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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)**

**(1) FURTHER DELAY IN (A) PUBLICATION OF 2022 AUDITED ANNUAL RESULTS AND DESPATCH OF 2022 ANNUAL REPORT, AND (B) PUBLICATION OF 2023 FIRST QUARTERLY RESULTS AND DESPATCH OF 2023 FIRST QUARTERLY REPORT;**  
**(2) PUBLICATION OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022; AND**  
**(3) CONTINUED SUSPENSION OF TRADING**

This announcement is made by Bao Shen Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined in GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**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 the Company 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: (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.*

## **FURTHER DELAY IN (A) PUBLICATION OF 2022 AUDITED ANNUAL RESULTS AND DESPATCH OF 2022 ANNUAL REPORT; AND (B) PUBLICATION OF 2023 FIRST QUARTERLY RESULTS AND DESPATCH OF 2023 FIRST QUARTERLY REPORT**

References are made to the announcement of the Company dated 10 March 2023, 15 March 2023, 31 March 2023, 15 May 2023, 31 May 2023 and 30 June 2023 (collectively, the “**Announcements**”) in relation to, among others, (a) the inside information announcement in respect of the Incident, (b) the delay in publication of the 2022 Audited Annual Results and despatch of the 2022 Annual Report, (c) the delay in the publication of the 2023 First Quarterly Results and the despatch of the 2023 First Quarterly Report, and (d) the Resumption Guidance. Unless otherwise stated, capitalised terms used herein shall have the same meaning as ascribed to them in the Announcements.

As disclosed in the announcement dated 31 May 2023, additional time was required for the Company to (a) obtain and finalise a legal opinion from a lawyer in the People’s Republic of China (“**PRC**”) on reviewing the relevant borrowing contracts of Xiezhong Home Appliance and the relevant personal guarantees that Mr. Fan has provided for Xiezhong Home Appliance’s borrowings and the implication of the Incident on the borrowing contracts and the personal guarantees; and (b) obtain another legal opinion from a PRC lawyer on the Incident and the assessment of the impact of the Incident on the Group, the Directors and the senior management of the Group for addressing certain queries from the Auditors in respect of the Incident. As the audit procedure has not been completed, it was expected that the publication of (a) the 2022 Audited Annual Results and the despatch of the 2022 Annual Report; and (b) the 2023 First Quarterly Results and the despatch of the 2023 First Quarterly Report would be delayed to in around end of July 2023.

As further disclosed in the announcement dated 30 June 2023, a PRC lawyer has been engaged by the Company for the aforesaid another legal opinion to answer the queries from the Auditors and the PRC lawyer is in the course of finalising and preparing the two legal opinions.

However, the Board wishes to inform the shareholders of the Company (the “**Shareholders**”) that it is expected that the publication of (a) the 2022 Audited Annual Results and the despatch of the 2022 Annual Report; and (b) the 2023 First Quarterly Results and the despatch of the 2023 First Quarterly Report will have to be further delayed to in around end of August 2023 because further time is required for the PRC lawyer to undertake the due diligence processes for preparing the aforesaid another legal opinion and for the Auditors to consider whether legal opinions address to the queries from the Auditors.

Notwithstanding the further delay to in around end of August 2023 as aforesaid, the Board wishes to emphasise that the operation of the Group remains normal and that the Company has been and will continue using its best endeavours to ensure that (a) the 2022 Audited Annual

Results and the 2022 Annual Report, as well as (b) the 2023 First Quarterly Results and the 2023 First Quarterly Report will be finalised, approved and published as soon as practicable. The Company will publish further announcement(s) to inform the Shareholders and potential investors of the Company of any material developments in connection to the above as and when appropriate.

## **ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

As explained in the paragraph headed “Further delay in (a) publication of 2022 Audited Annual Results and despatch of 2022 Annual Report; and (b) publication of 2023 First Quarterly Results and despatch of 2023 First Quarterly Report” above, the audit procedures for the 2022 Audited Annual Results are affected and expected not be able to completed to around end of July 2023.

In order to ensure the Shareholders and the public to be informed of the Group’s business operation and the financial position for the financial year ended 31 December 2022, the Board decided to publish the unaudited annual results of the Group for the year ended 31 December 2022, which have not yet been agreed with the Auditors. Such unaudited annual results have been agreed and reviewed by the audit committee (the “**Audit Committee**”) of the Board.

