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Bao Shen Holdings Limited

寶申控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8151)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

FINANCIAL HIGHLIGHTS

- The Group's unaudited revenue for the nine months ended 30 September 2021 was approximately RMB101.4 million, representing an increase of approximately 21.1% as compared to that of the unaudited revenue for the corresponding period in 2020 of approximately RMB83.7 million.
- The unaudited gross profit of the Group for the nine months ended 30 September 2021 was approximately RMB16.2 million, representing an increase of approximately 63.5% as compared to that of the unaudited gross profit for the corresponding period in 2020 of approximately RMB9.8 million.
- The unaudited loss for the period and attributable to owners of the Company for the nine months ended 30 September 2021 was approximately RMB5.1 million, representing an increase of approximately 410.0% as compared to that of the corresponding period in 2020 of approximately RMB1.0 million.
- The unaudited basic and diluted losses per share increased by approximately 388.0% to approximately RMB1.22 cents (30 September 2020: RMB0.25 cents).
- The Board did not recommend the payment of an interim dividend for the nine months ended 30 September 2021 (2020: nil).

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

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

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

For the three months and nine months ended 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	34,404	36,694	101,414	83,723
Cost of sales		(28,862)	(30,371)	(85,247)	(73,921)
Gross profit		5,542	6,323	16,167	9,802
Other income and gains	4	276	489	637	1,563
Selling and distribution expenses		(1,226)	(1,214)	(4,520)	(3,153)
Administrative expenses		(5,550)	(3,725)	(15,251)	(7,430)
Finance costs	5	(759)	(801)	(2,411)	(1,980)
(Loss)/profit before tax		(1,717)	1,072	(5,378)	(1,198)
Income tax credit	6	266	78	245	160
(Loss)/profit for the period and attributable to owners of the Company		(1,451)	1,150	(5,133)	(1,038)
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(82)	(734)	(278)	(298)
Total comprehensive (loss)/income for the period and attributable to owners of the Company		(1,533)	416	(5,411)	(1,336)
(Losses)/earnings per share					
– Basic and diluted	8	(0.35) cents	0.27 cents	(1.22) cents	(0.25) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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	3,364	52,292	(9,070)	2,416	3,602	29,184	81,788
Loss and total comprehensive loss for the period	-	-	-	(278)	-	(5,133)	(5,411)
Balance at 30 September 2021	<u>3,364</u>	<u>52,292</u>	<u>(9,070)</u>	<u>2,138</u>	<u>3,602</u>	<u>24,051</u>	<u>76,377</u>

For the nine months ended 30 September 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	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	<u>3,364</u>	<u>52,292</u>	<u>(9,070)</u>	<u>3,151</u>	<u>3,602</u>	<u>29,208</u>	<u>82,547</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

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

Items included in the financial statements of each of the Group’s subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the “**functional currency**”). The functional currency of the Group’s operating subsidiaries is RMB. The unaudited condensed consolidated financial statements are presented in RMB, which is different from the functional currency of the Company (i.e. Hong Kong dollars (“**HK\$**”). The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 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 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 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.

Nine months ended 30 September	
2021	2020
RMB'000	RMB'000
(unaudited)	(unaudited)

An analysis of revenue by type of products is as follows:

Revenue from customer and recognised at point in time

Peripheral components		
– Spray-painting peripheral components	10,869	12,362
– Powder-coating peripheral components	27,183	26,319
Stamping components	23,451	22,129
Plastic components	39,911	22,913
	<hr/> 101,414 <hr/>	<hr/> 83,723 <hr/>

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 2021 and 2020 are attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Substantially all the non-current assets of the Group are located in the PRC.

4. OTHER INCOME AND GAINS

Nine months ended 30 September		
2021	2020	
RMB'000	RMB'000	
(unaudited)	(unaudited)	
Interest income on bank deposits	26	23
Net gains on disposal of property, plant and equipment	–	51
Net sales of moulds and leftover	293	661
Government grants	318	828
	<hr/> 637 <hr/>	<hr/> 1,563 <hr/>

5. FINANCE COSTS

Nine months ended 30 September		
2021	2020	
RMB'000	RMB'000	
(unaudited)	(unaudited)	
Interest on bank borrowings	1,370	1,276
Interest on lease liabilities	81	372
Interest on other borrowings	496	104
Finance costs arising on early redemption of note receivables	464	228
	<hr/> 2,411 <hr/>	<hr/> 1,980 <hr/>

6. INCOME TAX CREDIT

	Nine months ended 30 September	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax (“EIT”)		
– Current period	–	(320)
Deferred tax	<u>245</u>	<u>480</u>
Total income tax credit for the nine months recognised in profit and loss	<u><u>245</u></u>	<u><u>160</u></u>

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 nine months ended 30 September 2021 and 2020.

