Bolina

BOLINA HOLDING CO., LTD.

航標控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1190)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4(a)*	**260,149**	211,481
Cost of sales	*5(b)*	**(249,984)**	(159,286)
Gross profit		**10,165**	52,195
Other income and other gains, net	*4(b)*	**3,957**	3,832
Selling and distribution expenses		**(88,169)**	(79,166)
Administrative expenses		**(68,772)**	(18,163)
Other expenses		**(114)**	(269)
Loss from operations		**(142,933)**	(41,571)
Finance costs	*6*	**(21,600)**	(15,652)
Loss before tax	*5*	**(164,533)**	(57,223)
Income tax credit/(expense)	*7*	**5,347**	(1,362)
LOSS FOR THE PERIOD		**(159,186)**	(58,585)
Attributable to:			
Owners of the Company		**(158,417)**	(58,585)
Non-controlling interests		**(769)**	–
		(159,186)	(58,585)
Loss per share attributable to ordinary equity holders of the Company			
Basic	*9*	**RMB(12) cents**	RMB(5) cents
Diluted	*9*	**RMB(12) cents**	RMB(5) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(159,186)**	(58,585)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**19,308**	(13,566)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	**19,308**	(13,566)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(139,878)**	(72,151)
Attributable to:		
Owners of the Company	**(139,109)**	(72,151)
Non-controlling interests	**(769)**	–
	(139,878)	(72,151)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**309,524**	321,086
Land use right		**10,791**	10,939
Intangible assets		**30,071**	31,838
Goodwill		**12,891**	12,891
Available-for-sale investments		**2,500**	2,500
Deferred tax assets		**8,345**	1,412
Total non-current assets		**374,122**	380,666
CURRENT ASSETS			
Inventories	*10*	**232,188**	255,739
Trade receivables	*11*	**219,435**	142,186
Prepayments, deposits and other receivables		**210,299**	252,542
Contingent consideration		**–**	5,100
Pledged bank balances		**10,914**	11,463
Cash and cash equivalents		**18,935**	102,110
Total current assets		**691,771**	769,140

continued/...

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*12*	**92,189**	118,873
Other payables and accruals		**199,304**	169,217
Amount due to the shareholders		**9,149**	14,524
Interest-bearing bank and other borrowings		**257,237**	197,390
Corporate bonds	*13*	**263,548**	131,959
Tax payable		**1,415**	1,867
Total current liabilities		**822,842**	633,830
NET CURRENT (LIABILITIES)/ASSETS		**(131,071)**	135,310
TOTAL ASSETS LESS CURRENT LIABILITIES		**243,051**	515,976
NON-CURRENT LIABILITIES			
Corporate bonds	*13*	**–**	132,887
Deferred tax liabilities		**34,065**	34,225
Total non-current liabilities		**34,065**	167,112
Net assets		**208,986**	348,864
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**10,570**	10,570
Reserves		**198,416**	338,294
Total equity		**208,986**	348,864

1. CORPORATE INFORMATION

Bolina Holding Co., Ltd. (the "Company", together with its subsidiaries, the "Group") 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 Company has established a principal place of business in Hong Kong which is located at Room 1403, 14/F, Capital Centre, 151 Gloucester Road, Causeway Bay, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 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

The interim condensed consolidated financial statements of the Company for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

At 30 June 2018, The Group incurred a loss of approximately RMB159,186,000 and had net current liabilities of approximately RMB131,071,000. These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the cash flow projections of the Group and having taken into account the following measures to improve the Group's financial position and performance, and liquidity in the foreseeable future:

(i) The Company proposed a right issue to raise net proceeds of approximately RMB182,655,000. The Company will use approximately RMB132,472,000 (equivalents to HK$157,000,000) of the net proceeds to settle the outstanding unsecured corporate bonds as disclosed in the note 13 to the interim condensed consolidated financial statements; and

(ii) The Group will apply cost cutting measures to reduce administrative expenses and cash outflows in the next twelve months.

The directors are of the opinion that these measures will be successfully implemented and that the Group will therefore be able to meet its financial obligations as may fall due for the foreseeable future. Accordingly, the directors have prepared the interim condensed consolidated financial statements on a going concern basis. The interim condensed consolidated financial statements does not include any adjustments that would result should the Group be unable to operate as a going concern.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as of 1 January 2018, noted below:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKFRSs	*As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

The adoption of the amendments to HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these interim condensed consolidated financial statements.

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.

