BOLINA HOLDING CO., LTD.
航標控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1190)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2017

Revenue increased by 13.8% over the year of 2016 to RMB409.8 million.

Gross profit decreased by 78.3% over the year of 2016 to RMB20.7 million.

Gross profit margin for the year ended 31 December 2017 was 5.0% (2016: 26.5%).

Loss attributable to the equity holders of the Company for the year was RMB412.3 million compared to a loss of RMB349.6 million in 2016.

Basic loss per share attributable to the equity holders of the Company for the year was RMB35 cents (2016: loss per share of RMB35 cents).

The Board of Directors resolved not to distribute a final dividend for the year ended 31 December 2017.

The Board of Directors (the "**Board**") of Bolina Holding Co., Ltd. (the "**Company**") hereby is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
REVENUE	*4(a)*	**409,763**	359,977
Cost of sales	*5(b)*	**(389,084)**	(264,521)
Gross profit		**20,679**	95,456
Other income and other gains or losses, net	*4(b)*	**12,833**	26,703
Selling and distribution expenses		**(285,223)**	(320,201)
Administrative expenses		**(118,750)**	(109,037)
Loss from operations		**(370,461)**	(307,079)
Finance costs	*6*	**(34,615)**	(35,934)
Loss before tax	*5*	**(405,076)**	(343,013)
Income tax expense	*7*	**(6,014)**	(6,588)
Loss for the year		**(411,090)**	(349,601)
Attributable to:			
Owners of the Company		**(412,277)**	(349,601)
Non-controlling interests		**1,187**	–
		(411,090)	(349,601)
Loss per share attributable to ordinary equity holders of the Company			
Basic – For loss for the year	*8*	**RMB(35) cents**	RMB(35) cents
Diluted – For loss for the year	*8*	**RMB(35) cents**	RMB(35) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(411,090)**	(349,601)
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(16,520)**	(4,206)
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR, NET OF TAX	**(16,520)**	(4,206)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	**(427,610)**	(353,807)
Attributable to:		
Owners of the Company	**(428,797)**	(353,807)
Non-controlling interests	**1,187**	–
	(427,610)	(353,807)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**321,086**	197,449
Land use right		**10,939**	11,236
Goodwill		**12,891**	–
Intangible assets		**31,838**	128
Available-for-sale investments		**2,500**	2,500
Deferred tax assets		**1,412**	4,341
Total non-current assets		**380,666**	215,654
CURRENT ASSETS			
Inventories	*9*	**255,739**	234,758
Trade receivables	*10*	**142,186**	122,338
Prepayments, deposits and other receivables	*11*	**252,542**	313,221
Contingent consideration		**5,100**	–
Pledged bank balances		**11,463**	23,412
Cash and cash equivalents		**102,110**	520,146
Total current assets		**769,140**	1,213,875
CURRENT LIABILITIES			
Trade and bills payables	*12*	**118,873**	163,141
Other payables and accruals		**169,217**	103,776
Amount due to the shareholder		**14,524**	2,122
Interest-bearing bank and other borrowings		**197,390**	170,700
Corporate bonds	*13*	**131,959**	128,226
Income tax payable		**1,867**	2,531
Total current liabilities		**633,830**	570,496
NET CURRENT ASSETS		**135,310**	643,379
TOTAL ASSETS LESS CURRENT LIABILITIES		**515,976**	859,033
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**34,225**	25,914
Corporate bonds	*13*	**132,887**	129,154
Total non-current liabilities		**167,112**	155,068
Net assets		**348,864**	703,965
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**10,570**	8,287
Reserves		**338,294**	695,678
Total equity		**348,864**	703,965

1. CORPORATE INFORMATION

Bolina Holding Co., Ltd. was incorporated as an exempted company with limited liability in the Cayman Islands on 19 April 2011. The registered office of the Company is located at the offices of Appleby Trust (Cayman) Ltd., Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Group has established a principal place of business which is located at Room 1403, 14/F., AXA Centre. 151 Gloucester Road, Wanchai, Hong Kong.

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2012.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of sanitary ware products and research and development, manufacture and sale of massage chairs and massage devices.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's business is divided into business units based on the type of products and services that the segment is engaged to provide. The Group has two reportable operating segments as follows:

(a) the sanitary ware segment – production and distribution of ceramic and non-ceramic sanitary ware products;

{b) the massage devices segment – research and development, manufacture and sale of massage chairs and massage devices.

(i) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2017

	Sanitary ware		Massage devices		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Revenue from external customers	**388,902**	359,977	**20,861**	–	**409,763**	359,977
Segment results	**(359,922)**	(288,080)	**2,423**	–	**(357,499)**	(288,080)
Other income and unallocated gains					**2,390**	405
Corporate and other unallocated expenses					**(15,352)**	(19,404)
Finance costs					**(34,615)**	(35,934)
Loss before tax					**(405,076)**	(343,013)
Income tax expense					**(6,014)**	(6,588)
					(411,090)	(349,601)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions with respect to resources allocation and performance assessment. Segment performance is evaluated based on the adjusted profit or loss of each reportable segment which is measured at the Group's loss before tax adjusted for interest income, finance costs, income tax expense and corporate expenses that are not divisible into and assignable to different segments.

(ii) Segment assets and liabilities

The following tables present the Group's segment information in terms of assets and liabilities as at 31 December 2017.

As at 31 December 2017

	Sanitary ware	Massage devices	Total
	RMB'000	***RMB'000***	***RMB'000***
Segment assets	**1,068,427**	**88,870**	**1,157,297**
Reconciliation:			
Elimination of intersegment receivables			**(8,950)**
Corporate and other unallocated assets			**1,459**
Total assets			**1,149,806**
Segment liabilities	**473,685**	**71,361**	**545,046**
Reconciliation:			
Elimination of intersegment payables			**(8,950)**
Corporate and other unallocated liabilities			**264,846**
Total liabilities			**800,942**

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, corporate bonds and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There is a single segment in 2016.

