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 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 3.0% to RMB490,854,000.
- Net loss decreased by approximately 34.9% to RMB244,149,000.
- Basic loss per share decreased by approximately 34.5% to RMB19 cents.
- No final dividend was recommended for the year ended 31 December 2019.

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 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 *RMB'000*	2018 *RMB'000*
Revenue	5a	**490,854**	476,525
Cost of sales		**(414,738)**	(431,932)
Gross profit		**76,116**	44,593
Other income and other gains or losses, net	5b	**(39,853)**	10,343
Share of loss of an associate		**(1,038)**	(1,477)
Selling and distribution expenses		**(26,235)**	(193,510)
Administrative expenses		**(131,292)**	(186,021)
Loss from operations		**(122,302)**	(326,072)
Finance costs	7	**(119,242)**	(70,860)
Loss before tax	6	**(241,544)**	(396,932)
Income tax (expense)/credit	8	**(2,605)**	21,797
Loss for the year		**(244,149)**	(375,135)
Attributable to:			
Equity shareholders of the Company		**(240,140)**	(371,466)
Non-controlling interests		**(4,009)**	(3,669)
		(244,149)	(375,135)
Loss per share	9		
Basic (RMB cents)		**(RMB19 cents)**	(RMB29 cents)
Diluted (RMB cents)		**(RMB19 cents)**	(RMB29 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(244,149)**	(375,135)
OTHER COMPREHENSIVE (LOSS)/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)	**(52)**	17
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translating of foreign operations	**(2,729)**	18,743
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(2,781)**	18,760
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(246,930)**	(356,375)
Attributable to:		
Equity shareholders of the Company	**(242,921)**	(352,706)
Non-controlling interests	**(4,009)**	(3,669)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(246,930)**	(356,375)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**308,320**	316,744
Land use right		**10,345**	10,642
Right-of-use assets		**128,167**	–
Intangible assets		**485**	281
Interest in an associate		**–**	49,694
Financial assets at fair value through other comprehensive income		**1,930**	1,982
		449,247	379,343
CURRENT ASSETS			
Inventories	10	**207,939**	197,480
Trade receivables	11	**176,814**	197,768
Prepayments, deposits and other receivables	12	**72,544**	61,992
Amount due from an associate		**–**	10,100
Amount due from a related party		**254**	–
Tax recoverable		**1,332**	–
Pledged bank balances		**6,840**	12,011
Cash and cash equivalents		**8,985**	27,006
		474,708	506,357

	Notes	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	13	**109,520**	121,893
Other payables and accruals		**365,256**	283,272
Amounts due to the shareholders		**12,627**	10,407
Amount due to a related party		**–**	1,245
Borrowings		**159,260**	169,720
Corporate bonds	14	**384,223**	303,105
Lease liabilities		**9,503**	–
		1,040,389	889,642
NET CURRENT LIABILITIES		**(565,681)**	(383,285)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(116,434)**	(3,942)
NON-CURRENT LIABILITIES			
Lease liabilities		**131,833**	–
Deferred tax liabilities		**8,299**	5,694
		140,132	5,694
NET LIABILITIES		**(256,566)**	(9,636)
CAPITAL AND RESERVES			
Share capital	15	**10,570**	10,570
Reserves		**(266,685)**	(23,764)
Total equity attributable to shareholders of the Company		**(256,115)**	(13,194)
Non-controlling interests		**(451)**	3,558
TOTAL DEFICIT		**(256,566)**	(9,636)

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 Several 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 RMB240,140,000 for the year ended 31 December 2019, and as of that date, the Group's current liabilities exceeded its current assets by RMB565,681,000 and had net liabilities of RMB256,566,000. 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 2019. 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 Group has consistently adopted the HKFRSs issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2019, except that the Group adopted HKFRS 16 Leases on 1 January 2019 and HKAS 17 Leases for the year ended 31 December 2018.

HKFRS 16 Leases

Contracts that were previously classified as operating leases with lease terms ends within 12 months from the date of initial application are accounted for and disclosed as short-term lease. No adjustments are made on transition for low value leases previously classified as operating leases. A lease liability and a right-of-use asset are recognised at the date of initial application of HKFRS 16 for other contracts previously classified as operating leases.