	Sanitary ware Six months ended 30 June		**Massage devices Six months ended 30 June**		**Total Six months ended 30 June**	
	2018 (Unaudited)	2017	**2018 (Unaudited)**	2017	**2018 (Unaudited)**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Revenue from external customers	**248,612**	211,481	**11,537**	–	**260,149**	211,481
Segment results	**(140,471)**	(38,771)	**(495)**	–	**(140,966)**	(38,771)
Other income and unallocated gains					**1,078**	507
Corporate and other unallocated expenses					**(3,045)**	(3,307)
Finance costs					**(21,600)**	(15,652)
Loss before tax					**(164,533)**	(57,223)
Income tax credit/(expense)					**5,347**	(1,362)
					(159,186)	(58,585)

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 30 June 2018.

	Sanitary ware		**Massage devices**		**Total**	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017	**30 June 2018**	31 December 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**945,002**	1,068,427	**125,783**	88,870	**1,070,785**	1,157,297
Reconciliation:						
Elimination of intersegment receivables					**(9,350)**	(8,950)
Corporate and other unallocated assets					**4,458**	1,459
Total assets					**1,065,893**	1,149,806
Segment liabilities	**512,121**	473,685	**90,588**	71,361	**602,709**	545,046
Reconciliation:						
Elimination of intersegment payables					**(9,350)**	(8,950)
Corporate and other unallocated liabilities					**263,548**	264,846
Total liabilities					**856,907**	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.

(iii) Geographical information

The following tables present the Group's geographical information in terms of revenue for the 6 months ended 30 June 2018 and 2017, respectively, and non-current assets as at 30 June 2018 and 31 December 2017, respectively.

(a) Revenue from external customers

	Sanitary ware Six months ended 30 June		**Massage devices Six months ended 30 June**		**Total Six months ended 30 June**	
	2018 (Unaudited)	2017	**2018 (Unaudited)**	2017	**2018 (Unaudited)**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
America	**82,473**	122,514	**–**	–	**82,473**	122,514
Mainland China	**153,516**	81,137	**4,825**	–	**158,341**	81,137
Europe	**6,602**	6,988	**430**	–	**7,032**	6,988
Asia (excluding Mainland China)	**2,285**	714	**6,282**	–	**8,567**	714
Others	**3,736**	128	**–**	–	**3,736**	128
	248,612	211,481	**11,537**	–	**260,149**	211,481

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

For the six months ended 30 June 2018, revenue from two of the Group's major customers, amounting to RMB74,001,000 and RMB67,477,000 respectively (six months ended 30 June 2017: two major customers amounting to RMB82,893,000 and RMB33,016,000) has individually accounted for over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND OTHER GAINS, 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 periods ended 30 June 2018 and 2017.

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

(a) Revenue

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from the sale of sanitary ware products	**248,612**	211,481
Revenue from massage chairs and massage devices	**11,537**	–
	260,149	211,481

(b) Other income and other gains, net

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants*	**1,062**	18
Bank interest income	**145**	714
Foreign exchange differences, net	**669**	2,593
Others	**2,081**	507
	3,957	3,832

* 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 30 June 2018 and 2017.

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**58,679**	56,315
Pension scheme contributions, social welfare and other welfare	**2,114**	3,179
Equity-settled share based payments	**–**	2,433
	60,793	61,927
(b) Cost of sales		
Cost of inventories sold	**181,937**	111,428
Others	**68,047**	47,858
	249,984	159,286
(c) Other items		
Depreciation of property, plant and equipment*	**12,455**	8,435
Amortisation of land use right	**148**	148
Amortisation of intangible assets	**1,767**	57
Operating lease expenses*	**10,139**	7,095
Advertisement and promotion expenses	**57,597**	50,674
Logistics expenses	**859**	4,434
Research and development expenses*	**2,640**	1,776

* The depreciation of property, plant and equipment of RMB11,684,000 (six months ended 30 June 2017: RMB7,155,000), the operating lease expenses of RMB8,747,000 (six months ended 30 June 2017: RMB6,778,000) and the research and development expenses of RMB1,641,000 (six months ended 30 June 2017: RMB2,570,000) are included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings wholly repayable within five years	**9,482**	4,788
Interest expense on corporate bonds wholly repayable within five years	**11,478**	10,864
Interest expense on other borrowings wholly repayable within five years	**640**	–
	21,600	15,652

7. INCOME TAX CREDIT/(EXPENSE)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China corporate income tax	**–**	–
Deferred tax	**5,347**	(1,362)
	5,347	(1,362)

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% for the six months period ended 30 June 2018 (six months ended 30 June 2017: 16.5%). No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months period ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

Pursuant to the International Business Companies Act, 1984 (the "IBC Act") of the British Virgin Islands ("BVI"), international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiary incorporated in the BVI is not subject to tax.

The National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "Income Tax Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which have been effective since 1 January 2008. According to the Income Tax Law, the income tax rates for both domestic and foreign investment enterprises were unified at 25% effective from 1 January 2008.

