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Bolina

BOLINA HOLDING CO., LTD.

航標控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1190)

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2)
RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE;
(II) CHANGE OF BOARD LOT SIZE;
AND
(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

Underwriter to the Rights Issue



PROPOSED RIGHTS ISSUE

The Board proposes to raise gross proceeds of not less than approximately HK\$217.20 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than approximately HK\$217.44 million before expenses (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the outstanding Share Options in full on or before the Record Date), by way of allotment and issue of not less than 2,555,236,440 Rights Shares and not more than 2,558,136,440 Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.0850 per Rights Share.

The Company will provisionally allot to the Qualifying Shareholders two (2) Rights Shares in nil-paid form for every one (1) Share in issue and held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

Details of the intended use of proceeds of the Rights Issue are set out in the section headed “Reasons for the Rights Issue and Use of proceeds” of this announcement.

THE UNDERWRITING AGREEMENT

The Rights Issue is fully underwritten by the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite not less than 2,555,236,440 Rights Shares and not more than 2,558,136,440 Rights Shares, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

CHANGE OF BOARD LOT SIZE

The Board proposed that, the board lot size of the Shares for trading on the Stock Exchange would be changed from 2,000 Shares to 40,000 Shares with effect from Friday, 6 April 2018. In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposed to increase the Company’s authorised share capital from HK\$20,000,000 divided into 2,000,000,000 Shares to HK\$80,000,000 divided into 8,000,000,000 Shares by the creation of an additional 6,000,000,000 unissued Shares. The Proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company has no controlling Shareholder. The Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6)(a) of the Listing Rules.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve (i) the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder; and (ii) the Proposed Increase in Authorised Share Capital. A Circular containing, among other things, (i) further details of the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) further details of the Proposed Increase in Authorised Share Capital; and (v) a notice convening the EGM, will be despatched to the Shareholders on or before Thursday, 1 February 2018.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, the PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on or before Friday, 9 March 2018. The Prospectus will be despatched to the Excluded Shareholders for information only.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Rescission and Termination of the Underwriting Agreement”). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares between the date of this announcement and the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

PROPOSED RIGHTS ISSUE

The Board proposes to raise gross proceeds of not less than approximately HK\$217.20 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than approximately HK\$217.44 million before expenses (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the outstanding Share Options in full on or before the Record Date), by way of allotment and issue of not less than 2,555,236,440 Rights Shares and not more than 2,558,136,440 Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.0850 per Rights Share.

Issue statistics

Basis of the Rights Issue	:	two (2) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.0850 per Rights Share
Number of Shares in issue as at the date of this announcement	:	1,277,618,220 Shares

Number of Rights Shares	:	not less than 2,555,236,440 Shares (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than 2,558,136,440 Shares (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the outstanding Share Options in full on or before the Record Date)
Number of issued Shares upon completion of the Rights Issue	:	not less than 3,832,854,660 Shares and not more than 3,837,204,660 Shares
Amount to be raised before expenses	:	not less than HK\$217.20 million and not more than HK\$217.44 million

As at the date of this announcement, the Company has 1,450,000 outstanding Share Options, which entitle the Share Options holders to convert into 1,450,000 Option Shares. Save for the aforesaid Share Options, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, the aggregate number of Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 200.00% of the total number of Shares in issue as at the date of this announcement and will represent approximately 66.67% of the Shares in issue as enlarged by the Rights Issue.

Assuming all the outstanding Share Options being exercised in full and Option Shares have been issued pursuant thereto on or before the Record Date, and no other Shares are issued or repurchased on or before the Record Date, the aggregate number of Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 200.23% of the total number of Shares in issue as at the date of this announcement and will represent approximately 66.67% of the Shares in issue as enlarged by the Rights Issue.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.0850 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and/or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (1) a discount of approximately 24.78% to the closing price of HK\$0.1130 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 9.89% to the theoretical ex-rights price of approximately HK\$0.0943 per Share based on the closing price of HK\$0.1130 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (3) a discount of approximately 24.38% to the average closing price of approximately HK\$0.1124 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (4) a discount of approximately 25.96% to the average closing price of approximately HK\$0.1148 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions and the funding needs of the Group. Taking into account of the reasons for the Right Issue and the use of proceeds (details of which are set out in the section headed "Reasons for the Rights Issue and Use of Proceeds" in this announcement), the Directors (excluding the independent non-executive Directors who will form their views after reviewing and considering the advice from the Independent Financial Adviser) consider the terms of the Rights Issue, including the Subscription Price which has been set at a reasonable discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.0824.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the branch share registrar of the Company at Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. Wednesday, 28 February 2018.

Closure of register of members

The register of members of the Company will be closed from Thursday, 1 March 2018 to Wednesday, 7 March 2018 (both days inclusive) for determining entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Acceptance of all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in that place(s), the Rights Issue will not be extended to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue to be despatched to the Qualifying Shareholders on the Posting Date.

The Company will send the Prospectus to the Excluded Shareholders for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted in nil-paid form to the Excluded Shareholders to a nominee of the Company which shall arrange for the sale of such nil-paid rights as soon as practicable after the commencement of dealings on the Stock Exchange in Rights Shares in nil-paid form if a premium can be obtained. To the extent that such rights can be so sold, the nominee shall thereafter account to the Company for the net proceeds of sale (after deducting the expenses of sale if any), which shall be distributed by the Company in Hong Kong dollars to the Excluded Shareholders pro rata provided that rounded down amounts of less than HK\$100 shall not be so distributed but shall be retained for the benefit of the Company.