Adjustments made and the adjusted amounts at the date of initial application are as follows:

	At 31.12.2018, previously reported *RMB'000*	Adoption of HKFRS 16 *RMB'000*	At 1.1.2019 *RMB'000*
Right-of-use assets	–	149,664	149,664
Lease liabilities	–	(149,664)	(149,664)
	–	–	–

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised at 1 January 2019:

	RMB'000
Operating lease commitments at 31 December 2018	189,962
Less: Commitments relating to leases exempt from capitalisation: – short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(48)
	189,914
Less: Total future interest expenses	(40,250)
Total lease liabilities recognised at 1 January 2019	149,664

Lease liabilities at the date of initial application are measured at the present value of the remaining lease payments discounted at the Company's weighted average incremental borrowing rate of ranging from 8.77% to 10.15%. The present value of operating lease commitments as at 31 December 2018 discounted at the Company's incremental borrowing rate has no material difference with the lease liabilities recognised at the date of initial application.

The initial application of other financial reporting standards does not necessitate material changes in the Company's accounting policies and retrospective adjustments of the comparatives presented in these financial statements.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRSs, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs and the revised Conceptual Framework mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRSs

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. 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	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Revenue from external customers	**490,854**	475,948	**–**	577	**490,854**	476,525
Segment results	**(106,354)**	(313,994)	**–**	(4,164)	**(106,354)**	(318,158)
Other income and unallocated gains					**(13,680)**	312
Corporate and other unallocated expenses					**(2,268)**	(8,226)
Finance costs					**(119,242)**	(70,860)
Loss before tax					**(241,544)**	(396,932)
Income tax (expense)/credit					**(2,605)**	21,797
Loss for the year					**(244,149)**	(375,135)

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 2019.

	Sanitary ware *RMB'000*
Segment assets	**887,905**
Reconciliation:	
Corporate and other unallocated assets	**36,050**
Total assets	**923,955**
Segment liabilities	**788,000**
Reconciliation:	
Corporate and other unallocated liabilities	**392,521**
Total liabilities	**1,180,521**

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 2018.

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

(iii) Geographical information

The following tables present the Group's geographical information in terms of revenue for the years ended 31 December 2019 and 2018, and non-current assets as at 31 December 2019 and 2018.

(a) Revenue from external customers

	Sanitary ware		**Massage devices**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
America	**225,517**	302,528	**–**	–	**225,517**	302,528
Mainland China	**239,428**	147,380	**–**	282	**239,428**	147,662
Europe	**15,450**	13,954	**–**	–	**15,450**	13,954
Asia (excluding Mainland China)	**5,317**	5,175	**–**	295	**5,317**	5,470
Others	**5,142**	6,911	**–**	–	**5,142**	6,911
	490,854	475,948	**–**	577	**490,854**	476,525

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 RMB168,645,000 and RMB101,362,000 (2018: two customers amounting to RMB167,811,000 and RMB126,173,000) individually accounted for over 10% of the Group's total revenue.

5. 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 2019 and 2018.

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

(a) Revenue

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at a point in time		
Revenue from the sale of sanitary ware	**490,854**	475,948
Revenue from of massage chairs and massage devices	**–**	577
	490,854	476,525

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

	2019	2018
	RMB'000	*RMB'000*
Government grants *(note)*	**2,342**	1,183
Bank interest income	**103**	224
Foreign exchange differences, net	**(12,890)**	2,740
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
Gain/(loss) on disposal of property, plant and equipment	**1**	(8)
Loss on disposal of an associate	**(29,669)**	–
Reversal of impairment of trade receivables	**–**	5,620
Others	**260**	1,005
Other income and other gains and losses, net	**(39,853)**	10,343

Note: 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 2019 and 31 December 2018.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting) the following:

		2019 *RMB'000*	2018 *RMB'000*
(a)	**Employee benefit expense (including directors' remuneration)**		
	Wages and salaries	**115,480**	131,483
	Pension scheme contributions, social welfare and other welfare	**13,231**	11,975
		128,711	143,458
(b)	**Other items**		
	Cost of inventories sold	**414,738**	431,932
	Depreciation of property, plant and equipment *(note i)*	**35,622**	25,488
	Amortisation of land use right	**297**	297
	Depreciation of right-of-use assets *(note i)*	**21,497**	–
	Amortisation of intangible assets	**74**	68
	Operating lease expenses *(note i)*	**72**	24,504
	Advertisement and promotion expenses	**8,495**	92,030
	Logistics expenses	**7,086**	6,774
	Research and development expenses	**16,527**	20,572
	Loss allowance of trade receivables *(note ii)*	**21,648**	–
	Loss allowance of other receivables *(note iii)*	**2,661**	908
	(Gain)/loss on disposal of items of property, plant and equipment	**(1)**	8
	Write-down of inventories to net realisable value *(note iv)*	**5,493**	48,856
	Auditors' remuneration	**1,063**	1,768
	Subsidise to customers	**–**	71,122

