

NON-RECURRING
FIRST QUARTER

BAO SHEN HOLDINGS LIMITED
寶申控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8151

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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.*

CONTENT

3	CORPORATE INFORMATION
4	MANAGEMENT DISCUSSION AND ANALYSIS
8	UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
9	UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
10	NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
15	OTHER INFORMATION

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

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.

The COVID-19 pandemic continues to affect the global market. Due to the rising number of COVID-19 diagnosed cases, the PRC Government has implemented a series of anti-epidemic measures from time to time to control the spread of COVID-19. It caused an adverse impact on the manufacturing and processing business of the Group as the customers' production were suspended or delayed. For the three months ended 31 March 2022, the Group's revenue decreased by approximately 7.0% to approximately RMB31.9 million (2021: RMB34.3 million). The Group's still recorded a loss position of approximately RMB1.0 million for the three months ended 31 March 2022. The loss for the three months ended decreased by RMB0.6 million or 37.5% compared to that of the corresponding period 2021.

Outlook

Based on production in the first quarter of 2022 and taking into account the current production per-scheduled master plan for the Group's customers and the Group's operation and management initiatives, the Group has a preview as follows:

- 1) In terms of cost and expense control in the second quarter, the Group will take a series of measures, including eliminating unnecessary expenses; making great efforts to integrate its product processing procedures, with an aim to increase production capacity; reducing manufacturing costs and planning to realise rational allocation of packaging materials and the maximum range of distribution, so as to reduce costs for product sales;
- 2) In terms of product quality and service, the Group will strive to refine the on-site customer follow-up services to the satisfaction of the customers, in the face of the downward adjustment of master production schedule of customers; and

MANAGEMENT DISCUSSION AND ANALYSIS

- 3) In terms of the application of professional skills and advanced management, the Group intends to learn certain management skill set system standards from external professional training institutions, in the hope of improving the overall quality of the enterprise and internal control capabilities. The Group has set up an automation technology improvement team which is responsible for project selection and establishment starting from the stamping components production line, so as to form an automated production model for products, reduce manpower and increase efficiency. Moreover, the Group has also established an improvement mechanism and extended it to all of its production departments, with a view to achieving process cost reduction and strengthening the market competitiveness of its products.

Last but not least, the Group will keep an open mind and, in light of the current outbreak of COVID-19, strongly strengthen the existing market share of its products and actively explore new business opportunities that are in line with the Group's development, with a view to achieving diversified business development of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue was derived from four sources, namely, stamping components manufacturing, plastic components manufacturing, spray-painting peripheral components processing and powder-coating peripheral components processing which are analysed in note 3 to the unaudited condensed consolidated financial statements. For the three months ended 31 March 2022, the Group recorded a decrease in total revenue by approximately 7.0% to approximately RMB31.9 million (2021: RMB34.3 million). Details of changes in the revenue are analysed as below.

Stamping components manufacturing

For stamping components manufacturing, the revenue increased by 26.0% from approximately RMB7.7 million for the three months ended 31 March 2021 to approximately RMB9.7 million for the three months ended 31 March 2022. Such increase was primarily due to increase in sale of the refrigerator's stamping components to the largest customer of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Plastic components manufacturing

For plastic components manufacturing, the revenue decreased by 12.9% from approximately RMB13.2 million for the three months ended 31 March 2021 to approximately RMB11.5 million for the three months ended 31 March 2022. Such decrease was primarily due to decrease in sale of the washing machine's plastic components to the largest customer of the Group.

Spray-painting peripheral components processing

For spray-painting peripheral components processing, the revenue decreased by 29.7% from approximately RMB3.7 million for the three months ended 31 March 2021 to approximately RMB2.6 million for the three months ended 31 March 2022. Such decrease was primarily due to decrease in sale of the refrigerator's spray-painting peripheral components to the second largest customer of the Group.

Powder-coating peripheral components processing

For powder-coating peripheral components processing, the revenue decreased by 16.5% from approximately RMB9.7 million for the three months ended 31 March 2021 to approximately RMB8.1 million for the three months ended 31 March 2022. Such decrease was primarily due to decrease in sale of the refrigerator's powder-coating peripheral components to the second largest customer of the Group.

Gross profit and gross profit margin

The gross profit of the Group was approximately RMB4.1 million for the three months ended 31 March 2022, representing a decrease of approximately 8.9% as compared to that of the corresponding period in 2021 (2021: RMB4.5 million) and the gross profit margin for the three months ended 31 March 2022 was approximately 12.9%, representing a decrease of approximately 0.2 percentage point compared to that of the corresponding period in 2021 (2021: 13.1%). The gross profit and gross profit margin remained relatively stable for the three months ended 31 March 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Selling and distribution expenses decreased by 17.6% from approximately RMB1.7 million for the three months ended 31 March 2021 to approximately RMB1.4 million for the three months ended 31 March 2022. Such decrease is primarily attributable to decrease in sales and marketing's staff costs compared to the three months ended 31 March 2021.

Administrative expenses

Administrative expenses decreased by 21.1% from approximately RMB3.8 million for the three months ended 31 March 2021 to approximately RMB3.0 million for the three ended 31 March 2022. Such decrease is primarily attributable to decrease in administrative staff costs compared to the three months ended 31 March 2021.

Income tax expenses

As the Group recorded a loss for the three months ended 31 March 2022 and 2021, no provision for income tax has been made.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any significant contingent liabilities (2021: nil).

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2022

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 2022, together with the unaudited comparative figures for the corresponding period in 2021 as set out below.

