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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 3.0% to RMB476,525,000.
- Net loss increased by approximately 3.2% to RMB375,135,000.
- Basic loss per share decreased by approximately 6.5% to RMB29 cents.
- No final dividend was recommended for the year ended 31 December 2018.

The board (the "**Board**") of directors (the "**Directors**") of Bolina Holding Co., Ltd. (In Liquidation) (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 (restated) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000* (restated)
Revenue	6a	**476,525**	462,702
Cost of sales		**(431,932)**	(389,084)
Gross profit		**44,593**	73,618
Other income and other gains or losses, net	6b	**10,343**	3,496
Share of loss of an associate		**(1,477)**	–
Selling and distribution expenses		**(193,510)**	(286,881)
Administrative expenses		**(186,021)**	(109,413)
Loss from operations		**(326,072)**	(319,180)
Finance costs	8	**(70,860)**	(38,379)
Loss before tax	7	**(396,932)**	(357,559)
Income tax credit/(expense)	9	**21,797**	(6,014)
Loss for the year		**(375,135)**	(363,573)
Attributable to:			
Equity shareholders of the Company		**(371,466)**	(364,760)
Non-controlling interests		**(3,669)**	1,187
		(375,135)	(363,573)
Loss per share	10		
Basic (RMB cents)		**(RMB29 cents)**	(RMB31 cents)
Diluted (RMB cents)		**(RMB29 cents)**	(RMB31 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
		(restated)
LOSS FOR THE YEAR	**(375,135)**	(363,573)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income (non-recycling)	**17**	–
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translating foreign operations	**18,743**	(16,520)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		
FOR THE YEAR, NET OF TAX	**18,760**	(16,520)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(356,375)**	(380,093)
Attributable to:		
Equity shareholders of the Company	**(352,706)**	(381,280)
Non-controlling interests	**(3,669)**	1,187
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(356,375)**	(380,093)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	At 31.12.2018 RMB'000	At 31.12.2017 RMB'000 (restated)	At 1.1.2017 RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**316,744**	321,086	197,449
Land use right		**10,642**	10,939	11,236
Goodwill		**–**	12,891	–
Intangible assets		**281**	31,838	128
Interest in an associate		**49,694**	–	–
Available-for-sale investments		**–**	2,500	2,500
Financial assets at fair value through other comprehensive income		**1,982**	–	–
Deferred tax assets		**–**	1,412	4,341
		379,343	380,666	215,654
CURRENT ASSETS				
Inventories	11	**197,480**	255,739	234,758
Trade receivables	12	**197,768**	142,186	69,399
Prepayments, deposits and other receivables	13	**61,992**	252,542	313,221
Amount due from an associate		**10,100**	–	–
Contingent consideration		**–**	5,100	–
Pledged bank balances		**12,011**	11,463	23,412
Cash and cash equivalents		**27,006**	102,110	520,146
		506,357	769,140	1,160,936

	Notes	At 31.12.2018 RMB'000	At 31.12.2017 RMB'000 (restated)	At 1.1.2017 RMB'000 (restated)
CURRENT LIABILITIES				
Trade and bills payables	14	**121,893**	100,014	143,378
Other payables and accruals		**283,272**	192,594	121,731
Amounts due to the shareholders		**10,407**	14,524	2,122
Amount due to a related party		**1,245**	–	–
Borrowings		**169,720**	216,249	190,463
Corporate bonds	15	**303,105**	131,959	128,226
Income tax payable		**–**	1,867	2,531
		889,642	657,207	588,451
NET CURRENT (LIABILITIES)/ ASSETS		**(383,285)**	111,933	572,485
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,942)**	492,599	788,139
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**5,694**	34,225	25,914
Corporate bonds	15	**–**	132,887	129,154
		5,694	167,112	155,068
NET (LIABILITIES)/ASSETS		**(9,636)**	325,487	633,071
CAPITAL AND RESERVES				
Share capital	16	**10,570**	10,570	8,287
Reserves		**(23,764)**	304,056	624,784
Total equity attributable to shareholders of the Company		**(13,194)**	314,626	633,071
Non-controlling interests		**3,558**	10,861	–
TOTAL (DEFICIT)/EQUITY		**(9,636)**	325,487	633,071

1. CORPORATE INFORMATION

Bolina Holding Co., Ltd. (In Liquidation) 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 Ocorian Trust (Cayman) Limited, P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands.

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. The company which operated the manufacture and sale of massage chairs and massage devices ceased to be a subsidiary of the Company in year 2018, while the Group's interest in the said company was fully disposed in year 2019.

Appointment of the Joint and Serval Liquidators and Winding-Up of the Company

The Group has issued 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. The first 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 an 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 failed to settle the 1st Bonds. The petition was heard before the High Court on 17 September 2018 at 9:30 a.m. (the "**Petition**"). At the Court Hearing held on 17 September 2018, the High Court made a winding up order against the Company, whereupon the Official Receiver was appointed as the provisional liquidator of the Company (the "**Provisional Liquidator**"). Trading in the shares of the Company has been halted with effect from 9:59 a.m. on 17 September 2018.

On 3 October 2018, upon an application by the Provisional Liquidator, the High Court ordered, among other things, that (i) the winding up of the Company be regulated specially by the High Court under section 227A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) ("**Ordinance**"); (ii) the summoning of first meetings of creditors and contributories as required under sections 194 and 206 of the Ordinance be dispensed with; and (iii) Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen, both of Deloitte Touche Tohmatsu, be appointed Joint and Several Liquidators of the Company(the "**Liquidators**").

Resumption Guidance

The Company received a letter from The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") dated 26 October 2018, in which, inter alia, Stock Exchange set out the following resumption guidance for the Company (the "**Resumption Guidance**"):

1. demonstrate its compliance with Rule 13.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**");

2. have the winding up order against the Company withdrawn or dismissed and the appointment of the joint and several liquidators discharged; and

3. inform the market of all material information for the Company's shareholders and the investors to appraise the Group's position.

On 3 April 2019, the Company received another letter from the Stock Exchange, in which the Stock Exchange set out the following additional resumption guidance for the Company:

4. publish all outstanding financial results and address any audit modifications.

Stock Exchange also stated in its letter dated 26 October 2018 that, under Rule 6.01A(1) of the Listing Rules, it may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expired on 16 March 2020 (the "**Deadline**"). Stock Exchange advised that if the Company fails to remedy the issues causing its suspension of trading in its shares, fully comply to Stock Exchange's satisfaction with the Listing Rules and resume trading in its shares by the Deadline, the Listing Department recommended that the Listing Committee proceed with the cancellation of the Company's listing.