The Board therefore announces the Company’s unaudited consolidated financial statements for the year ended 31 December 2022, together with the corresponding comparative audited consolidated financial statements for the year ended 31 December 2021, below. The unaudited consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

The Board wish to emphasize that the information contained in this announcement is only based on the unaudited consolidated financial statements for the year ended 31 December 2022. When the audit procedure have been completed by the Auditors, the audited consolidated financial statements of the Group for the financial year ended 31 December 2022 have to be signed-off by the Auditors, which may or may not be the same as in the unaudited consolidated financial statements for the year ended 31 December 2022.

Accordingly, shareholders and potential investors should note that the 2022 Audited Annual Results may be significantly different from the disclosure in this announcement.

The Company will make further announcement(s) with respect to (a) the release of the 2022 Audited Annual Results and the material differences (if any) as compared with the unaudited consolidated financial statements contained herein as soon as practicable after they have been agreed with the Auditors, and the despatch of the 2022 Annual Report; and (b) the proposed date on which the forthcoming annual general meeting will be held as and when appropriate.

**The financial information of the Group for the year ended 31 December 2022 contained in this announcement have not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

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

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	2021 <i>RMB'000</i> <b>(Audited)</b>
Revenue	3	<b>113,161</b>	136,981
Cost of sales		<b>(98,874)</b>	(114,045)
<b>Gross profit</b>		<b>14,287</b>	22,936
Other income and (loss)/gains	4	<b>(296)</b>	1,496
Selling and distribution expenses		<b>(4,833)</b>	(6,141)
Administrative expenses		<b>(15,401)</b>	(19,474)
Finance costs	5	<b>(2,741)</b>	(3,137)
<b>Loss before tax</b>		<b>(8,984)</b>	(4,320)
Income tax credit	6	<b>347</b>	582
<b>Loss for the year</b>	7	<b>(8,637)</b>	(3,738)
<b>Other comprehensive income/(expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		<b>1,880</b>	(482)
<b>Other comprehensive income/(expense) for the year</b>		<b>1,880</b>	(482)
<b>Total comprehensive expense for the year</b>		<b>(6,757)</b>	(4,220)
<b>Loss for the year attributable to owners of the Company</b>		<b>(8,637)</b>	(3,738)
<b>Total comprehensive expense for the year attributable to owners of the Company</b>		<b>(6,757)</b>	(4,220)
<b>Basic and diluted loss per share</b> <i>(RMB cents)</i>	9	<b>(2.06)</b>	(0.89)

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>33,545</b>	30,308
Right-of-use assets		<b>8,448</b>	10,358
Deposits	10	<b>1,300</b>	1,300
		<b>43,293</b>	41,966
<b>Current assets</b>			
Inventories		<b>15,248</b>	19,390
Trade and other receivables	10	<b>50,774</b>	54,646
Cash and bank balances		<b>37,923</b>	35,649
		<b>103,945</b>	109,685
<b>Total assets</b>		<b>147,238</b>	151,651
<b>Current liabilities</b>			
Trade and other payables	11	<b>31,455</b>	37,438
Bank borrowings		<b>42,650</b>	30,650
Other borrowings		<b>1,321</b>	3,008
Lease liabilities		<b>–</b>	318
		<b>75,426</b>	71,414
<b>Net current assets</b>		<b>28,519</b>	38,271
<b>Total assets less current liabilities</b>		<b>71,812</b>	80,237

	<b>2022</b> <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
<b>Non-current liabilities</b>		
Other borrowings	<b>20</b>	1,341
Deferred tax liabilities	<b>981</b>	1,328
	<u><b>1,001</b></u>	<u>2,669</u>
<b>Net assets</b>	<u><b>70,811</b></u>	<u>77,568</u>
<b>Capital and reserves</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>3,364</b>	3,364
Reserves	<b>67,447</b>	74,204
	<u><b>70,811</b></u>	<u>77,568</u>
<b>Total equity</b>	<u><b>70,811</b></u>	<u>77,568</u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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.

### 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 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

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 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.

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)

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	11,416	13,822
– Powder-coating peripheral components	22,938	37,232
Stamping components	29,453	32,452
Plastic components	49,354	53,475
	<u>113,161</u>	<u>136,981</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 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.

## Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021 were as follows:

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Customer A	45,023	57,578
Customer B	44,035	44,108

## 4. OTHER INCOME AND (LOSS)/GAINS

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Interest income on bank deposits	37	34
Net loss on disposals of property, plant and equipment	(1)	(106)
Net sales of moulds and scrap	393	909
Government grants ( <i>Note</i> )	105	659
Net foreign exchange loss	(834)	–
Others	4	–
	<u>          (296)</u>	<u>          1,496</u>

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

## 5. FINANCE COSTS

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Interest on bank borrowings	1,988	1,775
Interest on other borrowings	304	632
Interest on lease liabilities	8	93
Finance costs arising on early redemption of note receivables	399	637
Costs of guarantees on bank borrowings	42	–
	<u>          2,741</u>	<u>          3,137</u>

## 6. INCOME TAX CREDIT

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
<b>Current tax</b>		
PRC Enterprise Income Tax (“EIT”)		
– Current year	–	–
– Over provision in prior years	–	(710)
<b>Deferred tax</b>	<u>(347)</u>	<u>128</u>
Total income tax recognised in profit or loss	<u><u>(347)</u></u>	<u><u>(582)</u></u>

## 7. LOSS FOR THE YEAR

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

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Employee benefits expenses (including directors’ emoluments):		
Salaries, allowance and other benefits in kind	19,916	24,062
Contributions to defined contribution plan	<u>2,664</u>	<u>1,936</u>
Total employee benefits expense	<u><u>22,580</u></u>	<u><u>25,998</u></u>
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Auditors’ remuneration	516	540
Depreciation of property, plant and equipment	4,194	4,298
Depreciation of right-of-use assets (included in cost of sales and administrative expenses)	288	445
Provision for impairment loss on trade receivables	1,118	75
Research and development costs recognised as an expense (included in administrative expenses)	5,800	9,658
Cost of inventories recognised as an expense	<u>98,309</u>	<u>113,508</u>

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

## 9. LOSS PER SHARE

	2022 (Unaudited)	2021 (Audited)
Loss attributable to owners of the Company ( <i>in RMB'000</i> )	<u>(8,637)</u>	<u>(3,738)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>420,000,000</u>	<u>420,000,000</u>
Basic and diluted loss per share ( <i>in RMB cents</i> )	<u>(2.06)</u>	<u>(0.89)</u>

For the years ended 31 December 2022 and 2021, the calculation of the basic loss 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 loss per share is equal to basic loss per share as there were no dilutive potential ordinary shares in issue during the year (2021: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
<b>Current assets</b>		
Trade receivables	36,572	45,741
Less: Provision for impairment losses on trade receivables	<u>(2,865)</u>	<u>(1,747)</u>
	33,707	43,994
Note receivables ( <i>Note (i)</i> )	4,449	2,075
Deposits, prepayments and other receivables	<u>12,618</u>	<u>8,577</u>
	50,774	54,646
<b>Non-current assets</b>		
Deposits ( <i>Note (ii)</i> )	<u>1,300</u>	<u>1,300</u>
	<u>52,074</u>	<u>55,946</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:

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
0–90 days	29,622	38,808
91–180 days	3,320	4,757
Over 180 days	3,630	2,176
	<u>36,572</u>	<u>45,741</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 2022 and 2021. No interest is charged on overdue receivables.

#### 11. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Trade payables	20,613	26,897
Other payables and accruals	10,701	10,489
Contract liabilities	141	52
	<u>31,455</u>	<u>37,438</u>

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

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
0–90 days	13,336	20,664
91–180 days	3,581	4,516
181–365 days	2,003	1,111
Over 365 days	1,693	606
	<u>20,613</u>	<u>26,897</u>

As at 31 December 2022 and 2021, 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.

The PRC has been heavily impacted by the COVID-19 variants during much for the year ended 31 December 2022. During the year ended 31 December 2023, the ongoing situation of COVID-19 has caused disruptions to the economic and social activities in the market that the Group operates. Those disruptions posed threats on the manufacturing market and the effects including inflation, supply chain and logistics disruption. The Group has been taking necessary actions to ensure the impact to the core business is minimised, through adopting stringent cost especially in reduction in research and development costs and reduction in head count, so as to mitigate the business risks and competitiveness.