As at the date of this announcement, there are nine Overseas Shareholders.

Overseas Shareholder(s) should note that he/she/it/they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholder(s) should exercise caution when dealing in the securities of the Company.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Wednesday, 4 April 2018 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares, if the Rights Issue is terminated, are expected to be posted on Wednesday, 4 April 2018 by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for:

- (i) any unsold entitlement of the Excluded Shareholders; and
- (ii) any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the branch share registrar of the Company at Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 23 March 2018.

The Directors will, upon consultation with the Underwriter, allocate the excess Rights Shares at their discretion on a fair and equitable basis on the principle that any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis (without involving allocation of any fractional Rights Share) by reference to the number of the excess Rights Shares applied for, but no reference will be made to the number of Rights Shares applied for under PALs or the existing number of Shares held by such Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAFs. No preference will be given to applications made for topping-up odd lots to whole board lots.

Shareholders with their Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

For the investor whose Shares are held by a nominee (or CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the branch share registrar of the Company at Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. Wednesday, 28 February 2018.

Fractions of Rights Shares

On the basis of two (2) Rights Shares for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of Rights Shares arising from the Rights Issue (if any), the Company will arrange odd lot matching services for the sale and purchase of odd lots of Rights Shares at the relevant market price per Rights Share, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Rights Shares to make up a full board lot, or to dispose of their holding of odd lots of the Rights Shares. Further details in respect of the odd lots arrangement will be set out in the Prospectus.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

THE UNDERWRITING AGREEMENT

On 23 January 2018 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement pursuant to which amongst others, the Underwriter has conditionally agreed to fully underwrite not less than 2,555,236,440 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than 2,558,136,440 Rights Shares (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the outstanding Share Options in full on or before the Record Date).

Date	:	23 January 2018
Issuer	:	The Company
Underwriter	:	The Underwriter
Number of Underwritten Shares	:	not less than 2,555,236,440 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than 2,558,136,440 Rights Shares (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the outstanding Share Options in full on or before the Record Date)
Underwriting commission	:	2.5% of the total Subscription Price on the final number of Underwritten Shares on the Record Date

As at the date of this announcement, the Underwriter does not hold any Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

The terms of the Underwriting Agreement (including the underwriting commission) were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition.

Under the Underwriting Agreement, if the conditions of the Rights Issue are fulfilled on or before the Latest Time for Acceptance (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and in the event that by the Latest Time for Acceptance there are any Untaken Shares, the Company shall as soon as practicable thereafter notify or procure the Registrar on behalf of the Company to notify the Underwriter in writing of the number of Rights Shares not taken up. Pursuant to the Underwriting Agreement, when the Underwriter is being called upon to subscribe for or procure subscription for the Untaken Shares:

- (1) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it in the Company to be 29.9% or more of the then issued share capital of the Company;

- (2) the Underwriter shall ensure that none of the subscribers of the Untaken Shares will become a substantial Shareholder (as defined under the Listing Rules) as a result of such subscription and such subscriber, together with parties acting in concert with it, shall not be holding 29.9% or more of the issued share capital of the Company upon the allotment and issue of the Rights Shares;
- (3) the Underwriter shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) shall be third party independent of, not acting in concert with and not connected with any connected person of the Company and their respective associates and close associates;
- (4) the Underwriter shall procure the sub-underwriter(s) to procure independent subscribers to take such number of Underwritten Shares as necessary to ensure sufficient public float be maintained upon the allotment and issue of the Rights Shares in compliance with Rule 8.08 of the Listing Rules; and
- (5) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon the allotment and issue of the Rights Shares solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules.

The Directors (other than the independent non-executive Directors whose view will be formed after considering the opinion of the Independent Financial Adviser regarding the Rights Issue) consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Rescission and termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature (whether or not ejusdem generic with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole; or

- (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (d) the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 20 consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus in connection with the Rights Issue when published contain information (either as to the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to apply for its provisional allotment of Rights Shares under the Rights Issue,

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement. In any event, the Underwriter reserves the right to, at its sole discretion, terminate the Underwriting Agreement prior to the Latest Time for Termination.

Pursuant to the Underwriting Agreement, the Underwriter shall be entitled by notice in writing to the Company served prior to the Latest Time for Termination to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings of the Company contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties or undertakings by the Company contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter.

In the event the Underwriter exercises its rights to terminate or rescind the Underwriting Agreement as described above, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (1) the passing by the Independent Shareholders at the EGM of an ordinary resolution to approve the Rights Issue by no later than the Posting Date;
- (2) the passing by the Shareholders at the EGM of an ordinary resolution to approve the Proposed Increase in Authorised Share Capital by no later than the Posting Date;
- (3) the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Posting Date and the Stock Exchange not having withdrawn or revoked such listings and permission on or before the Latest Time for Termination;
- (4) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) by no later than the Posting Date;
- (5) the posting of the Prospectus Documents to Qualifying Shareholders by the Posting Date;
- (6) the compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement by the Latest Time for Termination; and
- (7) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms of the Underwriting Agreement on or before the Latest Time for Termination.

None of the parties to the Underwriting Agreement may waive any of the above conditions precedent other than condition precedent (6) above. The Underwriter may waive condition precedent (6) above in whole or in part by written notice to the Company.