Proposed Restructuring of the Group

On 9 January 2020, the Company, the Liquidators and a group of investors (the "**Investors**") entered into a legally-binding restructuring agreement (the "**Restructuring Agreement**") to implement a restructuring of the Company by regularizing the business of the Group through, inter alia, (i) subscription of shares of the Company (the "**Shares**") to be issued by the Company to the Investors, (ii) the conducting of an open offer on a fully underwritten basis; (iii) implementation of a scheme of arrangement (the "**Scheme**") with the creditors of the Company , which will fully and finally discharge all claims of the Company's creditors against the Company as at the effective date of the Scheme; and (iv) implementation of a capital reorganization involving share consolidation and capital reduction.

The Listing Committee of the Stock Exchange (the "**Listing Committee**") conducted a hearing on 7 May 2020 in relation to the Company's resumption and listing status. The Company received a letter from the Stock Exchange dated 8 May 2020 stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules (the "**Delisting Decision**").

After seeking professional advice and with due consideration, on 15 May 2020, the Company has submitted an application requesting the Delisting Decision be referred to the Listing Review Committee for a review pursuant to Chapter 2B of the Listing Rules (the "**LRC Review**").

On 4 November 2020, the Listing Review Committee issued a letter to the Company advising the Company that the Listing Review Committee decided to uphold the Delisting Decision (the "**LRC Decision**"). On 5 November 2020, the Stock Exchange issued another letter to the Company advising the Company that the last day of listing of the Shares would be 16 November 2020 and the listing of Shares would be cancelled with effect from 9:00 a.m. on 17 November 2020.

After seeking legal and professional advice, on 27 November 2020, the Company filed a notice of application for leave to apply for judicial review to the High Court of Hong Kong to challenge the LRC Decision. The hearing for the leave to apply for judicial review was held on 2 February 2021. On 26 February 2021, the High Court handed down its decision and dismissed the application for leave to apply for Judicial Review (the "**Decision**"). On 3 March 2021, the Stock Exchange issued another letter to the Company advising the Company that the last day of listing of the Shares would be 9 March 2021 and the listing of Shares would be cancelled with effect from 9:00 a.m. on 10 March 2021. The deadline to appeal the Decision is 12 March 2021 and professional advice with regard to the merits of a possible appeal is being obtained.

Going concern basis

The Group incurred a loss attributable to the owners of the Company of RMB371,466,000 for the year ended 31 December 2018, and as of that date, the Group's current liabilities exceeded its current assets by RMB383,285,000 and had net liabilities of RMB9,636,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Group will be successfully implemented, and that following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities to current assets and liabilities, respectively.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of each of the Company and its subsidiaries for the year ended 31 December 2018. 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(i) Classification

From 1 January 2018, the Group classifies all its financial assets to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial assets not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to the acquisition of the financial asset.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ("**ECL**") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires ECL to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summarises the impact on the Group's opening retained profits as at 1 January 2018 as follows:

	RMB'000
Accumulated losses	
HKAS 39 carrying amount at 31 December 2017	(238,390)
Impact of ECL on adoption of HKFRS 9	23,026
HKFRS 9 carrying amount at 1 January 2018	(215,364)
Fair value reserve (non-recycling)	
HKAS 39 carrying amount at 31 December 2017	–
Impact of fair value of investment on adoption of HKFRS 9	(519)
HKFRS 9 carrying amount at 1 January 2018	(519)
Non-controlling interests	
HKAS 39 carrying amount at 31 December 2017	10,861
Impact of fair value of investment on adoption of HKFRS 9	(16)
HKFRS 9 carrying amount at 1 January 2018	10,845

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and the related interpretations.

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. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler or customer, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's/customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The directors of the Company considered that upon initial adoption of HKFRS 15, there would not have a material impact on the Group's financial performance for the year ended 31 December 2018, except for the reclassification of contract liabilities.

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

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interests in Associate and Joint Venture	1 January 2019
Amendments to HKAS 19 Employee Benefits	1 January 2019
Amendments to HKFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 13 Definition of a business	1 January 2019
Amendments to HKAS 1 and HKAS 8 Definition of material	1 January 2019
HKFRS 17 Insurance Contracts	1 January 2019

4. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION OF COMPARATIVES

The Company has carried out a reassessment on the Group's consolidated financial statements for the prior years and identified the following misstatements. The directors of the Company declared that the most appropriate treatment for these misstatements is to restate the comparative figures in the Group's consolidated financial statements for the year ended 31 December 2018.

Prior year adjustments

(a) Certain sales transactions to distributors amounted to approximately RMB52,939,000 (the "Certain Prior Period Sales") recorded in accounting records of the Company's wholly-owned subsidiary, Zhangzhou Wanjia Ceramic Industry Co., Ltd. ("Wanjia") on or before 31 December 2016 were subsequently returned during February 2017 (the "Sales Return"). The Sales Return was recorded in the accounting records of Wanjia during the year ended 31 December 2017. The Management represented that the Sales Return related to products with defects (the "Defected Products") were identified prior to 1 January 2017 and the relevant products were destroyed by Wanjia immediately at the time of return. As a result, Sales Return was recognised in the inappropriate period and relevant prior year adjustments were made by the Management.

(b) Sales bonus was recognised in the inappropriate period. The sales bonus for 2017 of RMB19,613,000 was recognised in 2018 and the sales bonus for 2016 of RMB17,955,000 was recognised in 2017.

(c) The accrued interest of RMB3,764,000 had not been made by the Management in 2017 for loan from third parties.

Effect on prior year adjustments and reclassification of comparative information

(d) In additions to the adjustments made to correct prior year's errors mentioned in notes 4(a) to 4(c) above, the directors of the Company also made the reclassification to the comparative figures as at 31 December 2017 and 1 January 2017 in order to conform with current year's presentation. Such adjustments were mainly made to group together multiple line items with similar nature that were previously disclosed on the face of the primary statements, so as to make the face of those statements clearer and more concise. The details of the relevant items have been retained in the notes to the consolidated financial statements.