Notes:

(i) The depreciation of property, plant and equipment of RMB29,541,000 (2018: RMB23,000,000), the depreciation of right-of-use assets of RMB18,339,000 (2018: Nil) and the operating lease expenses of Nil (2018: RMB21,440,000) 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.

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**8,720**	9,217
Interest expense on other borrowings wholly repayable within five years	**30,076**	18,239
Interest expense on corporate bonds wholly repayable within five years	**65,619**	43,404
Interest expense on lease liabilities	**14,827**	–
	119,242	70,860

8. INCOME TAX EXPENSE/(CREDIT)

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

	2019	2018
	RMB'000	*RMB'000*
Over-provision in prior years	**–**	(2,531)
Deferred tax	**2,605**	(19,266)
	2,605	(21,797)

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% during the year ended 31 December 2019 (2018: 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 2019 (2018: 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.

9. 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 2019 is based on the loss for the year attributable to the ordinary equity holders of the Company of RMB240,140,000 (2018: RMB371,466,000) and the weighted average number of ordinary shares of 1,277,618,220 (2018: 1,277,618,220) during the year.

For the year ended 31 December 2019 and 2018, the computation of diluted loss per share does not assume the conversion of the Company's share options outstanding since their exercise would result in a decrease in loss per share.

10. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**36,107**	37,800
Accessories	**17,593**	9,395
Work in progress	**65,539**	62,080
Finished goods	**86,139**	82,231
Wrappage	**2,561**	5,974
	207,939	197,480

11. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade debtors – Note	**219,721**	219,027
Impairment	**(42,907)**	(21,259)
	176,814	197,768

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:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**71,314**	100,017
More than 3 months but less than 1 year	**76,702**	46,592
Over 1 year	**28,798**	51,159
	176,814	197,768

Note: Included in the above balances, trade receivables of approximately RMB17,014,000 (2018: RMB24,537,000) 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 RMB16,160,000 (2018: RMB23,270,000) was recognised as borrowings from banks.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Prepayments and deposits to suppliers	**18,693**	35,054
Advances	**53,330**	19,140
Others	**8,240**	12,856
	80,263	67,050
Impairment on other receivables	**(7,719)**	(5,058)
	72,544	61,992

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

	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 and 1.1.2019	**908**	**–**	**4,150**	**5,058**
Impairment loss recognised	**2,661**	**–**	**–**	**2,661**
At 31.12 2019	**3,569**	**–**	**4,150**	**7,719**

13. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**100,006**	104,934
Bills payables	**9,514**	16,959
	109,520	121,893

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:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**54,106**	61,673
3 to 6 months	**10,315**	18,354
6 to 12 months	**25,318**	9,254
Over 12 months	**19,781**	32,612
	109,520	121,893

14. CORPORATE BONDS

	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**303,105**	264,846
Interest	**65,619**	43,404
Interest paid	**–**	(4,241)
Exchange realignment	**15,499**	(904)
At end of the year	**384,223**	303,105
Less: Current position	**384,223**	303,105
Non-current position	**–**	–

15. SHARE CAPITAL

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares	Nominal value of ordinary shares
		HK$'000	*RMB'000*
Authorised			
As at 31 December 2019	2,000,000,000	20,000	16,612

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares	Shares premium
		RMB'000	*RMB'000*
Issued and fully paid			
As at 31 December 2019	1,277,618,220	10,570	398,179

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The Company's auditor has issued the disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2019, an extract of which is as follows:

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 2019, 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.

1. Material uncertainty related to going concern basis

As at 31 December 2019, 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 RMB240,140,000 for the year ended 31 December 2019. As at 31 December 2019, the Group had net current liabilities of RMB565,681,000 and net liabilities of RMB256,566,000.

(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 2019, the maximum exposure of the Group arising from the Litigation amounted to approximately US$81,911,000 (equivalent to approximately RMB565,988,000) (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 31 December 2018 and 2019, the Group had trade receivables due from the Plaintiff of approximately RMB25,700,000 and RMB26,680,000 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 years ended 31 December 2018 and 2019.