If the above conditions are not satisfied and/or waived in whole or in part by the respective dates set out above (or such other time and/or dates as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and (save in respect of any provisions relating to, among other matters, fees and expenses, confidentiality, indemnity, notices and governing law and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed.

As at the date of this announcement, none of the conditions precedent has been fulfilled.

Undertaking given by the Company

The Company has undertaken in the Underwriting Agreement that the Company shall not issue any Shares (other than pursuant to exercise of the outstanding Share Options) from the date of the Underwriting Agreement up to and including the Latest Time for Acceptance.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	Expected Time and Date 2018
Expected date of despatch of circular with the EGM notice and proxy forms	Thursday, 1 February
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Wednesday, 14 February
Register of members closed (both dates inclusive)	Thursday, 15 February to Friday, 23 February
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Wednesday, 21 February
Record date for attendance and voting at the EGM	Friday, 23 February
Expected date and time of the EGM.	11:00 a.m. on Friday, 23 February
Announcement of the poll results of the EGM	Friday, 23 February
Last day of dealings in the Shares on cum-rights basis	Monday, 26 February
First day of dealings in the Shares on ex-rights basis.	Tuesday, 27 February
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue.	4:30 p.m. on Wednesday, 28 February
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive).	Thursday, 1 March to Wednesday, 7 March
Record Date for the Rights Issue	Wednesday, 7 March
Register of members re-opens	Thursday, 8 March
Despatch of Prospectus Documents (including PAL and EAF).	Friday, 9 March
First day of dealings in nil-paid Rights Shares.	9:00 a.m. on Tuesday, 13 March

Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Thursday, 15 March
Last day and time of dealings in nil-paid Rights Shares.	4:00 p.m. on Tuesday, 20 March
Latest time for acceptance of and payment for the Rights Shares and application for excess Rights Issue	4:00 p.m. on Friday, 23 March
Latest time for termination of the Underwriting Agreement.	4:00 p.m. on Monday, 26 March
Announcement of allotment results of the Rights Issue	Tuesday, 3 April
Despatch of share certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful applications for excess Rights Shares	Wednesday, 4 April
Effective date of change of board lot size from 2,000 Shares to 40,000 Shares	Friday, 6 April
Expected first day of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 6 April
Designated broker starts to stand in the market to provide matching services for sale and purchase of odd lots of Shares.	9:00 a.m. on Friday, 6 April
Last day for designated broker to provide matching services for sale and purchase of odd lots of Shares.	4:00 p.m. on Thursday, 26 April

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate in accordance with the Listing Rules.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following tables set out the possible changes in the shareholding structure of the Company arising from the Rights Issue which is for illustrative purpose only:

Scenario 1

As at the date of this announcement, the Company has 1,277,618,220 Shares in issue. Assuming no new Share is issued or repurchased on or before the Record date, set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Rights Issue, assuming no further issue of new Shares or repurchase of Shares up to completion of the Rights Issue:

	As at the date of this announcement		Immediately after completion of the Rights Issue			
	<i>Number of Shares</i>	<i>Approximate %</i>	Assuming all Shareholders have taken up all the Rights Shares		Assuming no Shareholders has taken up the Rights Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Business Century Investments Limited (<i>Note 1</i>)	143,624,020	11.24%	430,872,060	11.24%	143,624,020	3.75%
Grand York Holdings Limited (<i>Note 2</i>)	102,700,000	8.04%	308,100,000	8.04%	102,700,000	2.68%
Mr. Zheng Zhihong	4,614,000	0.36%	13,842,000	0.36%	4,614,000	0.12%
Public						
The Underwriter	–	–	–	–	2,555,236,440	66.67%
Other public shareholders	1,026,680,200	80.36%	3,080,040,600	80.36%	1,026,680,200	26.78%
	<u>1,277,618,220</u>	<u>100%</u>	<u>3,832,854,660</u>	<u>100%</u>	<u>3,832,854,660</u>	<u>100%</u>

Scenario 2

Assuming all outstanding Share Options are exercised and all Option Shares are allotted and issued on or before the Record Date, and no further issue of new Shares or repurchase of Shares up to completion of the Rights Issue save for the Rights Shares and Option Shares:

	As at the date of this announcement		Immediately after completion of the Rights Issue			
	<i>Number of Shares</i>	<i>Approximate %</i>	Assuming all Shareholders have taken up all the Rights Shares		Assuming no Shareholders has taken up the Rights Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Business Century Investments Limited (<i>Note 1</i>)	143,624,020	11.23%	430,872,060	11.23%	143,624,020	3.74%
Grand York Holdings Limited (<i>Note 2</i>)	102,700,000	8.03%	308,100,000	8.03%	102,700,000	2.68%
Mr. Zheng Zhihong (<i>Note 3</i>)	4,614,000	0.36%	13,842,000	0.36%	4,614,000	0.12%
Public						
The Underwriter	–	–	–	–	2,558,136,440	66.67%
Other public shareholders and holders of the outstanding Option Shares	1,028,130,200	80.38%	3,084,390,600	80.38%	1,028,130,200	26.79%
	<u>1,279,068,220</u>	<u>100%</u>	<u>3,837,204,660</u>	<u>100%</u>	<u>3,837,204,660</u>	<u>100%</u>

Notes:

- (1) Those 143,624,020 Shares are held by Business Century Investments Limited, in which Ms. Xie Guilin (“Ms. Xie”) is the controlling shareholder of Business Century Investments Limited. Accordingly, Ms. Xie is deemed to be interested in those 143,624,020 Shares for the purpose of the SFO.
- (2) Those 102,700,000 Shares are held by Grand York Holdings Limited, in which Ms. Xiao Xiuyu (“Ms. Xiao”) is the controlling shareholder of Grand York Holdings Limited. Accordingly, Ms. Xiao is deemed to be interested in those 102,700,000 Shares for the purpose of the SFO. Ms. Xiao is the sister of Mr. Xiao Zhiyong (“Mr. Xiao”). Mr. Xiao was the former chairman of the Board, executive Director and chief executive officer of the Company. He has resigned with effect from 17 February 2017 due to other business engagements which require more of his dedication (for details of the resignation of Mr. Xiao, please refer to the announcement of the Company dated 20 February 2017).
- (3) Those 4,614,000 Shares are personally held by Mr. Zheng Zhihong (“Mr. Zheng”), who is the chairman of the Board and an executive Director of the Company.
- (4) Pursuant to the Underwriting Agreement, when the Underwriter is being called upon to subscribe for or procure subscription for the Untaken Shares:
 - (a) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it in the Company to be 29.9% or more of the then issued share capital of the Company;
 - (b) the Underwriter shall ensure that none of the subscribers of the Untaken Shares will become a substantial Shareholder as a result of such subscription and such subscriber, together with parties acting in concert with it, shall not be holding 29.9% or more of the issued share capital of the Company upon the allotment and issue of the Rights Shares;
 - (c) the Underwriter shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriter), shall be third party independent of, not acting in concert with and not connected with any connected person of the Company and their respective associates and close associates; and
 - (d) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon the allotment and issue of the Rights Shares solely because of the Underwriter’s performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules.

As at the date of this announcement, the existing public Shareholders hold approximately 80.36% of the entire issued share capital of the Company. Upon completion of the Rights Issue, if (i) assuming no new Share is issued or repurchased on or before the Record Date and none of the Rights Shares are subscribed by the Qualifying Shareholders, the existing public Shareholders will hold approximately 26.78% of the entire enlarged issued share capital of the Company; and (ii) assuming all outstanding Share Options are exercised and all Option Shares are allotted and issued on or before the Record Date, no further issue of new Shares or repurchase of Shares up to completion of the Rights Issue, and none of the Rights Shares are subscribed by the Qualifying Shareholders, the existing public Shareholders will hold approximately 26.79% of the entire enlarged issued share capital of the Company. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 66.67%, while the dilution impact is approximately 16.52%.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal business activities of the Group are investment holding along with manufacturing and selling of sanitary ware and accessories. 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 original design manufacturing and original equipment manufacturing products for international well-known brands.

The Group has issued certain unsecured corporate bonds (the “Corporate Bonds”) in previous years. For details of the issuance of the corporate bonds, please refer to the announcements dated 15 December 2015 and 8 January 2016.

One of the Corporate Bonds with principal amount of HK\$152 million (the “1st Bonds”) had already been due on 27 December 2017 and had yet to be settled as at the date of this announcement. In attempt to extend the maturity date of the 1st Bonds, the Company has previously negotiated with PC Securities Limited, the placing agent (the “Placing Agent”) of the 1st Bonds on the terms and conditions; however, no mutual agreement had been reached.

On 3 January 2018, the Company received a statutory demand (the “Statutory Demand”) dated 29 December 2017 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 3 January 2018, the Company also received a notice from the legal representative of the Placing Agent in respect of the corporate bonds issued by the Company with principal amount of HK\$142.3 million due on 28 January 2019 (the “2nd Bonds”), to demand that the 2nd Bonds are immediately due and repayable due to the Company failing to settle the 1st Bonds. For details of the Statutory Demand and the notice relating to the 2nd Bonds, please refer to the announcement of the Company dated 3 January 2018.

According to the unaudited management accounts of the Company, the Group’s cash and cash equivalent balances as at 31 December 2017 was approximately RMB112.39 million (equivalent to approximately HK\$136.52 million). Most of the cash and cash equivalent balances (approximately RMB111.39 million) remains in the bank accounts of subsidiaries of the Group in the PRC. The balances are principally intended to be used to strengthen the existing manufacturing facilities and serve as general operating funds of the Group’s operation in the PRC.

In recent years, the government of the PRC has emphasised the importance of environment protection in the PRC, and has reinforced the implementation of certain environment policies such as The Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》). On 30 August 2017, the Company received a seizure warrant from the Environment Department of Changtai County, Zhangzhou City (the “**Seizure Warrant**”), where the manufacturing plants of the Group are located, that certain manufacturing facilities of the Group has breached certain regulations of The Atmospheric Pollution Prevention and Control Law of the PRC, including but not limited to the emission of dust to the outside environment without going through the process of water purification as a result of aged and damaged pipes. Consequently, most of the manufacturing facilities which did not fulfill the requirement had to be temporarily halted and left idle in the manufacturing plants from 30 August 2017 until 29 September 2017. Based on the fact that the Group only had to temporarily halt certain of its manufacturing facilities and the Group has sufficient production capacity available for the upcoming year, the Directors are of view that the Seizure Warrant has no material adverse impact to the Group’s operations. However, the Directors were of the view that it is critical to comply with relevant environmental