Effect of the above misstatements on comparative information are summarised as follows:

	As previously reported *RMB'000*		Effects of prior year adjustments *RMB'000*		Change in presentation *RMB'000*	As restated *RMB'000*
For the year ended 31 December 2017						
Consolidated statement of profit or loss and other comprehensive income:						
– Revenue	409,763	(a)	52,939		–	462,702
– Selling and distribution expenses	(285,223)	(b)	(1,658)		–	(286,881)
– Finance costs	(34,615)	(c)	(3,764)		–	(38,379)
– Loss before income tax	(405,076)		47,517		–	(357,559)
– Loss for the year	(411,090)		47,517		–	(363,573)
As at 31 December 2017						
Consolidated statement of financial position:						
– Trade and bills payables	(118,873)		–	(d)	18,859	(100,014)
– Other payables and accruals	(169,217)	(b)&(c)	(23,377)		–	(192,594)
– Borrowings	(197,390)		–	(d)	(18,859)	(216,249)
– Accumulated losses	(220,857)		(23,377)		–	(244,234)
As at 1 January 2017						
Consolidated statement of financial position:						
– Trade receivables	122,338	(a)	(52,939)		–	69,399
– Trade and bills payables	(163,141)		–	(d)	19,763	(143,378)
– Other payables and accruals	(103,776)	(b)	(17,955)		–	(121,731)
– Borrowings	(170,700)		–	(d)	(19,763)	(190,463)
– Retained profits	171,243		(70,894)		–	100,349

5. 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		Massage devices		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		(restated)		(restated)
Segment revenue:						
Revenue from external customers	**475,948**	441,841	**577**	20,861	**476,525**	462,702
Segment results	**(313,994)**	(308,641)	**(4,164)**	2,423	**(318,158)**	(306,218)
Other income and unallocated gains					**312**	2,390
Corporate and other unallocated expenses					**(8,226)**	(15,352)
Finance costs					**(70,860)**	(38,379)
Loss before tax					**(396,932)**	(357,559)
Income tax credit/(expense)					**21,797**	(6,014)
Loss for the year					**(375,135)**	(363,573)

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 2018.

	Sanitary ware *RMB'000*	**Massage devices** *RMB'000*	**Total** *RMB'000*
Segment assets	**804,826**	**–**	**804,826**
Reconciliation:			
Corporate and other unallocated assets			**80,874**
Total assets			**885,700**
Segment liabilities	**586,537**	**–**	**586,537**
Reconciliation:			
Corporate and other unallocated liabilities			**308,799**
Total liabilities			**895,336**

Segment assets exclude interest in an associate, financial assets at fair value through other comprehensive income, deferred tax assets and 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.

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

	Sanitary ware *RMB'000* (restated)	Massage devices *RMB'000* (restated)	Total *RMB'000* (restated)
Segment assets	1,059,759	88,870	1,148,629
Reconciliation:			
Elimination of intersegment receivables			(8,950)
Corporate and other unallocated assets			10,127
Total assets			1,149,806
Segment liabilities	462,837	71,361	534,198
Reconciliation:			
Elimination of intersegment payables			(8,950)
Corporate and other unallocated liabilities			299,071
Total liabilities			824,319

(iii) Geographical information

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

(a) Revenue from external customers

	Sanitary ware		**Massage devices**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000* (restated)	***RMB'000***	*RMB'000* (restated)	***RMB'000***	*RMB'000* (restated)
America	**302,528**	239,052	**–**	1,009	**302,528**	240,061
Mainland China	**147,380**	185,206	**282**	16,084	**147,662**	201,290
Europe	**13,954**	14,613	**–**	542	**13,954**	15,155
Asia (excluding Mainland China)	**5,175**	1,631	**295**	3,226	**5,470**	4,857
Others	**6,911**	1,339	**–**	–	**6,911**	1,339
	475,948	441,841	**577**	20,861	**476,525**	462,702

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. All 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 RMB167,811,000 and RMB126,173,000 (2017: two customers amounting to RMB154,692,000 and RMB118,034,000) individually accounted for over 10% of the Group's total revenue.

6. 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 2018 and 2017.

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

(a) Revenue

	2018 *RMB'000*	2017 *RMB'000* (restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at a point in time		
Revenue from the sale of sanitary ware	**475,948**	441,841
Revenue from of massage chairs and massage devices	**577**	20,861
	476,525	462,702

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

	2018 *RMB'000*	2017 *RMB'000*
Government grants*	**1,183**	1,783
Bank interest income	**224**	1,040
Foreign exchange differences, net	**2,740**	(1,606)
Gain on disposal of brand name	**660**	–
Gain on dissolution of a subsidiary	**146**	–
Loss on deemed disposal of a subsidiary	**(3,263)**	–
Gain on deemed disposal of an associate	**2,036**	–
Loss on disposal of property, plant and equipment	**(8)**	–
Reversal of impairment of trade receivables	**5,620**	–
Others	**1,005**	2,279
Other income and other gains and losses, net	**10,343**	3,496

* 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 2018 and 31 December 2017.

7. LOSS BEFORE TAX

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

		2018	2017
		RMB'000	*RMB'000*
			(restated)
(a)	**Employee benefit expense (including directors' remuneration)**		
	Wages and salaries	**131,483**	111,541
	Pension scheme contributions, social welfare and other welfare	**11,975**	23,265
		143,458	134,806
(b)	**Other items**		
	Cost of inventories sold	**431,932**	389,084
	Depreciation of property, plant and equipment *(note i)*	**25,488**	17,921
	Amortisation of land use right	**297**	297
	Amortisation of intangible assets	**68**	3,648
	Operating lease expenses *(note i)*	**24,504**	16,559
	Advertisement and promotion expenses	**92,030**	111,112
	Logistics expenses	**6,774**	9,735
	Research and development expenses *(note i)*	**20,572**	6,469
	Loss allowance of trade receivables *(note ii)*	**–**	15,332
	Loss allowance of other receivables *(note iii)*	**908**	–
	Loss on disposal of items of property, plant and equipment	**8**	3,037
	Write-down of inventories to net realisable value *(note iv)*	**48,856**	5,953
	Auditors' remuneration	**1,768**	1,834
	Subsidise to customers	**71,122**	128,176
	Equity-settled share based payments for consultants	**–**	2,418

Notes:

(i) The depreciation of property, plant and equipment of RMB23,000,000 (2017: RMB16,741,000), the operating lease expenses of RMB21,440,000 (2017: RMB15,408,000) and the research and development expenses of RMBNil (2017: RMB2,616,000) are included in "Cost of sales" in the consolidated statement of profit or loss.

(ii) The loss allowance of trade receivables is included in "Administrative expenses" in the consolidated statement of profit or loss.

(iii) The loss allowance of other receivables is included in "Administrative expenses" in the consolidated statement of profit or loss.

(iv) 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.

8. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Interest expense on bank borrowings wholly repayable within five years	**9,217**	10,264
Interest expense on other borrowings wholly repayable within five years	**18,239**	3,808
Interest expense on corporate bonds wholly repayable within five years	**43,404**	24,307
	70,860	38,379

9. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax (credit)/expense in the consolidated statement of profit or loss represents:

	2018	2017
	RMB'000	*RMB'000*
Current – Mainland China Enterprise Income Tax	**–**	3,499
Over-provision in prior years	**(2,531)**	–
Deferred tax	**(19,266)**	2,515
	(21,797)	6,014

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% during the year ended 31 December 2018 (2017: 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 2018 (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.

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

The calculation of the basic loss per share amount for the year ended 31 December 2018 is based on the loss for the year attributable to the ordinary equity holders of the Company of RMB371,466,000 (2017: RMB364,760,000 (restated)) and the weighted average number of ordinary shares of 1,277,618,220 (2017: 1,183,780,000) during the year.

For the year ended 31 December 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.

11. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**37,800**	15,600
Accessories	**9,395**	9,390
Work in progress	**62,080**	63,187
Finished goods	**82,231**	164,666
Wrappage	**5,974**	2,896
	197,480	255,739

12. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade debtors – Note	**219,027**	169,065
Impairment	**(21,259)**	(26,879)
	197,768	142,186

The Group's trading terms with its customers are mainly on credit and advance payment is normally required for domestic customers. The credit period is generally 30–45 days. 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. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period of certain customers to six months.

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:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**100,017**	101,918
More than 3 months but less than 1 year	**46,592**	40,268
Over 1 year	**51,159**	–
	197,768	142,186

Note: Included in the above balances, trade receivables of approximately RMB24,537,000 (2017: RMB19,934,000) were discounted to banks with recourse. These trade receivables were not derecognised as the title of these trade receivables were not transferred to the banks. On the other hand, discounted bills financing of approximately RMB23,270,000 (2017: RMB18,859,000) was recognised as borrowings from banks .

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Prepayments and deposits to suppliers	**35,054**	149,842
Deposits and prepayments to distribution channels *(note)*	**–**	71,122
Advances	**19,140**	–
Others	**12,856**	35,728
	67,050	256,692
Impairment on other receivables	**(5,058)**	(4,150)
	61,992	252,542

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:

HKFRS 9	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
At 1.1.2018	**–**	**–**	**4,150**	**4,150**
Impairment loss recognised	**908**	**–**	**–**	**908**
At 31.12.2018	**908**	**–**	**4,150**	**5,058**

HKAS 39	2017
	RMB'000
At beginning of the year	4,150
Impairment loss recognised	–
At end of the year	4,150

14. TRADE AND BILLS PAYABLES

	At 31.12.2018 *RMB'000*	At 31.12.2017 *RMB'000* (restated)	At 1.1.2017 *RMB'000* (restated)
Trade payables	**104,934**	87,388	116,286
Bills payables	**16,959**	12,626	27,092
	121,893	100,014	143,378

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:

	At 31.12.2018 *RMB'000*	At 31.12.2017 *RMB'000* (restated)	At 1.1.2017 *RMB'000* (restated)
Within 3 months	**61,673**	52,671	61,012
3 to 6 months	**18,354**	23,706	62,100
6 to 12 months	**9,254**	12,433	2,900
Over 12 months	**32,612**	11,204	17,366
	121,893	100,014	143,378

15. CORPORATE BONDS

	2018 *RMB'000*	2017 *RMB'000*
At the beginning of the year	**264,846**	257,380
Interest	**43,404**	3,935
Interest paid	**(4,241)**	–
Exchange realignment	**(904)**	3,531
At end of the year	**303,105**	264,846
Less: Current position	**303,105**	131,959
Non-current position	**–**	132,887

16. 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 2018	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 and fully paid			
As at 31 December 2018	1,277,618,220	10,570	398,179

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Crowe (HK) Limited, the independent auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2018:

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Bolina Holding Co., Ltd. (In Liquidation) (the "**Company**") and its subsidiaries (together the "**Group**") which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

1. Material uncertainty related to going concern basis

As at 31 December 2018, there were conditions which indicate the existence of material uncertainty which may cast significant doubt on 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.

(a) Resumption proposal and judicial review ("Judicial Review")

In forming our opinion, we have considered the adequacy of the disclosures made in the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "**Resumption Proposal**") was submitted to The Stock Exchange of Hong Kong Limited on 16 March 2020 and the hearing for the leave to apply for judicial review to review the decision of delisting of the Company's shares on the Stock Exchange of Hong Kong Limited was held on 2 February 2021. On 26 February 2021, the High Court handed down its decision and dismissed the application for leave to apply for Judicial Review (the "**Decision**"). The deadline to appeal the Decision is 12 March 2021.

(b) Net current liabilities, net liabilities and loss for the year

The Group incurred a loss attributable to the owners of the Company of RMB371,466,000 for the year ended 31 December 2018. As at 31 December 2018, the Group had net current liabilities of RMB383,285,000 and net liabilities of RMB9,636,000.

(c) Litigations

The Company is required to pay a compensation to a plaintiff (the "**Plaintiff**") in a court case in the United States (the "**Litigation**"). As at 31 December 2018, the maximum exposure of the Group arising from the Litigation amounted to approximately US$81,911,000 (equivalent to approximately RMB542,242,000) (the "**Maximum Exposure**"). The Group's management (the "**Management**") is currently seeking legal advice in order to make an assessment of a proper compensation to the Plaintiff. As at 1 January 2018 and 31 December 2018, the Group had trade receivables due from the Plaintiff of approximately RMB25,101,000 and RMB25,700,000 respectively. The Management aimed to reach a consensus with the Plaintiff on the final compensation to settle the Litigation. Up to the date of this report, the Management is of the opinion that:

(i) Even it is probable that an outflow of the embodying economic benefits will be required to settle the obligation, Maximum Exposure is not considered a reliable estimate on the amount of provision to be made.

(ii) No sufficient evidence is available to reliably estimate the amount of possible outflows of the Group arising from the Litigation.

Based on the above Management's assessment (the "**Management Assessment**"), no provision for the Litigation was made by the Management in the Group's financial statements for the year ended 31 December 2018.

However, except for the Maximum Exposure, we are unable to obtain sufficient appropriate evidence to assess the Management Assessment on no provision for losses arising from the Litigation made by the Group as at 1 January 2018 and 31 December 2018. Given a material amount is expected to be involved in settlement of Litigation, any provision that should have been made would have a consequential impact on the Group's net assets/liabilities and expected credit loss allowance on trade receivables due from the Plaintiff as at 1 January 2018 and 31 December 2018 and the Group's net loss for the year then ended.

