Bolina

BOLINA HOLDING CO., LTD.
(IN LIQUIDATION)
航標控股有限公司
(清盤中)
(Incorporated in Cayman Islands with limited liability)
(Stock code: 1190)

UPDATE ON
(I) PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF 51% ISSUED SHARE CAPITAL OF XIAMEN MAS-AGEE ELECTRONIC TECHNOLOGY CO., LTD.; AND
(II) OTHER NOTIFIABLE TRANSACTIONS AND NON-COMPLIANCE WITH THE LISTING RULES

Financial Adviser to the Company

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智略資本

References are made to the announcements of Bolina Holding Co., Ltd. (In Liquidation) (the "**Company**") dated 22 January 2017, 25 January 2017, 2 May 2017, 23 October 2017 and 24 October 2017 (the "**Announcements**") in respect of the entering into a sale and purchase agreement on 21 January 2017 by the then indirect wholly owned subsidiary of the Company to, inter alia, acquire 51% of the issued share capital of the Target Company. Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

I. PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF 51% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

As set out in the Announcements, under the Sale and Purchase Agreement, among other matters, the Vendors have unconditionally and irrevocably warranted and guaranteed to the Purchaser that the Actual Profit of the Target for the Profit Guarantee Period will not be less than the Guaranteed Profit of RMB10 million.

The Company wishes to update its shareholders that, as noted from the management accounts of the Target Company for the financial year ended 31 December 2017, a net loss for the financial year ended 31 December 2017 was recorded by the Target Company and hence, the Guaranteed Profit had not been met.

Based on the information extracted from the announcement dated 22 January 2017 in respect of the compensation arrangement under the Sale and Purchase Agreement the shortfall ("**A**") in relation to the Guaranteed Profit should be calculated as follows (the "**Shortfall Formula**"),

"*A = (Guaranteed Profit – Actual Profit) x 51%*

If the Target Company records an aggregate loss in its Profit Guarantee Audited Accounts, the Actual Profit for the period should be treated as zero."

As the Target Company failed to meet the Guaranteed Profit, the Vendors should compensate the Group in the amount of RMB5.10 million (the "**Compensation**") according to the Shortfall Formula. Under the Sale and Purchase Agreement, RMB2.83 million of Cash Consideration remains unsettled. Taking into account of the above, further discussions were conducted between the Purchaser with the Vendors and a settlement agreement in respect of the Compensation was entered on 6 July 2020 (the "**Settlement Agreement**"), in which, vendors agreed to compensate the Purchaser an adjusted amount of approximately RMB2.27 million (the "**Adjusted Compensation**").

As at the date of this announcement, the Purchaser confirms that it has received the full amount of the Adjusted Compensation from the Vendors. The Purchaser and the Vendors jointly agreed that, upon receiving the Adjusted Compensation, all the respective obligations and liabilities under the Sale and Purchase Agreement shall be fully discharged thereafter.

II. OTHER NOTIFIABLE TRANSACTIONS OF THE COMPANY AND NON-COMPLIANCE WITH THE LISTING RULES

The Company now discloses details of certain previous transactions involving certain subsidiaries of the Company that ought to have been disclosed in accordance with the requirements of the Listing Rules, but which the respective Directors at the relevant times failed to disclose. The disclosures made below are based on the best information currently available to the Company.

(i) Increases in the registered capital of the Target Company

The Company has found that the registered capital of the Target Company was increased from RMB37.23 million to RMB40.00 million on 12 February 2018 (the "**First Deemed Disposal**") and from RMB40.00 million to RMB52.75 million on 25 September 2018 (the "**Second Deemed Disposal**").

The First Deemed Disposal

It appears that the First Deemed Disposal was approved by the then shareholders of the Target Company on 11 February 2018 and the relevant consideration in the amount of RMB2.77 million was agreed to be fully sourced from Xiamen Shuoqiao Trading Ltd. ("**Xiamen Shuoqiao**"), a company incorporated under the laws of the PRC. It appears, having made all reasonable enquiries that Xiamen Shuoqiao was an Independent Third Party at the relevant time.

Completion and the Listing Rules implications

Immediately after the completion of the First Deemed Disposal, Xiamen Shuoqiao became one of the shareholders of the Target Company, beneficially interested in approximately 6.91% of the Target Company, and the Purchaser's interest in the Target Company had been diluted from 51.00% to approximately 47.47%. Hence, the First Deemed Disposal constituted a deemed disposal by the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the First Deemed Disposal exceeded 5% but was less than 25%, it would have constituted a disclosable transaction for the Company under Chapter 14 of the Listing Rules and was subject to the reporting and announcement requirements under the Listing Rules.