(iii) Geographical information

The following tables present the Group's geographical information in terms of revenue for the years ended 31 December 2017 and 2016, and non-current assets as at 31 December 2017 and 2016.

(a) Revenue from external customers

	Sanitary ware		**Massage devices**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
America	**214,129**	251,632	**1,009**	–	**215,138**	251,632
Mainland China	**157,190**	87,561	**16,084**	–	**173,274**	87,561
Europe	**14,613**	15,968	**542**	–	**15,155**	15,968
Asia (excluding Mainland China)	**1,631**	4,646	**3,226**	–	**4,857**	4,646
Others	**1,339**	170	**–**	–	**1,339**	170
	388,902	359,977	**20,861**	–	**409,763**	359,977

The revenue information above is based on the locations of the customers.

(b) Non-current assets

The principal place of the Group's operation is in Mainland China. For the purpose of segment information disclosures under HKFRS 8, the Group regards Mainland China as its country of domicile. Over 90% of the Group's non-current assets are principally attributable to Mainland China, being the single geographical region.

(iv) Information about major customers

Revenue from two of the Group's customers, amounting to RMB154,692,000 and RMB118,034,000 (2016: two customers amounting to RMB145,223,000 and RMB69,533,000) individually accounted for over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND OTHER GAINS OR LOSSES, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after netting off sales rebates and sales return for the years ended 31 December 2017 and 2016.

An analysis of revenue, other income and gains, net are as follows:

(a) Revenue

	2017	2016
	RMB'000	*RMB'000*
Revenue from the sale of sanitary ware	**388,902**	359,977
Revenue from of massage chairs and massage devices	**20,861**	–
	409,763	359,977

(b) Other income and other gains or losses, net

	2017	2016
	RMB'000	*RMB'000*
Other income		
Government grants*	**1,783**	288
Bank interest income	**1,040**	10,478
Foreign exchange differences, net	**(1,606)**	6,653
Others	**2,279**	2,996
	3,496	20,415
Other gains or losses, net		
Fair value gains, net:		
Derivative instruments	**–**	2,214
Gain on disposal of items of property, plant and equipment	**–**	69
Gain on disposal of a subsidiary	**–**	3,835
Reversal of impairment of trade receivables	**9,337**	170
	9,337	6,288
Other income and gains, net	**12,833**	26,703

* Various government grants have been received for conducting export sales and processing trade within Fujian Province, Mainland China. There were no unfulfilled conditions or contingencies relating to these grants as at 31 December 2017.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2017	2016
	RMB'000	*RMB'000*
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**109,883**	79,564
Pension scheme contributions, social welfare and other welfare	**23,265**	10,821
Equity-settled share based payments for employees	**–**	20,550
	133,148	110,935
(b) Cost of sales		
Cost of inventories sold	**244,961**	153,061
Others	**144,123**	111,460
	389,084	264,521
(c) Other items		
Depreciation of property, plant and equipment*	**17,927**	16,972
Amortisation of land use right	**297**	297
Amortisation of intangible assets	**3,630**	87
Operating lease expenses*	**16,559**	12,583
Advertisement and promotion expenses	**111,112**	90,003
Logistics expenses	**9,735**	10,567
Research and development expenses*	**6,469**	15,980
Provision for impairment of trade receivables**	**24,669**	10,380
Write-down of inventories to net realisable value***	**5,953**	260
Auditors' remuneration	**1,834**	1,641
Subsidise to customers	**128,176**	156,592
Equity-settled share based payments for consultants	**2,418**	14,264

* The depreciation of property, plant and equipment of RMB16,741,000 (2016: RMB10,904,000), the operating lease expenses of RMB15,408,000 (2016: RMB10,644,000) and the research and development expenses of RMB2,616,000 (2016: RMB3,604,000) are included in "Cost of sales" in the consolidated statement of profit or loss.

** The provision for impairment of trade receivables is included in "Other expenses" in the consolidated statement of profit or loss.

*** The write-down of inventories to net realisable value and provision for impairment of other receivable are included in "Administrative expenses" in the consolidated statement of profit or loss.

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**9,796**	13,930
Interest expense on other borrowings wholly repayable within five years	**512**	671
Interest expense on corporate bonds wholly repayable within five years	**24,307**	20,547
Total interest expenses	**34,615**	35,148
Unrealised loss on interest rate swaps	**–**	786
	34,615	35,934

7. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss represents:

	2017	2016
	RMB'000	*RMB'000*
Current – Mainland China Enterprise Income Tax	**9**	3,674
Deferred tax	**6,005**	2,914
	6,014	6,588

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% during the year ended 31 December 2017 (2016: 16.5%). No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2017 (2016: Nil).

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts for the year ended 31 December 2017 is based on the loss for the year attributable to the ordinary equity holders of the Company of RMB412,277,000 (2016: loss for the year attributable to the ordinary equity holders of the Company of RMB349,601,000) and the weighted average number of ordinary shares of 1,183,780,682 (2016: 1,000,156,000) during the year.

For the year ended 31 December 2017 and 2016, the computation of diluted loss per share does not assume the conversion of the Company's share options outstanding since their exercise would result in a decrease in loss per share.

9. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**15,600**	6,933
Accessories	**9,390**	10,508
Work in progress	**63,187**	56,449
Finished goods	**164,666**	159,281
Wrappage	**2,896**	1,587
	255,739	234,758

10. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**169,065**	133,885
Impairment	**(26,879)**	(11,547)
	142,186	122,338

The Group's trading terms with its overseas customers are mainly on credit and advance payment is normally required for domestic customers. The credit period for overseas customers is generally one month, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, except for two major customers set out in note 3, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follow:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**101,918**	87,884
More than 3 months but less than 1 year	**40,268**	34,454
	142,186	122,338

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follow:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**120,882**	98,974
Less than 3 months past due	**19,485**	23,364
3 to 12 months past due	**1,819**	–
	142,186	122,338

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the view that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movement in the provision for impairment of trade receivables is as follow:

	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**11,547**	1,337
Impairment losses recognised	**24,669**	10,380
Reversal of impairment	**(9,337)**	(170)
At end of the year	**26,879**	11,547

Included in the above provision for impairment of trade receivables as at 31 December 2017 is a provision for individually impaired trade receivables of RMB26,879,000 (2016: RMB11,547,000).