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 31 December 2018 and 2019. 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 liabilities and expected credit loss allowance on trade receivables due from the Plaintiff as at 31 December 2018 and 2019 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 opening balances and corresponding figures

The following matters were included in the limitations in evidence as set out in the Basis for disclaimer of opinion 2018.

(i) Prepayments to distributors and advertising expenses

As at 31 December 2016 and 2017, the Company's wholly-owned subsidiary, Zhangzhou Wanjia Ceramic Industry Co., Ltd. ("**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.

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.

(ii) ***Corporate bonds***

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 was unable to provide us sufficient information to ascertain the accuracy of 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.

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 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 year ended 31 December 2018.

(iii) ***Other payables***

The Management was unable to provide us sufficient underlying supporting documents in relation to certain other payables, amounting to approximately RMB20,726,000 and approximately RMB21,727,000 as at 31 December 2018 and 31 December 2019 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 RMB20,726,000 and approximately RMB21,727,000 as at 31 December 2018 and 31 December 2019 respectively as included in the consolidated statement of financial position.

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 other payables as at 31 December 2018 and 31 December 2019, and of the loss for the year then ended.

3. 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**"). 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.

During the year ended 31 December 2019, the Group disposed all the remaining equity interests of 36% in Xiamen Mas-Agee. As at 31 December 2018 and 2019, the Group had receivables due from Xiamen Mas-Agee of approximately RMB10,100,000 and RMB10,858,000 respectively.

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 years ended 31 December 2018 and 2019, 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.

We were unable to obtain relevant financial and other information of Xiamen Mas-Agee which we considered necessary and 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 for the year ended 31 December 2018, the carrying amounts of amount due from an associate as at 31 December 2018, amount due from a former associate included in "Other receivables" as at 31 December 2019, the related expected credit loss allowances as at 31 December 2018 and 2019, interest in an associate as at 31 December 2018 and derecognition of contingent consideration receivable during the year ended 31 December 2018, share of an associate's profit or loss for the years ended 31 December 2018 and 2019 and the gain on disposal of the associate for the year ended 31 December 2019.

Any adjustments found to be necessary in respect of the figures as described above might have a consequential effect on the interest in an associate, amount due from Xiamen Mas-Agee as at 1 January 2018, 31 December 2018 and 31 December 2019 and its related expected credit loss allowance, the Group's financial performance and the cash flows for the years ended 31 December 2018 and 2019 reported in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows.

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

During the year ended 31 December 2019, 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	17,455
Purchases from Customer A	86,867

The Group commenced business with Customer A from year 2013. During the year ended 31 December 2019, Customer A was one of the major customers and suppliers of the Group. As at 31 December 2019, the Group had the following balances with Customer A:

	RMB'000
Trade payables	21,995
Other receivables	53,330
Other payables	17,841

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 Manager of a new production line of bathroom cabinets of Zhangzhou Wanhui Sanitary Ware Co., Ltd. ("**Wanhui**") for the year ended 31 December 2019.

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 2019.

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 2018 and 2019.

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. In 2019, the Group attained revenue of RMB490.9 million, which increased approximately 3% from that of RMB476.5 million in 2018. Loss for the year attributable to the equity holders of the Company decreased to RMB240.1 million, mainly due to (1) the increase in the revenue and gross profit; and (2) the decrease in the selling and marketing expenses and administrative expenses.

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 2019, the Group's sales volume was approximately 3.9 million units, which increased by 0.3 million units, or 8.3% compared to 3.6 million units from 2018.

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. However, in order to focus more on the Group's core business of ceramic sanitary ware products, the 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. The massage chair and massage devices business therefore had no revenue for the year ended 31 December 2019.

PROSPECTS

In terms of its own branded products, the Group continues to enhance the image of international brand image so as to consolidate the youth market. At the same time, the mainland real estate market continues to develop steadily. The Group will strive to negotiate cooperation development opportunities with first-tier real estate developers in the mainland. The goal is to contract the supply of sanitary equipment for new real estate projects in order to boost the Group's product sales. In addition, the promotion of new internet media channels will be emphasized.

In the face of global uncertainties, the company will always remain vigilant and adjust its market strategy in response to the market environment.