Under the Income Tax Law of the People's Republic of China (the "PRC"), the Company's subsidiaries that are established in the PRC were subject to income tax at a base rate of 25% during the period.

Pursuant to the Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of Mainland China from retained earnings as at 31 December 2007 are exempted from the withholding tax.

8. INTERIM DIVIDEND

For the six months ended 30 June 2018, the directors of the Company resolved not to distribute an interim dividend (six months ended 30 June 2017: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to the ordinary equity holders of the Company of RMB158,417,000 (loss for the period attributable to the ordinary equity holders of the six months ended 30 June 2017: RMB58,585,000) and the weighted average number of ordinary shares of 1,277,618,220 (six months ended 30 June 2017: 1,087,869,000) during the six months ended 30 June 2018.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation.

For the six months ended 30 June 2018 and 2017, 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.

10. INVENTORIES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Raw materials	**22,749**	15,600
Accessories	**16,938**	9,390
Work in progress	**75,349**	63,187
Finished goods	**111,683**	164,666
Wrappage	**5,469**	2,896
	232,188	255,739

11. TRADE RECEIVABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade receivables	**274,473**	169,065
Impairment	**(55,038)**	(26,879)
	219,435	142,186

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 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 provision, is as follows:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 3 months	**115,900**	101,918
More than 3 months but less than 1 year	**83,025**	40,268
Over 1 year	**20,510**	–
	219,435	142,186

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Neither past due nor impaired	**198,925**	120,882
Less than 3 months past due	**15,426**	19,485
3 to 12 months past due	**5,084**	1,819
	219,435	142,186

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 follows:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
At the beginning of the period/year	**26,879**	11,547
Impairment losses recognised	**28,159**	24,669
Reversal of impairment	**–**	(9,337)
At the end of the period/year	**55,038**	26,879

Included in the above provision for impairment of trade receivables as at 30 June 2018 is a provision for individually impaired trade receivables of RMB55,038,000 (31 December 2017: RMB26,879,000).

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.

12. TRADE AND BILLS PAYABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade payables	**53,328**	87,388
Bills payables	**38,861**	31,485
	92,189	118,873

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 3 months	**60,728**	71,529
3 to 6 months	**13,697**	23,707
6 to 12 months	**7,595**	12,433
Over 12 months	**10,169**	11,204
	92,189	118,873

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

13. CORPORATE BONDS

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
At the beginning of the period/year	**264,846**	257,380
Imputed interest	**6,003**	3,935
Exchange realignment	**(7,301)**	3,531
At the ended of the period/year	**263,548**	264,846
Less: Current position	**263,548**	131,959
Non-current position	**–**	132,887

On 28 December 2015, the Company issued unsecured corporate bonds with principal value of HK$152,000,000 ("1st Bonds"). The corporate bonds bear interest at 6.5% per annum and fall due on 27 December 2017. The Company has been actively seeking ways for fund raising and has considered different financing alternatives for the settlement of the 1st Bonds. On 23 January 2018, the Company proposed a right issue (the "Rights Issue") and intends to apply the net proceeds from the Rights Issue for the redemption of the 1st Bonds. The Company is in progress to prepare and finalise the information to be included in the circular in relation to the Rights Issue.

On 4 January 2016, the Company issued unsecured corporate bonds with principal value of HK$9,000,000. The corporate bonds bear interest at 6.0% per annum and fall due on 3 January 2019.

On 29 January 2016, the Company issued unsecured corporate bonds with principal value of HK$142,300,000. The corporate bonds bear interest at 7.0% per annum and fall due on 28 January 2019.

The corporate bonds are subsequently measured at amortised cost, using effective interest rate ranging from 8.16% to 9.16%. As at 30 June 2018, the carrying amount of the corporate bonds was approximately RMB263,548,000 (As at 31 December 2017: approximately RMB264,846,000).

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 1 January 2017, 31 December 2017 and 30 June 2018	2,000,000,000	20,000	16,612

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares	Shares premium
		RMB'000	*RMB'000*
Issued:			
As at 31 December 2016 and 1 January 2017	1,015,372,000	8,287	337,627
Issue shares as consideration paid *(Note 1)*	183,896,220	1,598	38,337
Exercise of share option *(Note 2)*	78,350,000	685	22,215
As at 31 December 2017, 1 January 2018 and 30 June 2018	1,277,618,220	10,570	398,179

Notes:

1. On 2 May 2017, the Group has issued 183,896,220 ordinary shares at price of HK$0.178 each for deposit paid for acquiring 51% equity interest of a subsidiary. Share capital and share premium of RMB1,630,000 and 27,378,000 respectively were recorded based on the quoted price of the share as at the date of issue.