The individually impaired trade receivables related to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

11. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLE

	2017	2016
	RMB'000	*RMB'000*
Prepayment and deposit to suppliers	**101,943**	90,003
Deposit and prepayments to chain supermarkets	**47,899**	1,344
Deposit and prepayments to distribution channels *(note)*	**71,122**	199,298
Others	**35,728**	26,726
	256,692	317,371
Impairment on other receivables	**(4,150)**	(4,150)
	252,542	313,221

Note: Deposit and prepayments to distribution channels represents the marketing promotion expenses related to retails shops owned by distributors, to enhances the distribution channels.

The movement in the provision for impairment of other receivables is as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**4,150**	4,150
Impairment loss recognised	**–**	–
At end of the year	**4,150**	4,150

Included in the above impairment of other receivables for the year are individually impaired other receivables with a balance of approximately RMB4,150,000 (2016: RMB4,150,000) which have been considered not receivable. The impairment recognised represent the difference between the carrying amount of these other receivables and the present value of the expected liquidated proceeds. The Group does not hold any collateral over these balance.

12. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**87,388**	116,286
Bills payables	**31,485**	46,855
	118,873	163,141

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follow:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**71,529**	80,775
3 to 6 months	**23,707**	62,100
6 to 12 months	**12,433**	2,900
Over 12 months	**11,204**	17,366
	118,873	163,141

The trade payables are non-interest-bearing and are normally settled on terms of 15 to 120 days.

13. CORPORATE BONDS

	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**257,380**	123,466
Corporate bonds issued	**–**	121,983
Imputed interest	**3,935**	7,228
Exchange realignment	**3,531**	4,703
At end of the year	**264,846**	257,380
Less: Current position	**131,959**	128,226
Non-current position	**132,887**	129,154

14. SHARE CAPITAL

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares *HK$'000*	Nominal value of ordinary shares *RMB'000*
Authorised:			
As at 31 December 2016, 1 January 2017 and 31 December 2017	2,000,000,000	20,000	16,612

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares *RMB'000*	Shares premium *RMB'000*
Issued:			
As at 1 January 2016	1,008,866,000	8,226	347,615
Repurchases of shares *(Note 1)*	(13,694,000)	(116)	(21,136)
Exercise of share option *(Note 2)*	20,200,000	177	11,148
As at 31 December 2016 and 1 January 2017	**1,015,372,000**	**8,287**	**337,627**
Issue of shares as consideration paid *(Note 3)*	**183,896,220**	**1,598**	**27,373**
Exercise of share option *(Note 4)*	**78,350,000**	**685**	**22,261**
As at 31 December 2017	**1,277,618,220**	**10,570**	**387,261**

Notes

1. Under the Sale and Purchase Agreement of acquisition of subsidiary, the completion took place on 2 May 2017 and the Company has allotted and issued 183,896,220 Consideration Shares at HK$0.01 to the Vendors.

2. On 29 October 2016, 20,200,000 share options were exercised to subscribe for 20,200,000 ordinary share in the Company at a consideration of RMB7,061,000 of which RMB177,000 was credited to share capital and the balance of RMB6,884,000 was credited to the share premium account. Amounts of approximately RMB4,264,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy adopted by the Company.

3. On 4 May 2017, 183,896,220 new ordinary share of the Company were issued as the consideration shares for the acquisition of Xiamen Mas-Agee Electronic Technology Co., Ltd. Share capital and share premium of approximately RMB1,598,000 and RMB27,373,000 respectively were recorded based on the quoted price of the shares as the date of acquisition.

4. On 1 June 2017, 78,350,000 share options were exercised to subscribe for 78,350,000 ordinary share in the Company at a consideration of RMB20,532,000 of which RMB685,000 was credited to share capital and the balance of RMB19,847,000 was credited to the share premium account. Amounts of approximately RMB2,414,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy adopted by the Company.

As at 31 December 2017, all issued shares are registered, fully paid and divided into 1,277,618,220 shares (2016: 1,015,372,000 shares) of HK$0.01 each.

15. BUSINESS COMBINATION

On 13 July 2017, the Group acquired a 51% interest in Xiamen Mas-Agee Electronic Technology Co., Ltd. (Xiamen) at a consideration consist of cash RMB14,300,000 and 183,896,220 ordinary shares of the Company. Xiamen is engaged in the research and development, manufacture and sale of massage chairs and massage devices.

The fair values of the identifiable assets and liabilities of Xiamen as at the date of acquisition were as follows:

	Fair value recognized on acquisition *RMB'000*
Property, plant and equipment	24,801
Intangible assets	35,041
Inventories	5,470
Trade receivables	4,323
Prepayments, deposit and other receivables	30,241
Amount due from a related company	23,558
Amount due from holding company	2,234
Contingent consideration	5,100
Cash and cash equivalent	335
Trade payables	(6,134)
Other payables and accruals	(24,370)
Amount due to directors	(2,734)
Income tax payables	(32)
Interest-bearing bank borrowings	(38,090)
Deferred tax liabilities	(8,725)
Total identifiable net assets at fair value	51,018
Non-controlling interests	(9,674)
	41,344
Goodwill on acquisition	12,891
Total	54,235
Consideration transferred	
Satisfied by cash	14,300
Satisfied by shares	39,935
	54,235

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(5,350)
Cash and bank balances acquired	335
Net outflow of cash and cash equivalents included in cash flows from investing activities	(5,015)

Since the acquisition, Xiamen contributed RMB20,861,000 to the Group's revenue and RMB2,423,000 profit to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and loss of the Group for the year ended 31 December 2017 would have been RMB419,537,000 and RMB416,224,000 respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

16. EVENT AFTER THE REPORTING PERIOD

Statutory demand

On 3 January 2018, the Company received a statutory demand (the "Statutory Demand") dated 29 December 2017 issued by the legal representative of PC Securities Limited, the placing agent of the bonds issued by the Company with principal amount of HK$152 million which was already due on 27 December 2017 ("1st Bonds") but yet to be settled as the date of this announcement, in respect of alleged claims for the settlement of the indebtedness under the 1st Bonds, in the sum of approximately HK$157 million which comprised the principal amount and interest thereon. The said statutory demand were issued pursuant to section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance Cap 32 Laws of Hong Kong. If the Company fails to repay the said sums within 21 days, a winding-up order may be made in respect of the Company.