The Second Deemed Disposal

It appears that the Second Deemed Disposal was approved by the then shareholders of the Target Company on 20 September 2018 and that the relevant consideration in the amount of approximately RMB12.74 million was agreed to be funded in the following manner:

(i) approximately RMB2.49 million was provided by Mr. Tsang Heng Cheng ("**Mr. Tsang**") who was a shareholder and director of the Target Company as at date of the Second Deemed Disposal;

(ii) approximately RMB3.80 million was provided by Xiamen Shuoqiao which was a shareholder of the Target Company as at the date of the Second Deemed Disposal; and

(iii) approximately RMB6.45 million was provided by Mr. Yip Song Ming ("**Mr. Yip**") who, it appears, having made all reasonable enquiries, was an Independent Third Party as at the date of the Second Deemed Disposal.

Completion and the Listing Rules implications

Immediately after the completion of the Second Deemed Disposal, Mr. Yip became one of the shareholders of the Target Company, beneficially interested in approximately 12.23% of the Target

Company, and the Purchaser's interest in the Target Company had been further diluted from approximately 47.47% to 36.00%. Accordingly, the Second Deemed Disposal constituted a deemed disposal by the Company under Chapter 14 of the Listing Rules.

Mr. Tsang, as a substantial shareholder of an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules as at the time of the Second Deemed Disposal, was not regarded as a connected person of the Company and the Second Deemed Disposal did not constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Second Deemed Disposal and the First Deemed Disposal, on an aggregated basis, exceeded 5% but was less than 25%, the Second Deemed Disposal would have constituted a disclosable transaction for the Company under Chapter 14 of the Listing Rules and was subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

(ii) The disposal of the remaining equity interests in the Target Company

It appears that, on 28 May 2019, the Purchaser as a vendor, an indirect subsidiary of the Company, entered into a sale and purchase agreement to dispose of all of its remaining equity interest of 36% in the Target Company (the "**Target Company Disposal**") to Mr. Tsang and Xiamen Shuoqiao, as the purchasers, for a total consideration of approximately RMB18.98 million (which was utilized by the Purchaser as its working capital) in the following manner:

(i) approximately 22.45% equity interest of the Target Company was transferred to Mr. Tsang for a consideration of approximately RMB11.84 million; and

(ii) approximately 13.55% equity interest of the Target Company was transferred to Xiamen Shuoqiao for a consideration of approximately RMB7.14 million.

As at the date of this announcement, the Target Company Disposal has been completed. Accordingly, the Target Company is no longer a subsidiary of the Company and its financial results should no longer be consolidated into the consolidated financial statements of the Company.

The Company is a limited company incorporated in the Cayman Islands and together with its subsidiaries are principally engaged in the manufacture and sale of sanitary ware products.

The Purchaser is a limited company incorporated in the PRC principally engaged in the research and development, manufacture and distribution of ceramic sanitary ware products. As at the date of the Target Company Disposal, it was 97% indirectly owned subsidiary of the Company.

Each of Mr. Tsang and Xiamen Shuoqiao was a shareholder of the Target Company as at the date of the Target Company Disposal.

The Target Company is a limited company incorporated in the PRC and was principally engaged in the research and development, manufacture and sale of massage chairs and massage devices.

Set out below is certain unaudited financial information of the Target Company for the two years ended 31 December 2018 provided by PRC local management:

	For the years ended	
	31 December 2018	**31 December 2017**
	RMB'000	*RMB'000*
Net loss before tax	3,783.8	1,524.2
Net loss after tax	3,783.8	1,524.2

The unaudited management accounts of the Target Company as at 31 December 2018, show that its net asset value was approximately RMB18.85 million as at that date. In light of the above and based on the consideration for the Target Company Disposal, the Company was expected to record a gain as a result of the Target Company Disposal. The actual amount of the gain recorded by the Group from the Target Company Disposal is subject to audit.

It appears that the Target Company Disposal was made, among other reasons, because of (i) the continuous unsatisfying performances of the Target Company despite capital injections; and (ii) to dispose of an investment in a non-core business.

Set out below are the percentage changes in the equity interests of the Target Company from prior to the First Deemed Disposal up to the completion of the Target Company Disposal.

