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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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

	For the year ended 31 December		Change
	2021	2020	
Revenue (<i>RMB'000</i>)	136,981	120,850	13.3%
Gross profit (<i>RMB'000</i>)	22,936	19,952	15.0%
Gross profit margin	16.7%	16.5%	0.2 points
Loss for the year attributable to owners of the Company (<i>RMB'000</i>)	(3,738)	(1,062)	252.0%
Basic and diluted losses per share (<i>RMB cents</i>)	(0.89)	(0.25)	252.0%

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021, together with the audited consolidated statement of financial position of the Group as at 31 December 2021 and the audited comparative figures for the corresponding period in 2020 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	136,981	120,850
Cost of sales		<u>(114,045)</u>	<u>(100,898)</u>
Gross profit		22,936	19,952
Other income and gains	4	1,496	2,014
Selling and distribution expenses		(6,141)	(4,455)
Administrative expenses		(19,474)	(15,956)
Finance costs	5	<u>(3,137)</u>	<u>(2,543)</u>
Loss before tax		(4,320)	(988)
Income tax credit/(expense)	6	<u>582</u>	<u>(74)</u>
Loss for the year	7	<u>(3,738)</u>	<u>(1,062)</u>
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		<u>(482)</u>	<u>(1,033)</u>
Other comprehensive expense for the year		<u>(482)</u>	<u>(1,033)</u>
Total comprehensive expense for the year		<u>(4,220)</u>	<u>(2,095)</u>
Loss for the year attributable to owners of the Company		<u>(3,738)</u>	<u>(1,062)</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(4,220)</u>	<u>(2,095)</u>
Basic and diluted losses per share <i>(RMB cents)</i>	9	<u>(0.89)</u>	<u>(0.25)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		30,308	33,133
Right-of-use assets		10,358	11,154
Deposits	10	1,300	2,008
		41,966	46,295
Current assets			
Inventories		19,390	18,488
Trade and other receivables	10	54,646	65,634
Cash and bank balances		35,649	34,233
		109,685	118,355
Total assets		151,651	164,650
Current liabilities			
Trade and other payables	11	37,438	43,446
Bank borrowings		30,650	28,650
Other borrowings		3,008	2,803
Lease liabilities		318	1,021
Current tax liabilities		–	839
		71,414	76,759
Net current assets		38,271	41,596
Total assets less current liabilities		80,237	87,891

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities		
Other borrowings	1,341	4,585
Lease liabilities	–	318
Deferred tax liabilities	1,328	1,200
	<u>2,669</u>	<u>6,103</u>
Net assets	<u>77,568</u>	<u>81,788</u>
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	3,364	3,364
Reserves	74,204	78,424
	<u>77,568</u>	<u>81,788</u>
Total equity	<u>77,568</u>	<u>81,788</u>

NOTES

For the year ended 31 December 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 is 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* for the first time and early applied the Amendment to *HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021* in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* (“**HKFRS 16**”) if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group’s financial positions and performance in the current and prior years.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>

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	13,822	16,090
– Powder-coating peripheral components	37,232	36,533
Stamping components	32,452	32,026
Plastic components	53,475	36,201
	<u>136,981</u>	<u>120,850</u>

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 years ended 31 December 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.

4. OTHER INCOME AND GAINS

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>

Interest income on bank deposits	34	31
Net losses on disposals of property, plant and equipment	(106)	(119)
Net sales of moulds and scrap	909	1,216
Government grants (<i>Note</i>)	659	884
Net foreign exchange gains	–	2
	<u>1,496</u>	<u>2,014</u>

Note: There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank borrowings	1,775	1,710
Interest on other borrowings	632	247
Interest on lease liabilities	93	145
Finance costs arising on early redemption of note receivables	637	433
Costs of guarantees on bank borrowings	–	8
	<u>3,137</u>	<u>2,543</u>

6. INCOME TAX (CREDIT)/EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax (“EIT”)		
– Current year	–	339
– Over provision in prior years	(710)	(1,574)
Deferred tax	<u>128</u>	<u>1,309</u>
Total income tax recognised in profit or loss	<u>(582)</u>	<u>74</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the years ended 31 December 2021 and 2020. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2021 and 2020.