On 3 January 2018, the Company also received a notice from the legal representative of PC Securities Limited, the placing agent of the bonds issued by the Company with principal amount of HK$142.3 million due on 28 January 2019 ("2nd Bonds"), to demand that the 2nd Bonds are immediately due and repayable due to the Company failing to settle the 1st Bonds.

For the details, please refer to the Company's announcement dated 3 January 2018.

Proposed Rights Issue

On 23 January 2018, the Board, through Astrum Capital Management Limited will raise net proceeds of not less than approximately HK$217.20 million and not more than approximately HK$217.44 million before expenses (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the outstanding Share Options in full on or before the Record Date), by way of allotment and issue of not less than 2,555,236,440 Rights Shares and not more than 2,558,136,440 Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK$0.085 per Rights Share.

For the details, please refer to the Company's announcement dated 23 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The economy of China has entered into the state of New Normal. Growth rate of which has been evolving from the stage of rapid to relatively high pace, with new momentum and optimized structure. In other words, the characteristics of the New Normal were more remarkable in 2017. According to statistics of the National Bureau of Statistics, China's GDP was RMB82,712.2 billion in 2017, representing 6.9% growth over the previous year. Growth was stable compare with the previous year but still remains within the target range of control. Internationally, the global economy was still in the stage of intensified adjustments, deglobalization emerged, growth of world trade was slow with severe volatility in the international financial market; domestically, the economy has entered into the state of New Normal with challenging tasks of reform and development ahead. In face of such situations, China appropriately expanded demand by insisting on supply-side structural reform; balanced economic operation was maintained with better quality of economic growth, stable employment and moderate increases in prices.

Macro-economic operation in China was stable, but the international scenario was relatively complicated, unstable and uncertain. With conflicts between excessive production capacity and demand structural upgrading, endogenous momentum for economic growth was insufficient with the risk of economic downturn lingering. Facing continuously low and fluctuating demand, the construction materials and sanitary ware products still faced high external pressure with relatively high risks of market slip. In the last several years, a series of macro-control measures on the housing market and housing prices introduced by the government gave rise to depression and plight of the sectors. Income from sales of the Group's own branded business also faced serious challenges. Since 2016, the Group's ODM and OEM export businesses, which used to be relatively stable, also faced serious challenges, the challenging operating environment is expected to continue.

Besides maintaining its stable leading status in the sanitary industry, the Company has been endeavouring to expand the market. During the year under review, the Group acquired 51% issue share capital of the Xiamen Mas-Agee Electronic Technology Co., Ltd, which principally engage in research and development, manufacture and sale of massage chairs and massage devices. This acquisition is in line with the Company's long term development strategy and is thus beneficial to the maximization of the Company's interests and shareholders' values. The Group aims to utilize the research capabilities of the Target Company to support the development of intellectual household products and solutions. The acquisition can diversify the Group's products, create new profit growth engine, expand medium-to-high end customer bases and cross-sale with the sanitary ware sector by leveraging the Company's ample management experiences, excellent marketing strategies and extensive sale network.

Business Review

In 2017, the Group's revenue reached RMB409.8 million, increased by 13.8% as compared with last year; and loss attributable to ordinary equity holders of the Company was RMB412.3 million compared to a loss of RMB349.6 million in 2016.

Sales Volume

For the year ended 31 December 2017, the Group's sales volume was approximately 21 million units. The Group is one of the largest domestic ceramic sanitary ware brands in China's mid-to-high end ceramic sanitary ware market in terms of retail sales.

Production

The Group manufactures ceramic sanitary ware products at its production facilities in Zhangzhou, Fujian Province, the PRC. The Group's annual designed production capacity was 500 million units for the year ended 31 December 2017 with 5 production lines, which is one of the largest manufacturers of ceramic sanitary products in the PRC in terms of designed production capacity.

Distribution Network

The market of sanitary ware products in China is fragmented with low market share represented by every single major participant. In view of this, the Group's own branded business in China was mainly carried out through third party distributor model and continued to improve operation capacity and quality of the distribution network, to standardise distribution network governance, to promote differentiated operation innovation, to improve the quality of the network operation team and to optimise the existing network layout with the aim of enhancing sales performance and efficiency. The number of the Group's distribution networks has fallen in the face of increasingly keen competition of sanitary ware brands, weak fundamentals of distributors and excess capacity and inventory of the sanitary ware market. In order to invigorate terminal distributors in the regional market, consolidate the Group's status in the Chinese market and further pave way for explosive growth in the Chinese market in the coming years, the Group began to make efforts to assist distributors in key provinces and municipalities since 2016 for the purposes of enhancing distributors' operating capacity, intensify sales channels, re-establish shop image, step up brand promotion and consolidate brand advantage, etc. The Group's distribution network, comprising 63 distributors operating 594 points of sales as at 31 December 2017.

The Group has 1 branch office in the form of subsidiaries including Xi'an as at 31 December 2017, which is very important to promote the overall expansion strategy in domestic market. They provide supporting platforms for business development and service assurance, enable the Group to provide services and supports responding to the market more timely and efficiently for the regions close by the respective hubs.