Notwithstanding the foregoing indications of existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully implemented, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from the Litigation and a failure to implement the restructuring. However, in view of the extent of the uncertainty relating to the Litigation and the implementation of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis of preparation of these consolidated financial statements.

2. Scope limitation on certain sales transactions to distributors

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another firm of auditors. The Management identified below errors in the previous years' financial statements and decided to restate the comparative figures in the Group's consolidated financial statements for the year ended 31 December 2017.

Certain sales transactions to distributors amounted to approximately RMB52,940,000 (the "**Certain Prior Period Sales**") recorded in accounting records of the Company's wholly-owned subsidiary, Zhangzhou Wanjia Ceramic Industry Co., Ltd. ("**Wanjia**") on or before 31 December 2016 were subsequently returned during February 2017 (the "**Sales Return**"). The Sales Return was recorded in the accounting records of Wanjia during the year ended 31 December 2017. The Management represented that the Sales Return related to products with defects (the "**Defected Products**") were identified prior to 1 January 2017 and the relevant products were destroyed by Wanjia immediately at the time of return. As a result, Sales Return was recognised in the inappropriate period and relevant prior year adjustments were made by the Management.

The Management did not provide us the underlying supporting documents in relation to the Certain Prior Period Sales, arrangement of Sales Return and the Defected Products write-off records. We were unable to obtain sufficient appropriate audit evidence or satisfactory explanations from the Management and relevant parties involved to ascertain the nature and commercial substance of the Certain Prior Period Sales and Sales Return recorded in the consolidated statement of profit or loss for the years ended 31 December 2016 and 2017. Given these scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to the occurrence, accuracy, completeness and cut-off of Certain Prior Period Sales and Sales Return.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the carrying amount of trade receivables and inventories as at 1 January 2017, and of its results and cash flows for the year ended 31 December 2017, and the related disclosures thereof in the consolidated financial statements.

3. **Scope limitation on corporate bonds and other payables**

The Management was unable to provide us sufficient information to ascertain the followings:

(i) Corporate bonds amounted to RMB264,846,000 as at 1 January 2018, which was carried at amortised cost using the effective interest method. The Management did not provide us the calculation of amortised cost for corporate bonds as at 1 January 2018.

In the absence of appropriate underlying supporting documents, we were unable to obtain sufficient appropriate audit evidence to ascertain the accuracy of the amount of RMB264,846,000 as included in the consolidated statement of financial position as at 1 January 2018.

(ii) The Management was unable to provide us sufficient underlying supporting documents in relation to certain other payables, amounting to approximately RMB20,541,000 and approximately RMB20,726,000 as at 1 January 2018 and 31 December 2018 respectively.

In the absence of appropriate underlying supporting documents, we were unable to obtain sufficient appropriate audit evidence to ascertain the nature of other payables and accuracy of the amount of approximately RMB20,541,000 and approximately RMB20,726,000 as included in the consolidated statement of financial position as at 1 January 2018 and 31 December 2018 respectively.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the carrying amount of corporate bonds and other payables as at 1 January 2018, and of the interest expenses and exchange difference arising from translation included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2017 and 2018.

4. **Scope limitation on financial information of Xiamen Mas-Agee Electronic Technology Co., Ltd. ("Xiamen Mas-Agee")**

On 13 July 2017, the Group acquired 51% interests in Xiamen Mas-Agee at a consideration consist of cash of RMB14,300,000 and 183,896,220 ordinary shares of the Company (the "**Acquisition**"), the principal activity of Xiamen Mas-Agee is the manufacturing and sale of massage chairs and massage devices (the "**Massage Devices Business**").

The Management was unable to provide us with the valuation report and relevant documents and explanations to support the estimation of fair value of assets and liabilities of Xiamen Mas-Agee and the contingent consideration receivable at the date of Acquisition. We were therefore unable to satisfy ourselves that the fair value assessment of assets and liabilities being acquired, goodwill arising from the Acquisition, contingent consideration receivable and non-controlling interests as the date of the Acquisition were free from material misstatement. Any adjustment to the fair values of assets and liabilities being acquired as at the acquisition date would affect the goodwill, contingent consideration receivable and non-controlling interests arising from the Acquisition.

During the year ended 31 December 2018, the Group had a deemed disposal of its equity interest in Xiamen Mas-Agee (the "**Deemed Disposal**"). As a result of the Deemed Disposal, the equity interests held by the Group in Xiamen Mas-Agee reduced from 51% to 47.47% on 11 February 2018 and from 47.47% to 36% on 20 September 2018. Upon the completion of the Deemed Disposal, Xiamen Mas-Agee became an associate of the Group and the Group continued to account for the results under equity method of accounting. At 31 December 2018, the Group had amount due from an associate of approximately RMB10,100,000.

The Management relied on the financial statements provided by management of Xiamen Mas-Agee to consolidate the results of the Massage Devices Business before the Deemed Disposal and equity account for the share of the associate's results when it became an associate of the Group. During the year ended 31 December 2018, the Management did not have full access to the books and records of Xiamen Mas-Agee, and therefore the Management was not able to obtain a set of complete accounting records of Xiamen Mas-Agee.

Given the above scope limitations, in performing our audit of the consolidated financial statements of the Group for the year ended 31 December 2018, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) whether the opening balances of assets, liabilities, reserves and non-controlling interests relating to the Massage Devices Business as at 1 January 2018 and the corresponding figures were fairly stated; and (ii) there were no alternative procedures which we could carry out to assess the results of the Massage Devices Business being consolidated by the Group before the Deemed Disposal, gain/loss arising from the Deemed Disposal, share of an associate's profit or loss for the years ended 31 December 2017 and 2018, the carrying amounts of interest in an associate, amount due from an associate and its related expected credit loss allowance as at 31 December 2018 and derecognition of contingent consideration receivable during the year ended 31 December 2018.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net assets, reserves and non-controlling interests of the Group as at 1 January 2018, interest in an associate, amount due from an associate and its related expected credit loss allowance as at 31 December 2018, and of its results and cash flows for the current and prior years, and the related disclosures thereof in the consolidated financial statements.