PRC subsidiary is subject to PRC EIT at 25% for the years ended 31 December 2021 and 2020. No provision for PRC EIT has been made in the consolidated financial statements as the Group had incurred losses for taxation purposes in the PRC for the year ended 31 December 2021.

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

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Employee benefits expenses (including directors' emoluments):		
Salaries, allowance and other benefits in kind	24,062	21,389
Contributions to defined contribution plan	<u>1,936</u>	<u>1,425</u>
Total employee benefits expense	<u><u>25,998</u></u>	<u><u>22,814</u></u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Auditors' remuneration	540	595
Depreciation of property, plant and equipment	4,298	3,872
Depreciation of right-of-use assets (included in cost of sales and administrative expenses)	445	395
Net foreign exchange gains	–	(2)
Provision for impairment loss on trade receivables	75	1,030
Expenses related to short-term lease (included in cost of sales and administrative expenses)	–	319
Research and development costs recognised as an expense (included in administrative expenses)	9,658	5,091
Cost of inventories recognised as an expense	<u><u>113,508</u></u>	<u><u>100,383</u></u>

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

9. LOSSES PER SHARE

	2021	2020
Loss attributable to owners of the Company (<i>in RMB'000</i>)	<u><u>(3,738)</u></u>	<u><u>(1,062)</u></u>
Weighted average number of ordinary shares for the purpose of basic and diluted losses per share	<u><u>420,000,000</u></u>	<u><u>420,000,000</u></u>
Basic and diluted losses per share (<i>in RMB cents</i>)	<u><u>(0.89)</u></u>	<u><u>(0.25)</u></u>

For the years ended 31 December 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 year.

Diluted losses per share is equal to basic losses per share as there were no dilutive potential ordinary shares in issue during the year (2020: Nil).

10. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current assets		
Trade receivables	45,741	53,862
Less: Provision for impairment losses on trade receivables	<u>(1,747)</u>	<u>(1,672)</u>
	43,994	52,190
Note receivables (<i>Note (i)</i>)	2,075	2,414
Deposits, prepayments and other receivables	<u>8,577</u>	<u>11,030</u>
	54,646	65,634
Non-current assets		
Deposits (<i>Note (ii)</i>)	<u>1,300</u>	<u>2,008</u>
	<u>55,946</u>	<u>67,642</u>

Notes:

- (i) Note receivables are received from customers under ordinary course of business. All of them are bank acceptance notes and commercial acceptance notes with a maturity period within six months.
- (ii) The amounts represent refundable performance securities for other borrowings.

An aging analysis of trade receivables based on the revenue recognition date was as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	38,808	49,524
91–180 days	4,757	2,263
Over 180 days	<u>2,176</u>	<u>2,075</u>
	<u>45,741</u>	<u>53,862</u>

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period was ranging from 60 days to 180 days upon the issue of invoices to its customers for the years ended 31 December 2021 and 2020. No interest is charged on overdue receivables.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB6,902,000 (2020: approximately RMB4,280,000) which are past due as at the reporting date. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

Impairment assessment on trade receivables subject to expected credit loss (“ECL”) model

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The debtors are grouped under a provision matrix based on shared credit risk characteristics. For the year ended 31 December 2021, additional provision of approximately RMB75,000 (2020: additional provision of approximately RMB1,030,000) was made against the gross amounts of trade receivables.

11. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	26,897	31,883
Other payables and accruals	10,489	11,457
Contract liabilities	52	106
	<u>37,438</u>	<u>43,446</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	20,664	22,020
91–180 days	4,516	5,997
180–365 days	1,111	2,286
Over 365 days	606	1,580
	<u>26,897</u>	<u>31,883</u>

As at 31 December 2021 and 2020, the trade payables are non-interest bearing and generally ranging from 30 days to 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a plastic and steel component processor for white goods of home washing machines and home refrigerators, which entails manufacturing of (i) stamping components; (ii) plastic components; (iii) processing of spray-painting; and (iv) powder-coating peripheral components, with headquarters in the Anhui province, the PRC.