Business Channel

In addition to the sales through distributors, the Group continued to promote restructuring and upgrading of real estate with premium quality and services. The Group had developed close strategic cooperative ties with a number of large real estate groups including the Gemdale Group and Vanke Group. Through years of efforts in the real estate area, the Group has successfully ranked among the top 15 first choice brands in the real estate works market. The Group anticipates the direct sale business will become a key revenue stream to the Group when furnished flats become more popular in the future.

Furthermore, the Group endeavours to establish sales channels through e-commerce platforms, including Tmall, JD.com and Amazon, to promote and sell Bolina's own branded products. Since 2016, the Group stepped up promotion of online and offline sales models by further intensifying its Internet network. The "Clean · Sanitary" series led by smart toilet were always sold out early in brand alliance activities and the "timed seckill", demonstrating their strong competitiveness and attractiveness. Currently, the Group had established official online flagship stores on large online transaction platforms including the Tmall and JD.com. The Group joins hands with strong partners including the Amazon and Taobao Juhuasuan to provide convenient and quality shopping experiences to online shoppers.

Brand Building

After the Group had become the first listed company in China's ceramic sanitary industry, Bolina was awarded as the Chinese Famous Brand, Top Ten Popular Brand in Sanitary Industry and Outstanding Enterprises, etc. – which have significantly increased Bolina's brand recognition. In 2017, the Group continued to strengthen the brand image of Bolina by reorganising the points of sales and through the appointment of celebrity as our brand ambassador. Furthermore, the direct sale business with national property developers, promotion and sales on e-commerce platforms and promotion of our own brand in overseas market will help to further increase brand awareness and promote the overall expansion strategy of Bolina in both domestic and overseas markets.

Outlook

Macro-economic operation in China was stable as a whole, but the international scenario was relatively complicated, unstable and uncertain. With conflicts between excessive production capacity and demand structural upgrading, endogenous momentum for economic growth was insufficient with the risk of economic downturn lingering. During the annual meeting of two sessions, the market will continue to focus on housing policy direction. The Ministry of Housing and Urban-Rural Development will continue to properly eliminate excessive inventories in the third-tier and fourth-tier cities as requested by the Central Economic Working Meeting. Besides solving the excessive inventory problem for the third-tier and fourth-tier cities, control for key cities shall not be relaxed. Such measure is the continuation of last year's control fundamentals. As housing demand in the third-tier and fourth-tier cities is still weak, malignant competition continues in sanitary ware brands. Coupled with the fact that export volume of ceramic sanitary products had reached the limit and the complicated international situation, the Group's management believes that operating environment will continue to be challenging in 2018 but fortune will be at hand through re-integration of distribution networks, subsidization for distributors with good performance in key provinces and municipalities and active promotion of normal growth of sales network number.

As one of the strongest players in the industry, the Group sells own branded products in China through 594 points of sales, as well as having a large scale of exporting ODM and OEM products to renowned international brands. Going forward, the Group will put in more effort to expand the own branded business in China and new business overseas and strive to create sustainable revenue growth.

Financial Review

For the year ended 31 December 2017, revenue of the Group was RMB409.8 million, increased by 13.8% as compared with the year of 2016.

For the year ended 31 December 2017, gross profit of the Group was RMB20.7 million, down by 78.3% as compared with the year of 2016; loss attributable to the ordinary equity holder of the Company amounted to RMB412.3 million, whereas the year of 2016 recorded a loss of RMB349.6 million.

Revenue

The following table sets out the Group's revenue derived from its different product categories during the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
Ceramic sanitary ware business				
One-piece toilets	**63,098**	**15.4**	48,802	13.6
Two-piece toilets (with water tanks)	**225,651**	**55.1**	245,060	68.1
Washbasins and stands	**24,051**	**5.9**	17,418	4.8
Other ceramic products (including urinals and bidets)	**15,469**	**3.7**	12,353	3.4
Non-ceramic sanitary products	**60,633**	**14.8**	36,344	10.1
Sub-total	**388,902**	**94.9**	359,977	100.0
Massage chairs and massage devices business				
Shoulder massage belts	**4,082**	**1.0**	–	–
Massage chairs	**1,767**	**0.4**	–	–
Massage cushions (pillows)	**1,381**	**0.3**	–	–
Foot massage machines	**355**	**0.1**	–	–
Other massage devices	**13,276**	**3.3**	–	–
Sub-total	**20,861**	**5.1**	–	–
Total	**409,763**	**100.0**	359,977	100.0

The following tables set out the breakdown of the Group's revenue by sale channels during the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
Branded products				
Distributors	**115,313**	**28.1**	66,169	18.4
Direct sales in the PRC	**64,443**	**15.7**	21,392	5.9
Direct sales to overseas customers	**1,091**	**0.3**	993	0.3
Sub-total	**180,847**	**44.1**	88,554	24.6
Non-branded products				
ODM	**161,378**	**39.4**	209,215	58.1
OEM	**67,538**	**16.5**	62,208	17.3
Sub-total	**228,916**	**55.9**	271,423	75.4
Total	**409,763**	**100.0**	359,977	100.0

The following table sets out the breakdown of the revenue derived from the Group's branded products to distributors per category of city in the PRC during the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
First-tier cities	**2,299**	**2.0**	18,918	28.6
Second-tier cities	**1,029**	**0.9**	7,289	11.0
Third-tier and other cities	**111,985**	**97.1**	39,962	60.4
Total	**115,313**	**100.0**	66,169	100.0

Revenue derived from the Group's branded products increased from RMB88.6 million for the year ended 31 December 2016 to RMB180.8 million for the year ended 31 December 2017. The increased in revenue was mainly attributable to the (i) the Group began to make efforts to assist distributors in key provinces and municipalities since 2016 for the purposes of enhancing distributors' operating capacity, intensity sales channels, re-establish shop image, step up brank promotion and consolidate brand advantage and (ii) advertising and promotion events incurred for the years.