5. Scope limitations on prepayments to distributors and advertising expenses

As at 31 December 2016 and 2017, the Company's wholly-owned subsidiary, Wanjia, recorded prepayments to ten distributors (the "**Prepayments to Distributors**") amounted to RMB199,298,000 and RMB71,122,000 in the consolidated statement of financial position. During the years ended 31 December 2016, 2017 and 2018, the Group recognised the Prepayments to Distributors as selling expenses amounted to RMB156,592,000, RMB128,176,000 and RMB71,122,000 respectively in the consolidated statement of profit or loss.

During the years ended 31 December 2017 and 2018, the Group also paid advertising expenses of approximately RMB108,387,000 and RMB85,640,000 respectively (the "**Advertising Expenses**"), to several entities (the "**Service Providers**") who were engaged to provide public relation, advertising and consultancy services (the "**Services**") to the Group in accordance with the agreements entered into between the Group and the Service Providers. Such Advertising Expenses have been included in selling expenses in the consolidated statement of profit or loss for the years ended 31 December 2017 and 2018.

The Management did not provide us the sufficient underlying supporting documents in relation to the Prepayments to Distributors and the Advertising Expenses.

We were unable to obtain sufficient appropriate audit evidence or satisfactory explanations from the Management and relevant parties involved to ascertain: (i) the nature and commercial substance of the Prepayments to Distributors and the Advertising Expenses; (ii) the rationale for the allocation of the Prepayments to Distributors in the consolidated statement of profit or loss for the years ended 31 December 2016, 2017 and 2018; and (iii) the balances of the Prepayments to Distributors as at 31 December 2016 and 2017 stated in the consolidated statement of financial position. We were also unable to obtain all the necessary corroborative evidence from the counterparties to substantiate these transactions and balances. Given these scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to the occurrence, accuracy, completeness and presentation of these transactions together with the related balances, and whether the effects of these transactions, including relating cashflows, have been properly accounted for and disclosed in the consolidated financial statements as at and for the year ended 31 December 2018 and 2017.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the carrying amount of the Prepayments to Distributors as at 1 January 2018 and of the selling expenses and cash flows for the year ended 31 December 2018.

6. Scope limitations on certain transactions with a major customer and supplier ("Customer A")

During the year ended 31 December 2018, the Group have certain sales and purchases transactions ("**Relevant Transactions**" as disclosed below) with Customer A, a company incorporated in the PRC. There were no sufficient appropriate evidence for us to ascertain the business rationale of the Relevant Transactions with Customer A, which have been summarised as follows:

	RMB'000
Sales to Customer A	45,726
Purchases from Customer A	54,828
Sale of brand name to Customer A	660

The Group commenced business with Customer A from year 2013. During the year ended 31 December 2018, Customer A was one of the major customers and suppliers of the Group. As at 31 December 2018, the Group had the following balances with Customer A:

	RMB'000
Trade receivables	22,217
Trade payables	39,747
Other receivables	19,140
Other payables	18,368

Furthermore, Customer A was wholly-owned by an employee of the Group ("**Employee A**"), who joined Wanjia from year 2013 and Employee A was the Head of Purchases Department of Wanjia for the period from 1 January 2018 to 31 May 2018. Employee A then worked as the Manager of a new production line of bathroom cabinets of Zhangzhou Wanhui Sanitary Ware Co., Ltd. ("**Wanhui**") for the period from 1 October 2018 to 31 December 2018.

Given the significance of the Relevant Transactions on the financial performance and financial position of the Group and relationship with Employee A, there were also no alternative audit procedures that we could perform to satisfy ourselves as to: (a) the business rationale of the Relevant Transactions; (b) whether the Relevant Transactions were transacted in ordinary business considerations; and (c) whether the Relevant Transactions have been properly disclosed in the consolidated financial statements for the year ended 31 December 2018.

Any adjustment found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the consolidated financial performance, consolidated financial position, consolidated cash flows and disclosures to the consolidated financial statements of the Group for the years ended 31 December 2017 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group was principally engaged in the manufacture and sale of sanitary ware products and research and development. It also produces and sells massage chairs and massage devices to a small extend. In 2018, the Group attained a revenue of RMB476.5 million, which increased approximately 3.0% from that of RMB462.7 million in 2017. Loss for the year attributable to equity shareholders of the Company increased to RMB371.5 million (2017: RMB364.8 million).

Ceramic sanitary ware business

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 manufactures ceramic sanitary ware products at its production facilities in Zhangzhou, Fujian Province, the PRC.

For the year ended 31 December 2018, the Group's sales volume was approximately 3.6 million units, which increased by 0.1 million units from 3.5 million units in 2017.

Over the years, Bolina, as one of the major suppliers for high-end markets including Europe and the US, acquired a sound reputation and maintained a leading position in the exporting field. With its long-term strategic cooperation with many world-class brands, its products reached various countries and regions, including America, Europe, Korea, Australia, Southeast Asia, Middle East, etc.

The Group's own branded business in China was mainly carried out through third party distributor model. 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.

The Group values scientific research and innovation and the improvement of production technology; it is equipped with cutting-edge research and development (R&D) and product design capabilities in the industry. As a national high-tech enterprise, the Company has a strong R&D team.

Massage chairs and massage devices business

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. The acquired company was a high-technology enterprise in the industry of healthcare. This segment started to generate a small amount of revenue this year. However, in order to focus more on the Group's core business of ceramic sanitary ware products, Group's interest in the said company was fully disposed in year 2019, after which, the said company is no longer a subsidiary of the Company. Please refer to the Group's announcements on 30 August 2020 for details.

PROSPECTS

In terms of own branded products, the Group continuously upgrades and optimises its brand image. The goal is to establish and consolidate a younger, more fashionable, and international brand image, and by keeping abreast of current consumer trends, continuously innovate and expand in the country and increase its sales volume. In the coming year, the Group will continue to upgrade its domestic distribution networks, allowing its own branded products to enter more cities and home furnishing stores. At the same time, it will also focus on developing engineering channels and cooperating with more first-tier real estate developers to keep up with the market trend and demand. In terms of marketing and publicity, its emphasis will be placed on the new media over the internet.

FINANCIAL REVIEW

For the year ended 31 December 2018, revenue of the Group was RMB476.5 million, increased by 3.0% as compared with the year of 2017; gross profit of the Group was RMB44.6 million, decreased by 39.4% as compared with the year of 2017; loss before tax of the Group was RMB396.9 million, while the loss before tax of the Group was RMB357.6 million last year; loss attributable to the owners of the Company amounted to RMB371.5 million, while the loss attributable to the owners of the Company amounted to RMB364.8 million last year.