For the year ended 31 December 2022, the Group's revenue decreased by 17.4% to approximately RMB113.2 million (2021: RMB137.0 million), gross profit decreased by 37.6% to approximately RMB14.3 million (2021: RMB22.9 million) and gross profit margin decreased by 4.1 percentage points to approximately 12.6% (2021: 16.7%). The Group recorded a loss position of approximately RMB8.6 million for the year ended 31 December 2022 (2021: RMB3.7 million).

### OUTLOOK

The Group expects 2023 to be a year of challenges. However, based on the previous production situation in 2022 and the Group's operation and management measures, the Group's business outlook in 2023 is expected as follows:

- (1) in terms of cost and expense control, it is expected that the procurement costs of some common raw materials can be reduced. The Group will strive to integrate product processing procedures to enhance production capacity, reduce manufacturing costs, organise packaging material allocation and maximise delivery to lower product cost of sales in 2023;
- (2) in terms of product quality and service, the Group plans to refine the works of customer site tracking service personnel, synchronise their works with customers, shorten time for response and connection, and provide quick confirmation and problem handling services to satisfy customers;
- (3) in terms of customer growth, the Group plans to look for new quality customers in 2023 to revitalise the Group's development;

- (4) in terms of professional skills and application of advanced management, the Group plans to introduce an advanced management system so as to improve the overall quality of the enterprise and internal control capabilities. The Group has set up an enterprise automation technology improvement team and has begun implementation first on the stamping production line. The first automated robotic arm production line with progressive die stamping technology has been established and a second line is planned for 2023, which will reduce headcount, improve quality consistency, enhance production efficiency, in turn lowering costs and improving market competitiveness of the Group's products through technology.

Finally, the Group will remain open 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 unaudited consolidated financial statements. For the year ended 31 December 2022, the Group recorded a decrease in total revenue by approximately 17.4% to approximately RMB113.2 million (2021: RMB137.0 million). Details of changes in the revenue are analysed as below.

### **Stamping components manufacturing**

For stamping components manufacturing, the revenue decreased by 9.2% from approximately RMB32.5 million for the year ended 31 December 2021 to approximately RMB29.5 million for the year ended 31 December 2022. Such decrease was primarily due to decrease in sale of the refrigerator's stamping components to the second largest customer of the Group.

### **Plastic components manufacturing**

For plastic components manufacturing, the revenue decreased by 7.7% from approximately RMB53.5 million for the year ended 31 December 2021 to approximately RMB49.4 million for the year ended 31 December 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 17.4% from approximately RMB13.8 million for the year ended 31 December 2021 to approximately RMB11.4 million for the year ended 31 December 2022. Such decrease was primarily due to generally decrease in sale of the washing machine's and 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 38.4% from approximately RMB37.2 million for the year ended 31 December 2021 to approximately RMB22.9 million for the year ended 31 December 2022. Such decrease was primarily due to generally decrease in sale of the refrigerator's powder-coating peripheral components to the customers of the Group.

## 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue	113,161	136,981
Cost of sales	<u>(98,874)</u>	<u>(114,045)</u>
Gross profit	14,287	22,936
Gross profit margin	12.6%	16.7%

The gross profit decreased by approximately 37.6%, from approximately RMB22.9 million for the year ended 31 December 2021 to approximately RMB14.3 million for the year ended 31 December 2022, primarily due to a decrease in revenue for the year ended 31 December 2022 resulted from the economic slowdown and disrupted business activities caused by the stricter lock-down measure implemented by the government authorities in response to the resurgence of COVID-19 pandemic in various cities in the PRC and also decrease in selling price for certain products. The gross profit margin decreased by approximately 4.1 percentage points as compared to that of corresponding period in 2021 was resulted from an increase in the proportion of lower profit margin for products of plastic components and a decrease in the revenue while certain fixed cost was unavoidable.

## Other income and (loss)/gains

Other income and gains decreased by 120.0% from approximately RMB1.5 million for the year ended 31 December 2021 to other income and loss of approximately RMB0.3 million for the year ended 31 December 2022. Such decrease was mainly due to an increase in net foreign exchange loss as compared to the year ended 31 December 2021.