In 2021, the world was still undergoing accelerated changes unseen in a century, with continued attack brought by the COVID-19 pandemic (the “**Pandemic**”). The PRC maintained its leading position in economic development as well as the Pandemic prevention and control worldwide. Benefiting from the unrelenting efforts of the staff, the Group can still rise to the challenge. During the year ended 31 December 2021, the Group’s revenue increased by 13.3% to approximately RMB137.0 million (2020: RMB120.9 million), gross profit increased by 14.5% to approximately RMB22.9 million (2020: RMB20.0 million) and gross profit margin remained relatively stable at approximately 16.7% (2020: 16.5%). However, the Group recorded a loss position of approximately RMB3.7 million for the year ended 31 December 2021 primarily due to an increase in research and development expenses to maintain the Group’s competitiveness.

OUTLOOK

Based on the previous production situation in 2021 and taking into account the current production pre-scheduled master plan for the Group’s customers and the Group’s operation and management measures, the Group’s business outlook in 2022 are as follows:

- (1) New customer and output value are expected to grow compared to 2021;
- (2) In terms of cost and expense control, it is expected that the procurement cost of some common raw materials can be reduced. The Group also strives to integrate product processing procedures to enhance production capacity and reduce manufacturing costs;
- (3) In terms of product quality and service, the Group plans to refine the work of customer site tracking service personnel, synchronise their work with customers, shorten time for response and connection, and provide quick confirmation and problem handling services to satisfy customers;
- (4) In terms of professional skills and application of advanced management, we plan to engage external professional training institutions to conduct training on management experience, system standards, etc. so as to improve the overall quality of the enterprise and internal control capabilities. The Group plans to set up an enterprise automation technology improvement team. The Group will select the underlying production process from the stamping production line and implement the same, to form an automated production model for products, reduce labor, improve efficiency and establish an

improvement mechanism, which will then be extended to all production departments of the Group, so as to achieve process cost reduction and strengthen the market competitiveness of the Group's products.

Finally, the Group will keep an open mind to explore new business opportunities applicable to the Group's development in order to achieve a diversified business base for 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 annual results announcement. For the year ended 31 December 2021, the Group recorded an increase in total revenue by approximately 13.3% to approximately RMB137.0 million (2020: RMB120.9 million). Details of changes in the revenue are analysed as below.

Stamping components manufacturing

For stamping components manufacturing, the revenue increased by 1.6% from approximately RMB32.0 million for the year ended 31 December 2020 to approximately RMB32.5 million for the year ended 31 December 2021. The stamping components manufacturing mainly includes refrigerator's stamping components, the sales of these were relatively stable for the years ended 31 December 2021 and 2020.

Plastic components manufacturing

For plastic components manufacturing, the revenue increased by 47.8% from approximately RMB36.2 million for the year ended 31 December 2020 to approximately RMB53.5 million for the year ended 31 December 2021. Such increase was primarily due to increase 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 14.3% from approximately RMB16.1 million for the year ended 31 December 2020 to approximately RMB13.8 million for the year ended 31 December 2021. Such decrease was primarily due to generally decrease in sale of the washing machine's and refrigerator's spray-painting peripheral components of the Group.

Powder-coating peripheral components processing

For powder-coating peripheral components processing, the revenue increased by 1.9% from approximately RMB36.5 million for the year ended 31 December 2020 to approximately RMB37.2 million for the year ended 31 December 2021. The powder-coating peripheral components processing mainly includes refrigerator's powder-coating peripheral components, the sales of these were relatively stable for the years ended 31 December 2021 and 2020.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin for the years indicated:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	136,981	120,850
Cost of sales	(114,045)	(100,898)
Gross profit	22,936	19,952
Gross profit margin	16.7%	16.5%

The gross profit increased by approximately 14.5%, from approximately RMB20.0 million for the year ended 31 December 2020 to approximately RMB22.9 million for the year ended 31 December 2021, primarily due to increase in sale of the washing machine's plastic components to the largest customer of the Group. The gross profit margin remained relatively stable at 16.7% for the year ended 31 December 2021 and 16.5% for the year ended 31 December 2020.

Other income and gains

Other income and gains decreased by 25.0% from approximately RMB2.0 million for the year ended 31 December 2020 to approximately RMB1.5 million for the year ended 31 December 2021. Such decrease was mainly due to decrease in net sales of moulds and scrap compared to the year ended 31 December 2020.