2. On 1 June 2017, 78,350,000 share options were exercised to subscribe for 78,350,000 ordinary shares of the Company at a consideration of RMB20,526,000 of which RMB684,000 was credited to share capital and the balance of RMB22,275,000 was credited to the share premium account. Amounts of approximately RMB2,433,000 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 30 June 2018, all issued shares were registered, fully paid and divided into 1,227,618,220 shares (as at 31 December 2017: 1,277,618,220 shares) of HK$0.01 each.

15. SHARE OPTION

The Company adopted a share option scheme (the "Share Option Scheme") on 25 June 2012 for the purpose of rewarding certain eligible persons for their contributions and attracting and retaining. The Company has granted share options on 20 May 2016 ("Batch 1"), 20 October 2016 ("Batch 2") and 31 May 2017 ("Batch 3), respectively under the Share Option Scheme.

For Batch 1, the Company has granted to certain eligible persons on 20 May 2016, being employees of the Company and its subsidiaries, subject to acceptance by the Grantees, a total of 79,800,000 share options to subscribe for 79,800,000 new ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of Company. These share options are exercisable within 3 years from the date of acceptance (i.e. 20 May 2016). The exercise price is HK$2.50. 78,350,000 share options were lapsed during the period and 1,450,000 share options were exercisable.

For Batch 2, the Company has granted to certain eligible persons on 20 October 2016, subject to acceptance by the Grantees, a total of 20,200,000 share options to subscribe for 20,200,000 new ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of Company. These share options are exercisable within 3 years from the date of acceptance (i.e. 20 October 2016). The exercise price is HK$0.40. All options were exercised during the period.

For Batch 3, the Company has granted to certain eligible persons being employees of the Company and its subsidiaries, subject to acceptance by the Grantees, a total of 78,350,000 share options to subscribe for 78,350,000 new ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of Company. These share options are exercisable within 3 years from the date of acceptance (i.e. 31 May 2017). The exercise price is HK$0.3. All options were exercised during the period.

The number and weighted average exercise prices of share options

	30 June 2018		31 December 2017	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period/year	**HK$2.50**	**1,450,000**	HK$2.50	79,800,000
Granted during the period/year	**–**	**–**	HK$0.30	78,350,000
Lapsed during the period/year	**–**	**–**	HK$2.50	(78,350,000)
Exercised during the period/year	**–**	**–**	HK$0.30	(78,350,000)
Outstanding at the end of the period/year	**HK$2.50**	**1,450,000**	HK$2.50	1,450,000
Exercisable at the end of the year	**HK$2.50**	**1,450,000**	HK$2.50	1,450,000

During the six months ended 30 June 2017, 78,350,000 share options with exercise price of HK$0.3 were granted and all the share options from Batch 3 with exercise price of HK$0.30 were exercised.

During the year ended 31 December 2016, 100,000,000 share options with average exercise price of approximately HK$2.08 were granted and all the share options from Batch 2 with exercise price of HK$0.40 were exercised.

The share options outstanding as at 30 June 2018 had an exercise price of HK$2.50 and a weighted average remaining contractual life of 1 years (As at 31 December 2017: 1.5 years).

16. LITIGATIONS

The Group has issued certain unsecured corporate bonds (the "Corporate Bonds") in previous years. For details of the issuance of the corporate bonds, please refer to the announcements of the Company dated 15 December 2015 and 8 January 2016. One of the Corporate Bonds with principal amount of HK$152 million (the "1st Bonds") was due on 27 December 2017 and had yet to be settled. In attempt to extend the maturity date of the 1st Bonds, the Company has previously negotiated with PC Securities Limited, the placing agent (the "Placing Agent") of the 1st Bonds on the terms and conditions; however, no mutual agreement had been reached. On 3 January 2018, the Company received a statutory demand issued by the legal representative of the Placing Agent 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. On 11 May 2018, the Placing Agent has petitioned the High Court of Hong Kong Special Administrative Region (the "High Court") for the winding up of the Company as the Company fail to settle the 1st Bonds. The petition will be heard before the High Court on 12 September 2018 at 9:30 a.m. (the "Petition").

The Company also received a notice of intention to appear on petition dated 22 June 2018 issued by the legal representative of a customer of the Company, Western Pottery Group, Inc., ("Western Pottery") taking notice that Western Pottery is a creditor of the Company for US$77,797,279 and intends to appear on the hearing of the petition and to support the Petition. The Company, subsequently, received a letter dated 8 August 2018 issued by the legal representative of Western Pottery that a judgment has already been entered by the Superior Court of California against the Company in favor of Western Pottery for US$77,797,279 ("Alleged US Judgment"). The directors, after consulting the legal advisors of the Company, is of the opinion that the Alleged US Judgment has no material impact upon the Company.