Revenue

The following table sets out the Group's revenue derived from its different product categories during the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Ceramic sanitary ware products				
One-piece toilets	**66,942**	**14.0**	88,976	19.2
Two-piece toilets (with water tanks)	**260,181**	**54.6**	227,747	49.2
Washbasins and stands	**28,836**	**6.1**	30,166	6.5
Other ceramic products including urinals and bidets	**11,309**	**2.4**	18,078	3.9
Non-ceramic sanitary products	**108,680**	**22.8**	76,874	16.6
Sub-total	**475,948**	**99.9**	441,841	95.4
Massage chairs and massage devices business				
Shoulder massage belts	**425**	**0.1**	4,082	0.9
Massage chairs	**141**	**0.0**	1,767	0.4
Massage cushions (pillows)	**–**	**–**	1,381	0.3
Foot massage machines	**11**	**0.0**	355	0.1
Other massage devices	**–**	**–**	13,276	2.9
Sub-total	**577**	**0.1**	20,861	4.6
Total	**476,525**	**100**	462,702	100

The following tables set out the breakdown of the Group's revenue by sale channels during the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Branded products				
Distributors	**105,740**	**22.3**	119,273	25.8
Direct sales in the PRC	**41,668**	**8.7**	64,443	13.9
Direct sales to overseas customers	**100,198**	**21.0**	25,147	5.4
Sub-total	**247,606**	**52.0**	208,863	45.1
Non-branded products				
ODM	**184,487**	**38.7**	176,145	38.1
OEM	**44,432**	**9.3**	77,694	16.8
Sub-total	**228,919**	**48.0**	253,839	54.9
Total	**476,525**	**100**	462,702	100

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 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
First-tier cities	**6,626**	**6.3**	6,285	5.3
Second-tier cities	**6,031**	**5.7**	5,209	4.4
Third-tier and other cities	**93,083**	**88.0**	107,779	90.3
Total	**105,740**	**100**	119,273	100

Revenue derived from the Group's branded products increased from RMB208.9 million for the year ended 31 December 2017 to RMB247.6 million for the year ended 31 December 2018. The increase 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, intensifying sales channels, re-establishing shop image, stepping up brand promotion and consolidating brand advantage and (ii) advertising and promotion events incurred for the years.

Revenue derived from the Group's ODM and OEM products decreased from RMB253.8 million for the year ended 31 December 2017 to RMB228.9 million for the year ended 31 December 2018. 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 2018 and 2017:

Own branded products

	Year ended 31 December					
	2018			2017		
Products	**Units**	**Average price**	**Revenue**	Units	Average price	Revenue
		RMB	***RMB'000***		*RMB*	*RMB'000*
Two-piece toilets (with water tanks)	**771,953**	**115.3**	**89,024**	488,575	91.9	44,894
One-piece toilets	**120,374**	**439.7**	**52,926**	119,605	601.3	71,923
Washbasins and stands	**244,599**	**99.8**	**24,411**	230,778	109.3	25,229
Other ceramic products (including urinals and bidets)	**103,847**	**75.9**	**7,883**	436,753	21.9	9,564
Non-ceramic sanitary products	**624,202**	**117.5**	**73,334**	391,576	146.2	57,253
Massage chairs	**8**	**3,500**	**28**	–	–	–
Total	**1,864,983**	**132.8**	**247,606**	1,667,287	125.3	208,863

ODM Products

	Year ended 31 December					
	2018			2017		
Products	**Units**	**Average price**	**Revenue**	Units	Average price	Revenue
		RMB	***RMB'000***		*RMB*	*RMB'000*
Two-piece toilets (with water tanks)	**1,078,340**	**133.0**	**143,423**	1,117,018	131.7	147,106
One-piece toilets	**29,336**	**473.3**	**13,886**	9,291	520.5	4,836
Washbasins and stands	**31,769**	**124.4**	**3,951**	37,940	104.4	3,960
Other ceramic products (including urinals and bidets)	**1,565**	**263.3**	**412**	9,505	174.4	1,658
Non-ceramic sanitary products	**358,802**	**63.6**	**22,804**	278,628	63.8	17,789
Massage chairs	**–**	**–**	**–**	51	7,627.5	389
Massage cushions (pillows)	**–**	**–**	**–**	50	20.0	1
Foot massage machines	**24**	**458.3**	**11**	776	457.5	355
Other massage devices	**–**	**–**	**–**	820	62.2	51
Total	**1,499,836**	**123.0**	**184,487**	1,454,079	121.1	176,145

OEM products

	Year Ended 31 December					
	2018			2017		
Products	**Units**	**Average price**	**Revenue**	Units	Average price	Revenue
		RMB	***RMB'000***		*RMB*	*RMB'000*
Two-piece toilets (with water tanks)	**181,787**	**152.6**	**27,734**	292,292	122.3	35,746
One-piece toilets	**277**	**469.3**	**130**	22,745	537.2	12,218
Washbasins and stands	**5,244**	**90.4**	**474**	10,137	96.5	978
Other ceramic products (including urinals and bidets)	**5,171**	**582.9**	**3,014**	13,702	500.4	6,856
Non-ceramic sanitary products	**186,751**	**67.2**	**12,542**	29,390	62.3	1,831
Shoulder massage belts	**2,928**	**145.2**	**425**	29,169	139.9	4,082
Massage chairs	**111**	**1,018.0**	**113**	246	5,601.6	1,378
Massage cushions (pillows)	**–**	**–**	**–**	11,706	117.9	1,380
Other massage devices	**–**	**–**	**–**	17,714,220	0.7	13,225
Total	**382,269**	**116.2**	**44,432**	18,123,607	4.3	77,694

Gross Profit and GP Margin

For the years ended 31 December 2018 and 2017, the Group's gross profit and gross profit margin by business segment was as follows:

	Year Ended 31 December			
	2018		2017	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
Branded products	**21,878**	**8.8**	29,947	14.3
ODM	**13,738**	**7.4**	25,002	14.2
OEM	**8,977**	**20.2**	18,669	24.0
Total	**44,593**	**9.4**	73,618	15.9

Other income and other gains and losses, net

Other income and other gains and losses, net mainly includes government grants, bank investment income, and foreign exchange differences, net, etc. The Group's other income increased from RMB3.5 million for the year ended 31 December 2017 to RMB10.3 million for the year ended 31 December 2018.