Selling and distribution expenses

Selling and distribution expenses increased by 35.6% from approximately RMB4.5 million for the year ended 31 December 2020 to approximately RMB6.1 million for the year ended 31 December 2021. Such increase is primarily attributable to increase in sales and marketing's staff costs compared to the year ended 31 December 2020.

Administrative expenses

Administrative expenses increased by 21.9% from approximately RMB16.0 million for the year ended 31 December 2020 to approximately RMB19.5 million for the year ended 31 December 2021. Such increase is primarily attributable to increase in research and development costs compared to the year ended 31 December 2020.

Finance costs

Finance costs increased by 24.0% from approximately RMB2.5 million for the year ended 31 December 2020 to approximately RMB3.1 million for the year ended 31 December 2021. Such increase is primarily attributable to increase in interest on other borrowings.

Income tax credit/(expense)

Income tax credit for the year ended 31 December 2021 was approximately RMB0.6 million while income tax expenses for the same corresponding period in 2020 was approximately RMB0.1 million. The income tax credit incurred for the year ended 31 December 2021 was primarily attributable to over-provision of the PRC Enterprise Income Tax in prior years.

Loss for the year and attributable to owners of the Company

As a result of the foregoing, the Group recorded a loss of approximately RMB3.7 million for the year ended 31 December 2021 as compared to approximately RMB1.1 million for the year ended 31 December 2020. The loss for the year ended 31 December 2021 was mainly attributable to an increase in research and development costs recognised as an expense included in administrative expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's current assets were approximately RMB109.7 million (2020: RMB118.4 million), of which approximately RMB35.6 million (2020: RMB34.2 million) were cash and bank balances. As at 31 December 2021, the consolidated net asset value of the Group amounted to approximately RMB77.6 million, representing a decrease of approximately 5.1% as compared to approximately 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 45.5% (2020: 45.7%). As at 31 December 2021, the share capital of the Company was approximately RMB3.4 million (2020: RMB3.4 million). The Group's consolidated reserves were approximately RMB74.2 million (31 December 2020: RMB78.4 million). As at 31 December 2021, the Group had total current liabilities of approximately RMB71.4 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 RMB2.7 million (31 December 2020: RMB6.1 million), which mainly represented other borrowings and deferred tax liabilities.

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 3.65% to 6.00% (2020: at 6.0%) per annum. The other borrowings bear interest at 10.63% per annum (2020: ranging from 10.35% to 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.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2021 and 2020, the Group had no capital commitment in relation to the purchase of property, plant and equipment in the PRC which had been contracted but not provided for.

CHARGES ON ASSETS

The Group had pledged right-of-use assets and property, plant and equipment in the aggregate amount of approximately RMB29.4 million as at 31 December 2021 (2020: RMB23.9 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2021. Save as those disclosed in this announcement, there was no plan for material investments or capital assets as at 31 December 2021.

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 years ended 31 December 2021 and 2020, 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 both years. The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the years. 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.

USE OF PROCEEDS

In respect of the net proceeds of approximately HK\$18.4 million, the Group has utilised HK\$10.3 million of the net proceeds from the date of listing up to 31 December 2021, in that, (i) approximately HK\$2.9 million has been used for 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; (ii) HK\$6.7 million has been deployed for repayment of part of the Group's bank loans; and (iii) HK\$0.7 million has been used for general working capital purposes.

SUBSEQUENT EVENTS

As at the date of this announcement, the Group has no material subsequent events after 31 December 2021 which are required to be disclosed.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 260 full time employees (2020: 291) in the PRC and Hong Kong. For the year ended 31 December 2021, total staff costs and related expenses of the Group (including the Directors' remuneration) were approximately RMB26.0 million (2020: RMB22.8 million). Employees' remuneration is determined with reference to market terms and the performance, qualifications and experience of employees. Apart from the statutory retirement benefits and medical benefits, the Group also provides trainings to employees to enhance their knowledge and maintain the quality of their services.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the responsible government authorities in the PRC for its employees in the PRC. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