For details of the litigations, please refer to the announcements of the Company dated 5 May 2018, 5 June 2018, 21 June 2018, 29 June 2018, 18 July 2018 and 8 August 2018.

17. EVENT AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2018 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic and Industry Outlook

A trade war broke out between China and the U.S. on 6 July 2018 when the U.S. government imposed 25% tariff on approximately US$50 billion worth of Chinese products, while the State Council of the PRC promptly approved the 25% tariff on approximately US$50 billion worth of American products on the same day as a counter measure to the irrational tariff slapped by the United States. Recently, the U.S. government announced that it would further impose 25% tariff on approximately US$200 billion worth of Chinese products, while the PRC government also announced another round of retaliatory measures, which would slap tariff on US$60 billion worth of American products at four different rates ranging from 5% to 25%. Although negotiations regarding the trade issues have been underway between the two governments, it is anticipated that no positive results will be achieved in foreseeable future, and the trade war will dampen the PRC economy in the second half of the year.

According to the statistics for the first half of 2018 released by the National Bureau of Statistics, China's GDP for the second quarter grew at 6.7% as compared with the same period of 2017, which was slightly slower than that of the first quarter, recording a twelve-month streak of growth at the range of 6.7%-6.9% and showing no material change in the stable and positive growth momentum and long-term positive fundamental. During the period, with the penetration of the supply-side structural reform and the solid foundation for high-quality development, industrial output maintained stable growth with improved utilization rate. Benefiting from continuous optimization of industry structure, new growth drivers promoted faster growth, showing a trend of steady operation with positive growth. Although a solid foundation has been laid for China's economic reform, the economic development still faced severe challenges, and the road to success is never even amid such unfavorable international situations such as the deteriorating Sino-US trade relationship, the imbalanced world economic recovery, the rising protectionism in the background of anti-globalization and the slow pace of world trade. In addition, with the international situation remaining complicated with numerous instability and uncertainty, the conflicts in upgrade of demand structure as well as the feeble organic economic growth, the risk of economic downturn was lingering. Therefore, the management holds a prudent outlook on China's economy for the second half of 2018, and would suggest a conservative approach.

Like the Chinese macro economy, the Chinese construction materials and sanitary ware products sector has been developing smoothly, while still facing external pressure and the lingering risks of market recession. The Group's ODM and OEM export businesses, which used to be relatively stable, was back on the growth track. According to the industry statistics, export of Chinese sanitary ceramics recorded a year-on-year growth of approximately 11.7% for the first half of 2018, which was in line with the growth of approximately 11% recorded for the export business of the Group. The Group expects that export business will maintain stable growth in the second half of the year. Revenue from the own branded business of the Group increased by 42.0% during the period, which was mainly attributable to the Group's efforts in assisting its distributors in key provinces and cities to enhance their operation capability since 2016, broadening marketing channels, improving store and brand image as well as continuous advertisement and promotion activities during the year. The management expects this growth trend of the own branded business will continue in the second half of 2018, but the prices and gross profit will continue to be under pressure due to the promotion and de-inventory activities.

Business Review

The Group is principally engaged in the manufacture and sale of sanitary ware products and research and development, manufacture and sale of massage chairs and massage devices.

Ceramic sanitary ware products

The Group is one of the largest manufacturers of ceramic sanitary ware products in China to produce "Bolina" brand (own branded products) as well as ODM (original design manufacturing) and OEM (original equipment manufacturing) products for international well-known brands. The Group is also 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.

The Group's own branded business in China was mainly carried out through third party distributor model. The Group's distribution network, comprising 43 distributors operating 693 points of sales as at 30 June 2018. In order to expand our direct sales channel, the Group had developed close strategic cooperative ties with a number of large real estate groups as well as established sales channels through e-commerce platforms, including Tmall and JD.com, to promote and sell Bolina's own branded products.

Massage chairs and massage devices

In 2017, the Group acquired a company incorporated in the PRC which engaged in the research and development, manufacture and sale of massage chairs and massage devices. The products include medium-to-high end massage chairs and various kinds of massage devices which have supporting functions of relaxing, treatment, healthcare and detection. They are sold to China, Japan, Taiwan, and South Korea, etc. The acquired company owns more than 40 patents (many of which are patents of invention) and certifications in safety and medical device manufacture necessary for exporting the products to major economies of the world. It is a high-technology enterprise with strong growth in the industry of healthcare.