PRC subsidiary is subject to PRC EIT at 25% for the nine months ended 30 September 2021 and 2020.

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 2021 (2020: nil).

8. (LOSSES)/EARNINGS PER SHARE

	Nine months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
Loss for the period and attributable to owners of the Company (RMB'000)	<u><u>(5,133)</u></u>	<u><u>(1,038)</u></u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><u>420,000,000</u></u>	<u><u>420,000,000</u></u>

For the nine months ended 30 September 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 periods.

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

9. SUBSEQUENT EVENT

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

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.

Despite, the coronavirus (“**COVID-19**”) outbreak since 2019 had caused negative impacts in the global macroeconomic situation, the Group expects the impact of the event may moderate gradually from the year of 2021 with the massive vaccination program underway around the world. For the nine months ended 30 September 2021, the Group recorded a revenue growth by 21.1% to approximately RMB101.4 million against the corresponding period in 2020 due to the PRC domestic market gradually recovering from the adverse impact of COVID-19. The gross profit increased by 65.3% to approximately RMB16.2 million (2020: RMB9.8 million) and gross profit margin increased to approximately 15.9% (2020: 11.7%). However, the Group still recorded a loss position of approximately RMB5.1 million for the nine months ended 30 September 2021. The loss for the nine months ended 30 September 2021 was increase by RMB4.3 million or 410.0% compared to that of the corresponding period in 2020.

OUTLOOK

Looking forward to the fourth quarter of 2021, based on the production situation in the first three quarters, combined with the current production forecasts of all customers of the Group, it is expected that the Group’s total output value of plastic components manufacturing and stamping components manufacturing of washing machines in the fourth quarter will increase slightly compared with the same period last year. In addition, in accordance with the technological requirements of the new products that have won the bid, the Group expects to add several 200-ton stamping machines in the fourth quarter to meet the production requirements.

Finally, the Group will remain open to exploring new business opportunities that are suitable for the Group’s development, with a view to diversifying the Group’s business base from time to time for the maximum benefits of the Group and its shareholders.

FINANCIAL REVIEW

The revenue of the Group was approximately RMB101.4 million for the nine months ended 30 September 2021 (2020: approximately RMB83.7 million), representing an increase of approximately 21.1%, such increase was mainly attributable to the increase in sales of washing machine's plastic components.

The gross profit of the Group was approximately RMB16.2 million for the nine months ended 30 September 2021, representing an increase of approximately 65.3% as compared to that of the gross profit of the corresponding period in 2020 of approximately RMB9.8 million, such increase was mainly due to increase in gross profit margin from plastic components.

The gross profit margin for the nine months ended 30 September 2021 was approximately 15.9%, which was increase by 420 basis points as compared to that of the gross profit margin in the corresponding period in 2020 of approximately 11.7%.

OTHER INCOME AND GAINS

Other income and gains decreased from approximately RMB1.6 million for the nine months ended 30 September 2020 to approximately RMB0.6 million for the nine months ended 30 September 2021, representing a decrease of approximately 62.5%. Such decrease was mainly due to decrease in government grants recognised of approximately RMB0.5 million as compared to that of corresponding period in 2020.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased from approximately RMB3.2 million for the nine months ended 30 September 2020 to approximately RMB4.5 million for the nine months ended 30 September 2021, representing an increase of 40.6%. Such increase was mainly due to the increase in staff costs compared to that of corresponding period in 2020.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from approximately RMB7.4 million for the nine months ended 30 September 2020 to approximately RMB15.3 million for the nine months ended 30 September 2021, representing an increase of 106.8%. Such increase was mainly due to increase in research and development costs and staff costs compared to that of corresponding period in 2020.