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

For the three months ended 31 March 2022

	Notes	Three months ended 31 March	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	31,857	34,295
Cost of sales		(27,741)	(29,819)
Gross profit		4,116	4,476
Other income and gains		33	113
Selling and distribution expenses		(1,424)	(1,692)
Administrative expenses		(3,002)	(3,765)
Finance costs		(685)	(766)
Loss before tax		(962)	(1,634)
Income tax expenses	4	–	–
Loss for the period		(962)	(1,634)
Other comprehensive (expense)/income Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(83)	44
Other comprehensive (expense)/income for the period		(83)	44
Total comprehensive expense for the period		(1,045)	(1,590)
Loss for the period attributable to owners of the Company		(962)	(1,634)
Losses per share			
– Basic and diluted	6	(0.23 cents)	(0.39 cents)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	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 2021 and 1 January 2022 (audited)	3,364	52,292	(9,070)	1,934	3,602	25,446	77,568
Loss and total comprehensive expense for the period	-	-	-	(83)	-	(962)	(1,045)
Balance at 31 March 2022 (unaudited)	3,364	52,292	(9,070)	1,851	3,602	24,484	76,523

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

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 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 three months ended 31 March 2022

2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2022 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 2021 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 2022, as disclosed in the annual consolidated financial statements for the year ended 31 December 2021. 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 2022.

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 2022

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	2022 RMB'000 (unaudited)	2021 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	2,558	3,662
– Powder-coating peripheral components	8,105	9,713
Stamping components	9,660	7,748
Plastic components	11,534	13,172
	31,857	34,295

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 2022 and 2021 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 2022

4. INCOME TAX EXPENSES

	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	–	–
<hr/>		
Total income tax expenses for the three months recognised in profit or loss	–	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the three months ended 31 March 2022 and 2021. 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 2022 and 2021.

PRC subsidiary is subject to PRC EIT at 25% for the three months ended 31 March 2022 and 2021. No provision for PRC EIT has been made in the unaudited condensed consolidated financial statements as the Group had incurred losses for taxation purposes in the PRC for the three months ended 31 March 2022 and 2021.

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 2022 (2021: nil).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

6. LOSSES PER SHARE

	2022 (unaudited)	2021 (unaudited)
Loss and total comprehensive expenses for the three months ended (RMB'000)	(962)	(1,634)
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 2022 and 2021, 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 2022 and 2021.

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 2022 and 2021.

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 2022 (2021: nil).

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

As at 31 March 2022, 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 the Directors are aware, the following persons (not being a Director or chief executive of the 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 2022, 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 2022 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 2022, the Group's current assets were approximately RMB113.2 million (31 December 2021: RMB109.7 million), of which approximately RMB28.2 million (31 December 2021: RMB35.6 million) were cash and bank balances. As at 31 March 2022, the consolidated net asset value of the Group amounted to approximately RMB76.5 million, representing a decrease of approximately 1.4% as compared to approximately RMB77.6 million at 31 December 2021. The gearing ratio (dividing debts comprising of bank borrowings, other borrowings and lease liabilities by total equity) of the Group was approximately 58.0% (31 December 2021: 45.5%). As at 31 March 2022, the share capital of the Company was approximately RMB3.4 million (31 December 2021: RMB3.4 million). The Group's consolidated reserves were approximately RMB73.1 million (31 December 2021: RMB74.2 million). As at 31 March 2022, the Group had total current liabilities of approximately RMB76.2 million (2021: RMB71.4 million), mainly comprising trade and other payables and bank borrowings. The total non-current liabilities of the Group amounted to approximately RMB2.7 million (31 December 2021: RMB2.7 million), which mainly represented other borrowings, lease liabilities and deferred tax liabilities.

OTHER INFORMATION

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of (i) debts, which include bank borrowings, other borrowings and lease liabilities; and (ii) equity reserves attributable to owners of the Company, comprising issued share capital and various reserves. All interest-bearing bank borrowings are repayable within one year. The other borrowings are repayable within five years. Both of them are denominated in RMB. The bank borrowings bear interest ranging from 3.55% to 5.50% (2021: 3.65% to 6.0%) per annum. The other borrowings bear interest at 10.63% per annum (2021: at 10.63% per annum). 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.

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICY

The majority of the Group's business operations were conducted in the PRC. The transactions, monetary assets and liabilities of the Group were mainly denominated in RMB. During the period/year ended 31 March 2022 and 31 December 2021, there were no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure in the period/year. The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period/year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

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 2022. Save as those disclosed in this report, there was no plan for material investments or capital assets as at 31 March 2022.

OTHER INFORMATION

USE OF PROCEEDS

The Company's shares were listed on GEM of the Stock Exchange on 23 April 2018 (the "Listing"). The business objective of the Group is to expand its market share and strengthen the market position in the steel and plastic component industry for white goods in the PRC.

After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK\$18.4 million. Up to 31 March 2022, the Group has approximately utilised HK\$10.5 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 the Listing up to 31 March 2022 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	3,050	1,050	By June 2023
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 2023
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 2023
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	10,450	7,950	

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 2022 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 2022 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 2022 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 C.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 the 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 C.2.1 is appropriate in such circumstance.

OTHER INFORMATION

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

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 2022 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 2022 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 the CG Code. The audit committee consists of three members, namely, Mr. Chan Chun Chi, Mr. Ho Ka Chun and Mr. Liang Chi, all being independent non-executive Directors. Mr. Chan Chun Chi currently serves as the chairman of the audit committee. The primary duties of the Audit Committee include making recommendations to the Board on the appointment and approval of external auditors, reviewing and supervising the financial statements and material advice in respect of financial reporting, overseeing internal control procedures and corporate governance of the Company, supervising internal control and risk management systems of the Company and monitoring continuing connected transactions.

OTHER INFORMATION

The audit committee 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 period ended 31 March 2022. The audit committee is of the opinion that the unaudited condensed consolidated financial results of the Group for the period ended 31 March 2022 complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable requirements and 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, 13 May 2022

- * 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.