Future Prospects

Although China's macro economy has been developing smoothly, the risk of economic downturn is lingering as the international situation remained complicated with numerous instability and uncertainty as well as the endogenous forces for economy growth was yet to be enhanced. The management of the Group believes that the operating environment in the second half of 2018 will be affected by the escalating Sino-US trade war, where the export industry subject to the tariffs will be confronted with greater challenges. Therefore, the management concludes that the Group's ODM and OEM export business may be impacted by the second round of tariffs imposed by the U.S. government on US$200 billion worth of Chinese products. Should the ceramic sanitary ware products are included in the list, it will weaken the price competitiveness of our products in the local market, resulting in a decrease in orders for our exported ODM and OEM products from the local market.

As regards the own branded business, 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, the management believes that the sales revenue from the own branded business will continue to resume normal growth in the second half of 2018 and the industry will gradually return to healthy and normal development. However, the management is concerned that with the prolonged trade tension between China and the U.S., it will become more difficult to predict the actual damage to the economy. Therefore, the management believes that as long as the Sino-US trade friction continues, it will continue to impose negative impact on the market, brining uncertainty to the prospect of economy development and the income stream of the Group.

Financial Review

For the six months ended 30 June 2018, revenue of the Group was RMB260.1 million, increase by 23.0% as compared with the corresponding period last year; gross profit of the Group was RMB10.2 million, decrease by 80.5% as compared with the corresponding period last year; loss before tax of the Group was RMB164.5 million, while the loss before tax of the Group was RMB57.2 million for the corresponding period last year; loss attributable to the owners of the Company amounted to RMB158.4 million, while the loss attributable to the owners of the Company amounted to RMB58.6 million for the corresponding period last year.

Revenue

The following table sets out the Group's revenue derived from its different product categories during the six months ended 30 June 2018 and 2017:

	Six months ended 30 June			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Ceramic sanitary ware products				
One-piece toilets	**37,717**	**14.5**	36,102	17.1
Two-piece toilets (with water tanks)	**141,192**	**54.3**	123,621	58.4
Washbasins and stands	**14,339**	**5.5**	16,747	7.9
Other ceramic products including urinals and bidets	**17,468**	**6.7**	7,736	3.7
Non-ceramic sanitary products	**37,896**	**14.6**	27,275	12.9
Sub-total	**248,612**	**95.6**	211,481	100.0
Massage chairs and massage devices business				
Shoulder massage belts	**6,454**	**2.5**	–	–
Massage chairs	**2,338**	**0.9**	–	–
Massage cushions (pillows)	**125**	**–**	–	–
Foot massage machines	**57**	**–**	–	–
Other massage devices	**2,563**	**1.0**	–	–
Sub-total	**11,537**	**4.4**	–	–
Total	**260,149**	**100.0**	211,481	100.0

The following tables set out the breakdown of the Group's revenue by sale channels during the six months ended 30 June 2018 and 2017:

	Six months ended 30 June			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Branded products				
Distributors	**99,063**	**38.1**	58,812	27.8
Direct sales in the PRC	**16,633**	**6.4**	22,311	10.5
Direct sales to overseas customers	**61**	**0.0**	400	0.2
Sub-total	**115,757**	**44.5**	81,523	38.5
Non-branded products				
ODM	**129,914**	**49.9**	101,617	48.1
OEM	**14,478**	**5.6**	28,341	13.4
Sub-total	**144,392**	**55.5**	129,958	61.5
Total	**260,149**	**100.0**	211,481	100.0

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2018 and 2017, the Group's gross profit and gross profit margin by business segment was as follows:

	Six months ended 30 June			
	2018		2017	
	Gross profit ***RMB'000***	**Gross profit margin** ***%***	Gross profit *RMB'000*	Gross profit margin *%*
Branded products	**7,618**	**6.6**	19,459	23.9
ODM	**1,857**	**1.4**	26,583	26.2
OEM	**690**	**4.8**	6,153	21.7
Total	**10,165**	**3.9**	52,195	24.7

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB9.0 million, or 11.4%, from RMB79.2 million for the six months ended 30 June 2017 to RMB88.2 million for the six months ended 30 June 2018.

Administrative Expenses

Administrative expenses increased by RMB50.6 million, or 278.6%, from RMB18.2 million for the six months ended 30 June 2017 to RMB68.8 million for the six months ended 30 June 2018. The increase was mainly attributable to the recognition of impairment provision for trade receivables of RMB28.2 million, an increase of RMB18 million in staff benefit expenses and the costs incurred in respect of environmental protection of RMB3.5 million.

Finance Costs

Finance costs represent interest expense on corporate bonds, bank and other borrowings of the Group. For the six months ended 30 June 2018, finance costs increased by RMB5.9 million, or 38.0%, from RMB15.7 million for the six months ended 30 June 2017 to RMB21.6 million for the six months ended 30 June 2018. The increase was mainly attributable to the increase in bank and other borrowings during the period.