FINANCE COSTS

Finance costs increase from approximately RMB2.0 million for the nine months ended 30 September 2020 to approximately RMB2.4 million for the nine months ended 30 September 2021, representing an increase of 20.0%. Such increase was mainly due to increase in interest on other borrowings and early redemption of note receivables compared to that of corresponding period in 2020.

INCOME TAX CREDIT

Income tax credit increase from approximately RMB160,000 for the nine months ended 30 September 2020 to approximately RMB245,000 for the nine months ended 30 September 2021, representing an increase of 53.1%. Such increase was mainly due to tax impact on 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 2021 of approximately RMB5.1 million as compared to approximately RMB1.0 million for the nine months ended 30 September 2020. The loss for the nine months ended 30 September 2021 was mainly attributable to an increase in research and development costs and staff costs.

SUBSEQUENT EVENT

As from 30 September 2021 to the date of this announcement, the Board is not aware of any other significant events requiring disclosure that have occurred.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any significant contingent liabilities (31 December 2020: nil).

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the nine months ended 30 September 2021 (2020: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group's current assets were RMB111.6 million (31 December 2020: RMB118.4 million), of which RMB25.2 million (31 December 2020: RMB34.2 million) were cash and bank balances. As at 30 September 2021, the consolidated net asset value of the Group amounted to RMB76.4 million, representing a decrease of approximately 6.6% as compared to RMB81.8 million at 31 December 2020.

The gearing ratio (dividing debts comprising of bank borrowings, other borrowings and lease liabilities by total equity) of the Group was approximately 48.0% (31 December 2020: 45.7%).

As at 30 September 2021, the share capital of the Company was RMB3.4 million (31 December 2020: RMB3.4 million). The Group's consolidated reserves were RMB73.0 million (31 December 2020: RMB78.4 million). As at 30 September 2021, the Group had total current liabilities of RMB76.0 million (31 December 2020: RMB76.8 million), mainly comprising trade and other payables and bank borrowings. The total non-current liabilities of the Group amounted to RMB3.3 million (31 December 2020: RMB6.1 million), which represented other borrowings and deferred tax liabilities.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include bank borrowings, other borrowings 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, other borrowings and lease liabilities. The Group is also exposed to cash flow interest rate due to fluctuation of prevailing market interest rate on bank deposits, other borrowings, bank borrowings and lease liabilities 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 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 nine months ended 30 September 2021. Save as those disclosed in elsewhere in this announcement, there was no plan for material investments or capital assets as at 30 September 2021.

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 of the shares of the Company amounted to approximately HK\$18.4 million. Up to 30 September 2021, the Group has approximately utilised HK\$10.1 million of the net proceeds from the listing of the shares of the Company as follows:

Use of proceeds	As stated in Prospectus <i>HK\$'000</i>	Actual use of proceeds from the date of listing of the shares of the Company up to 30 September 2021 <i>HK\$'000</i>	Unused amount <i>HK\$'000</i>	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	2,716	1,384	By 30 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 30 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 30 June 2022
Repayment of part of the Group's bank loans	6,700	6,700	–	
Using for general working capital purposes	700	700	–	
	<hr/>	<hr/>	<hr/>	
Total	<u>18,400</u>	<u>10,116</u>	<u>8,284</u>	

OTHER INFORMATION

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the nine months ended 30 September 2021 (2020: nil).

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

As at 30 September 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 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 ”) (<i>Note 1</i>)	Interest in a controlled corporation	223,650,000	53.25%
Mr. Zhou Zhen Dong (“ Mr. Zhou ”) (<i>Note 2</i>)	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.

(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 announcement, 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 2021, 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 (“ Ms. Cao ”) (<i>Note 1</i>)	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 2021, 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 2021 and up to the date of this announcement, save as disclosed in this announcement, 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 announcement, at no time during the nine months ended 30 September 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

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

During the nine months ended 30 September 2021 and up to the date of this announcement, 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 2021 and up to the date of this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, to the best knowledge of the Directors, during the nine months ended 30 September 2021 and up to the date of this announcement, 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.

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 for the nine months ended 30 September 2021 and up to the date of this announcement.

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 2021 and up to the date of this announcement.

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 2021. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 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, 10 November 2021

As at the date of this announcement, our executive directors are Mr. Fan Baocheng and Mr. Zhou Zhen Dong; and our independent non-executive directors are Mr. Liang Chi, Mr. Ho Ka Chun and Mr. Chan Chun Chi.

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