FINANCIAL REVIEW

For the year ended 31 December 2019, revenue of the Group was RMB490.9 million, increased by 3.0% as compared with the year of 2018; gross profit of the Group was RMB76.1 million, increased by 70.7% as compared with the year of 2018; loss before tax of the Group was RMB241.5 million, while the loss before tax of the Group was RMB396.9 million for the year of 2018; loss attributable to the owners of the Company amounted to RMB240.1 million, while the loss attributable to the owners of the Company amounted to RMB371.5 million for the year of 2018.

Revenue

The following table sets out the Group's revenue derived from its different product categories during the years ended 31 December 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Ceramic sanitary ware products				
One-piece toilets	**64,328**	**13.1**	66,942	14.0
Two-piece toilets (with water tanks)	**293,299**	**59.8**	260,181	54.6
Washbasins and stands	**24,947**	**5.1**	28,836	6.1
Other ceramic products including urinals and bidets	**13,418**	**2.7**	11,309	2.4
Non-ceramic sanitary products	**94,862**	**19.3**	108,680	22.8
Sub-total	**490,854**	**100.0**	475,948	99.9
Massage chairs and massage devices business				
Shoulder massage belts	**–**	**–**	425	0.1
Massage chairs	**–**	**–**	141	0.0
Massage cushions (pillows)	**–**	**–**	–	–
Foot massage machines	**–**	**–**	11	0.0
Other massage devices	**–**	**–**	–	–
Sub-total	**–**	**–**	577	0.1
Total	**490,854**	**100**	476,525	100

The following tables set out the breakdown of the Group's revenue by sale channels during the years ended 31 December 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Branded products				
Distributors	**188,838**	**38.5**	105,740	22.3
Direct sales in the PRC	**50,590**	**10.3**	41,668	8.7
Direct sales to overseas customers	**8,372**	**1.7**	100,198	21.0
Sub-total	**247,800**	**50.5**	247,606	52.0
Non-branded products				
ODM	**162,262**	**33.0**	184,487	38.7
OEM	**80,792**	**16.5**	44,432	9.3
Sub-total	**243,054**	**49.5**	228,919	48.0
Total	**490,854**	**100**	476,525	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 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
First-tier cities	**10,190**	**5.4**	6,626	6.3
Second-tier cities	**11,748**	**6.2**	6,031	5.7
Third-tier and other cities	**166,900**	**88.4**	93,083	88.0
Total	**188,838**	**100**	105,740	100

Revenue derived from the Group's branded products increased from RMB247.6 million for the year ended 31 December 2018 to RMB247.8 million for the year ended 31 December 2019. 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 increased from RMB228.9 million for the year ended 31 December 2018 to RMB243.1 million for the year ended 31 December 2019 due to the increase of export sales.

The following tables set out breakdown of the Group's revenue by product category and by business segment during the years ended 31 December 2019 and 2018:

Own branded products

	Year ended 31 December					
	2019			2018		
Products	**Units**	**Average price** *RMB*	**Revenue** *RMB'000*	Units	Average price *RMB*	Revenue *RMB'000*
Two-piece toilets (with water tanks)	**862,429**	**118.6**	**102,316**	771,953	115.3	89,024
One-piece toilets	**111,041**	**467.0**	**51,859**	120,374	439.7	52,926
Washbasins and stands	**191,458**	**112.7**	**21,570**	244,599	99.8	24,411
Other ceramic products (including urinals and bidets)	**90,431**	**93.2**	**8,424**	103,847	75.9	7,883
Non-ceramic sanitary products	**820,490**	**77.6**	**63,631**	624,202	117.5	73,334
Massage chairs	**–**	**–**	**–**	8	3,500	28
Total	**2,075,849**	**119.4**	**247,800**	1,864,983	132.8	247,606

ODM Products

Products	Units	Average price	Revenue	Units	Average price	Revenue
	Year ended 31 December					
	2019			2018		
		RMB	*RMB'000*		*RMB*	*RMB'000*
Two-piece toilets (with water tanks)	**1,090,873**	**134.4**	**146,616**	1,078,340	133.0	143,423
One-piece toilets	**25,251**	**492.3**	**12,430**	29,336	473.3	13,886
Washbasins and stands	**20,284**	**138.0**	**2,800**	31,769	124.4	3,951
Other ceramic products (including urinals and bidets)	**480**	**268.8**	**129**	1,565	263.3	412
Non-ceramic sanitary products	**3,774**	**76.0**	**287**	358,802	63.6	22,804
Foot massage machines	**–**	**–**	**–**	24	458.3	11
Total	**1,140,662**	**142.3**	**162,262**	1,499,836	123.0	184,487