Income Tax Expense/Credit

Income tax expense decreased by RMB6.7 million, or 492.6% from RMB1.4 million income tax expense for the six months ended 30 June 2017 to RMB5.3 million income tax credit for the six months ended 30 June 2018.

Net Loss and Net Loss Margin

For the six months ended 30 June 2018, loss attributable to owners of the Company amounted to RMB158.4 million (six months ended 30 June 2017: loss of RMB58.6 million). Net loss margin for the six months ended 30 June 2018 was 60.9%.

Gearing Ratio

Gearing ratio is calculated by dividing total interest-bearing debts by total equity. The Group's gearing ratio as at 30 June 2018 was 215.6% (31 December 2017: 141.5%).

Capital Expenditure

No capital expenditures were incurred for the six months ended 30 June 2018.

Operating Lease Arrangements

As lessee

	As at 30 June 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Within 1 year	**963**	991
After 1 year but within 5 years	**90**	524
	1,053	1,515

Commitments

In addition to the Group's operating lease commitments, the Group had the following capital commitments as at the dates indicated below:

	As at 30 June 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Contracted, but not provided for property, plant and equipment	**3,147**	3,431
Authorised, but not contracted for property, plant and equipment	**71,386**	70,778
	74,533	74,209

Financial Resources and Liquidity

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

As at 30 June 2018, cash and cash equivalents of the Group amounted to RMB18.9 million, which was mainly denominated in Renminbi and US dollar.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(139,205)**	(176,614)
Net cash flows used in investing activities	**(748)**	(18,813)
Net cash flows generated from financing activities	**44,771**	9,600
Net decrease in cash and cash equivalents	**(95,182)**	(185,827)
Cash and cash equivalents at beginning of period	**102,110**	520,146
Effect of foreign exchange rate changes, net	**12,007**	(10,209)
Cash and cash equivalents at end of period	**18,935**	324,110

Bank Borrowings and Other Borrowings

As at 30 June 2018, the balance of the Group's bank loans and other borrowings was RMB257.2 million, increased by RMB59.8 million, or 30.3% from RMB197.4 million as at 31 December 2017.

Set out below is an analysis of borrowings of the Group:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
Secured	**166,887**	165,190
Guaranteed	**20,100**	32,200
Unsecured	**70,250**	–
Total	**257,237**	197,390
Fixed interest rate	**74,540**	23,600
Floating interest rate	**182,697**	173,790
Total	**257,237**	197,390

Certain of the Group's bank loans and other loans are secured by: (i) mortgages over the Group's land use right situated in Mainland China, which had aggregate carrying values of approximately RMB10.8 million and RMB10.9 million as at 30 June 2018 and 31 December 2017 respectively; (ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB30.7 million and RMB54.9 million as at 30 June 2018 and 31 December 2017 respectively; and (iii) mortgages over the Group's pledged bank balances which amounted to RMB10.9 million and RMB11.4 million as at 30 June 2018 and 31 December 2017 respectively.

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. The Group did not enter into any foreign currency forward contract during the six months ended 30 June 2018 to hedge against fluctuations in the foreign currency.

Major Investments and Disposal

There was no material investment or disposal by the Group for the six months ended 30 June 2018.

LEGAL PROCEEDING

The Group has issued certain unsecured corporate bonds (the "Corporate Bonds") in previous years. For details of the issuance of the corporate bonds, please refer to the announcements of the Company dated 15 December 2015 and 8 January 2016. One of the Corporate Bonds with principal amount of HK$152 million (the "1st Bonds") was due on 27 December 2017 and had yet to be settled. In attempt to extend the maturity date of the 1st Bonds, the Company has previously negotiated with PC Securities Limited, the placing agent (the "Placing Agent") of the 1st Bonds on the terms and conditions; however, no mutual agreement had been reached. On 3 January 2018, the Company received a statutory demand issued by the legal representative of the Placing Agent 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. On 11 May 2018, the Placing Agent has petitioned the High Court of Hong Kong Special Administrative Region (the "High Court") for the winding up of the Company as the Company fail to settle the 1st Bonds. The petition will be heard before the High Court on 12 September 2018 at 9:30 a.m. (the "Petition").

The Company also received a notice of intention to appear on petition dated 22 June 2018 issued by the legal representative of a customer of the Company, Western Pottery Group, Inc., ("Western Pottery") taking notice that Western Pottery is a creditor of the Company for US$77,797,279 and intends to appear on the hearing of the petition and to support the Petition. The Company, subsequently, received a letter dated 8 August 2018 issued by the legal representative of Western Pottery that a judgment has already been entered by the Superior Court of California against the Company in favor of Western Pottery for US$77,797,279.