Revenue derived from the Group's ODM and OEM products decreased from RMB271.4 million for the year ended 31 December 2016 to RMB228.9 million for the year ended 31 December 2017. The decrease was primarily attributable to the dwindling export of sanitary wares products in the PRC as a whole.

The following tables set out breakdown of the Group's revenue by product category and by business segment during the years ended 31 December 2017 and 2016:

Own branded products

	Year ended 31 December 2017			Year ended 31 December 2016		
Products	**Units**	**Average price**	**Revenue**	Units	Average price	Revenue
		RMB	***RMB'000***		*RMB*	*RMB'000*
Two-piece toilets (with water tanks)	**481,883**	**91.1**	**43,907**	44,658	65.8	2,938
One-piece toilets	**106,017**	**530.1**	**56,201**	70,335	498.5	35,064
Washbasins and stands	**210,752**	**109.2**	**23,009**	134,385	74.0	9,940
Other ceramic products (including urinals and bidets)	**433,108**	**19.1**	**8,260**	64,887	72.6	4,709
Non-ceramic sanitary products	**360,236**	**137.3**	**49,470**	354,177	101.4	35,903
Total	**1,591,996**	**113.6**	**180,847**	668,442	132.5	88,554

ODM products

Products	Year ended 31 December 2017 Units	Average price RMB	Revenue RMB'000	Year ended 31 December 2016 Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**1,109,519**	**131.6**	**145,997**	1,356,160	140.4	190,343
One-piece toilets	**9,291**	**520.5**	**4,836**	25,746	533.4	13,733
Washbasins and stands	**3,488**	**18.3**	**64**	49,862	99.1	4,939
Other ceramic products (including urinals and bidets)	**4,160**	**84.9**	**353**	750	265.3	199
Non-ceramic sanitary products	**235,464**	**39.6**	**9,332**	380	2.6	1
Massage chairs	**51**	**7,627.5**	**389**	–	–	–
Massage cushions (pillows)	**50**	**20.0**	**1**	–	–	–
Foot massage machines	**776**	**457.5**	**355**	–	–	–
Other massage devices	**870**	**58.6**	**51**	–	–	–
Total	**1,363,669**	**118.3**	**161,378**	1,432,898	146.0	209,215

OEM products

Products	Year ended 31 December 2017 Units	Average price RMB	Revenue RMB'000	Year ended 31 December 2016 Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**292,292**	**122.3**	**35,746**	430,165	120.4	51,779
One-piece toilets	**7,370**	**279.6**	**2,061**	9	555.6	5
Washbasins and stands	**10,137**	**96.5**	**978**	26,767	94.9	2,539
Other ceramic products (including urinals and bidets)	**13,702**	**500.4**	**6,856**	25,946	286.9	7,445
Non-ceramic sanitary products	**29,390**	**62.3**	**1,831**	16,021	27.5	440
Shoulder massage belts	**29,169**	**139.9**	**4,082**	–	–	–
Massage chairs	**246**	**5,601.6**	**1,378**	–	–	–
Massage cushions (pillows)	**11,706**	**117.9**	**1,380**	–	–	–
Other massage devices	**17,714,220**	**0.7**	**13,226**	–	–	–
Total	**18,108,232**	**3.7**	**67,538**	498,908	124.7	62,208

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB74.8 million, or 78.3%, from RMB95.5 million for 2016 to RMB20.7 million for 2017. Overall gross profit margin decreased from 26.5% for 2016 to 5.0% for 2017.

For 2017 and 2016, the Group's gross profit and gross profit margin by business segment was as follows:

	2017		2016	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Branded products	**1,931**	**1.1**	15,474	17.5
ODM	**10,235**	**6.3**	66,296	31.7
OEM	**8,513**	**12.6**	13,686	22.0
Total	**20,679**	**5.0**	95,456	26.5

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB35 million, or 10.9%, from RMB320.2 million for 2016 to RMB285.2 million for 2017. The decrease was mainly attributable to the subsidies and supports provided to distributors in key provinces and cities, the relevant expenditures of which are primarily used to enhance the distributors' brand operation capabilities, deepen sales channels, rebuild store image, strengthen brand promotion and solidify brand advantages from RMB156.6 million for 2016 to RMB128.2 million for 2017.

Administrative Expenses

Administrative expenses increased by RMB9.8 million, or 9.0%, from RMB109.0 million for 2016 to RMB118.8 million for 2017. This was mainly attributable to one-off recognition in relation to provision for impairment of trade receivables of approximately RMB24.7 million.

Finance Costs

Finance costs represent interest expense on bank and other borrowings of the Group. For the year ended 31 December 2017, finance costs decreased by RMB1.3 million, or 3.7%, from RMB35.9 million for 2016 to RMB34.6 million for 2017.

Net Loss

For the year ended 31 December 2017, loss attributable to ordinary equity holders of the Company amounted to RMB412.3 million (2016: loss of RMB349.6 million). Basic loss per share amounted to RMB35 cents (2016: basic loss per share of RMB35 cents).

Gearing Ratio

Gearing ratio is calculated by dividing total interest-bearing debts by total equity. The Group's gearing ratios as at 31 December 2017 was 141.5% (31 December 2016: 67.5%). The gearing ratio increased in 2017 primarily due to the decrease in total equity as a result of the reported net loss for the year.

Major Investments and Disposal

On 21 January 2017, an indirect wholly owned subsidiary of the Company, Zhangzhou Wanhui Sanitary Ware Co., Ltd. (漳州萬暉潔具有限公司) entered into the Sale and Purchase Agreement with five individuals ("**Vendors**"), pursuant to which the Company has conditionally agreed to purchase the Xiamen Mas-Agee Electronic Technology Co., Ltd. (廈門凱浦瑞電子科技有限公司), and the Vendors have conditionally agreed to sell, the Sale Shares at the Consideration of RMB71,500,000 (equivalent to approximately HK$80,454,596) which will be satisfied (i) as to RMB14,300,000 (equivalent to approximately HK$16,090,919) in cash; and (ii) as to RMB57,200,000 (equivalent to approximately HK$64,363,677) by issue of the consideration Shares by the Company. The completion of the transaction has completed on 12 July 2017.