Shareholders	**Prior to the First Deemed Disposal**	**Immediately after the completion of the First Deemed Disposal**	**Immediately after the completion of the Second Deemed Disposal**	**Immediately after the completion of the Target Company Disposal**
		(approximately)	*(approximately)*	*(approximately)*
The Purchaser	51.00%	47.47%	36.00%	-
Mr. Tsang	21.00%	19.55%	19.55%	42.00%
Mr. Lin Xinqiang	28.00%	26.07%	19.77%	19.77%
Xiamen Shuoqiao	-	6.91%	12.45%	26.00%
Mr. Yip	-	-	12.23%	12.23%
Total	**100%**	**100%**	**100%**	**100%**

Listing Rules implications

Both Mr. Tsang and Xiamen Shuoqiao, as substantial shareholders of an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules as at the time of the Target Company Disposal, were not regarded as connected persons of the Company and the Target Company Disposal did not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Target Company Disposal, the First Deemed Disposal and the Second Deemed Disposal, on an aggregated basis, exceeded 25% but was less than 75%, the Target Company Disposal would have constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

However, in light of the fact that the Target Company Disposal has been completed and all available information to the Company relating to the transaction has been set forth in this announcement, no circular will be dispatched to the Shareholders.

(iii) **Increase in the registered capital of the Purchaser** (to be referred as "**Zhangzhou Wanhui**")

A share equity agreement dated 27 June 2018 was also found entered by Nelson Marketing International Limited ("**Nelson Marketing**"), a wholly-owned subsidiary of the Company at the time of the transaction, with Zhangzhou Lijia Kitchen Ltd. ("**Lijia Kitchen**") as an investor agreed to enlarge the registered capital of Zhangzhou Wanhui by approximately RMB9.62 million, representing approximately 3% of the then enlarged equity interest of Zhangzhou Wanhui (the "**Wanhui Deemed Disposal**").

Prior to the completion of the Wanhui Deemed Disposal, Zhangzhou Wanhui was a wholly-owned subsidiary of Nelson Marketing. It appears that the Wanhui Deemed Disposal was approved by the then sole director of Nelson Marketing, Mr. Zheng Zhihong, who was an executive Director at the time of the transaction. It also appears, having made all reasonable enquiries, that Lijia Kitchen, a company incorporated under the laws of PRC, was an Independent Third Party at the relevant time.

Completion and the Listing Rules implications

Upon completion of the Wanhui Deemed Disposal, the total registered capital of Zhangzhou Wanhui increased from RMB311.10 million to approximately RMB320.72 million and the shareholding in Zhangzhou Wanhui by Nelson Marketing was diluted from 100% to approximately 97%. As such, this transaction constituted a deemed disposal under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of this transaction exceeded 5% but was less than 25%, it would have constituted a discloseable transaction for the Company at the relevant time under Chapter 14 of the Listing Rules and was subject to reporting and announcement requirements under the Listing Rules.

Nelson Marketing is incorporated in Hong Kong and is an investment holding company. At the time of the transaction, it was a wholly-owned subsidiary of the Company.

Set out below is certain unaudited financial information of Zhangzhou Wanhui, together with its subsidiaries, as extracted from its management accounts for the two years ended 31 December 2017 provided by PRC local management:

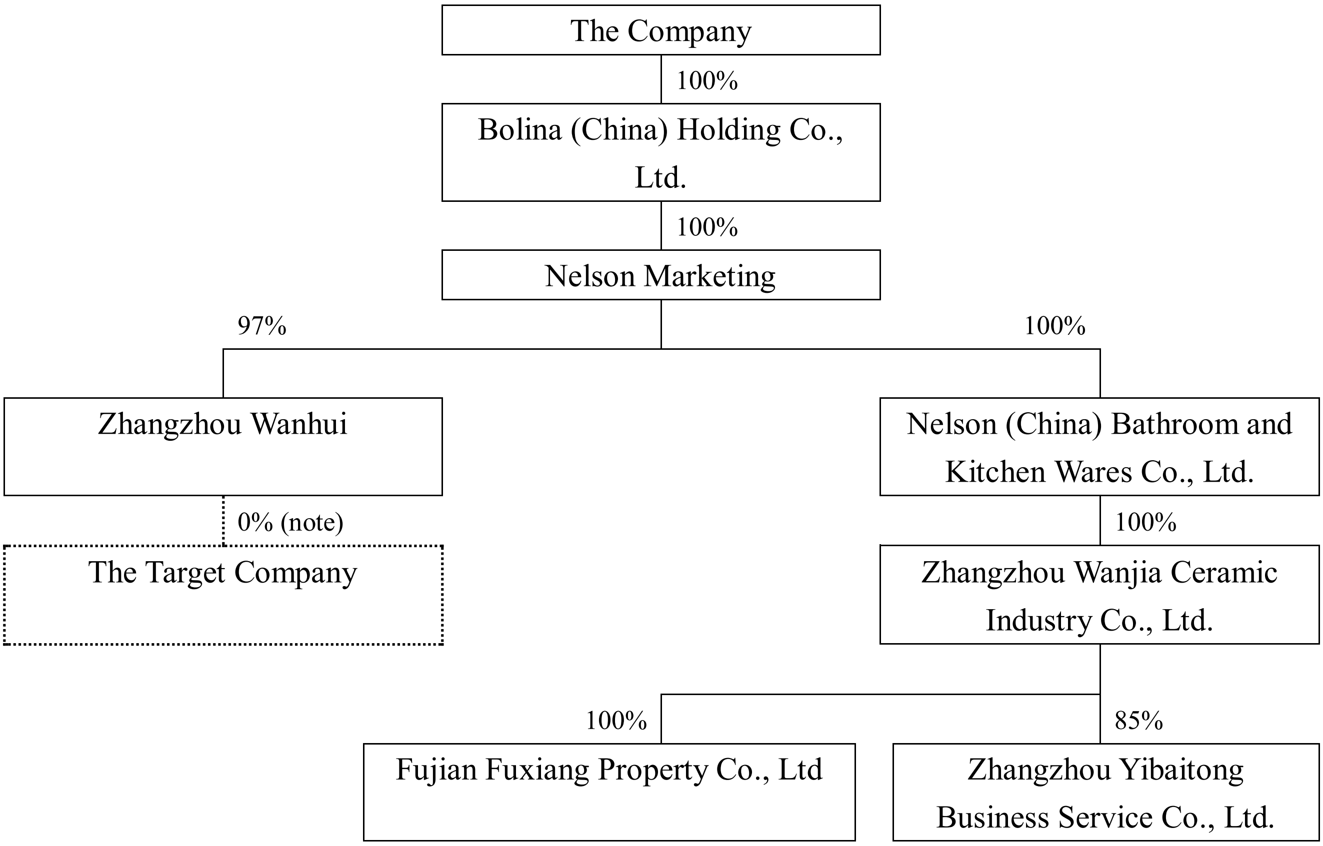
	For the years ended	
	31 December 2017	**31 December 2016**
	RMB' million	*RMB' million*
Net loss before tax	205.60	111.58
Net loss after tax	205.60	115.25

The unaudited management accounts of Zhangzhou Wanhui, with its subsidiaries, as at 31 December 2017, show that its net asset value was approximately RMB697.05 million as at that date.

The capital paid by Lijia Kitchen appears to be for the purposes of, among other reasons, enhancing the working capital and broadening the capital base of Zhangzhou Wanhui. It is also expected that, given that a capital was injected to Zhangzhou Wanhui, a gain would be recorded by the Company as a result of the Wanhui Deemed Disposal. The actual amount of the gain recorded by the Group from the Target Company Disposal would be subject to audit.

LATEST CORPORATE STRUCTURE OF THE GROUP

Taking into account of the above transactions, the latest corporate structure of the Group as at the date of this announcement is set out as below:



Note: as disclosed above in this announcement, the Target Company ceased to be a subsidiary of the Company upon completion of the Target Company Disposal.

NON-COMPLIANCE OF THE IMPLICATION OF LISTING RULES

The Company acknowledges that no announcement was made by the Company as required by the Listing Rules for each of the transactions disclosed above under the section headed "II. OTHER NOTIFIABE TRANSACTIONS OF THE COMPANY AND NON-COMPLIANCE WITH THE LISTING RULES". As a result, the respective Directors at the times of each of these transactions had therefore failed to comply with the reporting, announcement, circular and shareholders' approval requirements as stipulated under the Listing Rules.

CONTINUED SUSPENSION OF TRADING

All dealings in the Shares were halted with effect from 9:59 a.m. on 17 September 2018. Trading in the Shares will remain suspended until further notice. The Company will keep its shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

For and on behalf of
Bolina Holding Co., Ltd.
(In Liquidation)
Lai Kar Yan (Derek)

Ho Kwok Leung Glen
Joint and Several Liquidators
Acting as agents without personal liability

Hong Kong, 28 August 2020

As at the date of this announcement, the executive directors of the Company are Zheng Zhihong, Sun Yumei, Lam Ying Choi, Donny and Zhang Shilei; and the independent non-executive directors of the Company are Jiang Guoxiang, Zhang Shujun and Xia Zhongping.