For details of the legal proceedings, please refer to the announcements of the Company dated 5 May 2018, 5 June 2018, 21 June 2018, 29 June 2018, 18 July 2018 and 8 August 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.

As at 30 June 2018, the Group employed 1,687 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.

INTERIM DIVIDEND

The Directors resolved not to distribute an interim dividend for the six months ended 30 June 2018.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Long/Short position	Type of interest	Number of Shares	Percentage of shareholding in the Company
Mr. Zheng Zhihong	Long position	Beneficial owner	4,614,000	0.36%

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short portions in any shares, share options, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, save as disclosed below, the Director and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares, 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 who was director 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 any member of the Group.

Name	Long/Short position	Type of interest	Number of Shares	Percentage of shareholding in the Company
Grand York Holdings Limited ("Grand York") *(Note1)*	Long position	Beneficial owner	102,700,000	8.04%
Ms. Xiao Xiuyu ("Ms. Xiao") *(Note1)*	Long position	Interest in a controlled corporation	102,700,000	8.04%
China Cinda Asset Management Co., Ltd.	Long position	Custodian	108,000,000	8.45%
Ms. Xie Guilin ("Ms. Xie") *(Note 2)*	Long position	Interest in a controlled corporation	263,624,020	20.63%
Business Century Investments Limited ("Business Century") *(Note2)*	Long position	Beneficial owner	263,624,020	20.63%

Note:

1. Those 102,700,000 Shares are held by Grand York, of which Ms. Xiao is the controlling shareholder. Accordingly, Ms. Xiao is deemed to be interested in those 102,700,000 Shares held by Grand York for the purpose of the SFO. Ms. Xiao is the sister of Mr. Xiao Zhiyong, the former chairman of the Board.

2. Those 263,624,020 Shares are held by Business Century, of which Ms. Xie is the controlling shareholder. Accordingly, Ms. Xie is deemed to be interested in those 263,624,020 Shares held by Business Century for the purpose of the SFO.

SHARE OPTIONS

The Share Option Scheme was adopted by the shareholders at the annual general meeting on 25 June 2012, under which the Directors may, at their discretion, grant share options to eligible persons including Directors, employees and consultants to subscribe share in the Company.

As at 30 June 2018, the number of shares in respect of which share options could be exercisable under the terms of the Share Option Scheme was 1,450,000 shares, representing approximately 0.11% of shares of the Company in issue.

During the six months period ended 30 June 2017, the relevant interests and details of movements in the share options granted by the Company is as follows:

	Date of grant	Exercise period	Balance as at 1 January 2018	Changes during the period Grant	Exercised	Lapsed	Balance as at 30 June 2018	Exercise price per share
Eligible persons, being certain employee of the Company and its subsidiaries	20 May 2016	20 May 2016 to 19 May 2019	1,450,000	–	–	–	1,450,000	HK$2.50

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the reporting period was the Company, its ultimate holding companies or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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.

The Board is of the view that the Company has complied with the Code Provisions set out in the Corporate Governance Code ("CG Code") as contained in Appendix 14 to the Listing Rules during the six months period ended 30 June 2018, 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, the Board opines that it is not necessary to separate of the roles of Chairman and Chief executive officer of the Company because daily operation of the Group is delegated to different executive Directors, department heads and various committees effectively. 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 independent non-executive Directors is engaged on specific term, and it constituted a deviation from Code Provision A.4.1 of the CG Code. However all Directors, including independent non-executive Directors, are subject to retirement by rotation at each annual general meeting at least once every three years pursuant to the Company's memorandum and article of association and the Listing Rules. In the circumstance, the Board considers that the present practice has already addressed the concerns of the CG Code in this respect.

Attendance of General Meeting

Pursuant to Code Provision A.6.7 of the CG Code, 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, Mr. Jiang Guoxiang, Mr. Zhang Shujun and Ms. Xia Zhongping, being the independent non-executive Director, were not present at the annual general meeting of the Company held on 29 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the directors. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, there was no purchase, sale and redemption by the Company or any of its subsidiaries of the Company's listed securities.

PUBLIC FLOAT

Since its listing at the Stock Exchange on 13 July 2012, the Company has maintained the prescribed public float under the Hong Kong Listing Rules, based on the information that is publicly available to the Company and within the best knowledge of the directors.

AUDIT COMMITTEE

The Board has formed an Audit Committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee members currently comprise all the independent non-executive Directors. The Audit Committee has reviewed and approved the Company's unaudited interim consolidated financial results for the six months ended 30 June 2018.

For and on behalf of the Board
Bolina Holding Co., Ltd.
Zheng Zhihong
Chairman

Hong Kong, 28 August 2018

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