Capital Expenditures

The Group's capital expenditures were incurred primarily in connection with purchases of property, plant and equipment and leasehold improvement payments. The Group's capital expenditures were RMB134 million for 2017, mainly in connection with the upgrade and improvement of production plant and facilities.

Capital commitments

Capital commitments of the Group in respect of property, plant and equipment, investment properties and properties under development outstanding at the ended of the reporting period not provided for in the financial statement are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**3,431**	4,531
Investment properties and properties under development	**–**	–
	3,431	4,531
Authorised, but not contracted for:		
Property, plant and equipment	**70,778**	79,559
Investment properties and properties under development	**–**	–
	74,209	84,090

Operating lease commitments

As lessee

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	RMB'000	*RMB'000*
With 1 year	**991**	919
After 1 year but within 5 years	**524**	1,329
	1,515	2,248

Financial Resources and Liquidity

The Group meets its working capital and other capital requirements primarily from the proceeds from its global offering and the issuance of corporate bonds, net cash generated from its operating activities and borrowings from banks and financial institutions.

As at 31 December 2017, cash and cash equivalents of the Group amounted to RMB102.1 million, which was mainly denominated in RMB and US dollar.

The following table is a condensed summary of the Group's consolidated statement of cash flows during the reporting period indicated:

	2017	2016
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(317,357)**	(601,626)
Net cash flows (used in)/generated from investing activities	**(160,091)**	273,656
Net cash flows generated from/(used in) financing activities	**59,760**	(63,071)
Net decrease in cash and cash equivalents	**(417,688)**	(391,041)
Cash and cash equivalents at beginning of year	**520,146**	909,894
Effect of foreign exchange rate changes, net	**(348)**	1,293
Cash and cash equivalents at end of year	**102,110**	520,146

Net cash flows from operating activities

The Group's net cash generated from operating activities includes funds generated from its operating activities and net cash inflows or outflows resulting from changes in working capital.

In 2017, the Group's net cash flow used in operating activities was RMB317.3 million. Cash flow from operating activities for the year was primarily due to the record of loss before tax resulted from gross profit drop and the selling and distribution expenses.

Net cash flows from investing activities

In 2017, the Group's net cash flow used in investing activities was RMB160.1 million. Cash flow from investing activities changed from net inflow to net outflow for the year was primarily attributable to the purchase of fixed assets.

Net cash flows from financing activities

In 2017, the Group's net cash generated from financing activities was RMB59.8million, primarily attributable to the new bank loan raised.

Set out below is an analysis of bank and other borrowings of the Group:

	2017	2016
	RMB'000	*RMB'000*
Secured	**165,190**	134,200
Guaranteed	**32,200**	36,500
Unsecured	**–**	–
Total	**197,390**	170,700

	2017	2016
	RMB'000	*RMB'000*
Fixed interest rate	**23,600**	5,000
Floating interest rate	**173,790**	165,700
Total	**197,390**	170,700

The Group intended to meet its obligations for the above borrowings by using internal resources.

As at 31 December 2017, the Group had banking facilities of RMB200.9 million. The amount of utilised banking facilities was RMB165.2 million. The unutilised banking facilities was RMB35.7 million.

Trade Receivables Turnover Days

Trade receivables primarily comprise amounts to be received from the sale of sanitary ware products to overseas customers. The Group's trade receivables amounted to RMB142.2 million and RMB122.3 million as at 31 December 2017 and 31 December 2016, respectively. The Group's average trade receivable turnover days were 127 days and 132 days for 2017 and 2016 respectively. There was no material change for the trade receivable turnover days as compared with last year.

Advance payment is normally required from the Group's domestic customers. The trading terms with overseas customers are mainly on credit, the credit period is generally one month, extending up to six months for major customers. Each of the customers has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management of the Company. Trade receivables are non-interest-bearing.

Trade Payables Turnover Days

The Group's trade payables primarily arose from the purchases of toilet lids and water tank fittings, packaging material and raw materials for its production activities. The Group had trade payables of RMB87.4 million and RMB116.3 million as at 31 December 2017 and 31 December 2016, respectively. The Group's average payables turnover days were 96 days and 241 days for 2017 and 2016, respectively. The decrease in the trade payables turnover days was primarily due to the increase in cost of sales and decrease in trade payables as compared with last year.

Inventory Turnover Days

The Group's inventories increased from RMB234.8 million as at 31 December 2016 to RMB255.7 million as at 31 December 2017. The Group's average inventory turnover days were 240 days and 234 days for 2017 and 2016, respectively. There was no material change for inventory turnover days as company with last year.

Bank Borrowings and Other Borrowings

As at 31 December 2017, the balance of the Group's bank loans and other borrowings was RMB197.4 million, increased by RMB26.7 million or 15.6% from that of RMB170.7 million as at 31 December 2016.

Certain of the Group's bank loans are secured by: (i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had aggregate carrying values of approximately RMB10.9 million and RMB11.2 million as at 31 December 2017 and 31 December 2016, respectively; (ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB54.9 million and RMB58.6 million as at 31 December 2017 and 31 December 2016, respectively; and (iii) mortgages over the Group's pledged bank balances which amounted to RMB11.4 million and RMB23.4 million at 31 December 2017 and 31 December 2016, respectively.

Capital structure

Authorised share capital

As at 31 December 2017, the authorized share capital of the Company was HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each. The authorised share capital had no change during the year.

Issued share capital

As at 31 December 2017, all issued shares are registered, fully paid and divided into 1,277,618,220 shares of HK$0.01 each.

Risks of Foreign Exchange

The Group has transactional currency exposure. Such exposure mainly arises from sales transactions denominated in United States dollars. The Group regularly monitors its foreign exchange exposure and will consider the need to hedge against significant foreign currency exposure where appropriate. During the reporting period, the Group did not enter into any derivative contract to hedge against fluctuations in the foreign currency.