Selling and distribution expenses and administrative expenses

Selling and distribution expenses decreased by RMB93.4 million, or 32.6%, from RMB286.9 million for 2017 to RMB193.5 million for 2018. Administrative expenses increased by RMB76.6 million, or 70.0%, from RMB109.4 million for 2017 to RMB186.0 million for 2018. The increase in administrative expenses was mainly attributable to (1) write-down of inventories increased from RMB6 million for 2017 to RMB48.9 million for 2018; and (2) R&D cost increased from RMB6 million for 2017 to RMB21 million for 2018.

Finance costs

Finance costs represent interest expense on bank and other borrowings of the Group. For the year ended 31 December 2018, finance costs increased by RMB32.5million, or 84.6%, from RMB38.4 million for 2017 to RMB70.9 million for 2018. The increase was mainly attributable to the increase in other borrowings and corporate bonds during the period.

Total comprehensive loss for the year

The Group's total comprehensive loss decreased by RMB23.7 million, or 6.3%, from RMB380.1 million for the year ended 31 December 2017 to RMB356.4 million for the year ended 31 December 2018.

Capital structure, liquidity and financial resources

As at 31 December 2018, 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. As at 31 December 2018, all issued shares are registered, fully paid and divided into 1,277,618,220 shares of HK$0.01 each. 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. As at 31 December 2018, neither the Group nor the Company had any significant contingent liabilities. The Group meets its working capital and other capital requirements primarily from net cash generated from its operating activities and borrowings from banks and other institutions. As at 31 December 2018, cash and cash equivalents of the Group amounted to RMB27.0 million, which was mainly denominated in Renminbi and US dollar.

Pledge of assets

As at 31 December 2018, the Group's borrowings have been secured by the followings:

a. mortgages over the Group's land use right situated in Mainland China, which had an aggregate carrying value of approximately RMB10,642,000;

b. mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB51,151,000;

c. mortgages over the Group's pledged bank balances which amounted to approximately RMB12,011,000;

d. guarantee from certain third parties amounted to approximately RMB11,850,000; and

e. trade receivables of the Group amounted to approximately RMB23,270,000.

Capital Expenditures

For the year ended 31 December 2018, the Group has no significant capital expenditures incurred.

Employees

As at 31 December 2018, the Group had about 1,692 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.

Contingent Liabilities

As disclosed in the Company's announcement dated 29 June 2018, the Company received a Notice of Intention dated 22 June 2018 issued by the legal representative of Western Pottery Group, Inc., ("**Western Pottery**"), Western Pottery was a creditor of the Company and intends to appear on the hearing of and support the Petition.

On 20 April 2017, Western Pottery filed a commercial claim and impleader complaint on the Superior Court of the State of California for the County of Los Angeles, against the Company in respect of transactions conducted under certain trade agreement with respect to the production and sales of sanitary ware goods.

The Company received a letter dated 8 August 2018 issued by the legal representative of Western Pottery and became first aware that a judgment has already been entered by the Superior Court of California against the Company in favor of Wester Pottery of approximately US$77,797,000 (the "**Litigation**").

As at 31 December 2018, the amount of compensation and default interest arising from the Litigation amounted to approximately US$81,911,000 (equivalent to approximately RMB542,242,000) ("**Maximum Exposure**").

The Management is currently seeking legal advice in order to make an assessment of a proper compensation to Western Pottery. The Management aimed to reach a consensus with Western Pottery on the final compensation to settle the Litigation.

Up to the date of these consolidated financial statements, no provision for the Litigation was made in the consolidated financial statements as at 1 January 2018 and 31 December 2018 as the Management is of the opinion that:

(i) Even it is probable that an outflow of the embodying economic benefits will be required to settle the obligation, Maximum Exposure is not considered a reliable estimate on the amount of provision to be made; and

(ii) No sufficient evidence is available to reliably estimate the amount of possible outflows of the Group arising from the Litigation.

Dividend

The Board does not recommend any final dividend payment for the year ended 2018 (2017: Nil) to the Shareholders.

Post period-end-day events

The Group's extraordinary general meeting (the "**EGM**") was held on 29 January 2021. At the EGM, the resolutions in relation to the removal of Mr. Zheng Zhihong, Ms. Sun Yumei, Mr. Lam Ying Choi, Donny, Mr. Zhang Shilei as executive directors and Mr. Jiang Guoxiang, Mr. Zhang Shujun and Ms. Xia Zhongping as independent non-executive directors have been approved by poll with effect from the conclusion of the EGM; and the resolutions in relation to the appointments of Mr. Wong Lap Wai and Ms. Wong Yee Ling, Elaine as an executive directors and Mr. Choi Wai Hong, Clifford as an independent non-executive director have been approved by poll with effect from the conclusion of the EGM.

On 26 February 2021, the High Court handed down its decision and dismissed the application for leave to apply for Judicial Review (the "**Decision**") on the delisting decision to cancel the Company's listing. On 3 March 2021, the Stock Exchange issued another letter to the Company advising the Company that the last day of listing of the Shares would be 9 March 2021 and the listing of Shares would be cancelled with effect from 9:00 a.m. on 10 March 2021. The deadline to appeal the Decision is 12 March 2021 and professional advice with regard to the merits of a possible appeal is being obtained.

CORPORATE GOVERNANCE PRACTICES

Since the listing of the Company on the Hong Kong Stock Exchange in July 2012, the Company has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG 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. During the reporting period, the Company appeared to comply, based on the information made available, with the Code Provisions as set out in the Code, except for the following:

– Code Provision A.6.7 of the CG Code – Three Independent non-executive Directors were not present at the annual general meeting of the Company held of 29 June 2018 due to pre-arranged business.

– Section F of the CG Code – Since the Company has no company secretary from August 2018, the Company was unable to comply with relevant Code Provision under Section F.

– Section L of the CG Code – Since the audit committee has not been maintained, the Company was unable to comply with relevant Code Provision sunder Section L.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year ended 31 December 2018, there was no purchase, sale and redemption by the Company or any of its subsidiaries of the Company's listed securities

AUDIT COMMITTEE

The audit committee has not been maintained as required by the Listing Rules and has not reviewed the annual results. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in the shares of the Company on the Stock Exchange.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this announcement.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the website of the Stock Exchange (**www.hkex.com.hk**). The annual report will be despatched to the shareholders of the Company and available on the above website in due course.

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.

By order of the Board
Bolina Holding Co., Ltd.
(In Liquidation)
Wong Lap Wai
Executive Director

Hong Kong, 4 March 2021

As at the date of this announcement, the executive Directors are Mr. Wong Lap Wai and Ms Wong Yee Ling, Elaine; and the independent non-executive Directors is Mr. Choi Wai Hong, Clifford.