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OZNER WATER INTERNATIONAL HOLDING LIMITED

浩澤淨水國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2014)

**SUPPLEMENTAL INFORMATION IN RELATION
TO THE ANNUAL RESULTS FOR THE
YEAR ENDED 31 DECEMBER 2019
AND
DEFAULT IN REPAYMENT OF THE LOANS**

Reference is made to the audited annual results announcement dated 23 June 2020 (the “**Audited Results**”) and the annual report (the “**Annual Report**”) of Ozner Water International Holding Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the year ended 31 December 2019. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Audited Results and the Annual Report.

AUDIT QUALIFICATION

Action Plan to Address the Disclaimer of Opinion

In order to address the uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern, and in relation to the disclaimer of opinion by the Company’s auditor, the Company has taken and intends to continue to implement the following measures to mitigate the liquidity pressure and to improve its cash flows, including:

- (i) The Group has taken measures to tighten cost control over various costs with an aim to achieve profitability and positive cash flow from operations during the year ending 31 December 2020;

- (ii) The Group has drawn down new loans of RMB286.8 million during the period from 1 January 2020 to 23 June 2020. As at 23 June 2020, the ageing analysis of the new loans obtained during the period, based on the due date as at 23 June 2020, is as follows:

	As at 23 June 2020 RMB'000
Overdue	67,322
Expiry within:	
1 – 3 months	4,080
4 – 6 months	34,000
7 – 9 months	93,378
10 – 12 months	88,000
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Total	286,780
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- (iii) Based on the recent communication between the Group and the bondholder, it is expected that the bondholder would grant an extension of the full amount of the convertible bond upon expiration. Such bondholder subscribed the convertible bond at an aggregate principal amount of HK\$465.0 million. The convertible bond bears an interest rate of 5% per annum and will be due on 6 November 2020;
- (iv) Based on the recent communication between the Group and the banks and financial institutions, the lenders with aggregated outstanding loan amounts of RMB896.9 million have agreed to renew the outstanding loans or extend the time in repaying the outstanding loans orally or in writing as at 23 June 2020. For the remaining loans with an aggregate amount of RMB306.7 million, the Group is still negotiating with the lenders to agree to renew the outstanding loans or extend the time in repaying the outstanding loans upon expiration as at the date of this announcement; and
- (v) As at 23 June 2020, the Group was in the process of negotiating with other banks and financial institutions for financing to repay the existing loans and use as general working capital.

Impacts of the Audit Qualification on the Company's Financial Position

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to re-classify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2019.

Removal of the Disclaimer of Opinion

The Board will take into consideration the disclaimer of opinion in relation to the going concern issue in preparing the financial statements for the year ending 31 December 2020, and will be responsible for assessing the Company's ability to continue as a going concern based on the conditions and circumstances as at 31 December 2020.

The management's assessment of the Group's ability to continue as a going concern as at 31 December 2020 would take into consideration of (i) the outcome of the above action plans; (ii) the actual financial conditions and business circumstances of the Group as at 31 December 2020; and (iii) how fast the Group's business would recover after the COVID-19 pandemic by 31 December 2020.

Assuming all of the above action plans can be implemented as intended, and there are no other material adverse changes to the business, operation and financial conditions of the Group, together with the existence of the supporting evidence in proving the Group's ability to continue as a going concern, the Company believes that the auditor will be able to remove the disclaimer of opinion by the time of issuing the audit opinion for the year ending 31 December 2020. However, since the Company is still in the process of implementing the above actions, it is premature for the Company to obtain the view/assessment from the auditor as to whether the disclaimer of opinion can be removed in next financial year in the meantime.

DEFAULT IN REPAYMENTS

As disclosed in the Audited Results, the Group's bank and other borrowings amounted to RMB2,691.8 million as at 31 December 2019. The overdue bank and other borrowings as at 31 December 2019 and 23 June 2020 were RMB289.6 million and RMB1,203.6 million, respectively. The table below sets forth for the aging of the overdue loans as at 31 December 2019 and 23 June 2020:

	As at 31 December 2019 <i>RMB'000</i>	As at 23 June 2020 <i>RMB'000</i>
Overdue:		
1 month	289,695	522,521
2 – 3 months	–	177,377
4 – 6 months	–	431,022
7 – 12 months	–	72,678
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Total	289,695	1,203,598
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As at the date of Audited Results, the Group entered into 58 loan agreements with the 27 banks and lenders which have provided the aggregated loan amounts of RMB1,203.6 million. In this regard, the Group has already commenced negotiation with banks and other lenders to apply for the waivers or extensions. Based on its recent communication between the Group and the banks and lenders, there is no change of the banks' and lenders' intention to grant extension to the Group's outstanding loans.