Contingent Liabilities

As at 31 December 2017, neither the Group nor the Company had any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Statutory demand

On 3 January 2018, the Company received a statutory demand (the "Statutory Demand") dated 29 December 2017 issued by the legal representative of PC Securities Limited, the placing agent of the bonds issued by the Company with principal amount of HK$152 million which was already due on 27 December 2017 ("1st Bonds") but yet to be settled as the date of this announcement, in respect of alleged claims for the settlement of the indebtedness under the 1st Bonds, in the sum of approximately HK$157 million which comprised the principal amount and interest thereon. The said statutory demand were issued pursuant to section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance Cap 32 Laws of Hong Kong. If the Company fails to repay the said sums within 21 days, a winding-up order may be made in respect of the Company.

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For the details, please refer to the Company's announcement dated 23 January 2018.

EMPLOYEES AND REMUNERATION

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options under the share option schemes of the Company. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as achieving balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation. The level of cash compensation to employees offered by the Group varies with importance of duties. The more important the duties are, the higher the ratio of incentive bonus of total remuneration will be. This ensures that the Group can recruit, retain and motivate high-caliber employees required for the development of the Group and to avoid offering excess reward.

The emoluments payable to directors are determined with reference to their responsibilities, qualifications, experience and performance. The emoluments include incentive bonus primarily based on the results of the Group and share options granted under the share option schemes of the Company. The Remuneration Committee performs regular review on the emoluments of the directors. No director, or any of his associates and executives, is involved in deciding his/her own emolument.

The Group reviews its remuneration policy annually. As at 31 December 2017, the Group had about 1,364 full-time employees, and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also provided certain non-monetary benefits, such as training, to its employees. For 2017, the Group provided 1,683 hours of training in aggregate for about 127 person-times. The training courses covered areas such as industry development, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, information technology, safe production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees to cater to the Group's rapid developments; hence, improving the competitiveness of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board of Directors resolved not to distribute a final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

As the Company is yet to confirm the date of the 2017 AGM, the record date for determining the eligibility to attend and vote at the 2017 AGM and the period for closure of register, the Company will upon confirmation thereof announce such details in the notice of the 2017 AGM.

AUDIT COMMITTEE

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee is governed by its terms of reference, which have been adopted by the Board on 25 June 2012 pursuant to the Code. The terms of reference have been available on the Group's website at www.bolina.cc and on HKEx's website at http://www.hkex.com.hk since 13 July 2012.

The Audit Committee currently comprises 3 members, namely Mr. Jiang Guoxiang (Committee Chairman), Mr. Zhang Shujun and Ms. Xia Zhongping, of whom all are INEDs. The Audit Committee meets at least twice a year to review the Group's results.

The Audit Committee is responsible for reviewing the appointment of auditors on an annual basis including a review of the audit scope and the audit fee; ensuring the objectivity and independence of the auditors; meeting with the auditors to discuss issues arising from the final audit and any matters the auditors suggest to discuss; reviewing the sufficiency and effectiveness of the risk management and the internal controls; engaging a professional consultant as the Group's internal auditor to discharge the duties of the Group's internal control and risk management, reviewing the annual and interim report in accordance with the accounting policies and practices and relevant accounting standards, the Listing Rules and the legal requirements; serving as a focal point for communication between other Directors and the auditor in respect of the duties to financial reporting,

The financial reports and the results announcement of the Company for the year ended 31 December 2017 have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

CORPORATE GOVERNANCE

The Board of the Company recognises and appreciates the importance and benefits of good corporate governance practices and has adopted corporate governance and disclosure practices for achieving a higher standard of transparency and accountability.

Since the listing of the Company on the Hong Kong Stock Exchange in July 2012, the Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the guidelines for corporate governance of the Group, and has taken steps to comply with the Code wherever appropriate.

The Board is of the view that the Company has complied with the Code Provisions set out in the Code during the year ended 31 December 2017 as contained in Appendix 14 to the Listing Rules, except for the following deviation:

Chairman and Chief Executive Officer

Pursuant to Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, in view of the current business nature of the Company, Board opines that is not necessary to appoint a chairman or chief executive officer and daily operation of the Group is delegated to different executive Directors, department heads and various committees. In this circumstance the Board considers that the present practice has already addressed the concerns of the CG Code in this respect.

Non-executive Directors

Pursuant to Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term subject to re-election. None of the existing Directors and INEDs are engaged on specific term, and it constituted a deviation from Code Provision A.4.1 of the CG Code. However all Directors, including non-executive Directors and INEDs are subject to retirement by rotation at each annual general meeting at least once every three years under the Company's memorandum and article of association. In the circumstance, the Board considers that the present practice has already addressed the concerns of the CG Code in this respect.

Attendance of Annual General Meeting

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged business commitments, Jiang Guoxiang, Zhang Shujun and Kwok Wai Ling being the independent non-executive director of the Company, were not present at the annual general meeting of the Company held on 16 June 2017.

Notice of annual general meeting

Pursuant to Code Provision of E.1.3 of the CG Code, a notice of annual general meeting should be sent to shareholders at least 20 clear business days before the meeting. However, the notice of the annual general meeting in 2017 was issued by the Company less than 20 clear business days.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transaction. Based on specific enquiry of all the Directors, the Directors have complied with the required standard as set out in the Model Code throughout the financial year of 2017.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.Bolina.cc) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2017, containing all the information required by the Listing Rules, will be dispatched to the shareholders and available on the above websites in due course.

By order of the Board
BOLINA HOLDING CO., LTD.
Zheng Zhihong
Chairman

Zhangzhou, PRC
29 March 2018

As at the date of this announcement, the executive directors are Mr. Zheng Zhihong, Mr. Yang Qingyun, Mr. Zhang Ming, Ms. Sun Yumei and Mr. Lam Ying Choi, Donny and the independent non-executive directors are Mr. Jiang Guoxiang, Mr. Zhang Shujun and Ms. Xia Zhongping.