policies implemented by the local government in the PRC and to strengthen the Company's efforts in environmental protection to avoid future re-occurrence. The Company had devoted great effort in the reformation of the manufacturing facilities to improve the facilities into a higher environmental protection standard in the past. In particular, the Company had contributed approximately RMB92 million (equivalent to approximately HK\$117.52 million) in the reformation of the manufacturing plants, including but not limited to the upgrade of the manufacturing facilities to higher environmental protection standards and installation of environmental friendly machines and systems. In addition, the Company intends to set aside up to approximately RMB73 million (equivalent to approximately HK\$88.67 million) to strengthen the manufacturing facilities, including but not limited to the purchase of automatic high-pressure molding equipment, purchase of clay and glaze processing equipment, and upgrade of certain other mold processing equipment, of which approximately RMB54 million (equivalent to approximately HK\$65.59 million) is intended to be utilised in the 1st quarter of 2018.

The Company's expected funding needs for the next 12 months is approximately HK\$332.63 million, which mainly comprises (i) the redemption and repayment of the 1st Bonds and relevant interests of approximately HK\$167.34 million, the repayment of the interests of the 2nd Bonds of approximately HK\$10.00 million, the redemption and repayment of the Individual Bond and relevant interests of approximately HK\$10.10 million; (ii) amounts required for the strengthening of the existing manufacturing facilities of approximately HK\$88.67 million; (iii) PRC bank loan interests of approximately HK\$10.08 million; and (iv) general working capital of the Group (including both subsidiaries of the Group in HK and in the PRC) of approximately HK\$46.44 million.

The funding needs for (i) the repayment of the principal amount of the 1st Bonds and the relevant interests are based on the assumption that the Rights Issue will be completed on 3 April 2018 (the expected completion date of the Rights Issue in accordance with the expected timetable in this announcement) and the principal amount and the default interests accruing to the 1st Bonds up to date will be repaid in full; (ii) the repayment of the interests of the 2nd Bonds are based on the assumption that the Rights Issue will be completed on 3 April 2018 and the interests accruing to the 2nd Bonds for the year ending 31 December 2018 will be repaid; and (iii) the repayment of the principal amount of the Individual Bond are based on the assumption that the Rights Issue will be completed on 3 April 2018 and the interests accruing to the Individual Bond up to 22 December 2018 will be repaid.

The funding needs for the working capital of the Group are based on the existing events, production plans, existing contracts and/or agreements signed and intentions of the Directors and events anticipated by the Directors, assuming no material changes in the ordinary course of the business of the Group, existing government policies or in political, legal, fiscal or economic conditions in the PRC or any territories or in the industry in which the Group operates.

The funding needs of the Group for the next 12 months is proposed to be satisfied by the internal resources of the Group and the net proceeds from the Rights Issue.

Given that (i) the 1st Bonds had already been due and had yet to be settled as at the date of this announcement; (ii) the Statutory Demand was received by the Company in respect of alleged claims for the settlement of the indebtedness under the 1st Bonds and failing to repay the said sums within 21 days from the date of the Statutory Demand of which may result in a winding-up order being made in respect of the Company; and (iii) the cash and cash equivalent balances of the Group, taken into account of the Group's operations funding needs which is critical to the continuance of the Group's principal businesses, are not sufficient for the repayment of the 1st

Bonds and the relevant interest, the Directors are of view that fund raising is inevitably required by the Company. The Company has been actively seeking ways for fund raising and has considered different financing alternatives. The Directors consider fund raising via the Rights Issue to be fair and reasonable and in the interest of the Company and the Shareholders as a whole. For details of the fund raising alternatives other than the Rights Issue considered by the Company, please refer to the section headed “Other Considerations in Respect of the Rights Issue” in this announcement.

The Directors are further of the view that the redemption of the 1st Bonds will (i) immediately relieve of the Company’s financial obligation and limit further accrual of interests in respect of the 1st Bonds; and (ii) avoid the immediate demand for repayment in respect of the 2nd Bonds of which the due date shall remain as the original maturity date of 28 January 2019.

The gross proceeds from the Rights Issue will be not less than HK\$217.20 million (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than HK\$217.44 million (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the outstanding Share Options in full on or before the Record Date). The net proceeds from the Rights Issue will be not less than HK\$210.65 million (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than HK\$210.89 million (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the outstanding Share Options in full on or before the Record Date).

The Company intends to apply net proceeds from the Rights Issue as to,

(1) Redemption and repayment of Corporate Bonds

As disclosed in the interim report for the period ended 30 June 2017 of the Group, the unaudited carrying amount of the Corporate Bonds as at 30 June 2017 was approximately RMB262.82 million (equivalent to approximately HK\$303.3 million), of which corporate bonds with principal amount of HK\$152 million was due on 27 December 2017. The principal terms of the Corporate Bonds are summarised as follows:

Corporate Bonds				
Issued date	:	28 December 2015	29 January 2016	23 December 2015
Terms	:	2 years	3 years	3 years
Principal amount	:	HK\$152,000,000 (the “1st Bonds”)	HK\$142,300,000 (the “2nd Bonds”)	HK\$9,000,000 (the “Individual Bond”)
Interest rate	:	6.50% per annum and payable semi-annually in arrears	7.00% per annum and payable semi-annually in arrears	6.00% per annum and payable semi-annually in arrears
Maturity date	:	27 December 2017	28 January 2019	22 December 2018
Outstanding interest for the year ended 31 December 2017	:	Approximately HK\$5.08 million	Approximately HK\$4.40 million	Approximately HK\$0.55 million
Interest for the year ending 31 December 2018	:	N/A	Approximately HK\$10.00 million	Approximately HK\$0.55 million

Pursuant to the agency agreement entered into between the Company, The Bank of New York Mellon, London Branch, being the fiscal agent and paying agent, and The Bank of New York Mellon, (Luxembourg) S.A., being the registrar and transfer agent in relation to the 1st Bonds dated 28 December 2015, if the Company defaults in payment of any sum due and payable, the Company shall pay interest on such overdue sum to the relevant bondholder(s) from (and including) the due date to (and excluding) the date of actual payment in full (both before and after judgment) calculated at the rate of 2% per month. Such interest shall accrue on the basis of the actual number of days elapsed and a 365 day year.