CROSS-DEFAULT

In addition, the Company refers to its announcement dated 30 October 2018 (the “**CB Announcement**”) in relation to, among other things, the issuance for convertible bonds under the general mandate. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the CB Announcement.

As disclosed in the CB Announcement, the Company issued 6.8% convertible bonds due 11 November 2021 in an aggregate principal amounts of HK\$215.0 million (the “**Convertible Bond**”). As at the date of Audited Results, the Company failed to pay the interest of HK\$7.3 million to the Bondholders (the “**Non-payment**”) and failed to repay the overdue banks and other borrowings, which amounts to RMB1,203.6 million (the “**Cross-Default**”). Pursuant to the terms of the Convertible Bonds, the Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Convertible Bonds then outstanding, or if so directed by an extraordinary resolution of the Bondholders, shall give notice to the Company that the Convertible Bonds become, immediately due and repayable, including the principal amount of the Convertible Bonds together with interest accrued but unpaid to such date.

On 21 May 2020, the Company received a notice of Non-payment of Convertible Bonds and was informed that an Event of Default under the terms of the Convertible Bonds has occurred and is continuing as a result of the Non-payment. As at the date of this announcement, based on the recent communication between the Company and the Trustee, the interest payment of the Convertible Bond is expected to be extended to a date before the end of September 2020, and the Group did not receive any notice for the early repayment of the Convertible Bond.

FURTHER INFORMATION IN RELATION TO THE CORPORATE GOVERNANCE REPORT

As set out in the paragraph headed “Directors' Responsibilities for Financial Reporting in Respect of Financial Statements” in the Annual Report, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The Board would like to provide additional information on the disclaimer opinion on the Company's financial statements for the year ended 31 December 2019 issued by the independent auditor.

During the year ended 31 December 2019, the Group incurred a net loss of RMB970.2 million for the year ended 31 December 2019. As at 31 December 2019, the Group's current liabilities exceeded its current assets by RMB1,687.3 million. In addition, the Group's bank and other borrowings and convertible bonds amounted to RMB3,023.8 million as at 31 December 2019, out of which RMB289.7 million were overdue and not paid in accordance with the repayment schedules pursuant to the borrowing agreements. The overdue amount further increased to RMB1,203.6 million as of 23 June 2020. As stipulated in the subscription agreement of the Group's certain convertible bonds, any default of the Group's borrowings may result in cross-default of these borrowings. As a result of certain defaults as at 31 December 2019, convertible bonds of RMB160.4 million with original contractual repayment date beyond 31 December 2020 was considered as cross-default and have been reclassified as current liabilities as at 31 December 2019. Due to the above conditions, together with others described in Note 2.1 to the consolidated financial statements of the Annual Report, the independent auditor issued a disclaimer opinion on the consolidated financial statements of the Company for the year ended 31 December 2019.

However, such Audit Qualification does not have a significant impact on the Group's daily operation. The Directors, after having made appropriate enquiries and assessments, consider that the Group has adequate resources to continue its operation. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis for the year ended 31 December 2019 and are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

In addition, the Group has taken and implemented some of the action plans as set out in Note 2.1 to the consolidated financial statements of the Annual Report to improve its liquidity and financial position, to meet its liabilities as and when they fall due. However, the outcome of the above action plans is subject to multiple uncertainties. Details of the uncertainties are also set out in Note 2.1 to the consolidated financial statements of the Annual Report.

The Company will make further announcement(s) in accordance with the Listing Rules as and when necessary or appropriate in relation to any development and update of the event of default or breach of the loan agreement that are significant to the operations of the Group.

By Order of the Board
Ozner Water International Holding Limited

XIAO Shu
Chairman

Hong Kong, 24 September 2020

As at the date of this announcement, the executive Directors are XIAO Shu, HE Jun and XIE Jinlong; the non-executive Director is WANG Xiaodong; and the independent non-executive Directors are HUANG Jing, LAU Tze Cheung Stanley and CHAN Yuk Sing Gilbert.