### **Selling and distribution expenses**

Selling and distribution expenses decreased by 21.3% from approximately RMB6.1 million for the year ended 31 December 2021 to approximately RMB4.8 million for the year ended 31 December 2022. Such decrease is primarily attributable to decrease in sales and marketing's staff costs for the year ended 31 December 2022 as compared to the year ended 31 December 2021.

### **Administrative expenses**

Administrative expenses decreased by 21.0% from approximately RMB19.5 million for the year ended 31 December 2021 to approximately RMB15.4 million for the year ended 31 December 2022. Such decrease is primarily attributable to decrease in research and development costs for the year ended 31 December 2022 as compared to the year ended 31 December 2021.

### **Finance costs**

Finance costs decreased by 12.9% from approximately RMB3.1 million for the year ended 31 December 2021 to approximately RMB2.7 million for the year ended 31 December 2022. Such decrease is primarily attributable to decrease in interest on other borrowings for the year ended 31 December 2022.

### **Income tax credit**

Income tax credit decreased by 50.0% from approximately RMB0.6 million for the year ended 31 December 2021 to approximately RMB0.3 million for the year ended 31 December 2022. Such decrease was primarily attributable to no over-provision of the PRC Enterprise Income Tax in prior years for the year ended 31 December 2022.

### **Loss for the year and attributable to owners of the Company**

As a result of the foregoing, the Group recorded a loss of approximately RMB8.6 million for the year ended 31 December 2022 as compared to approximately RMB3.7 million for the year ended 31 December 2021. The loss for the year ended 31 December 2022 was mainly attributable to a decrease in revenue and a decrease from other income and gains to other income and loss, which were partly offset by a decrease in research and development costs recognised as an expense included in administrative expenses.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2022, the Group's current assets were approximately RMB103.9 million (2021: RMB109.7 million), of which approximately RMB37.9 million (2021: RMB35.6 million) were cash and bank balances. As at 31 December 2022, the consolidated net asset value of the Group amounted to approximately RMB70.8 million, representing a decrease of approximately 8.8% 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 62.1% (2021: 45.5%). As at 31 December 2022, the share capital of the Company was approximately RMB3.4 million (2021: RMB3.4 million). The Group's consolidated reserves were approximately RMB67.4 million (31 December 2021: RMB74.2 million). As at 31 December 2022, the Group had total current liabilities of approximately RMB75.4 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 RMB1.0 million (31 December 2021: RMB2.7 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 and other borrowings; 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 3.85% to 5.5% (2021: from 3.65% to 6.00%) per annum. The other borrowings bear interest at 10.63% per annum (2021: 10.63%). 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 2022, the Group did not have any significant contingent liabilities (2021: nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2022, the Group had RMB713,000 capital commitments in relation to the purchase of property, plant and equipment in the PRC which had been contracted but not provided for (2021: nil).

## **CHARGES ON ASSETS**

The Group had pledged right-of-use assets and property, plant and equipment in the aggregate amount of approximately RMB24.2 million as at 31 December 2022 (2021: RMB29.4 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 2022 (2021: nil). Save as those disclosed in this announcement, there was no plan for material investments or capital assets as at 31 December 2022 (2021: nil).

## **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 2022 and 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 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**

The Group is to expand market share and strengthen 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 31 December 2022, the Group has utilised approximately HK\$11.5 million of the net proceeds from the date of listing of 23 April 2018 as follows:

Purposes	Allocation of actual net proceeds raised HK\$'000	Unutilised net proceeds as at 31 December 2021 HK\$'000	Utilised net proceeds during the reporting period HK\$'000	Unutilised net proceeds as at 31 December 2022 HK\$'000	Expected timeline for the usage of the remaining net proceeds (Note 1)
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	1,207	1,207	-	N/A
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	-	4,200	By June 2024
Increasing production capacity of spray-painting components by acquisition of one new processing line and the related additional labour cost	2,700	2,700	-	2,700	By June 2024
Repayment of part of the Group's bank loans	6,700	-	-	-	N/A
Using for general working capital purposes	700	-	-	-	N/A
<b>Total</b>	<b>18,400</b>	<b>8,107</b>	<b>1,207</b>	<b>6,900</b>	

*Note 1:* Due to the subsistence and the impact of the COVID-19 variants and having considered the Group's expansion plans on the two components as well as taking into account the current business and loss positions of the Group, the management of the Group considered it prudent to slow down the pace for increasing their production capacity and to extend the period for the use of the proceeds on them for one further year to 30 June 2024. The Board considered that the extension of time in applying the net proceeds on these two components is in the interests of the Company and its Shareholders as a whole and will continue to monitor the use of the net proceeds in a cautious manner.