The Company intends to apply net proceeds from the Rights Issue as to approximately HK\$187.44 million for the redemption of corporate bonds and the repayment of the relevant interests immediately upon the completion of the Rights Issue. The specific cash deployments are as follows:

- (a) the principal amount of HK\$152 million of the 1st Bonds issued by the Company on 28 December 2015 which was already due on 27 December 2017, and repayment of interests (including the default interests) of approximately HK\$15.34 million;
- (b) the interest of the 2nd Bonds issued by the Company on 29 January 2016 of approximately HK\$10.00 million; and
- (c) the principal amount of HK\$9 million of the Individual Bond issued by the Company on 23 December 2015, and repayment of interests of approximately HK\$1.10 million.

(2) General working capital

The Group plans to set aside approximately HK\$23.21 million for general working capital of the Group for the year ending 31 December 2018, including but not limited to the operating cash used for the daily production of sanitary ware and accessories, the settlement of outstanding accounts payable to vendors and the general operating expenses of the Group. Based on the unaudited consolidated management accounts of the Group, the Group's bank and cash balances amounted to approximately RMB112.39 million (equivalent to approximately HK\$136.52 million) as at 31 December 2017. The management of the Group periodically monitors and reviews the Group's current assets and liabilities to ensure there is sufficient working capital for the Group's daily operation. The Directors consider that it will be a merit for the Group to have available working capital for its business operation and development.

The Directors are of the view that the Rights Issue can strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The Rights Issue also represents good opportunities to broaden the shareholders' base and the capital base of the Company.

Other considerations in respect of the Rights Issue

Apart from the Rights Issue, the Directors have also considered other financing alternatives such as bank borrowing, issue of debt securities and equity financing such as placing of new Shares, details as follow:

Extension of the 1st Bonds:

The Directors has negotiated with the Placing Agent in attempt to extend the maturity date of the 1st Bonds. However, following back-and-forth proposals put forward by both parties, the Placing Agent finally rejected the possibility for extension given that (i) an extension requires 75% or more of bond holders' agreement and they believe the bond holders were likely to reject the extension proposal; and (ii) the time remaining for them to convince the bond holders to agree to the extension was too tight.

Bank borrowings:

In view of the bank's familiarity with the Group's business, the Company has approached two banks which the Company currently maintains bank accounts with, in attempt to obtain bank borrowings to redeem and repay the 1st Bonds. However, following various discussions among the banks and after the banks have reviewed the recent published financial statements of the Company, they indicated that (i) the Group has no operating subsidiary in Hong Kong; (ii) the Group was loss making for the year ended 31 December 2016 and the six months ended 30 June 2017; and (iii) the Group has no asset in Hong Kong for pledge as security. Eventually, these two banks rejected any possibility for the bank borrowings for the Company. No precise terms and conditions were further discussed.

The Company has also discussed with another bank where the Company does not maintain any bank account with, however citing unfamiliarity with the Group's business, as at the date of this announcement, the Company did not obtain any further response from this bank.

In addition, the Company has discussed the possibilities of obtaining banking facilities with banks in the PRC given that they are familiar with the Group's principal business in the PRC. However, as the Group's assets, including but not limited to certain buildings, prepaid land lease payments situated in Mainland China, and the Group's forward letters of credit are already used as securities for existing bank loans, the banks indicated that any further loans would be difficult to obtain, and the approval process would likely require a lengthy time. As of the date of this announcement, the Company did not obtain any other favourable responses.

Issuance of convertible bonds: The Directors has negotiated with one placing agent for the issuance of convertible bonds and the placing agent proposed an issuance of convertible bonds in principal amount of HK\$200 million with the annual interest rate ranging from approximately 18% to 24%. Interest will be accrued daily on a 365 days basis and is payable monthly in arrears, and the conversion price would be approximately HK\$0.15 per Share (to be adjusted based on the prevailing market price on the date of issuance).

In view that (i) the terms of the convertible bonds, in particular the high interest rate of approximately 18% to 24% per annum required, were not considered favourable for the Company, (ii) convertible bonds will incur interest expenses and increase the Group's gearing ratio; and (iii) the issuance of convertible bonds does not offer existing Shareholders the opportunity to participate in the enlargement of the capital base of the Company, and will dilute the shareholding interest of existing Shareholders upon the conversion into ordinary shares, the Directors do not consider this proposal to be in the interest of the Shareholders and the Company as a whole.

Issuance of corporate bonds: The Directors have considered an issuance of corporate bonds. However, given the proposed interest rate of the convertible bonds provided by the placing agent was already considered too high and not in the interest of the Company, the Directors were of the view that an issuance of corporate bonds would not be in the interest of the Company as the interest rate of any issuance of corporate bonds, which does not contain any convertible elements as in convertible bonds, would likely be even higher.

