|
| An analysis of revenue by type of goods is as follows: | | |
| Revenue from customer and recognised at point in time | | |
| Peripheral components | | |
| – Spray-painting peripheral components | 3,662 | 4,372 |
| – Powder-coating peripheral components | 9,713 | 5,829 |
| Stamping components | 7,748 | 4,482 |
| Plastic components | 13,172 | 3,154 |
| | 34,295 | 17,837 |

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 2021 and 2020 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 2021

4. INCOME TAX CREDIT

| | 2021 RMB'000 (unaudited) | 2020 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 2021 and 2020. 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 2021 and 2020.

PRC subsidiary is subject to PRC EIT at 25% for the three months ended 31 March 2021 and 2020.

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 2021 (2020: nil).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

6. LOSSES PER SHARE

| | 2021 (unaudited) | 2020 (unaudited) |
|---|-----------------------------------|---------------------|
| Loss and total comprehensive expenses for the three months ended (RMB'000) | (1,634) | (1,771) |
| 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 2021 and 2020, 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 2021 and 2020.

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 2021 and 2020.

7. SUBSEQUENT EVENTS

The Group has no event after the end of the reporting period that needs to be brought to the attention of the shareholders of the Company.

OTHER INFORMATION

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the three months ended 31 March 2021 (2020: nil).

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

As at 31 March 2021, 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 for the purposes of the SFO. Mr. Zhou is a director of Season Empire.

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 2021, 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 2021 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 2021, the Group's current assets were approximately RMB113.4 million (31 December 2020: RMB118.4 million), of which approximately RMB27.4 million (31 December 2020: RMB34.2 million) were cash and bank balances. As at 31 March 2021, the consolidated net asset value of the Group amounted to approximately RMB80.2 million, representing a decrease of approximately 2.0% as compared to approximately RMB81.8 million at 31 December 2020. The gearing ratio (dividing debts comprising of bank borrowings, other borrowing and lease liabilities by total equity) of the Group was approximately 51.7% (31 December 2020: 45.7%). As at 31 March 2021, the share capital of the Company was approximately RMB3.4 million (31 December 2020: RMB3.4 million). The Group's consolidated reserves were approximately RMB76.8 million (31 December 2020: RMB78.4 million). As at 31 March 2021, the Group had total current liabilities of approximately RMB73.3 million (2020: RMB76.8 million), mainly comprising trade and other payables and bank borrowings. The total non-current liabilities of the Group amounted to approximately RMB5.4 million (31 December 2020: RMB6.1 million), which mainly represented other borrowings, lease liabilities and deferred tax liabilities.

OTHER INFORMATION

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 31 March 2021. 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 three months ended 31 March 2021. Save as those disclosed in this report, there was no plan for material investments or capital assets as at 31 March 2021.

USE OF PROCEEDS

The business objective of the Group is to expand our market share and strengthen the market position in the steel and plastic component industry for white goods in the PRC.

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 2021, the Group has approximately utilised HK\$9.8 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 2021 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 | 2,387 | 1,713 | By June 2022 |
| 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 June 2022 |
| 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 June 2022 |
| Repayment of part of the Group's bank loans | 6,700 | 6,700 | - | N/A |
| Using for general working capital purposes | 700 | 700 | - | N/A |
| Total | 18,400 | 9,787 | 8,613 | |

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.

OTHER INFORMATION

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

During the three months ended 31 March 2021 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 2021 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 2021 and up to the date of this report, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules. CG Code provision A.2.1 stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Fan is the chairman of the Board and the chief executive officer of the Company. In view of Mr. Fan being one of the founders of our Group and has been operating and managing Chuzhou Xiezhong Home Appliance Accessories Co., Ltd* (滁州市協眾家電配件有限公司), the operating subsidiary of the Company, since 2010, the Board believes that it is in the best interest of the Group to have Mr. Fan taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

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

OTHER INFORMATION

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 during the period ended 31 March 2021 and up to the date of this report.

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 2021 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.

The audit committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

OTHER INFORMATION

The audit committee of the Board and the management of the Company have reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2021. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2021 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, 11 May 2021

- * 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.