As at 31 December 2021 and 2020, there were no forfeited contributions available to offset future employers' contributions to the schemes.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company (the “**Chief Executives**”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the ordinary shares of HK\$0.01 each of the Company

Name of Directors	Capacity/ Nature of interests	Number of Shares interested in	Percentage of shareholdings
Mr. Fan Baocheng (<i>Note 1</i>)	Interest in a controlled corporation	223,650,000	53.25%
Mr. Zhou Zhen Dong (<i>Note 2</i>)	Interest in a controlled corporation	91,350,000	21.75%

Notes:

1. Mr. Fan Baocheng beneficially owns the entire issued share capital of Wang Mao Investments Limited. Therefore, Mr. Fan Baocheng is deemed, or taken to be, interested in all the Shares held by Wang Mao Investments Limited for the purposes of the SFO.
2. Mr. Zhou Zhen Dong beneficially owns the entire issued share capital of Season Empire Group Limited. Therefore, Mr. Zhou Zhen Dong is deemed, or taken to be, interested in all the Shares held by Season Empire Group Limited for the purposes of the SFO.

Long position in the ordinary shares of associated corporations

Name of Directors	Name of associated corporation	Capacity/ Nature of interests	Number of Shares held/ interested in	Percentage of interest in the associated corporation
Mr. Fan Baocheng	Wang Mao Investments Limited	Beneficial owner	1	100%
Mr. Zhou Zhen Dong	Season Empire Group Limited	Beneficial owner	1	100%

Save as disclosed above, as at 31 December 2021, none of the Directors or Chief Executives 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provisions of the SFO), or pursuant to section 352 of the SFO, which would have to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which would have to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the Chief Executives are aware, as at 31 December 2021, other than the Directors and Chief Executives, the following persons had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall 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 which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, 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 the Company or any other members of the Group:

Name	Capacity/ Nature of interests	Number of Shares held/ interested in	Percentage of shareholdings
Wang Mao Investments Limited	Beneficial owner	223,650,000	53.25%
Ms. Cao Lele (<i>Note 1</i>)	Interest of spouse	223,650,000	53.25%
Season Empire Group Limited	Beneficial owner	91,350,000	21.75%

Note:

1. Ms. Cao Lele is the spouse of Mr. Fan Baocheng. For the purposes of the SFO, Ms. Cao Lele is deemed or taken to be interested in all the Shares of the Company in which Mr. Fan Baocheng has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by the shareholders of the Company and it was effective on 31 March 2018. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. No share option has been granted under the Share Option Scheme during the year ended 31 December 2021 and up to the date of this announcement.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed “Interests and Short Positions of the Directors and Chief Executives of the Company in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations” and the “Share Option Scheme” in this announcement, at no time during the year ended 31 December 2021 and as at the end of the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and Chief Executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

COMPETING INTERESTS

During the year ended 31 December 2021, none of the Directors, the Controlling Shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group’s business during the year ended 31 December 2021 and up to the date of this announcement.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2021.

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 during the year ended 31 December 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 year end 31 December 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 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.

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.

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 at least 25.0% of the Company's issued Shares were held by the public (i.e. the prescribed public float applicable to the Company under the GEM Listing Rules) for the year ended 31 December 2021 and up to the date of this announcement.

* *English translation name is for identification purpose only*

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the annual general meeting of the Company (“**2022 AGM**”), the register of members of the Company will be closed from Wednesday, 22 June 2022 to Monday, 27 June 2022, both days inclusive, during which period, no transfer of Shares will be registered. In order to qualify for attending and voting at the 2022 AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 June 2022.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Monday, 27 June 2022. A formal notice convening the meeting will be published and despatched to the shareholders of the Company in due course.

AUDITORS

The Company appointed HLB Hodgson Impey Cheng Limited as its auditors for the year ended 31 December 2021. The Company will submit a resolution in the coming Annual General Meeting to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company.

AUDIT COMMITTEE AND REVIEW OF ANNUAL 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.

The audit committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group and the consolidated financial results of the Group for the year ended 31 December 2021. The audit committee is of the opinion that the consolidated financial results of the Group for the year ended 31 December 2021 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, 25 March 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 herein or this announcement misleading.

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