Placing of new Shares: The Directors have also considered a placement of new Shares. However, as placing of new Shares will only be available to certain placees who were not necessarily the existing Shareholders and will lead to immediate dilution in shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlargement of the capital base of the Company, the Directors do not consider this proposal to be in the interests of the Shareholders and the Company as a whole.

Pre-emptive offers:

The Directors considered various pre-emptive offers structures, including rights issue and open offer. Although an open offer is similar to a rights issue, an open offer will not provide an additional option to those Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid Rights Shares. Furthermore, those Qualifying Shareholders who wish to increase their shareholding interest in the Company cannot acquire additional nil-paid Rights Shares in the market in the case of an open offer.

On the other hand, the Directors consider that the Rights Issue is in the interest of the Company and the Shareholders as a whole as (i) Qualifying Shareholders have the option to subscribe for the Rights Shares at their sole discretion; (ii) Qualifying Shareholders who do not take up their allotments can sell the nil-paid Rights Shares in the market; (iii) the Rights Issue allows the Qualifying Shareholders who participate to increase their interest in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); and (iv) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlarged capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

Therefore, the Directors are of view that the Rights Issue is a more preferred means of fund raising than debt financing or other equity financing to the Company.

In determining the current subscription ratio and the Subscription Price for the Right Issue, the Company has considered the following factors: (i) a discount to the closing price of the Share is necessary in order to encourage the Shareholders to participate in the Rights Issue; (ii) the additional funding required of approximately HK\$196.11 million; (iii) the recent rights issue conducted by other Hong Kong listed issuers; (iv) the Subscription Price has to be set at a discount level to the closing price of Share to be acceptable to the Underwriter; (v) the Subscription Price cannot be set below the par value per Share; (vi) the dilution effect to the existing Shareholders in the event that they do not take up the provisional allotment in full; and (vii) the Rights Issue is subject to the Independent Shareholders' approval at the EGM. Based on the additional funding required of approximately HK\$196.11 million, the Company approached eight potential underwriters, to ascertain whether they will be willing to participate in the proposed rights issue and to fully underwrite all the rights shares. Two of them declined to participate, three of them did not have any response, and the Company continued negotiation with the remaining three (one of them being the Underwriter), which were willing to discuss and negotiate with the management of the Company regarding the details terms of the proposed rights issue, including but not limited to the subscription ratio, subscription price, and underwriting commission.

During the discussions, various offer possibilities were discussed and negotiated between the management of the Company and the potential underwriters, including but not limited to various subscription ratio possibilities and subscription price available. It was noted during the discussions that:

- (a) the Company recorded unaudited loss attributable to owners of the Company of approximately RMB58.59 million and unaudited net cash used in operating activities of approximately RMB176.61 million for the six months ended 30 June 2017 (audited loss attributable to owners of the Company of approximately RMB349.60 million and audited net cash used in operating activities of approximately RMB601.63 million, respectively, for the year ended 31 December 2016); and
- (b) with reference to to the historical trading records of the Company for the 3 months prior to the date of the Underwriting Agreement, (1) average trading liquidity of the Shares ranges from the maximum of 192,016,000 Shares, representing approximately 15.03% of the issued Shares, to the minimum of 114,000 Share, representing approximately 0.01% of the issued Shares, and an average of 7,159,971 Shares, representing approximately 0.56% of the issued Shares; and (2) closing price of the Shares ranges from HK\$0.1100 to HK\$0.2040 and an average of HK\$0.1520. In view of the inactive trading activities, the Directors consider that the discount to the Subscription Price would encourage the Qualifying Shareholders to take up their entitlement so as to maintain their shareholdings in the Company and participate in the future growth of the Group.

The potential underwriters who responded to the Company (including the Underwriter) proposed subscription prices which represented discounts ranging from approximately 24.78% to at least 40% to the prevailing market price and commission rates reaching ranging from 2.5% to 3.5%, on the basis of two (2) rights shares for every one (1) share held on the record date. The Company has further considered various subscription ratios to come up a rate which would yield a proceed which most closely matches the funding needs of the Company, given the proposed subscription price provided by the potential underwriters, and concluded that the proposed subscription ratio of two (2) rights shares for every one (1) share held on the record date is the most favourable subscription ratio, given that (i) it satisfies the funding needs of the Company; and (ii) it results in less dilution impact compared to the other possible subscription ratios considered. In addition, the Directors have used the best endeavours to negotiate the subscription price with the potential underwriters. However, no potential underwriter was willing to further adjust the proposed subscription price citing a low discount to current price would not be attractive to potential investors. After considering (i) the dilution impact to the non-participant Shareholders; (ii) the discount rate of the subscription price to the prevailing market price; and (iii) the commission rate compared among all potential underwriters, the Directors are of view that the terms provided by the Underwriter is considered the best which is available to the Company.

Considering the current financial and market conditions the Group is facing, the Directors consider that the terms provided by the Underwriter are the most favourable terms the Company was able to obtain, and the discount of the Subscription Price to the prevailing market price of the Shares and the dilution impact on non-participating Shareholders under the Rights Issue was unavoidable and necessary. The Directors are of view that the Subscription Price and the subscription ratio were determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions and the funding needs of the Group.