Any net proceeds that were not applied immediately have been placed in the short-term demand deposits with authorised financial institutions or licensed banks as at 31 December 2022.

The Board will regularly evaluate the Group's business objectives and may change or modify the plans in view of the changing market condition to attain sustainable business growth of the Group.

## SUBSEQUENT EVENTS

As disclosed in the Announcements, the Company has been unable to contact Mr. Fan Baocheng (“**Mr. Fan**”), the chairman of the Board, an executive director, the chief executive officer, the authorised representative and the controlling shareholder of the Company, as he was brought away by a PRC regulatory government authority. As Mr. Fan has provided personal guarantees for certain borrowing contracts for Chuzhou Xiezhong Home Appliance Accessories Co., Ltd\* (滁州市協眾家電配件有限公司) (“**Xiezhong Home Appliance**”), the Company has to review the relevant borrowing contracts and the relevant personal guarantees for assessing the implication of the Incident on the borrowing contracts and the personal guarantees, as well as to assess the impact of the Incident on the Group, the Directors and the senior management of the Group with a view to address the queries from the Auditors for completing the audit procedure for 2022 Audited Annual Results. As at the date of this announcement, the Company is obtaining legal opinions for the aforesaid. For details, please refer to the Announcements.

Notwithstanding the Incident, the Group has been repaying the borrowings in accordance with the repayment schedules of the borrowing contracts and no claim has been made against the Group for breach of any of the borrowing contracts as a result of the Incident as at the date of this announcement. The Company will continue to monitor the development in respect of the above matter and will make further announcement(s) as and when appropriate.

Save as disclosed above, no other important events affecting the Company have occurred after 31 December 2022 and up to the date of this announcement.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 235 full-time employees (2021: 260) in the PRC and Hong Kong. For the year ended 31 December 2022, total staff costs and related expenses of the Group (including the Directors’ remuneration) were approximately RMB22.6 million (2021: RMB26.0 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 2022 and 2021, there were no forfeited contributions available to offset future employers’ contributions to the schemes.

\* *English translation name is for identification purpose only*

## 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 2022, 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 2022, 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 2022, 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 2022, 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 2022 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 2022 and as at the end of the year ended 31 December 2022 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 2022, 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 2022 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 2022 (2021: 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 2022.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted 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 "**Model Code**"). Save and except Mr. Fan who has not been able to contact as disclosed in the Announcements, the Company has made specific enquiries to all the Directors, all of whom have confirmed that they have fully complied with the required standard of dealings set out in the Model Code and there was no event of non-compliance during the year ended 31 December 2022.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Save as disclosed below, to the best knowledge of the Directors, during the financial year ended 31 December 2022 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 Xiezhong Home Appliance, 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 2022 and up to the date of this announcement.

## **AUDIT COMMITTEE AND REVIEW OF UNAUDITED ANNUAL RESULTS**

The Company has established the Audit Committee 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 has reviewed the accounting principles and practices adopted by the Group and has discussed with the management about the unaudited annual results of the Company for the year ended 31 December 2022 set out in this announcement.

## **PUBLICATION OF THE UNAUDITED RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The unaudited results announcement of the Group for the year ended 31 December 2022 is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.baoshen.com.hk](http://www.baoshen.com.hk) respectively. The 2022 Audited Annual Results will be published and the 2022 Annual Report will be despatched to the Shareholders of the Company after the completion of the audit procedures and will also be available on the above websites in due course.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on GEM of the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2023 and will continue to be suspended until the Company fulfils the Resumption Guidance in the Company's announcement dated 15 June 2023.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).**

By order of the Board  
**Bao Shen Holdings Limited**  
**Zhou Zhen Dong**  
*Executive Director*

Shenzhen City, the PRC, 19 July 2023

*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. Ho Ka Chun, Mr. Chan Chun Chi and Mr. Liang 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.hkexnews.hk](http://www.hkexnews.hk) on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the Company's website at [www.baoshen.com.hk](http://www.baoshen.com.hk).*