OEM products

Products	Units	Average price	Revenue	Units	Average price	Revenue
	Year Ended 31 December					
	2019			2018		
		RMB	*RMB'000*		*RMB*	*RMB'000*
Two-piece toilets (with water tanks)	**251,039**	**176.7**	**44,368**	181,787	152.6	27,734
One-piece toilets	**98**	**398.0**	**39**	277	469.3	130
Washbasins and stands	**6,430**	**89.9**	**578**	5,244	90.4	474
Other ceramic products (including urinals and bidets)	**8,321**	**584.7**	**4,865**	5,171	582.9	3,014
Non-ceramic sanitary products	**461,805**	**67.0**	**30,942**	186,751	67.2	12,542
Shoulder massage belts	**–**	**–**	**–**	2,928	145.2	425
Massage chairs	**–**	**–**	**–**	111	1,018.0	113
Total	**727,693**	**111.0**	**80,792**	382,269	116.2	44,432

Gross Profit and GP Margin

Gross profit increased by RMB31.5million, or 70.6%, from RMB44.6 million for 2018 to RMB76.1 million for 2019. Overall gross profit margin increased from 9.4% for 2018 to 15.5% for 2019.

For the years ended 31 December 2019 and 2018, the Group's gross profit and gross profit margin by business segment was as follows:

	Year Ended 31 December			
	2019		2018	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	**%**	*RMB'000*	%
Branded products	**39,781**	**16.1**	21,878	8.8
ODM	**13,726**	**8.5**	13,738	7.4
OEM	**22,609**	**28.0**	8,977	20.2
Total	**76,116**	**15.5**	44,593	9.4

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 was RMB10.3 million for the year ended 31 December 2018; the Group's other losses for the year ended 31 December 2019 were RMB39.9 million. Such change was mainly attributable to the loss from the foreign exchange differences.

Selling and distribution expenses and administrative expenses

Selling and distribution expenses decreased by RMB167.3 million, or 86.5%, from RMB193.5 million for 2018 to RMB26.2 million for 2019. Administrative expenses decreased by RMB54.7 million, or 29.4%, from RMB186.0 million for 2018 to RMB131.3 million for 2019. The decrease in administrative expenses was mainly attributable to (1) write-down of inventories decrease from RMB48.9 million for 2018 to RMB5 million for 2019; and (2) R&D cost decreased from RMB21 million for 2018 to RMB17 million for 2019.

Finance costs

Finance costs represent interest expense on bank and other borrowings of the Group. For the year ended 31 December 2019, finance costs increased by RMB48.3 million, or 68.1%, from RMB70.9 million for 2018 to RMB119.2 million for 2019. The increase was mainly attributable to the increase in other borrowings, corporate bonds and lease liabilities during the period.

Total comprehensive loss for the year

For the year ended 31 December 2019, the Group's total comprehensive loss decreased RMB109.5 million, or 30.7%, from RMB356.4 million for the year ended 31 December 2018 to RMB246.9 million.

Capital structure, liquidity and financial resources

As at 31 December 2019, 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 2019, 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 2019, 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 2019, cash and cash equivalents of the Group amounted to RMB9.0 million, which was mainly denominated in Renminbi and US dollar.

Pledge of assets

As at 31 December 2019, 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 RMB10,345,000;

b. mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB47,407,000;

c. mortgages over the Group's pledged bank balances which amounted to approximately RMB6,840,000; and

d. trade receivables of the Group amounted to approximately RMB16,160,000.

Foreign exchange exposure

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 year ended 31 December 2019, the Group did not enter into any derivative contract to hedge against fluctuations in the foreign currency.

Capital Expenditures

For the year ended 31 December 2019, the Group has no significant capital expenditures incurred.

Employees

As at 31 December 2019, the Group had about 1,632 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 2019, the amount of compensation and default interest arising from the Litigation amounted to approximately US$81,911,000 (equivalent to approximately RMB565,988,000) ("**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 these consolidated financial statements as at 31 December 2019 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 2019 (2018: 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 – During the year ended 31 December 2019, no annual general meeting of the Company was held.

– 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 2019, 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 2019 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 2019. 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.