In the event that the Shareholders do not take up their respective entitlement under the Rights Issue, their respective shareholdings interests in the Company will be diluted by 66.67%. However, the Directors consider that such scenario of maximum dilution is unlikely to occur since it assumes that: (i) the Independent Shareholders would have voted in favour of the Rights Issue at the EGM; but (ii) no Independent Shareholder would take up their allotment under the Rights Issue, which is a complete misalignment between the voting behaviour of the Independent Shareholders and their economic interests represented in the form of subscribing for the Rights Issue. The Company has also given consideration to the dilution effect of the Rights Issue when determining the terms of the Rights Issue, but given that the Company, under the current circumstances, has limited/few alternatives to raise capital to satisfy the funding needs of the Group and to raise incentives of the Qualifying Shareholders' participation in the Rights Issue, the Directors therefore consider the current terms of the Right Issue are fair and reasonable and in the interest of the Shareholders notwithstanding the potential dilution impact which was unavoidable and necessary.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activities in the past 12 months immediately prior to the date of this announcement.

CHANGE OF BOARD LOT SIZE

The Board proposes that, subject to the completion of the Rights Issue, the board lot size of the Shares for trading on the Stock Exchange would be changed from 2,000 Shares to 40,000 Shares with effect from Friday, 6 April 2018. No new share certificate will be issued to Shareholders. All existing share certificates will continue to be good evidence of legal title to such Shares and be valid for transfer, delivery and settlement purposes.

Based on the closing price of the Shares on the Last Trading Day of HK\$0.1130, the theoretical ex-rights price of each Share is HK\$0.0943. On the basis of such theoretical ex-rights price and the new board lot size of 40,000 Shares, the new board lot value would be HK\$3,772.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposed to increase the Company's authorised share capital from HK\$20,000,000 divided into 2,000,000,000 Shares to HK\$80,000,000 divided into 8,000,000,000 Shares by the creation of an additional 6,000,000,000 unissued Shares. The Proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM. As none of the Shareholder has any material interest in the Proposed Increase in Authorised Share Capital, no Shareholder is required to abstain from voting for this resolution at the EGM.

WORKING CAPITAL

The directors are of the opinion that after taking into account the existing cash and bank balances, present internal resources available, and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements and for the next 12 months.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company has no controlling Shareholder. The Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6)(a) of the Listing Rules.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve (i) the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder; and (ii) the Proposed Increase in Authorised Share Capital. A Circular containing, among other things, (i) further details of the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) further details of the Proposed Increase in Authorised Share Capital; and (v) a notice convening the EGM, will be despatched to the Shareholders on or before Thursday, 1 February 2018.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, the PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on or before Friday, 9 March 2018. The Prospectus will be despatched to the Excluded Shareholders for information only.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Rescission and Termination of the Underwriting Agreement”). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares between the date of this announcement and the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders in relation to, among other things, the Rights Issue and containing the notice of the EGM
“Company”	Bolina Holding Co., Ltd., a company incorporated in the Cayman Islands with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve (i) the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder; and (ii) the Proposed Increase in Authorised Share Capital
“Excluded Shareholders”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company for the purpose of giving recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third parties independent of and not connected with the Company and connected person(s) (as defined under the Listing Rules) of the Company
“Latest Time for Acceptance”	4:00 p.m. on Friday, 23 March 2018 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Monday, 26 March 2018, being the first Business Day after (but excluding) the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter
“Last Trading Day”	Tuesday, 23 January 2018, being the last trading day of the Shares on Stock Exchange before the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option Shares”	up to 1,450,000 Shares which may be allotted and issued by the Company upon exercise of the 1,450,000 outstanding Share Options
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong

“PAL(s)”	Provisional allotment letter for the Rights Issue
“Posting Date”	Friday, 9 March 2018 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholders for information only (as the case may be)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of PRC and Taiwan
“Proposed Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000 dividend into 2,000,000,000 Shares to HK\$80,000,000 divided into 8,000,000,000 Shares by the creation of an additional 6,000,000,000 unissued Shares
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders
“Record Date”	Wednesday, 7 March 2018 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Rights Issue
“Registrar”	Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the Hong Kong branch share registrar of the Company
“Rights Issue”	the proposed issue by way of rights on the basis of two (2) Rights Shares for every one (1) Share in issue and held on the Record Date at the Subscription Price per Rights Share on the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
“Rights Share(s)”	not less than 2,555,236,440 Shares and not more than 2,558,136,440 Shares to be issued and allotted under the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	The Securities and Futures Commission of Hong Kong

“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Share Options”	the options to subscribe for new Shares granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 25 June 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price of HK\$0.0850 per Rights Share
“Underwriter”	Astrum Capital Management Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 23 January 2018 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	all the Rights Shares, being not less than 2,555,236,440 Rights Shares and not more than 2,558,136,440 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Untaken Shares”	the Underwritten Shares which have not been taken up by the Qualifying Shareholders
“%”	Per cent

By order of the Board
Bolina Holding Co., Ltd.
Zheng Zhihong
Chairman

Hong Kong, 23 January 2018

As at the date of this announcement, the Board comprises Mr. Zheng Zhihong (Chairman and Chief Executive Officer), Mr. Yang Qingyun, Mr. Zhang Ming, Ms. Sun Yumei and Mr. Lam Ying Choi, Donny as executive Directors, and Mr. Jiang Guoxiang, Mr. Zhang Shujun and Ms. Xia Zhongping as independent non-executive Directors.