

BAO SHEN HOLDINGS LTD:
THE FLOTATION OF THIS COMPANY MAKES LITTLE SENSE

But Is This Medium Missing Something ?

Even prior to the publication and dissemination of the Share Offer Prospectus of Bao Shen Holdings Ltd () (Code: 8151, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd), Senior Management knew that the costs, to be incurred in pitching the **I**nitial **P**ublic **O**ffering (**IPO**) on the secondary equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), would be considerably greater than the net proceeds that could be derived from this call for cash.

And yet, Senior Management went ahead in spite of this intelligence, spending about 26.41 million renminbi (about \$HK32.41 million) in order to obtain \$HK18.40 million (about 14.99 million renminbi).

At Page 234 of the Share Offer Prospectus, dated April 9, 2018, it was stated, under the heading of '**REASONS FOR THE LISTING**':

'Our Directors believe that the Share Offer will enhance our Group's competitiveness and provide our Group with additional capital to implement the future plans as set out in the paragraph headed "Use of Proceeds and Implementation Plans" in this section.'

It is, in the opinion of **TARGET** (), that all of the above is pure, unadulterated, gobbledegook.

The IPO Of Bao Shen Holdings Ltd

Management of Bao Shen Holdings Ltd Offered a total of 105 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 48 cents to a high of 52 cents.

Investors of the HKSAR were Offered 10.50 million Shares and the remaining 94.50 million Shares were destined to be Placed with Institutional/Professional/Well-Heeled Investors via select Share Placements.

At Pages 231 and 232 of the Share Offer Prospectus, Management stated that, based on the Offer Price Per Share, being struck at 50 cents, the midpoint of the Indicative Offer Price Per Share, the net proceeds would come in at about \$HK20.50 million.

However, on April 20, 2018, Management announced that the Offer Price Per Share had been struck at 48 cents – the lowest level of the Indicative Offer Price Range – and that the net proceeds of the IPO were anticipated to come in at about \$HK18.40 million.

Thus, the utilisations of the net proceeds had to be adjusted, materially, compared with the guesstimate, published in the Share Offer Prospectus of April 9, 2018.

The adjusted amount of money from the IPO would be allocated for the following purposes, one was informed on April 20, 2018:

- Approximately, 22.10 percent of the net proceeds, that is about \$HK4.10 million, *‘will be used for increasing our production capacity of stamping components by acquisition of two automatic roll manufacturing lines, seven stamping machines and the moulds required, and the related additional labour cost, out of which approximately HK\$2.3 million and HK\$2.2 million will be used by the six months ending 31 December 2018 and the six months ending 30 June 2019, respectively’;*
- Approximately, 22.70 percent of the net proceeds, that is about \$HK4.20 million, *‘will be used for increasing our production capacity of powder-coating peripheral components by acquisition of one new processing line and the related additional labour cost by the six months ending 30 June 2019’;*
- Approximately, 14.90 percent of the net proceeds, that is about \$HK2.70 million, *‘will be used for increasing our production capacity of spray-painting components by acquisition of one new processing line and the related additional labour cost by the six months ending 30 June 2019’;*
- Approximately, 36.20 percent of the net proceeds, that is about \$HK6.70 million, *‘will be used by the six months ending 31 December 2018 for repayment of part of our bank loans’ ...; and,*
- Approximately, 4.10 percent of the net proceeds, that is about \$HK0.7 million, *‘will*

be used for general working capital'.

The Business Of Bao Shen Holdings Ltd

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